

A hand in a dark suit sleeve is dropping a gold coin into a clear glass jar. The jar is already filled with many silver coins. The background is dark and out of focus. A teal banner is overlaid on the left side of the image.

Handbook for the Financial Wellbeing Journey **Investments in Gold**



Introduction

Thank you for your interest in the Financial Wellness program.

Hope the program was insightful with many implementable take-aways.

Here is a Handbook which gives a glance:

- Gold investment options
- Gold ETF
- Taxation of Gold ETF
- SGB
- Taxation of SGB
- Gold Scheme jewellers
- Gold jewellery schemes from jewellers



Gold Investment Options

01 Physical Gold

Digital Gold **02**

03 Gold ETF

Sovereign Gold Bond **04**

05 Savings Schemes from Jewellers

Gold Leasing **06**



Gold ETF

Similar to mutual funds but invests in gold and is traded in stock exchange.

Advantages



1. Any time entry and exit option for investors.
2. Small amount of investment is possible.
3. Investor holding equivalent of 1 KG gold (or its multiple) in ETF may opt for redemption in physical gold.
4. Units can be pledged
5. Very liquid



Taxation of Gold ETF

TAXATION OF GOLD FUNDS								
Capital gains Tax		Before Budget			After Budget			
	Date of Investment	LTCG Period	LTCG Tax Rate	STCG Tax Rate	LTCG Period	LTCG Tax Rate	STCG Tax Rate	Effective From
Gold ETFs	Before April 1, 2023	> 36 months	20% with indexation	As per applicable slab rate	> 12 months	12.5% without indexation	As per applicable slab rate	July 23, 2024
	After April 1, 2023	As per applicable slab rate (no long-term tax rate benefit available)			> 12 months	12.5% without indexation	As per applicable slab rate	April 1, 2025
Gold Funds	Before April 1, 2023	> 36 months	20% with indexation	As per applicable slab rate	> 24 months	12.5% without indexation	As per applicable slab rate	July 23, 2024
	After April 1, 2023	As per applicable slab rate (no long-term tax rate benefit available)			> 24 months	12.5% without indexation	As per applicable slab rate	April 1, 2025

LTCG stands for Long-Term Capital Gains; STCG means Short-Term Capital Gains
Source: Quantum Mutual Fund

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SGB

Investment limits – Per Investor on the basis of PAN

- Minimum - 1 unit (or gram)
- Maximum - 4000 units or 4 Kilograms per investor per financial year

Allotment

- Investors get 'Certificate of Holding' generated from e-Kuber portal of RBI.
- Alternatively, units are allotted in demat account mentioned by investor in the subscription form.

Interest

- At present 2.50% pa, paid half yearly.
- Interest is credited in the linked bank account.

Tenure - 8 year

- Premature redemption possible from 5th year



SGB

Tax

- No long term capital gain for individuals if held till maturity.
- Indexation benefit if transferred to other person before maturity
- Interest is taxed at slab as income from other sources

Direct subscription in primary issuance

- Through banks, select post offices, stock exchanges and Stock Holding Corporation of India Limited (SHCIL).
- Application for subscription can be made in paper form or through net banking.
- If application and payment are made online, price discount @ 50 per gram available.

Secondary Market Purchase

- Already issued SGB can be purchased anytime through stock broker
- Purchase will be in demat form.



Taxation of SGB

- Interest of 2.5% is taxable at slab
- Redemption of SGB bought at issue:
 - ❑ Sold on Exchange:
 - LTCG > 12 months @ 12.5% - no indexation
 - STCG < 12 months @ slab
 - ❑ Sold thru RBI Redemption window (after 5 years)
 - Tax Free
 - ❑ On Maturity (8 years)
 - Tax Free
- Redemption of SGB bought in secondary market:
 - ❑ Sold thru RBI redemption window or at maturity
 - Tax Free
 - ❑ Sold in secondary market:
 - LTCG > 12 months @ 12.5% - no indexation
 - STCG < 12 months @ slab
- Bought offline and sold online :
 - LTCG > 12 months @ 12.5% - no indexation
 - STCG < 12 months @ slab



Gold Scheme Jewellers

- Many of these jewellers are not registered companies, and hence they fall outside the ambit of the Ministry of Corporate Affairs.
- The deposit amount they collect from customers is in the nature of trade advance
 - Since they are not deposits, they are not regulated by RBI
- You are basically lending money to the jewellers to run their operations at a cost (lower than what they can borrow from banks) and without any security



Gold Jewellery Schemes From Jewellers

1

Not regulated or audited

2

No grievance redressal

3

Restrictions on purchase-
Only jewellery & not coins

4

Cannot be sold in case of emergency



Summary

1

10-15% allocation to gold is good

2

Digital form of Gold is better

3

Opt for Gold ETF for Liquidity

4

SGB is good for long term goals



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