Salient features for PPF Investments

1. ELIGIBILITY CRITERIA FOR PPF

A PPF account can be opened in the name of any Indian citizen. Parents/legal guardians can also open a PPF account in the name of a minor child.

2. PPF FOR MINOR CHILD

A PPF account in the name of a minor kid can be opened by either parent, but only one account can be opened by each parent. A parent and minor kid can contribute a maximum of Rs. 1.5 lakh to a PPF account each year. So, if Rs. 1.5 lakh is deposited in the minor's PPF account in a financial year; the parent cannot invest an additional Rs. 1.5 lakh in his/her personal PPF account.

3. GRANDPARENTS CANNOT OPEN GRANDCHILD's PPF A/c

4. WHETHER NRIs CAN OPEN PPF?

According to the notification, if a resident who opened an account under this scheme becomes a non-resident during the currency of the maturity period, the account is deemed to be closed with effect from the day he becomes a non-resident, and interest is paid at the rate applicable to the Post Office Saving Account up to the last day of the month preceding the month in which the account is actually closed. As a result of this new amendment, NRIs are no longer permitted to continue their PPF until it reaches maturity. Once their status changes from resident Indian to NRI, their account will be cancelled immediately.

5. INVEST BY 5TH OF MONTH

Although the PPF interest is compounded annually, the calculation is done monthly. Every month, between the 5th and the final day of the month, interest is paid on the lowest balance. If you invest before the 5th of the month, you will receive interest for the entire month. Otherwise, it's like giving the government a month's worth of interest-free money.

6. TENURE CAN BE EXTENDED

When the account reaches maturity, the subscriber has the option to withdraw the full balance. However, the account can be extended in five-year increments indefinitely. With or without contributions, this extension is possible. To continue investing in the PPF account with contributions, the subscriber must write to the Post Office or bank within one year after the account's maturity date. If he does not notify the bank or Post Office, the account will be automatically extended, but no further donations will be accepted.

7. PARTIAL WITHDRAWALS

In the event of an emergency, PPF allows investors to make partial withdrawals. An investor can withdraw up to 50% of the balance at the conclusion of the fourth year, or the immediately preceding year, whichever is lower, after the sixth year.

8. MINIMUM AND MAXIMUM PPF CONTRIBUTION

In a financial year, you must deposit at least Rs 500 and a maximum of Rs 1.5 lakh to your PPF account. If you deposit more than Rs1.5 lakh in a year, the additional cash will not receive interest, even if credited by mistake. The maximum annual contribution limit of 1.5 lakh includes contributions to PPF accounts in minor children's names.

9. ACCOUNT CLOSURE

If an investor needs money for higher education, medical care for himself or his family, or if his residency status has changed, he can end his PPF account early. This can only be done if the account has been open for five years. Foreclosure carries a penalty as well. The interest rate on the balance will be 1% lower than the PPF rate on the overall balance amount.

10. TAX BENEFITS

The PPF comes with a slew of tax advantages. Contributions to the PPF qualify for a tax deduction up to a total of 1.5 lakh under Sec 80C. While the interest earned on a PPF is not taxable, it must be recorded on the individual's tax return. The withdrawals are also tax free. Withdrawals of more than 20 lakh from a PPF account may be subject to TDS of 2-5 percent if the individual has not filed a tax return in the previous three years.

11. ATTACHMENT OF PPF ACCOUNT FOR DEBT REPAYMENTS

A court order or decree cannot be used to seize a PPF account or its balance in order to pay off the subscriber's outstanding debts or liabilities. While creditors are unable to access a PPF account, Income Tax authorities are not subject to the same restrictions. The IT Department is legally permitted to use the PPF account balance to pay any tax-related demands that have been issued to the PPF subscriber.