



DIGITAL GOLD WALLETS: A GOLD REVOLUTION



INTRODUCTION

Indians are amongst the second-largest buyers of physical gold in the world. In the last few years, the boom in the digital revolution expanded to the gold market too, and it introduced a new form of investment – digital gold. Digital gold as a concept is quite new in India.

Further, bottlenecks in physically holding gold has been also removed in Digital Gold. One has to buy physical gold in multiples of 1gm (equivalent to approximately ₹4,500) compared with multiple of Re 1 when buying digital gold. In addition, jewellery and ornaments will come with high making costs and there is always the risk of theft. Selling physical gold involves a trip to a jeweler where digital gold can be sold anytime with money instantly credited to your bank account.

WHAT IS DIGITAL GOLD?

It is a mode of investing / buy or sell 24 karat Hallmark gold for as low as ₹1 in physical gold like the regular gold, can be bought online and is stored in insured vaults by the seller on behalf of the customer.

The pandemic has accelerated the rising preference among users to transact and invest digitally, making digital gold one of the most popular investments.

The largest digital platforms in the country, including e-commerce portals, wealth management channels, banking and payment apps, are offering digital gold as part of their offerings.

HOW DIGITAL GOLD WORKS?

You can invest in digital gold from several mobile e-wallets such as Paytm, Google Pay and PhonePe. Brokers such as HDFC Securities and Motilal Oswal also have an option for digital gold investing. Currently, there are top three companies that offer digital gold in India-

1. Augmont Gold Ltd.
2. MMTC-PAMP India Pvt. Ltd. a joint venture between state-run MMTC Ltd. and Swiss firm MKS PAMP.
3. Digital Gold India Pvt/ Ltd with its SafeGold brand.

Apps and websites like Paytm, G-Pay etc only provide a platform for metal trading companies SafeGold and MMTC PAMP. Once you invest in digital gold, these trading companies purchase an equivalent amount of physical gold and store it under your name in secured vaults

WHAT ARE THE ADVANTAGES OF BUYING DIGITAL GOLD?

- No making charges on buy/sell transactions.
- High Liquidity like Cash
- Investments 24x7 at real-time rates with a single click.
- Stored safely in secure vaults
- Backed by an independent trustee.
- No lock-in period
- Short-term parking of Funds
- Increased Digital awareness:

WHAT ARE THE DISADVANTAGES OF INVESTING IN DIGITAL GOLD?

- Limit of Rs.2 lakhs for investment on most platforms.
- Lack of an official government-run regulating body such as RBI or SEBI.
- Delivery and making charges are further applied to the price of gold on conversion to physical.
- In some cases, companies only offer a limited storage period, after which you either have to take physical delivery or sell the gold.

HOW SECURE IT IS?

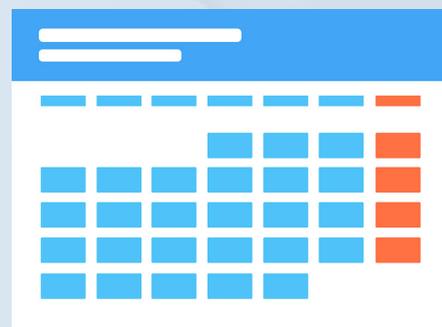
The entities who actually sell digital gold serve as custodian of the accumulated gold, irrespective of buying directly or via any platform. A trustee is appointed to oversee quality and operation of vaults. At no point does the ownership of the accumulated gold transfer to either the partner service provider or the custodian. The physical gold is stored in secured vaults that are fully insured for any eventualities— loss due to theft or damage caused.

A differential analysis of three means of Digital Investment in Gold:-

Nature	Digital Gold Wallet	Sovereign Gold Bond (SGB)	Gold Electronic Trade Fund (ETF)
1. Issued by :-	It is primarily sold by MMTC PAMP, Augmont Goldtech and Digital Gold India (SafeGold) through service providers like PayTM, GooglePay, Banker, Jewellers etc.	Issued by the Reserve Bank of India (RBI) on behalf of the government. These bonds were introduced under the Gold Monetization Scheme in 2015. These bonds are issued in many tranches throughout the year by the RBI.	It is issued by Mutual Fund AMC like SBI, HDFC etc. and regulated by SEBI, hence reducing the safety and security worries
2. Holding cost:-	It is least expensive as various charges like asset management fees, security service fees not applicable for at least 5 years except one time 3% GST on purchase or sale.	It bears various recurring charges like asset management fees, security service fees ranging from 0.5% to 1%.	It has recurring charges like asset management fees, security service fees ranging from 0.5% to 1%.
3. Denomination:-	It offers to invest in gold even Rs 100/- i.e. small fraction of 1 gram.	Each bond represents 1 gram of gold.	It is a way to invest in gold in small quantities like fraction of 1 gram, like digital gold
4. Interest on Investment:-	No interest on gold deposit is applicable. Appreciation / depreciation of Gold price is applicable to the investor.	In addition to the changes in gold rates, these bonds have an attractive interest rate of 2.5% per annum, which is paid semi-annually by the RBI adding to the yield.	Market appreciation/ depreciation through NAV is applicable.
5. Lock in Period:-	No time duration / lock in period is applicable.	These bonds have a time duration of eight years and the RBI also provides a redemption option after the fifth year.	No time duration / lock in period is applicable, except for Income tax purposes
6. Mode of Custody:-	It can be kept in digital vault	The bonds are also tradable on stock exchanges, giving a liquidity option, kept in Demat account.	Its custodian lies with Mutual Fund AMC.

7. Regulation:-	No regulated by any statutory body yet.	It is regulated by RBI.	It is regulated by SEBI.
8. Transferrable :-	It can be gifted and transferred/ sold within a minute.	It can be gifted or transferred with compliances.	It is not transferrable.
9. Investment type	It is truly Digital Gold.	It is Paper Gold.	It is Paper Gold.
10. Income Tax	Investments in digital are treated on par with regular gold and therefore the holding period, tax rate and exemption available are also identical to that of physical gold.	The appreciation in value of it at the time of its redemption is tax free but if to sell these bonds in open market the profits made will get taxed as capital gains ; short term or long term depending on the holding period.	In case of sale after 36 months the profits are treated as long term capital gains and taxed at the flat rate of 20% after applying the cost inflation index to the cost of acquisition. In case these are sold within 36 months, the gains are treated as short term capital gains and taxed at the slab rate applicable to you.

COMPLIANCE CALENDER DECEMBER 2021



GST	
GSTR 3B DEC 2021(Turnover in the previous financial year more than Five Crores)	20-01-2022
GSTR 3B DEC 2021 (Others)	22-01-2022
GSTR 1 DEC (Turnover more than Rs. 1.5 Crores)	11-01-2022
Income Tax	
Deposit of TDS	07-01-2022
ESI	
Payment for the month of DEC 2021	15-01-2022
PF	
Payment for the month of DEC 2021	15-01-2022
Return Filing for the month of DEC 2021	25-01-2022

Seshachalam & Co.
Chartered Accountants

Happy
New Year
2022



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