

E-series Investors Need Not be in a Tizzy

They can either hold the units in demat form or convert them into physical metal

PRASHANT MAHESH
MUMBAI

The National Spot Exchange (NSE) has suspended trading in e-series contracts till further notice after the Forward Markets Commission (FMC) banned new commodity futures contracts due to alleged violations of norms. This has put investors with e-series units in a difficult position, as they can't sell them on the exchange platform. Similarly, those who had systematic investment plans (SIPs) with the exchange are also in a fix.

“Investors have two options. They can continue to hold e-series units in the demat form or opt to convert them into physical metal,” says Priti Gupta, executive director, Anand Rathi Commodities. E-series products allow investors to invest in commodities like gold, silver and platinum in small denominations in demat form. Investors have the option to convert their holdings into physical metal at a later date. **“If you still wish to accumulate gold, you can do it through ETFs (exchange traded funds) on the stock exchange. However, there are no ETFs for silver or platinum in India,”** says Vishal Dhawan, founder and Principal Financial Planner, Plan Ahead Wealth Advisors.

Investors should consider their requirements and tax liabilities before taking a call on e-series investments, say experts. “If you don't need the money, you can con-

tinue to hold the units. You can stay put and wait for further news flow as and when it comes from the exchange,” says CP Krishnan, whole-time director, Geojit Comtrade. “Investors who need the physical metal can opt to take delivery,” says Vibhu Ratandhara, AVP (commodities), Bonanza Portfolio. Those who want physical delivery of the metal can fill in the surrender request form and submit it to their depository participant. However, you will have to incur conversion charges, octroi and VAT (value added tax) and depository charges when you take delivery. The conversion rate for one unit of 8gm and 10gm is ₹400. Similarly, for converting 500 grams of silver you will have to pay ₹2,000. VAT will be levied at 1%. You will have to pick up delivery at any one of the 11 centres as specified by NSEL.

If e-gold is held for less than

three years, the income generated from the sale of e-gold units will be clubbed in the overall income of the person and will be taxed depending on which tax slab the person falls in. If the investment is held for more than three years, the income from the sale of units will be considered as long-term capital gains and taxed at the rate of 20%. Also, if a physical delivery is taken either in gold ETF or e-gold, the holding will become taxable under Wealth Tax Act.

Investors can continue their investments in gold through SIPs in ETFs or gold mutual funds. Several fund houses like Birla Mutual Fund, HDFC Mutual Fund, Motilal Oswal Gold Fund, Kotak Mutual, IDBI Mutual Fund, Quantum Mutual Fund, among others, offer ETFs. AMC's like HDFC and Motilal Oswal offer the flexibility to convert gold ETF in physical form at the time of selling.