

## **Unlock the value of your gold**

The recently approved government scheme provides both liquidity and returns

### **GOLD BONDS**

#### **Who will issue gold bonds?**

The Reserve Bank of India (RBI), on behalf of the government.

#### **How to buy these?**

Purchases can be made from banks, non-banking financial companies, post offices, National Saving Certificate agents and others. They will collect, as well as redeem, these bonds on behalf of the government.

#### **The Know Your Customer norms?**

The same as for buying gold. A permanent account number (PAN) card required for investments above Rs 50,000.

#### **The units in which they will be available?**

5, 10, 50, 100 grams of gold or other denominations. It will be available both in demat and paper form.

#### **The maximum quantity I can purchase annually?**

500 grams

#### **Will I be charged for buying or selling gold bonds?**

No. The issuing agency will need to pay distribution costs and a sales commission to the intermediate channels, to be reimbursed by the government.

#### **What price of gold will be considered?**

The price of gold might be taken from the reference rate, as decided, and the rupee equivalent amount may be converted at the Reserve Bank of India reference rate on issue and redemption. This rate will be used for issuance, redemption and loan-to-value (LTV) purpose and disbursement of loans.

### **The rate of interest?**

While the rate has not been decided, the government will take a call on the rates based on the domestic and international market conditions. Also, the rates could vary from one tranche to another. It could be a floating or a fixed rate.

### **What will be the tenure of the bonds?**

The tenure of the bond could be for a minimum of five to seven years to protect investors from medium-term volatility in gold prices.

### **Can these be used as collateral?**

Yes, they can be used as collateral for loans. The loan-to-value ratio is to be set equal to ordinary gold loan mandated by RBI from time to time.

### **Can I sell the bond in an emergency?**

Bonds can be sold or traded on exchanges.

### **What will be the taxation?**

The government will consider exemption for capital gains on redemption of Sovereign Gold Bonds and indexation benefits in Budget 2016-17.

## **GOLD MONETISATION SCHEME:**

### **How to start?**

Open a gold savings account with any bank by doing the Know Your Customer check. The account will be denominated in grammes of gold.

### **How to get gold valued?**

Once you have opened the account, go to an assayer. After the purity testing, the assayer will give a certificate that has to be given to the bank. The bank will have a tripartite legal agreement with refiners and collection and purity testing centres.

### **What will be the fee for getting the gold tested for purity?**

The customer will not be charged anything. The bank will pay the fee.

**What is the minimum deposit?**

30 gms

**What is the tenure?**

Three tenures. Short term - one to three years (with a rollout in multiples of one year); medium term - five to seven years; and long term - 12-15 years.

**Will there be a penalty for withdrawing in the interim?**

Yes, much like a fixed deposit, breaking of the lock-in period will be allowed. However, there would be a penalty on premature redemption, including partial withdrawal.

**What will be the rate of interest?**

In the short term, the bank will decide the rate depending on the international lease rates, other costs and market conditions. For medium- and long-term deposits, the rate of interest (and the fees to be paid to the bank for their services) will be decided by the government, in consultation with the Reserve Bank of India from time to time. The interest rate for medium- and long-term deposits will be denominated and payable in rupees, based on the value of gold deposited.

**Will I get physical gold on redemption?**

Only for the short-term deposits. The customer will have the option of redemption, for the principal deposit and interest earned, either in cash (in equivalent rupees of the weight of deposited gold at the prices prevailing at the time of redemption) or in gold (of the same weight of gold as deposited). However, they have to indicate the option at the time of making the deposit. In case you want to change the option in the interim, it will depend on the bank's discretion. Redemption of fractional quantity (for which a standard gold bar/coin is not available) would be paid in cash.

For medium- and long-term deposits, redemption will be only in cash, in equivalent rupees of the weight of the deposited gold at the prices prevailing at the time of redemption. The interest earned will, however, be based on the value of gold at the deposit on the interest rate as decided.

**Will there be tax on capital gains or interest income?**

When you take the gold and convert to gold savings scheme, there will be a capital gains tax. But after conversion, there is no tax on interest (in gold grams) or capital gains in future.

*(Business Standard)*