

8 % Savings (Taxable) Bonds, 2003

Ref.No.CO.DT.13.01.299/H-3836/2002-03

April 3, 2003

The Chairman & Managing Director
State Bank of India & Associate Banks
& 17 Nationalised Banks
UTI Bank Ltd., ICICI Bank Ltd.,
HDFC Bank Ltd., IDBI Bank Ltd., &
Stock Holding Corporation of India Ltd.

Dear Sir

8 % Savings (Taxable) Bonds, 2003

It has been decided by the Government of India to issue 8% Savings (Taxable) Bonds, 2003 with effect from **21st April 2003** in terms of their Notification No.F.4(10)-W&M/2003 dated 21st March 2003 read with Notification F.No. 4(10)W&M/2003 dated 2nd April 2003. A copy of the Government Notification is enclosed. The salient features of the Bond are detailed below:

2. Eligibility for Investment:

The Bonds may be held by -

- (i) an individual, not being a Non-Resident Indian -
 - (a) in his or her individual capacity, or
 - (b) in individual capacity on joint basis, or
 - (c) in individual capacity on anyone or survivor basis, or
 - (d) on behalf of a minor as father/mother/legal guardian
- (ii) a Hindu Undivided Family.
- (iii) (a)'Charitable Institution' to mean a Company registered under Section 25 of the Indian Companies Act 1956 **or**
 - (b) an institution which has obtained a Certificate of Registration as a charitable institution in accordance with a law in force; or
 - (c) any institution which has obtained a certificate from Income Tax Authority for the purposes of Section 80G of the Income Tax Act, 1961.
- (iv) "University" means a university established or incorporated by a Central, State or Provincial Act, and includes an institution declared under section 3 of the University Grants Commission Act, 1956 (3 of 1956), to be a university for the purposes of that Act.

3. Limit of Investment:

There will be **no maximum limit** for investment in the Bonds.

4. Tax Treatment:

(i) Income-tax: Interest on the Bonds will be taxable under the Income-Tax Act, 1961 as applicable according to the relevant tax status of the bond holder.

(ii) Wealth tax: The Bonds will be exempt from Wealth-tax under the Wealth- tax Act, 1957.

5. **Issue Price**

(i) The Bonds will be issued at par i.e. at Rs.100.00 percent.

(ii) The Bonds will be issued for a minimum amount of Rs. 1000/- (face value) and in multiples thereof. Accordingly, the issue price will be Rs.1000/- for every Rs.1,000/- (Nominal).

6. **Subscription**

Subscription to the Bonds will be in the form of Cash/Drafts/Cheques. Cheques or drafts should be drawn in favour of the Receiving Office, specified in paragraph 10 below and payable at the place where the applications are tendered.

7. **Date of Issue**

(i) The Bonds will be issued with effect from **21st April 2003** and will remain on tap till further notice.

(ii) The date of issue of the Bonds in the form of Bond Ledger Account will be the date of receipt of subscription in cash or the date of realisation of draft/cheque.

8. **Form**

i) The Bonds will be issued and held at the credit of the holder in an account called **Bond Ledger Account (BLA)**.

ii) New Bond Ledger series with the prefix (TB) are to be opened. All investment in 8% Savings (Taxable) Bonds by an existing BLA holder will be viewed as a new investment under a new BLA.

iii) The Bonds in the form of Bond Ledger Account will be issued by and held with designated branches of the agency banks and SHCIL as authorised by Reserve Bank of India in terms of paragraph 10 below.

iv) The Certificate of Holding in respect of Bond Ledger Account will be issued in Form TBX or Form TBY as applicable for non-cumulative and cumulative investments respectively.

v) The Certificate of Holding in respect of cash applications may be issued **on the same day** as per the extant instructions.

9. **Applications:**

- (i) Applications for the Bonds may be made in Form 'A' (Annex 2) or in any other form as near as thereto stating clearly the amount and the full name and address of the applicant.
- (ii) Applications should be accompanied by the necessary payment in the form of cash/drafts/cheques as indicated in paragraph 6 above.
- (iii) Applicants who have obtained exemption from tax under the relevant provisions of the Income Tax Act, 1961, shall make a declaration to that effect in the application (in Form 'A') and submit a true copy of the certificate obtained from Income-Tax Authorities.

10. **Receiving Offices**

Applications for the Bonds in the form of Bond Ledger Account will be received at:

- (a) Authorised Branches of State Bank of India, Associate Banks, Nationalised Banks, four private sector banks and SHCIL as specified in the Annex 3.
- (b) Any other bank or branches of the banks and SHCIL as may be specified by the Reserve Bank of India in this regard from time to time.

11. **Nomination:**

A sole holder or a sole surviving holder of a Bond, being an individual, may nominate in form B (Annex – 4) or as near thereto as may be, one or more persons who shall be entitled to the Bond and the payment thereon in the event of his/her death.

12. **Transferability:**

The Bond in the form of Bond Ledger Account shall **not** be transferable.

13. **Interest:**

- (i) The bond will be issued in cumulative and non-cumulative form, at the option of the investor.
- (ii) The Bond will bear interest at the rate of 8% per annum. Interest on non-cumulative bonds will be payable at half-yearly intervals from the date of issue in terms of paragraph 7 above. Interest on cumulative bonds will be compounded with half-yearly rests and will be payable on maturity along with the principal. In the latter case, the maturity value of the Bonds shall be Rs.1601/- (being principal and interest) for every Rs.1,000/- (Nominal). Interest to the holders opting for non-cumulative Bonds will be paid from date of issue in terms of paragraph 7 above upto 31st July/31st January, as the case may be and thereafter at half-yearly for period ending 31st July/31st January on 1st August and 1st February.

Interest on Bond in the form of “Bond Ledger Account” will be paid, by **cheque/warrant or through ECS by credit to bank account of the holder as per the option exercised by the investor/holder.**

14. Advances/Tradeability against Bonds

The Bonds shall **not** be tradeable in the secondary market and shall **not** be eligible as collateral for loans from banks, financial Institutions and Non Banking Financial Companies, (NBFC) etc.

15. Repayment

i) The Bonds shall be repayable on the **expiry of 6 (Six) years** from the date of issue. **No interest would accrue after the maturity of the Bond.**

16. Brokerage & Handling charges :

i) Brokerage at the rate of Re. 1.00 (Rupee one only) per Rs. 100 will be paid to the brokers including PPF and UTI agents registered with the Receiving Office listed in paragraph 10 (a) & (b) above and also to authorised banks on the applications tendered by them on behalf of their clients and bearing their stamp.

ii) Brokerage and commission will be paid by CAS, Nagpur on monthly basis.

iii) Handling/service charges will be paid by PDO of jurisdiction.

17. Submission of Return

It may be ensured that the instructions contained in para 1.7 of the Memorandum of Procedure read with Circular No.CO.DT.13.01.272/ H.2906/2002-03 dated February 26, 2003 are meticulously adhered to by the Agencies.

18. You may please go through the Notification and familiarise with the salient features of the Bond. You may also please ensure that all necessary measures/steps are taken to issue the Bonds across the counters at your designated branches with effect from **April 21, 2003** as stipulated in the Government Notification. You may refer to local Office of RBI for any further clarifications in regard to the Bond. Initially, the issue of these Bonds may be monitored by a Senior Officer in your Office.

19. You may continue to follow the same pattern of reporting of transactions to CAS, Nagpur as advised earlier.

20. The guidelines issued in respect of 9% Relief Bonds 1999, as detailed in the Memorandum of Procedure (MOP) will be applicable *mutatis mutandis*, in respect of the 8% Savings (Taxable) Bonds, 2003 read with extant instructions issued thereon subsequently.

21. The data in respect of investments may be submitted in Appendix IV, by the bank on a weekly basis for the first three months and thereafter on a monthly basis to the PDO of jurisdiction.
22. The accounting procedure for TDS will be communicated shortly.
23. Please acknowledge receipt.

Yours faithfully

(R.C. Das)

General Manager

Encls: As above.