PPF - Public Provident Fund FAQ

The **Public Providen Fund (PPF)** 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.

Public Provident Fund (PPF) FAQ's

Is the benefit of Tax Deduction under section 88 of the Income Tax Act available to a spouse when he or she contributes to the Public Provident Fund account maintained by the other?

- Yes it is permissible ! The benefit under **Section 88** is admissible to both, a husband contributing to the wife's account and the wife contributing to the husband's account. However, there is one condition, the contributions should be made out of the contributor's taxable income.

If one wishes to continue a PPF account after the completion of a 15 years tenure, is it better to go for extension in blocks of five years or should one start a fresh account after closing the previous one?

- If you close the account and open another fresh **PPF** account , you have access to 100% of your account balance, while extending the same account for a block of five years give you access to only 60% of your account balance at that time. This means that a large amount of money gets blocked for five years. Starting a fresh account gives you the opportunity to decide the amount you want to invest with the entire maturity amount at your disposal. This is an important factor keeping in mind the recent interest rate cut.

For how many years can a PPF account be extended after the initial 15 years of operating a PPF account?

- After the PPF account has been in operation for 15 years, it can be extended for a duration of five years at a time. There is no limit, extensions can be taken any number of times.

What is the procedure for transfer of a PPF account from one branch of a bank to another branch, or one post office to another post office?

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The process to **transfer PPF Accounts is Simple** ! PPF Account Transfers Forms are available with the postmaster, fill up the form and submit for transfer.

What is the procedure for transfer of a PPF account from a Bank to a post office?

- The State Bank of India/its subsidiary will issue an "Account Payee Cheque" or a Demand Draft for an outstation transfer. The "Account Payee Cheque" will be in favour of the transferee Head Post Office along with a certified copy of the ledger and all other related records in original like -
  - application for opening the account
  - application form
  - signature cards and
  - nomination forms.

The cheque/draft will be drawn by designation and will indicate that it relates to PPF Account No……….. On receipt of the PPF account on transfer with the cheque or draft from the bank, the account will be opened at the transferee Head Post Office like any other new account is opened. The transaction will not be included in the credit transfer journal but will be entered in the list of transactions like other new accounts opened by cash.

Can the PPF account be attached?

- Yes, the PPF account can be attached by the Income Tax and Estate Duty authorities. The PPF act only gives the account holder immunity against attachment under a decree / order of a court of law.

Can I open an account in the name of a minor?

- Certainly. Under the Public Provident Fund Scheme, an individual may open one Public Provident Fund account on behalf of a minor child of whom he is the guardian. It may be reiterated that only one account may be opened in one name. Thus, if a guardian opens an account on behalf of a minor child, another guardian cannot open an account on behalf of the same minor child.

What is the rate of interest in a PPF account?

- The interest rate in a PPF account for the year 2009 -2010 is 8%.

In the event of the death of a guardian, in relation to a minor, should the PPF account in the name of the minor be closed and a new account opened?

- In such a case, the minor is treated as subscriber. The amount in his/her account does not become payable on the death of the guardian. Under Section 8 of the PPF Act it becomes payable only on death of the subscriber. In case of death of guardian the account of minor remains operative and a new account need not be opened. The surviving natural guardian or a guardian appointed by a competent court may continue the account of minor after producing the necessary guardianship certificate.

In the event of the death of the minor subscriber is the balance in the account payable to the guardian?

- No, the guardian is not entitled to the payment of the balance. The balance in such cases is payable to the legal heirs of the minor, in accordance with Section 8 of Public Provident Fund Act and para 12(6)(ii) of the Public Provident Fund Scheme.

Is there any fee for cancellation or variation of nomination the way it is charged in a savings accounts?

- No, don't worry there isn't. Rule 12 of the Scheme has no provision for any such fee, therefore there is no fee for cancellation or variation of nominations.

Can a person having a PPF account in the State Bank open another account in the post office and vice-versa?

- Absolutely not ! An individual can have only one account in his/her name, either in the post office or in the State Bank and is required to declare this in the account opening application form.

Can a PPF account be allowed to continue if the total deposit in a financial year falls short of Rs.100/- or should it be closed without interest?

- If a subscriber does not subscribe Rs. 100/- in the first year, subscriptions paid by him will be refunded to him without interest, simply because the account is not considered as validly open. But if the subscriber after paying Rs. 100/- in the first year, defaults on the minimum subscription in the following year, he can continue with his PPF account only after paying the Accounts Office the prescribed default fee along with the arrears in the subscription.

Can one get a loan or withdraw money from those accounts to which regular subscriptions haven't been made every year?

- No, because a subscriber who has not maintained his subscriptions in the account as per Rule 3 of the Scheme and has defaulted on his subscriptions in any year, will not be eligible either for a loan or for a partial withdrawal from the account. This will be allowed only if the person pays the subscription arrears along with the default fee.