

ICICI BANK CUSTOMER EDUCATION SERIES

TIMES BUSINESS ASSOCIATE COMMUNICATION

Did You Know?

Section 80L, which once used to provide deductions on interest income, is no longer available. Interest income from most sources (except PPF) is now taxable.



Bonds

Anand is looking for a medium-term investment that gives him regular interest income. He is unwilling to risk the principal. Anand has three options.

RBI savings bonds are taxable and pay a fixed interest for a tenure decided by RBI. Anand can receive semi-annual interest or take the cumulative option. These bonds can be easily bought from banks.

Government securities are issued from time to time by RBI and can also be bought from banks. Anand has to open a constituent Subsidiary General Ledger (SGL) account with his bank to hold these securities. Interest is payable semi-annually as there is no cumulative option in these bonds. The tenure of these bonds can vary from two to 30 years.

Infrastructure bonds issued by institutions are eligible for special tax benefits, but have a three-year lock-in. An investment up to Rs.1 lac per year

is eligible for deduction under Section 80C of the Income Tax Act.

All bonds have to be held to maturity, but can be pledged with banks to take loans. Bonds issued by the Government and RBI are secure and guaranteed, and infrastructure bonds are credit-rated. All these bonds also offer the nomination facility.

Centre for Investment Education and Learning

We welcome your questions, suggestions and feedback on this column. Please use the 'Email Us' link at www.icicibank.com or send us an SMS to 53030. Please include your full name, address and phone number. Your comments may be edited for clarity and space.

Look out for our next article on 'Mutual Funds' on December 1.



SMS CONTEST

Question: If there is a need for funds, RBI savings bonds can be _____.

Answer: A. sold in the secondary market
B. transferred to the lender
C. pledged with banks for loans

To answer: SMS DISHA A, B or C to 53030 and win a 2N 3D holiday.*
Contest open for the day of publication.

*Terms and conditions apply. Visit www.dishac.org for details and winners.

SAFE
BANKING



The sooner you start saving and investing, the more time your money gets to grow.