

Gold Monetization Scheme

The **Gold Monetization Scheme (GMS)** was launched in **2015**, after it was announced in the Union Budget 2015-16.

The objective of introducing the modifications in the schemes is to make the existing schemes more effective and to broaden the ambit of the existing schemes from merely mobilizing gold held by households and institutions in the country to putting this gold into productive use.

The long-term objective which is sought through this arrangement is to reduce the country's reliance on the import of gold to meet domestic demand.

Gold Monetization Scheme allows the depositors of gold to earn tax free market determined interest income (denominated in gold but recoverable either in gold or in rupee [mandatorily in rupee if it is deposited for a medium or long term]) from the pure gold they deposit with banks in their "**Gold Savings Accounts**" and permits the jewellers to obtain their raw material -gold bars created from the melting of the gold deposited with the banks- as loans in their "**Metal account**".

This scheme replaced the **Gold Deposit Scheme, 1999**. However, the deposits outstanding under the Gold Deposit Scheme is allowed to run till maturity unless these are withdrawn by the depositors prematurely as per existing instructions.

Who can make a deposit in Gold Monetisation Scheme?

Persons eligible to make a deposit - Resident Indians [Individuals, HUFs, Proprietorship & Partnership firms, Trusts including Mutual Funds/Exchange Traded Funds registered under SEBI (Mutual Fund) Regulations and Companies, charitable institutions, Central Government, State Government or any other entity owned by Central Government or State Government] can make deposits under the scheme.

What is the Minimum and Maximum Deposit Limit of Gold Monetisation Scheme?

Minimum Deposit: The minimum deposit at any one time shall be 30 grams of raw gold (bars, coins, jewellery excluding stones and other metals). There is no maximum limit for deposit under the scheme.

Types of Gold Monetisation Scheme

Short Term Bank Deposit (STBD)

- The short term deposits shall be treated as bank's on-balance sheet liability.
- These deposits will be made with the designated banks for a short period of 1-3 years (with a facility of roll over).
- The designated banks are free to fix the interest rates on these deposits.

Medium and Long Term Government Deposit (MLTGD)

- The deposit under this category will be accepted by the designated banks on behalf of the Central Government.
- This deposit will not be reflected in the balance sheet of the designated banks.
- The Medium Term Government Deposit (MTGD) can be made for 5-7 years.
- And Long Term Government Deposit (LTGD) for 12-15 years or for such period as may be decided by the Central Government from time to time.
- The rate of interest on such deposit will be decided by Central Government and notified by Reserve Bank of India from time to time.

The current rate of interest as notified by the Central Government are as under:

- (i) On medium term deposit – 2.25% p.a.
- (ii) On long term deposit – 2.50% p.a.

Minimum Lock-in Period

A Medium Term Government Deposit (MTGD) is allowed to be withdrawn any time after 3 years and a Long Term Government Deposit (LTGD) after 5 years.