

# GOLD BONDS OPEN TODAY FOR SUBSCRIPTION WHEN INVESTMENT DEMAND IS RISING

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

The second tranche of gold bonds of this fiscal year (2020-21) will open for subscription today at a time when the investment demand for the precious metal is rising. Series II of sovereign gold bond scheme 2020-21 will close for subscription on May 15. The issue price of the latest gold bond scheme has been fixed at 4,590 per gram while the issue date is May 19. Those applying online and making payment through digital mode will get a discount of 50 per gram. For such investors, the issue price of bond will be 4,540 per gram of gold.

[Sovereign gold bonds](#) are issued by the Reserve Bank of India (RBI) on behalf of the government.

## Here are 10 things to know about the latest Sovereign Gold Bond Scheme 2020-21 Series II:

- 1) In April the government had also issued the Series 1 tranche of gold bonds and the latest one comes at a time when gold is attracting strong investment demand.
- 2) Gold holdings with SPDR ETF, the world's biggest gold exchange traded fund, have risen to multi-year highs of 1075.8 tonnes.
- 3) In April, gold futures prices on MCX had surged to record high above 47,000 per 10 gram. In the past one year, gold prices are up about 40%. Fears of a deeper global recession due to coronavirus-related lockdowns and widespread stimulus from central banks has helped lift prices of gold, which is seen as a hedge against inflation and currency debasement.
- 4) Gold ETFs, offered by mutual funds in India, saw an inflow of 731 crore last month, after withdrawals of 195 crore in March.
- 5) The issue price of sovereign [gold bonds](#) is fixed based on recent closing price of gold as published by the India Bullion and Jewellers Association Ltd for gold of 999 purity.
- 6) The minimum permissible investment in gold bonds is one gram of gold and they have a maturity period of eight years.
- 7) Investors will have the option to exit after the fifth year. Bonds are also traded on stock exchanges, offering buy or sell option to investors, subject to liquidity.
- 8) Gold bonds offer an annual interest rate of 2.50% to investors.
- 9) Capital gains, if any, at maturity is tax-free. This is an exclusive benefit available on gold bonds. Physical gold or other forms of investments like gold ETF or gold mutual funds don't qualify for this benefit.
- 10) The RBI had earlier released the timeline of issuances of gold bonds for the first six months of the year. Here is the timeline of gold bond that will be issued for next four months:

Tranche | Date of Subscription | Date of Issuance

2020-21 Series III June 08-12, 2020 June 16, 2020

2020-21 Series IV July 06-10, 2020 July 14, 2020

2020-21 Series V August 03-07, 2020 August 11, 2020

2020-21 Series VI Aug.31-Sept.04, 2020 September 08, 2020

The sovereign gold bond scheme 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.

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