Newly Launched Gold Schemes!!!!

EXECUTIVE SUMMARY: Government has launched 4 new schemes related to Gold. The vision behind all these schemes is very clear to reduce the import of gold and use the idle gold lying in the bank lockers. In previous article we discussed about Gold Monetization Scheme. This article covers the details of rest of the 3 schemes which are Gold coins, Gold Bullion and Sovereign Gold Bond Scheme.

In the last article we have discussed about one of the 4 new Gold Schemes launched by our Prime Minister on 5th November 2015. The scheme discussed was Gold Monetisation Scheme. Considering emotional value attached to gold, it was expected to get low response. And till 25th November 2015, 20 days after the launch, only 400 gram gold was deposited by the investors across the country.

There are 3 more schemes which were launched on the same day. These are Gold Coin, Gold bullion scheme and Gold Sovereign Scheme.

Sovereign Gold Bond Scheme (SGB).

- SGBs are government securities denominated in grams of gold. These bonds are issued by Reserve bank on behalf of Government of India. They can be called as substitutes of physical gold, wherein the investor has to pay the issue price in cash and the bonds will be redeemed in cash on maturity.
- Here, the minimum limit of buying SGBs is 2 grams with the maximum limit of 500gms per person per fiscal year.
- The Bond bears the interest rate of 2.75% per annum on the investment amount, which will be credited to the respective bank account of the investor semi-annually; the last interest amount will be credited along with the principal amount during the time of maturity.
- HUFs, Trusts, universities and charitable institutions are eligible to invest in SGB
- These bonds, if held in demat form, can easily be traded in stock exchanges just like shares.
- The price of the bond is fixed in Rupee terms on the basis of previous week’s (Monday-Friday) simple average of closing price of gold of 999 purity published by Indian Bullion and Jewellers Association Limited.
- The tenure of the bond is for a period of 8 years with exit option from the fifth year to be exercised on interest payment dates.
- The first tranche of bonds was open for subscription from November 5-November 20 2015 and the issue date was announced to be November 26 which is now postponed to November 30, 2015.
Is it worth buying Gold bonds?

SGB offers superior alternative to holding gold in physical form. The risks and cost of storage are eliminated. Apart from these, SGB is free from extra fees like making charges and purity in case of gold in jewellery form. There may be a risk of capital loss if the market price of gold declines. However, the investor does not lose in terms of units of gold which he has paid for. As mentioned above, the ease of trading in stock exchanges enables an investor to keep a proper watch in the price movement and accordingly take a decision. Interest on bonds is taxable as per the provisions of Income Tax Act 1961. Here, capital gains tax treatment will be the same as that for physical gold.

Moreover, these bonds can be used as collateral against loans from banks, financial institutions and NBFC’S (Non-Banking Financial Companies). The Loan to Value ratio is the same as applicable to ordinary gold mandated by RBI from time to time. So if an investor is looking to invest in gold for medium to long term then this can be preferred option over other alternatives available.

The Gold Coin and Bullion Scheme

The Indian Gold Coin Scheme launched by PM Narendra Modi bearing Ashok Chakra on one side and Mahatma Gandhi image on the other side is the first ever India Gold Coin. Initially, the coins will be available in denominations of 5 grams and 10 grams. This coin is carrying advanced security features and tamper-proof packaging.

20 gram bullion may also be available with all MMTC outlets (Metals and Minerals Trading Corporation of India). According to the finance ministry, in the initial stages 15,000 coins of 5 grams, 20,000 coins of 10 grams and 3,750 gold bullions will be sold through MMTC outlets across 15 cities including Jaipur, Ludhiana, Bhubaneswar, Kolkata, Goa, Ahmedabad, Chennai, Delhi, Vishakhapatnam, Hyderabad, Bengaluru, Barbil and Puri.

Features:

- The Indian Gold coin and bullion has 24 carat purity and 999 fineness, similar to Swiss Coins which are currently imported.
- All coins are hallmarked as per BIS (Bureau of Indian Standards) Standards.
- The tamper proof packaging and advanced security features make it very easy for recycling.
- The partners of this scheme are MMTC, BIS and World Gold Council.
Does it make sense to buy Coins or Bullion?

Yes, these are the best gold coins available in our country. Both from purity and security wise these are better than other coins. And those who are looking to buy physical gold for gifting purpose than this is the best. However, from investment point of view Gold Sovereign Bonds are better than coins as bonds will also pay out yearly interest.

So what are your views about these newly launched gold schemes? Do you have any query? Let us know and we’ll try to help you out.