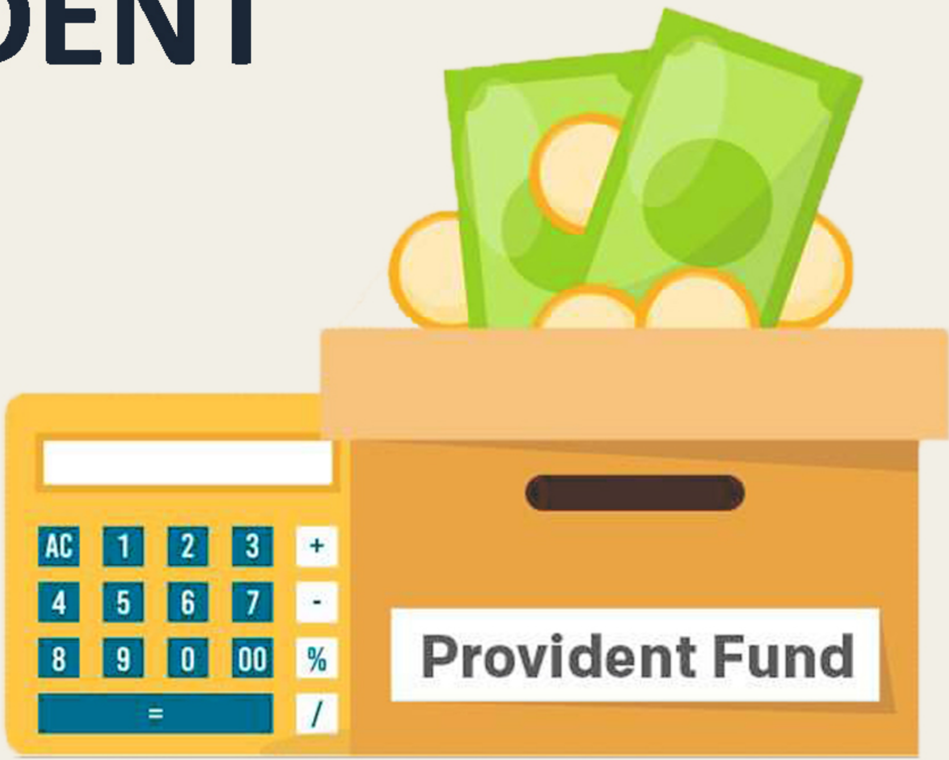
INVESTELITE RESEARCH
Investment Advisor

PUBLIC PROVIDENT FUND



Public Provident Fund

PPF scheme was launched in 1968 by the Finance Ministry's National Savings Institute.

The main objective of the PPF scheme is to help individuals make small savings and provide returns on the savings.

The PPF scheme offers an attractive rate of interest and no tax is required to be paid on the returns that are generated from the interest rates.

Eligibility To Open A PPF Account

- Indian citizens are eligible to open a PPF account.
- An individual can open only one account under his/her name. However, another account can be opened by the individual on behalf of a minor.
- Non-resident Indians (NRIs) and Hindu Undivided Families (HUFs) are not allowed to open a PPF account.

Features Of A PPF Account

- **Duration Of The Account:** The minimum duration of a PPF account is 15 years. However, account holders can extend the duration of the account by a block of 5 years.

- **Amount Required To Open A PPF Account:** The amount that is required to open a PPF account is Rs.100. In a year, if the annual investment that is made towards the account exceeds Rs.1.5 lakh, no interest will be earned on the excess amount, and no tax deductions can be claimed as well.

- **Deposit Modes:** PPF Payments towards the account can be made in the form of PF transfer online, Demand Draft, cheque, or cash.

- **Number Of Accounts That Can Be Opened:** An individual can open only one PPF account under his/her name. Under the PPF scheme, joint accounts cannot be opened.

- **Minimum And Maximum Amount:** The minimum and maximum investment that can be made in a financial year are Rs.500 and Rs.1.5 lakh, respectively. PPF Investments can be paid in a lump sum or instalments. The maximum number of instalments that are allowed is 12.

- **Frequency Of Deposits:** Deposits must be made at least once a year for 15 years.

- **Safety of opening a PPF account:** A PPF account offers risk-free, guaranteed returns, and capital protection as it is backed by the Government of India. Therefore, opening a PPF account comes with minimal risks.

- **Loans against a PPF account:** Between the third and fifth financial year from the date of opening the PPF account, PPF loans can be availed against the account. The amount that can be availed as a loan is 25% of the investments that have been made at the end of the second financial year. Individuals can also avail of a loan after the sixth financial year as well. However, the first loan must be completely paid before availing of a second loan.

PPF Interest Rate

Currently, the rate of interest that is provided on a **PPF account is 7.9% p.a.** and it is compounded on an annual basis. The interest is paid on March 31 and the PPF interest rate is set by the Finance Ministry every year. The calculation of interest is based on the minimum balance that is available between the close of the fifth day and the last day of the month.

PPF Tax Benefits

Investments that are made under a PPF account come under the Exempt-Exempt-Exempt (EEE) category. Therefore, under Section 80C of the Income Tax Act, all deposits made towards a PPF account are tax exempt. The amount that has been saved as well as the interest that has been generated are also exempt from tax when the individual withdraws the amount from the PPF account.

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Premature Closure Of A PPF

After completion of 5 years is it possible for individuals to opt for premature closure. However, premature closure is allowed in case of treat diseases that can cause harm to the life to the life of the PPF account holder, parents, children, or spouse. For which, documents from an accomplished medical authority must be submitted.
Premature closure is allowed in case of higher studies of the minor account holder or for the account holder as well. However, documents such as fee bill and the admission confirmation from a recognized university in India or abroad must be submitted.