

Public Provident Fund

Highlights

Tax free interest at the rate of 8 per cent per annum compounded annually.

Deposit up to Rs.70,000 per annum qualifies for tax rebate under Section 80C of the Income Tax Act

Entire deposit in the Account exempt from the Wealth Tax

Balance in the Account cannot be attached under court decree

Opening of an Account: Public Provident Fund Account can be opened by any adult on his / her name or on minor's name in the capacity of guardian on behalf of a minor. A Non-resident Indian cannot open PPF Account. A person desirous of opening a Public Provident Fund Account has to make a declaration stating that he is not maintaining any other Public Provident Fund Account except as provided for in the rules.

The scheme is operated through all branches of the State Bank of India and its associate banks, all Head Post Offices and Section Grade Post Offices, designated branches of other Nationalized Banks. The applicant can submit the prescribed Application Form in any of these offices.

Deposit: A depositor can deposit minimum Rs.500 and maximum Rs.70,000 in a Financial Year in lump sum or in twelve installments of any amount in multiple of five. The depositor has total flexibility and freedom for depositing any amount in any number of installments (maximum 12) in this Account. Only condition to continue the Account is to deposit at least Rs.500 per year.

The amount can be deposited by cash, cheque, demand draft or pay order. Only local cheques are accepted for deposit and the date of presentation of local cheque and demand draft is treated as date of deposit in the Account.

Agency Facility: The Public Provident Fund Account can be opened and operated through an authorised agent appointed by the National Savings Organisation.

If you wish to avail services of Agent Please get in touch with us, or email details as ppf a/c no., amount you invest regularly, bank branch etc. to helpdesk@ghanvridhhi.com & we will arrange the rest.(services within Bombay city limits & at sole discretion of Dhanvridhhi Investment Consultancy.)

Nomination: The subscriber may nominate one or more persons to receive the amount standing to his credit in the event of his / her death. The subscriber is also entitled to vary or cancel a nomination made earlier by making an application. Corporate bodies including association of individuals, trustee, companies, firms, banks et al can also be nominated.

Interest Payment: Deposits are payable on maturity after fifteen years along with interest at the rates declared by the Government from time to time. Currently the interest rate on the deposit in Public Provident Fund Account is eight per cent. The interest for the month is calculated on the minimum balance available in the Account, from 5th date to end date of every month. Such interest is completely exempted from Income Tax under Section 10(a)(i) of the Income Tax Act.

Maturity Period: The normal maturity period is fifteen years from the close of the financial year in which the initial subscription was made. An Account, on the expiry of fifteen years, may be extended for a period of five years at a time.

Loans and Repayment: A subscriber can avail of loan facility in the third Financial Year from the Financial Year in which the Account was opened. Application in prescribed Form is to be made for availing of loan along with subscriber's passbook. In case, the loan is sought from minor's Account, the guardian will have to make a declaration that the money is required for the use of the minor. The loan can be taken up to 25 per cent of the amount standing of the credit of subscriber's Account at the end of the second year immediately preceding the year in which the loan is applied for. This facility is available till the end of fifth Financial Year from the end of the Financial Year in which initial subscription was made.

The loan is repayable in lump sum or convenient installments. Where loan is repaid within 36 months, interest is charged at one per cent and if it is not repaid within 36 months, the interest at the rate of six per cent will be charged on the outstanding balance. The interest is to be paid in not more than two installments after the loan amount is fully repaid.

Once the first loan is repaid, second loan can be obtained on same terms.

Withdrawal Facility: A subscriber is entitled for partial withdrawals, once every year from the Public Provident Fund Account after expiry of five years, from the end of Financial Year, in which the initial subscription was made. Application in prescribed Form is to be made for withdrawal along with subscriber's passbook. In case, the withdrawal is sought from minor's Account, the guardian will have to make a declaration that the money is required for the use of the minor. The amount of withdrawal will be restricted to fifty per cent of the balance, standing of the credit of the subscriber at the end of the fourth year immediately preceding the year of withdrawal, or the year immediately preceding the year of withdrawal whichever is lower.

The subscriber of the Account, which are extended beyond maturity period are eligible to make partial withdrawals once in a year. The amount of withdrawal during a five year block period should not exceed sixty per cent of the balance in the Account at the commencement of the block period.

Features of the Scheme

Public Provident Fund Scheme, 1968 came into force on July 1, 1968, in exercise of the powers conferred by Section 3 of the Public Provident Fund Act, 1968 (23 of 1968), by Central Government. Public Provident Fund is Fifteen Financial Years Scheme but the Account can be extended beyond fifteen years. The scheme is ideal for people in different income groups. The minimum amount to be deposited in a Financial Year is Rs.500 with a maximum of Rs.70,000. The deposit in excess of Rs.70,000 in a Financial Year, deposited in the Account, will be refunded without interest and this amount will not be considered for income tax rebate.

Gift can be given through Public Provident Fund Scheme. A Public Provident Fund Account can be transferred from a branch of State Bank of India or a Nationalized Bank to Post Office and vice versa or even from a branch of State Bank of India to a designated branch of Nationalized Bank. A Public Provident Fund Account cannot be transferred from one person to another. Even in case of death of a subscriber, the nominee cannot continue the Account. A Public Provident Fund Account opened in contravention of rules, are closed and amount deposited will be refunded to the depositor by paying interest at the Post Office Savings Bank rate.

Salary earners can open Public Provident Fund Accounts through Pay Roll Savings Scheme, if such schemes are being operated in their establishments. The benefits of Section 80C of Income Tax Act will not be available on deposits made in Public Provident Fund Account after expiry of fifteen years without exercising option in writing for continuance of the Account within one year.