

# Gold bonds open for subscription, discount offered: 10 points

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Gold bonds come with a host of income tax benefits

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The third tranche of 2019-20 sovereign gold bonds, which are government securities denominated in multiples of grams of gold, are open for subscription. It will close on August 9. The bonds will be issued on August 14, 2019. The government is coming out with sovereign gold bonds at a time when [domestic gold prices have hit record highs](#). The issue price for Sovereign Gold Bonds 2019-20-Series-III is ₹3,499 per gram and the government is offering a discount of ₹50 per gram for the investors applying online. For such investors, the issue price will be ₹3,449 per gram.

If you want to invest in gold as an asset class, then investing via [sovereign gold bond](#) is a good option, say financial planners. These gold bonds can be purchased either online or through offline modes - banks, post offices and other designated agents such as Sebi authorized trading members.

### 10 things to know about Sovereign gold bond 2019-20 Series III:

- 1) Sovereign gold bonds pay an interest at the rate of 2.50% per annum on the issue price. Interest is credited semi-annually to the investor's account.
- 2) The maturity of sovereign gold bond is 8 years. The redemption price will be linked to the prevailing price of gold.
- 3) The last interest will be payable on maturity along with the principal.
- 4) Sovereign gold bonds are issued by the RBI on behalf of the Government of India. So the bonds carry sovereign guarantee both on redemption amount and on the interest.
- 5) The minimum investment amount is 1 gram.

- 6) Premature redemption of sovereign gold bond is permitted after fifth year of the date of issue of the bonds.
- 7) These bonds can be traded on stock exchanges within a fortnight of the issuance, offering an exit option to investors even before five years subject to liquidity available for these bonds.
- 8) The redemption/maturity price will be based on then prevailing prices as published by the India Bullion and Jewelers Association Limited.
- 9) The interest earned on gold bonds are taxed according to the subscriber's tax slab but TDS is not applicable. The capital gain arising on the redemption of bonds after eight years is exempted from capital gains tax. However, if you choose to sell before maturity of eight years, then gains are taxed as long-term capital gains if held for three years or more at the rate of 20% with benefits of indexation. If held for less than three years, gains are taxed at the tax slab of the subscriber.
- 10) Sovereign gold bonds are can be used as collateral for loans.

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