

# Frequently Asked Questions (FAQ) on 54 EC Capital Gain Tax Exemption Bonds

## **1. What are 54 EC Bonds?**

As per section 54 EC of the Income Tax Act 1961, 54EC Bond allows exemption from long term capital gain (If Holding Period > 2 years) when:

- I. the Long Terms Capital Gain arose on sale of land or building or both, and
- II. the investment in the Bonds is done within a period of 6 months, from the date of sale of capital asset.

## **2. Who can invest in 54 Bonds?**

Any person/entity can apply in 54EC Bonds i.e. Individuals including NRIs, HUFs, Company, Firms, Association of Persons, Body of Individuals, Artificial Judicial Persons, Local Authority. In case of Individuals, applicants can also nominate second/third holder.

## **3. Are 54 EC Bonds Tax Free?**

It provides exemption from long term capital gain tax under Income Tax Act section 54EC i.e., 20% + Surcharge + Cess. However, the interest earned is taxable as per the income tax slab. Investor needs to declare interest earned from 54EC bonds in the income tax return filing.

## **4. Maximum Investment Limit?**

A person can invest a minimum of Rs. 20,000/- and a maximum of Rs. 50 lakhs. The face value is Rs. 10,000/- per bond, hence a person can buy from 2 upto 500 bonds.

## **5. What is the Interest rate on the bonds?**

The prevailing interest rate is 5.25% p.a. Interest is paid on the bonds annually on 30th June and final interest is payable at the time of maturity.

## **6. What is the tenure of this bond?**

The Bonds are fully redeemable at maturity after 5 years from deemed date of allotment. The bonds are under lock-in and cannot be transferred to any person or pledged as a security against any loan or advance. The redemption proceeds will be directly paid in the registered bank accounts. There is no need for surrendering the physical bond certificate.

## **7. What is Deemed Date of Allotment?**

Deemed Date of allotment is last day of each month in which the funds are received in REC 54EC collection account. 5 Years of Bonds shall start from the deemed of allotment.

## **8. Can multiple nominee names be filled in one application form?**

Only Individuals (including NRI) can nominate for 54EC Bonds. It is advice to all investors to appoint a nominee for their investments. Further only one nominee is allowed in an application. In case investor wants to add multiple nominee names, then will have to fill multiple application forms. In case of Demat Mode, investor can nominate multiple nominees and the same shall be considered based on client master list.

## **9. Can the funds for purchase of 54EC bonds be refunded before maturity date or before allotment?**

No, the amount once credited in the 54EC Collection Account will not be refunded under any circumstances.

## **10. What is the Rate of TDS on the bonds?**

No TDS is deducted for resident individuals in case of investment in 54EC Bonds. However, TDS is deducted for NRI Investors. There is no requirement to submit Form 15 G/H in case of 54EC Bonds.