

Small Saving Schemes

PUBLIC PROVIDENT FUND SCHEME (PPF)

- Account can be opened by** : An individual in his/her own name, or on behalf of a minor.
- Accounts can be opened** : At designated post offices throughout the country and at designated branches of public sector banks throughout the country.
- Maturity period** : The account matures for closure after 15 years.
- Extension after maturity** : Account can be continued with or without subscriptions after maturity for block periods of five years.
With subscription: Withdrawal allowed up to 60 per cent of the balance at the beginning of each extended period (block of five years). The money can be withdrawn in a lumpsum or in installments, but not more than one withdrawal a year.
Without subscription: One can withdraw the entire sum in a lumpsum or in installments but not more than one withdrawal a year.
- Nomination** : Nomination facility is available.
- Deposit limits** : Minimum deposit required is Rs.500 in a financial year.
: Maximum deposit limit is Rs.70,000 in a financial year.
: Maximum number of deposits is twelve in a financial year.
- Loans** : Loans from the amount at credit in PPF account can be taken after completion of one year from the end of the financial year of opening of the account and before completion of the 5th year. The amount of loan that can be availed is 25% of amount that stood to his credit to at the end of the second year immediately preceding the year in which the loan is applied for.
- Withdrawal** : Premature withdrawal is permissible every year after completion of 5 years from the end of the year of opening the account.
One withdrawal per year after 6 years i.e. from 7th year.
The amount of withdrawal is limited to 50% of the balance at credit at the end of 4th year immediately preceding the year in which the amount is withdrawn or at the end of preceding year, whichever is lower.
- Transferability** : Account can be transferred from one post office to another post office, from a bank to another bank; and from a bank to post office and vice-versa.
- Interest** : Present rate of interest is 8% pa. since 1st March, 2003.
- Income Tax relief** : Income Tax rebate is available 'on the deposits made', under Section 80C of Income tax Act, as amended from time to time. Interest credited every year is tax-free.

Small Saving Schemes

Summary of PPF :

- a. The PPF investment provides the lowest risk possible.
- b. Tax rebate facility offered on money invested.
- c. Flexibility of investment.
- d. PPF account is exempt from wealth tax.
- e. Provision for loans and withdrawals.
- f. Courts in case of bankruptcy or default on any loan payments cannot attach the amount in the PPF account.
- g. The government from time to time fixes the rate of interest and it keeps changing. Initially the interest was 12% per annum and it dropped to 11%, then 9.5% and is now only 8%.
- h. The interest on PPF account is calculated on the lowest balance between the fifth and the last day of the month. For instance if there is a balance of Rs.1,00,000/- in the PPF account and on the 10th an additional deposit of Rs.10,000/- is made, the interest will be calculated on Rs.1,00,000/- and not on Rs.1,10,000/-
- i. Non resident Indians are allowed to invest in their already opened PPF accounts, but they are not allowed to extend the PPF account once it matures at the end of 15 years or at the end of any extended block of 5 years.

Public Provident Fund can be best construed as a retirement planning tool for those who do not have any structured pension plan covering them. It is money that one will never touch.