# 04– 08 – 2024

**News:** Sovereign Gold Bond (SGB) Scheme

- Recently, the Union Government in the Budget 2024-25 announced a reduction of the import duty on gold from 15% to 6%.

## Gold

- As per National Mineral Inventory data, the total reserves/resources of gold ore (primary) in the country have been estimated at 501.83 million tonnes as on 1.4.2015.
- Out of these, 17.22 million tonnes were placed under reserves category and the remaining 484.61 million tonnes under remaining resources category.
- In India, largest resources of gold ore (primary) are located in Bihar (44%) followed by Rajasthan (25%), Karnataka (21%), West Bengal (3%), Andhra Pradesh (3%), Jharkhand (2 %).
- Karnataka commands around 80% of the nation's total gold output. The Kolar Gold Fields (KGF) in the Kolar district is one of the world's oldest and deepest gold mines.

- The remaining 2% resources of ore are located in Chhattisgarh, Madhya Pradesh, Kerala, Maharashtra and Tamil Nadu.
- Cost of extraction varies from mine to mine.

**India Gold Import**

- India is the world's second-largest gold consumer behind China. India's gold imports increased by 30% in 2023-24, reaching USD 45.54 billion.
- In 2023-24, India imported gold worth US$ 36.6 billion, making it 5th largest gold importer in the world. Switzerland tops the chart followed by China, United Kingdom and Hong Kong.
- However, there was a significant decline of 53.56% in gold imports observed in March 2024.
- Switzerland is the largest source of gold imports, with about 41 per cent share, followed by UAE (about 13 per cent) and South Africa (about 10 per cent).

# Sovereign Gold Bonds (SGB)

- The Sovereign Gold Bonds (SGB) was launched in November 2015 with an objective to reduce the demand for physical gold and shift a part of the domestic savings - used for the purchase of gold - into financial savings.

- The Gold Bonds are issued as Government of India Stock under the Government Securities (GS) Act, 2006.
- These are issued by the Reserve Bank of India (RBI) on behalf of the Government of India.
- Bonds are sold through Commercial banks, Stock Holding Corporation of India Limited (SHCIL), designated post offices and recognised stock exchanges viz., National Stock Exchange of India Limited and Bombay Stock Exchange, either directly or through agents.
- The bonds are restricted for sale to resident individuals, Hindu Undivided Families (HUFs), trusts, universities and charitable institutions.
- Gold bond prices are linked to the price of gold of 999 purity 24 carats published by India Bullion and Jewellers Association (IBJA), Mumbai.
- Gold bonds can be purchased in the multiples of one unit upto certain thresholds for different investors.
- The upper limit for retail (individual) investors and HUFs is 4 kilograms (4,000 units) each per financial year. For trusts and similar entities, an upper limit of 20 kilograms per financial year is applicable.
- Minimum permissible investment is 1 gram of gold.
- The gold bonds come with a maturity period of eight years, with an option to exit the investment after the first five years.

- A fixed rate of 2.5% per annum is applicable on the scheme, payable semi-annually.
- The interest on Gold Bonds shall be taxable as per the provision of Income Tax Act, 1961.
- Bonds can be used as collateral for loans.
- The capital gains tax arising on redemption of SGB to an individual has been exempted.
- Redemption is the act of an issuer repurchasing a bond at or before maturity.
- Capital gain is the profit earned on the sale of an asset like stocks, bonds or real estate. It results in when the selling price of an asset exceeds its purchase price.

**Disadvantages of Investing in SGB**

- This is a long term investment unlike physical gold which can be sold immediately.
- Sovereign gold bonds are listed on exchange but the trading volumes are not high, therefore it will be difficult to exit before maturity.