

Small Saving Schemes

GOVERNMENT OF INDIA SAVINGS BONDS

Taxable 8% Savings Bonds, 2003 are issued by Government of India with effect from 21st April 2003 in terms of their Notification No. F.4(10)-W&M/2003 dated 21st March 2003.

Features of the 8% (Taxable) Bonds

- The bonds are exempt from Wealth-tax
- Interest rate of 8% p.a. Non-cumulative payable half yearly and Cumulative payable on maturity
- Nomination facility is available
- The bonds are issued in an account called Bond Ledger Account (BLA)
- Investment tenure of 6 years
- Low Risk
- No upper limit on investment
- Maturity value shall be Rs.1601/- being the principal and interest for every Rs. 1000/- in the cumulative option
- Transfer of Bond is not permissible
- Tax is deducted at source from the interest amount wef AY 2008-2009 if interest exceeds Rs 10000 in a year.

Eligibility for Investment: The Bonds may be held by

- a. An individual, not being a Non-Resident Indian
- b. A Hindu Undivided Family (HUF)
- c. Charitable Institution' to mean a Company registered under Section 25 of the Indian Companies Act 1956
- d. University" means a university established or incorporated by a Central, State or Provincial Act, and includes an institution declared under section 3 of the University Grants Commission Act, 1956 (3 of 1956), to be a university for the purposes of that Act.

Issue Price : The Bonds are issued at par and has a face value of Rs 1000.

Interest

- The bond is issued in cumulative and non-cumulative form, at the option of the investor.
- The Bond bears interest at the rate of 8% per annum. Interest to the holders opting for non-cumulative Bonds is paid from date of issue up to 31st July/31st January, as the case may be and thereafter at half-yearly for period ending 31st July/31st January on 1st August and 1st February.

Advances/Tradability against Bonds: The Government of India has amended the notifications relating to 8% Savings (Taxable) Bonds, 2003 schemes allowing for pledge or hypothecation or lien of these bonds as collateral for obtaining loans from the scheduled banks w.e.f. August 19, 2008.

Repayment: The Bonds are repayable on the expiry of 6 (Six) years from the date of issue.

Point of sale: Bonds are sold by RBI through designated banks and Stock Holding Corporation of India Ltd on behalf of government of India. As such some times these bonds are also referred as RBI bonds.

Government securities offer the benefit of safety, liquidity and attractive returns for a long duration to the investors. With the enactment of the Government Securities Act, 2006, Government securities, including the Relief/Savings Bonds issued by the Government of India, have become more investor friendly.