

Simplified taxation will help **Gold & Silver** shine brighter!



The Union Budget in July 2024 introduced a simpler taxation structure for investing in gold and silver. Additionally, the reduction in Customs Duty to 6% from 15% has made gold and silver cheaper to purchase.

Read on to learn more about how fresh purchases of gold and silver ETFs and FoFs can benefit in the new tax regime!

What do the Union Budget changes mean for investors?

For fresh purchases made today, a 12.5% LTCG rate (> 12 months holding period for ETFs, > 24 months holding period for ETF FoFs) would be applicable if redeemed after Mar 31, 2025.

This is a considerable improvement over the previous treatment, where gains from these instruments would be taxed at slab rate irrespective of the holding period (for purchases from Apr 1, 2023 onwards). Existing holders[^] could also potentially benefit from the improved taxation treatment – see the Appendix for details.

Further, gold ETFs now have a shorter holding period of 12 months to become eligible for LTCG, compared to physical gold where the holding period is 24 months. This is an additional reason in favour of buying gold ETFs vs physical gold. Other reasons include the safety & convenience, purity and liquidity provided by gold ETFs over physical gold.

[^] holders who made the investment prior to April 1, 2023
LTCG - Long-Term Capital Gains

Conclusion

The recent Union Budget has introduced a simplified and favorable tax treatment for gold and silver, while the reduction in Customs Duty has improved their affordability. Gold stands to benefit from continued Central Bank purchases and the prospect of Fed cuts. Meanwhile Silver's role as both a precious metal and an industrial commodity, with use cases across the new age EV and solar panel manufacturing industries, could support higher long-term prices.

By investing in gold and silver digitally through the ETF or Fund of Fund (FoF) route, investors do not have to deal with the hassle of storing physical gold or worry about its purity. Gold and silver ETFs hold in custody physical gold with 99.5% fineness or above and physical silver with 99.9% fineness or above, respectively. Fund of Fund investors also enjoy this benefit as the FoF invests in the respective underlying ETF units. Now, with the improved tax treatment of Gold and Silver ETF for long-term holders, investors can start / add exposure in several ways, through both lumpsum or SIP:

HDFC Gold ETF#

HDFC Gold Fund

HDFC Silver ETF#

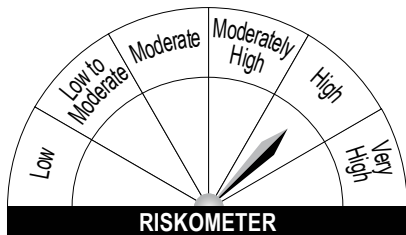
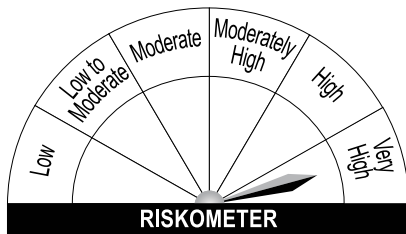
HDFC Silver ETF Fund of Fund (FoF)

Investors can set up SIPs into ETFs as most brokers allow this feature

Appendix

	Instrument	Holding Period	Units acquired prior to April 01, 2023		Units acquired on or after April 01, 2023	
			Short-Term Capital Gains Tax	Long-Term Capital Gains Tax	Short-Term Capital Gains Tax	Long-Term Capital Gains Tax
Units redeemed between July 23, 2024 and March 31, 2025	Gold / Silver ETF	12 months	Investor's Income Tax Slab Rate*	12.5%*	Investor's Income Tax Slab Rate*	Investor's Income Tax Slab Rate*
	Gold / Silver ETF FOF	24 months				
Units redeemed after March 31, 2025	Gold / Silver ETF	12 months	Investor's Income Tax Slab Rate*	12.5%*	Investor's Income Tax Slab Rate*	12.5%*
	Gold / Silver ETF FOF	24 months				

*Surcharge and Health & Education Cess as applicable. Disclaimer: The information given here is w.e.f. July 23, 2024 and is neither a complete disclosure of every material fact of Income-tax Act 1961, nor does it constitute tax or legal advice. In view of the individual nature of tax consequences, each investor is advised to consult his / her own professional tax advisor.

Name of Scheme / Investment Plan	This product is suitable for investors who are seeking*:	SCHEME RISKOMETER#
HDFC Gold Exchange Traded Fund An open ended scheme replicating/tracking performance of Gold. NSE Symbol: HDFCGOLD BSE Scrip Code: 533230	<ul style="list-style-type: none">• Returns that are commensurate with the performance of gold, subject to tracking errors, over long term• Investment predominantly in Gold bullion of 0.995 fineness	 <p>RISKOMETER Investors understand that their principal will be at high risk</p>
HDFC Gold Fund An open ended Fund of Fund scheme investing in HDFC Gold Exchange Traded Fund.	<ul style="list-style-type: none">• Capital appreciation over long term• Investment in Units of HDFC Gold Exchange Traded Fund (HGETF). HGETF invests in gold bullion of 0.995 fineness	 <p>RISKOMETER Investors understand that their principal will be at very high risk</p>
HDFC SILVER ETF An open ended Exchange Traded Fund (ETF) replicating/tracking performance of Silver. NSE Symbol: HDFCSILVER BSE Scrip Code: 543592	<ul style="list-style-type: none">• Returns that are commensurate with the performance of silver, subject to tracking errors, over long term.• Investment in Silver bullion of 0.999 fineness.	
HDFC SILVER ETF FUND OF FUND (An open ended Fund of Fund scheme investing in HDFC Silver ETF)	<ul style="list-style-type: none">• Capital appreciation over long term.• Investment in Units of HDFC Silver ETF (HSETF). HSETF invests in Silver and Silver related instruments.	

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

For latest riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. www.hdfcfund.com

Disclaimer: The information set out in the Tax Reckoner 2024-25 ('the document') is for general purposes only and is not an offer to sell or a solicitation to buy/sell any units of schemes of mutual fund. The information set out is neither a complete disclosure of every material fact of the Income-tax Act, 1961 nor does it constitute tax or legal advice. Investors should be aware that the fiscal rules/ tax laws may change and there can be no guarantee that the current tax position may continue indefinitely. In view of the individual nature of the tax consequences, each investor is advised to consult his/ her own professional tax advisor. The information/ data herein alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy and should not be construed as investment advice. Investors alone shall be fully responsible / liable for any decision taken on the basis of this document. Neither HDFC Mutual Fund nor HDFC Asset Management Company Limited nor any person connected with it accepts any liability arising from the use of this information. The investors should before investing in the Scheme(s) of HDFC Mutual Fund make his/their own investigation and seek appropriate professional advice.

Note: Investors in HDFC Silver ETF Fund of Fund and HDFC Gold Fund shall bear the recurring expenses of the Scheme in addition to the recurring expenses of the respective underlying Schemes (subject to regulatory limits).

HDFC Asset Management Company Limited has been managing equity Index Solutions for 20 years. Index Solutions also include passively managed fund of funds and commodity(ies) based schemes.

Release date: 27th August, 2024

**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS,
READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**