PPF - Public Provident Fund Scheme

The **Public Provident Fund** has been established by the Central Government of India. You can voluntarily decide to open one. You need not be a salaried individual, you could be a consultant, a freelancer or even working on a contract basis. You can also open this account if you are not earning.

Any individual can open a PPF account in any nationalised bank or its branches that handle PPF accounts. You can also open it at the head post office or certain select post offices.

The minimum amount to be deposited in this account is Rs 500 per year. The maximum amount you can deposit every year is Rs 70,000.

You invest in it and you get a deduction on your income. Besides, the interest you earn on it is tax-free. Since it is a scheme run by the Government of India, it is also totally safe. You can be sure no one is going to run away with your money.

HowTo Open PPF Account?

- To open a PPF account, drop by a State Bank of India branch. SBI's subsidiary banks can also open accounts. A list of these subsidiary banks is available on the bank's Web site.You can even visit the nationalised bank in your neighbourhood. Selected branches of nationalised banks can also open accounts.The head post office or selection grade sub-post offices also open PPF accounts.
- You will have to fill up a form. You can take a look or download the form from SBI's web site. Along with the form, attach a photograph and submit your Permanent Account Number. If you do not have a PAN, then furnish an attested copy of either your ration card, voter's identity card or passport. When you open an account, you will be given a passbook (just like a bank pass book) in which all subscriptions, interest accrued, withdrawals and loans are recorded.

Can someone open multiple PPF Accounts?

- You can have only one PPF account in your name. If, at any point, it is detected that you have two accounts, the second account you have opened will be closed, and you will be refunded only the principal amount, not the interest.

Does PPF Scheme allow joint accounts?

- You cannot open a joint account with another individual. The account can only be opened in one person's name. You are free to nominate one or more individuals. On the death of the account holder, nominees cannot keep the account going by making contributions. If there are no nominees, the legal heirs get the money. You can open one account for yourself and others for your child/ children. But, on your death, your children cannot make any additional contributions.

What is Minimum & Maximum deposit permissible for PPF Scheme?

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As mentioned earlier, the minimum amount to be deposited in this account is Rs 500 per year. The maximum amount you can deposit every year is Rs 70,000. The interest you will earn is 8% per annum. The deposit can be made in a single installment or multiple installments over the year.

Tax Saving Example using PPF Scheme

- Assume that Mr. Saxena opens an account for his minor child. He can deposit Rs 70,000 in his own PPF account and Rs 70,000 in his child's account. In this case the maximum benefit Mr Saxena can avail is of Rs. 1,00,000/- U/s. 80C. As Limit of Maximum Investment in a year of 70000/- is fixed by Public provident Fund Act not by Income Tax law.

What is the Duration of PPF Account?

- **The PPF account is valid for 15 years**. The entire balance can be withdrawn on maturity, that is, after 15 years of the close of the financial year in which you opened the account. So, if you opened it in FY 2006-07, you will be able to withdraw it 15 years later, starting March 31, 2007 (end of financial year in which contribution was started). That means your PPF matures on April 1, 2022. It can be extended for a period of five years after that. During these five years, you earn the rate of interest and can also make fresh deposits. Once your account expires, you can open a new one. The only limitation is that you cannot withdraw it until seven years are completed, after which 50% of your deposits can be withdrawn, if needed.

Cheque Payments treatment.

- Till recently, in case of a PPF when a subscriber used to make deposits by local cheque or demand draft, the date of tender of cheque or draft at the accounting office was treated as the date of deposit of PPF, provided the said cheque was duly honoured on presentation for encashment.
- In contrast, in case of other small savings schemes like Post Office Savings Scheme (POSS), Senior Citizen Savings Scheme 2004 (SCSS) any money deposited in these accounts by means of a cheque, the date of encashment of the cheque is treated as the date of deposit.
- Thus, in order to remove inconsistency between PPF and other small savings schemes and to bring in uniformity in the reckoning of the date of deposit of all the schemes, the government has issued necessary instructions through the circular to banks / other intermediaries which hold PPF accounts for the individuals to treat the date of realisation of the cheque or demand draft by the subscriber as the date of deposit.
- This issue becomes particularly relevant in respect of deposits made towards the end of the financial year by cheque / demand draft because if the same is not realised by March 31, then the same will be treated as deposits for the following financial year. This would also have ramifications in respect of the tax deduction being claimed by the individuals in a particular tax year. :)

PPF Account for Minors

- There have been certain practical hurdles in respect of opening of accounts for minor vis-à-vis some intermediary agencies. This clarification reiterates that as per the rules under PPF scheme, an individual may on his own behalf or on behalf of a minor of whom he is a guardian, open a PPF account. Further, either father or mother can open PPF account on behalf of his / her minor child, but both cannot open the account for same child.

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