Vajiram & Ravi

Floating Rate Savings Bonds (FRSBs), 2020 (Taxable)

October 24, 2023 • vajiramandravi.com

About Floating Rate Savings Bonds (FRSBs), 2020 (Taxable)

- It was introduced by the Government of India on July 1, 2020.
- FRSBs are interest-bearing, non-tradeable bonds issued by the Government of India, which are repayable on the expiration of seven years from the date of issue.
- Eligibility: The bonds may be held by
    - A person resident in India, in her or his individual capacity, or in individual capacity on a joint basis, or in individual capacity on any one or survivor basis, or on behalf of a minor as father/mother/legal guardian.
    - A Hindu undivided family.
- Non-Resident Indians (NRI) are not eligible to invest in these bonds.
- Minimum Subscription: The bonds will be issued for a minimum amount of Rs. 1000 (face value) and in multiples thereof.
- Maximum Limit: There will be no maximum limit for investment in the bonds.
- A certificate of holding will be issued to the customer as proof of subscription.
- The bonds will be issued only in the electronic form called the Bond Ledger Account (BLA).
- Contributions to the bonds can be made in cash (upto ₹20,000/- only)/ drafts/cheques.
- Interest Rate:
    - The interest on the bonds is payable semi-annually on 1st January and 1st July every year.

    - The interest rate of the bond would be re-set half-yearly in sync with the coupon payment date.
    - It is linked to the prevailing National Savings Certificate (NSC) rate with a spread of (+) 35 bps over the respective NSC rate.
    - There is no option to pay interest on a cumulative basis.
- Repayment/Tenure:
    - The bonds shall be repayable on the expiration of 7 (Seven) years from the date of issue.
    - Premature redemption shall be allowed for specified categories of senior citizens.
- Tax Treatment: Interest received will be taxable under the Income-tax Act, 1961, as amended from time to time and as applicable according to the relevant tax status of the Bond holder.
- Transferability: The Bonds held to the credit of Bond Ledger Account (BLA) of an investor shall not be transferable, except transfer to a nominee(s) legal heir in case of the death of the holder of the Bonds.
- Tradability /Advances: The bonds shall not be tradable in the secondary market and shall not be eligible as collateral for loans from banks, financial Institutions, and Non-Banking Financial Companies (NBFCs) etc.

Key Facts about RBI-Retail Direct Scheme

- It was launched on November 12, 2021, asa one-stop solution to facilitate investment in Government Securities by individual investors.
- Under the scheme, individual investors are permitted to open a Retail Direct Gilt account with the RBI using an online portal, through which investments in government Securities can be made in primary and secondary markets.
- There are 4 kinds of government securities you can invest in through the RBI Retail Direct platform:
    - Government of India Treasury Bills (T-Bills)
    - Government of India Dated Securities (Dated G-Sec or Government Bonds)
    - State Development Loans (SDLs)
    - Sovereign Gold Bonds (SGB)

Q1) What are Bonds?

Bonds are issued by governments and corporations when they want to raise money. By buying a bond, you’re giving the issuer a loan, and they agree to pay you back the face value of the loan on a specific date, and to pay you periodic interest payments along the way, usually twice a year.

Source: Individual investors can subscribe to Floating Rate Savings Bonds, 2020 (Taxable), under RBI’s Retail Direct Portal

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