# Public Provident Fund (PPF), 1968

The Public Provident Fund (PPF) scheme is a popular long term investment option backed by the Government of India (GoI), offering an attractive interest rate and returns that are fully exempted from tax. Account holders can invest a minimum Rs. 500 to a maximum Rs. 1,50,000 in one financial year.

**Eligibility**

All Individuals who are residents of India are eligible to open their account under the Public Provident Fund (1968) scheme, and are entitled to tax-free returns later. PPF account can be opened on behalf of a minor under the guardianship of parents (natural or legal). HUFs and NRIs are not eligible to invest under the scheme.

An individual may open only one PPF account. Separate accounts cannot be opened in the same or in different banks or post offices by the same individual.

**Investment and returns**

A minimum yearly deposit of Rs. 500 is required to open and maintain a PPF account. A PPF account holder can deposit a maximum of Rs 1.50 lacs in his or her PPF account (including those accounts where he or she is the guardian) per financial year.

The amount can be deposited in lump sum or in a maximum of 12 installments per year. These installments can be of any account, but should not exceed a total of Rs 1.50 lacs in a financial year.

The Ministry of Finance, Government of India announces the rate of interest for PPF accounts every quarter. Interest (compounded annually) is paid on the 31st of March every year and is credited to the PPF account. Interest is calculated on the lowest balance between the close of the fifth day and the last day of every month.

**Nomination**

Nomination facility is available in the name of one or more persons. The shares of the nominees may also be defined by the subscriber.

**Penalty for Default in Payment**

Every Year a subscriber is required to make a minimum contribution of Rs. 500/- to the account. If the minimum amount in any year is not invested, then the account will be deactivated. To activate the account the subscriber is required to pay Rs.50 as penalty for each inactive year. He or she also needs to deposit Rs. 500 each as each inactive year’s contribution.

In case of the death of account holder then the balance amount will be paid to his or her nominee or legal heir even before the completion of 15 years. Nominees or legal heirs are not eligible to continue the account of the deceased.

**Transferability**

The account can be transferred to other branches/ other banks or Post Offices and vice versa upon a request by the subscriber. The service is rendered free of any charges.

**Tax Benefit**

The PPF scheme falls under EEE (Deposit - Exempt, Interest - Exempt, Withdrawal - Exempt) tax basket. Contribution to the PPF account is eligible for tax benefit under Section 80C of the Income Tax Act. Interest earned is exempt from income tax and maturity proceeds are also exempt from tax. The tax benefit is capped at Rs 1.5 lacs per financial year. Contributions to PPF accounts of the spouse and children are also eligible for tax deduction.

**Maturity**

The duration of the scheme is for 15 years. Thereafter, the account can be extended for one or more blocks of 5 years each. The maturity date is the last day of the financial year in which the PPF account matures for payment.

**Withdrawal from PPF Account**

Withdrawal from the PPF account is allowed from the start of the seventh financial year. The maximum amount that can be withdrawn pre-maturely is equal to 50% of the amount that is available in the account at the end of 4th year pre-ceding the year in which the amount is withdrawn or at the end of the preceding year, whichever is lower.

**Option on Maturity**

Subscriber has three options once the maturity period is over.

1. **Complete Withdrawal** : The entire accumulated balance is withdrawn lump sum on maturity
2. **Extend the PPF account with no contribution** – PPF account can be extended after the completion of 15 years. Under this option, the subscriber does not need to put in any amount after maturity. This is the default option if the subscriber does not take any action within one year of his PPF account maturing for payment. Any amount can be withdrawn from the PPF account if the option of extension with no contribution is opted for. The only restriction is that only one withdrawal is permitted in a financial year. The rest of the amount keeps earning interest until the entire amount is withdrawn and the account is finally closed.

3. **Extend the PPF account with contribution -** With this option the subscriber can continue to put money in his PPF account after opting for extension of the same. If the subscriber wants to choose this option then he needs to submit the application in the bank where he is having a PPF account within one year from the date of maturity (i.e., before the completion of 16 years in of his or her PPF account). With this option subscriber can only withdraw a maximum of 60% of the PPF amount balance (i.e, the amount which was there in the PPF account at the beginning of the extended period) within the entire 5 years block. Every year only a single withdrawal is permitted. At the end of the five year period, the subscriber has the option to either finally close the account or extend the same for a further period of five years.