

# SGB at 15% higher price on stock exchanges: Why you must factor in the taxation while trading SGB in secondary market

According to Yogesh Kale, Executive Director, Nangia Andersen India, if you buy SGBs from the stock market, i.e., through the National Stock Exchange or other recognised stock exchanges, and then eventually redeem that SGB either through the premature withdrawal window of RBI or the final redemption window, then it is not taxable for individuals.

"In that sense, yes, it is possible to buy SGBs in its 4th year from the stock market and redeem the same at the RBI buyback window. However, the option of redemption is available only after 5 years from the date of purchase, on the date on which interest is payable on such SGB. Redemption of SGBs is exempt from capital gains tax as per section 47(viic) of the Income-tax Act, 1961," says Kale.

Kale says that it does not matter from where the SGB was acquired, what's important to note is where the SGB was sold i.e. in the RBI buyback window or the stock market. "Even if a SGB was acquired by way of transfer and that individual sells the SGB on the stock market, capital gain tax would get attracted and the tax rate will depend on the period of holding," says Kale.