Web Exclusive

Selling gold to raise cash? Know how to sell and the tax implications

Ideally you should sell it to the jeweller you bought the gold from, or a reputable retailer to get a better rate

Topics
Coronavirus | COVID-19 | Digital gold

Bindisha Sarang | Mumbai
Last Updated at July 24, 2020 23:15 IST

Follow us on Google News

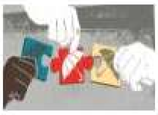
ALSO READ

Coronavirus wrap: India reports second patient; China death toll over 300

Gold prices, which are hitting historic highs, have come as a blessing for those who have substantial holdings, but not enough cash. The price of 24-carat gold, for

LATEST NEWS

IN THIS SECTION | ALL


Irdai allows insurers to offer Arogya Sanjeevani as group insurance policy


Selling gold to raise cash? Know how to sell and the tax implications


Workcation: A great alternative at a plush hotel for those fed up with WFH


When broke, apply for bankruptcy, but process could be excruciating

Advertisement

More >

Coronavirus wrap: Chinese doctor who first warned about virus outbreak dies

Coronavirus transmission increases in lower temperature: Medical study

Indian IT, telecom safe-haven bets amid coronavirus scare: BNP Paribas

World coronavirus dispatch: An opportunity to pitch surveillance tools?

instance, was Rs 52,315 in Mumbai on July 23. If you are looking to meet liquidity by selling gold, you need to know a few things, like how to sell your holding and the tax implications. Naveen Wadhwa, DGM, Taxmann says, "Gold is always treated specially by the I-T Act. As a general rule, any profit arising from the sale of personal effects is not chargeable to capital gains tax, but gold is an exception."

Taxation: Vivek Jalan, Partner at Tax Connect Advisory services LLP says, "There is no tax in case anyone inherits gold or receives it as a gift from blood relatives, but when you sell it, you are liable to pay capital gains tax in case you make a profit." For gold held for less than three years, you will have to pay short-term capital gains (STCG) tax, wherein the entire gain is added to your income and taxed as per your slab. For gold held for more than three years, the long-term capital gains (LTCG) will be taxed at 20 per cent after indexation.

Physical gold: To calculate capital gains, you need to determine the cost of acquisition. In case of inherited gold, Archit Gupta, CEO, Cleartax says, "The cost of acquisition for the seller is the same cost at which the original owner acquired it." But what if this cost is unavailable due to lack of bills? Gupta says, "If that cost is not available, the Fair Market Value (FMV) should be determined as on the date of acquisition by the original owner or FMV as on April 1 2001, whichever is later. FMV can be determined by referring to a registered valuer. The period of holding for calculating long-term or short-term shall include the time period for which the original owner held it." In case the gold you want to sell was gifted to you, then the cost of acquisition is determined as the receipts from the person who made the gift. If a receipt is available, there is no difficulty.

The rest of the treatment for determining cost and holding period is the same as above.

Tax treatment of non-physical gold: The tax treatment of gold mutual funds, digital Gold and gold ETFs at the time of redemption is the same as selling physical gold or jewellery. For Sovereign gold bonds, it is a little different as these bonds earn Interest in the interim invested period also. Jalan says, "Interest from these bonds is taxable under the head 'Income from other sources' and taxed at the slab rates applicable. But no TDS/TCS is levied on interest income. Therefore, one has to remember to offer this income for taxation when one files his income tax return." If any capital gains arise at the time of maturity after eight years, then those will be exempted from tax. However, if capital gains arise in case of exit or transfer during the interim period, they will be taxed as STCG at slab rates if sold within 36 months or at 10 per cent (without indexation) or 20 per cent after indexation as per the option availed, if sold after 36 months.

Should you sell or take a gold loan? It will depend on the type of gold. Sameer Kaul, MD & CEO, TrustPlutus Wealth Managers (India) says, "If you have gold ETFs and they have made a reasonable profit, it makes sense to sell it, instead of taking a loan against them." Yet at the same time, when it comes to physical gold, taking a loan is a better option now, as you will get a high amount, at a reasonable rate.

How to sell physical gold: Ideally you should sell it to the same jeweller you bought the Gold from. Even if you don't have a receipt, he will have a record of sale at his end. Many jewellers will insist on seeing the original bill of purchase (to avoid the risk of buying stolen gold). Some jewellery stores and businesses may buy gold from you at a lower rate, though.

Top gold loan players: Rates & charges

Lender	**Interest Rate**	**Processing Fee**	**Loan Amount (Rs)**	**Loan Tenure**
State Bank of India	7-7.5%	0.50%	20,000-20 lakh	Up to 3 years

MOST POPULAR

READ	SHARE	COMMENTED

It is not enough to have a strong govt; you need a strong country

A dirty industry: Bollywood a brutally competitive game with no umpires

apple, iphone, foxconn

Apple starts manufacturing flagship iPhone 11 model at Chennai plant

A move that surprised everyone

Insolvency law caused rift with govt: Former RBI governor Urjit Patel

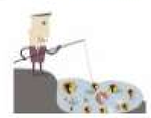
Banks, trade unions agree on 15% hike in existing wage bill of 35 lenders

NFRA bans former Deloitte India partner for 7 years due to IL&FS case

Covid-19 crisis: Glenmark claims 'clinical cure in 4 days' in Phase-3 trial

Cheer in Covid times

Treating water



Retail at risk

Illustration: Binay Sinha

India in the age of contempt

Raghuram Rajan

US, China clash to impair global trade vital for India's reopening: Rajan

South Indian Bank	8.85-9.35%	For Gold Power/Power Re-pledge/NEO Schemes: 0.10%	5,000-25 crore	Up to 3 years
Manappuram Finance Ltd	12-29%	Rs 10 (at the time of settlement)	1,000-1.5 crore	Up to 365 days
Muthoot Fincorp	12% onwards	Rs 12 to 3,600	5,000 onwards	Up to 3 years
Muthoot Finance	Up to 27%	Up to 1%	1,500 onwards	Up to 3 years
Data as on July 23, 2020; Source: Paisabazaar				

Income earned from gold shall be reported in Income-tax Return (ITR) as follows:		
Income	**Taxability**	**Reporting in ITR**
From investment in physical gold	Taxable as capital gains	Under Schedule CG in ITR 2 or ITR 3
From investment in Gold ETFs	Taxable as capital gains	Under Schedule CG in ITR 2 or ITR 3
Interest on deposit under Gold Monetisation Scheme 2015	Exempt from income-tax	Report as exempt income in return filed in ITR 1 to 4
Capital gain arising from redemption of deposit under Gold Monetisation Scheme-2015	Not taxable	Not required to be reported in ITR
Capital gain arising to an individual on redemption of Sovereign Gold Bond	Not taxable as not covered under the definition of transfer	Not required to be reported in ITR
Source: Taxmann		

Read our full coverage on Coronavirus

First Published: Fri, July 24 2020. 19:23 IST

READ MORE ON CORONAVIRUS COVID-19 DIGITAL GOLD GOLD JEWELLERY GOLD SOVEREIGN GOLD BOND GOLD ETFS CAPITAL GAINS TAX LONG TERM CAPITAL GAINS TAX PF