KAMARAJ IAS ACADEMY
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Sovereign Gold Bond Scheme (SGB) 2022-23 (Series - 2) opens for subscription

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The gold bonds come with a **maturity period of eight years**, with an option to exit the investment after the first five years.

Interest Rate: 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**.

The SGB scheme was launched in **November 2015** with an objective to reduce the demand for physical gold.

Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity.

The **Bond is issued by Reserve Bank on behalf of Government of India**.

Eligibility:

The bonds are **restricted for sale to resident individuals, Hindu Undivided Families (HUFs), trusts, universities and charitable institutions**.

Benefits:

iBonds can be used as collateral for loans.

iiThe SGB offers a superior alternative to holding gold in physical form.

iiiThe risks and costs of storage are eliminated.

ivInvestors are assured of the market value of gold at the time of maturity and periodical interest.

vSGB is free from issues like making charges and purity in the case of gold in jewellery form.

Disadvantages of Investing in SGB:

iThis is a long term investment unlike physical gold which can be sold immediately.

iiSovereign gold bonds are listed on exchange but the trading volumes are not high, therefore it will be difficult to exit before maturity.