

Small Saving Schemes

BANK FIXED DEPOSITS

Eligibility: The following are eligible to apply for a bank fixed deposit

- a. Resident Individuals,
- b. Non resident Indians
- c. Minor through guardians
- d. Hindu Un Divided Family
- e. Sole Proprietorship firm
- f. Partnership firm
- g. Limited Companies
- h. Trust

Features & Benefits

- a. Time based rate of interest- longer periods of deposit accrue higher interests.
- b. Potential to earn compound interest by reinvesting the principal amount along with the interest earned during the period.
- c. Higher rate of interest on Fixed Deposits for Senior Citizens.

Interest Rate: Interest Rate differs from bank to bank, as the interest rates are free, below here is a sample taken from the market as on 1 Aug 2008

| PERIOD | INTEREST RATE (PER ANNUM) | SENIOR CITIZEN RATES (PER ANNUM) |
|------------------|--------------------------------|---------------------------------------|
| 7 -14 days | 3.00% | 3.50% |
| 15 - 29 days | 5.50% | 6.00% |
| 30 - 45 days | 6.00% | 6.50% |
| 46 - 60 days | 6.00% | 6.50% |
| 61 - 90 days | 6.25% | 6.75% |
| 91 - 99 days | 7.00% | 7.50% |
| 100 - 101 days | 7.75% | 8.25% |
| 102 - 180 days | 7.00% | 7.50% |
| 6 months 1 day - | 8.00% | 8.50% |
| 1 Year 1 day - | 9.00% | 9.50% |
| 2 Years 1 days - | 9.50% | 10.00% |
| 3 Years 1 day - | 9.50% | 10.00% |
| 5 Years 1 day - | 9.50% | 10.00% |

Tax Issues:

- a. Interest received on fixed deposits are taxable under the head "Income from other sources"
- b. TDS is deducted if interest exceeds Rs 10000 in any financial year on all fixed deposits placed with a single bank, taken together.
- c. Fixed deposits of term of more than 5 years is eligible for tax benefit u/s 80C of IT Act.
- d. Individuals can file form 15H to claim exemption from TDS deduction.