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 EC Bonds?**
Any person/entity can apply in 54 EC Bonds i.e. Individuals including NRIs, HUFs, Companies and Body Corporates, Partnership Firms and any other person subject to applicable laws.

3. **Is the interest earned on investments in 54 EC Bonds Tax Free?**
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 up to 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 and final interest is payable at the time of maturity.
The Coupon Payment dates are as under:-

Issuer	Date of Interest Payment
HUDCO	30th April
Indian Railways Finance Corporation	15th October
Power Finance Corporation	31st July
REC Limited	30th June

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 the 54EC collection account of the Issuer. 5 Years of Bonds shall start from the deemed date of allotment.

8. **Can multiple nominee names be filled in one application form?**
   Only Individuals (including NRI) can nominate. Investors may nominate any one person (being an individual) who, in the event of death of sole holder or all the joint holders, as the case may be, shall become entitled to the Bond(s). When the Bond is held by two persons, the nominee shall become entitled to receive the amount only on the demise of all the Bondholders in succession. In the event the Bonds are in dematerialized form, demographic and nominee details will be fetched from the dematerialized account of the Bondholder and the details of the nominee, if any, as mentioned in the Application Form will be invalid.

9. C**an 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 tax is deducted at source for resident individuals. However, tax is deducted for NRI Investors. There is no requirement to submit Form 15 G/H in case of 54EC Bonds.