

INVESTOR GUIDE · INDIA

Silver ETFs: how the unit works, what it costs, and how it is taxed

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[Read the full guide: Silver ETF Fund: How It Works and How It Is Taxed](#)



THE UNIT

A silver ETF is a claim on vaulted silver, not a bar in your cupboard

- Most assets are invested in physical silver, typically around 99.9% purity, held in a custodian's vault.
- Investors buy exchange-traded units through a broker and demat account, rather than storing or insuring bars themselves.
- Returns follow domestic silver prices minus expenses, tracking difference, and trading costs.

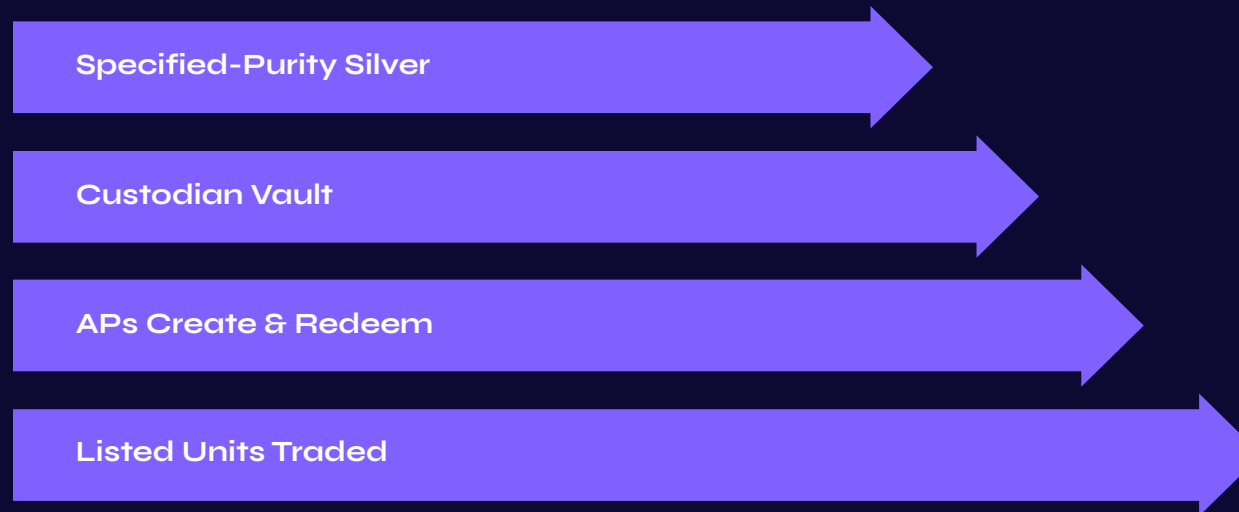
For the full explainer, see [the WealthMunshi guide on silver ETFs](#).



STRUCTURE

How the ETF structure turns silver into a tradable unit

The listed unit is the last link in a custody and creation-redemption chain.



Each unit is a fractional claim. The exchange price can sit slightly above or below indicative NAV depending on demand and liquidity.

CHOICE OF VEHICLE

ETF or FoF: similar exposure, different convenience

Silver ETF

Traded live on an exchange.

Requires a demat account.

Price is the market price.

EXCHANGE-LISTED

Silver ETF Fund of Funds

Buys the ETF.

May be easier for SIPs and may not require demat.

The FoF adds its own expense layer and can have a different long-term holding-period rule.

FUND ROUTE

WHAT CHANGES

What investors get instead of physical silver

- Exposure without buying, assaying, storing, or insuring bars or coins: [compare the physical-silver alternatives](#).
- Small-ticket divisibility, exchange liquidity during market hours, transparent holdings, and daily NAV.
- No jewellery-style making charges, but spreads and brokerage still matter.

PORTFOLIO ROLE

“Good investment” depends on the job silver plays in the portfolio

- Silver offers price exposure, not guaranteed returns.
- Industrial demand, investment flows, currency movements, and supply can move prices.
- Past one-year or three-year performance does not predict the next period.
- It is not a substitute for emergency cash or long-term equity growth.

General information, not a recommendation to buy silver or any scheme.



FUND SELECTION

Compare funds on liquidity and tracking, not recent headlines

Fund-selection check

Review total expense ratio, assets under management, average daily volume, tracking error or difference, and the bid-ask spread on your trade date.

What to know

Large silver ETFs often sit around 0.35%–0.60% expense ratio, but the number changes; check the latest factsheet.

Official ranking

There is no official SEBI or [AMFI ranking](#) of the “best” silver ETF.

LOOK THROUGH THE LABEL

Names matter less than the exposure underneath



Underlying exposure

Physical silver structure.

- Indian offerings include Nippon India, ICICI Prudential, HDFC, SBI, Tata, Kotak, Aditya Birla Sun Life, Axis, DSP, Mirae Asset, UTI, Edelweiss, Zerodha, and others.
- Tata Silver Exchange Traded Fund follows the same physical-silver structure as competing products; the AMC name does not change the underlying exposure.

Use [this ETF-versus-index-fund explainer](#) for the broader structure distinction.

TAX CHANGE

Tax changed for sales on or after 1 April 2025

Holding period	General treatment
12 months or less	Gains are generally taxed at the investor's slab rate.
More than 12 months	Long-term capital gains are generally taxed at 12.5% without indexation.
Annual exemption	Silver ETFs do not receive the ₹1.25 lakh annual exemption available to listed equity and equity-oriented funds.
Silver FoFs	The relevant long-term holding period can be longer; review the purchase and sale dates carefully.

See [this silver FoF and ETF tax discussion](#) and confirm the current treatment with your broker's capital-gains statement.

BEFORE YOU ORDER

Five checks before placing an order

1. Confirm whether you are buying an ETF or an FoF.
2. Check the latest expense ratio and tracking difference.
3. Look at live volume and the bid-ask spread.
4. Budget for brokerage, STT, and other transaction costs.
5. Keep the tax holding period and your own slab rate in view.

Tax references should be checked against current law and the broker statement; AIS and broker classifications may not always match.

