

SMALL SAVINGS SCHEMES OF THE GOVERNMENT OF INDIA

■ INTRODUCTION

- Post Office Savings Bank-included in the Union List vide item No. 39 of Seventh Schedule of the Constitution of India.
- Various Schemes framed by the Central Government under :
 - Government Savings Bank Act, 1873,
 - Government Savings Certificates Act, 1959,
 - Public Provident Fund Act, 1968.
- Two non-statutory schemes- introduced through executive orders.

❖ OBJECTIVE :

- Small savings schemes are designed to provide safe & attractive investment options to the public and at the same time to mobilise resources for development.

❖ OPERATING AGENCIES :

- These schemes are operated through about 1.54 Lakh post offices throughout the country.
- Public Provident Fund Scheme is also operated through about 8000 branches of public sector banks in addition to the post offices.
- Deposit Schemes for Retiring Employees are operated through selected branches of public sector banks only.

❖ PROMOTION :

- National Savings Organisation (NSO) is responsible for national level promotion of these schemes through publicity campaigns and advertisements in audio, video as well as print media.
- Through a large network of over 5 lakh small savings agents working under different categories viz:
 - Standardised Agency System (SAS),
 - Mahila Pradhan Kshetriya Bachat Yojana (MPKBY),
 - Public Provident Fund Agency Scheme,
 - Payroll Savings Groups,
 - School Savings Banks (Sanchayikas)
- In addition, the **Extra Departmental Branch Postmasters (EDBPMs)** also help in mobilising savings, especially in rural and remote / far flung areas.

❖ INSTITUTIONAL INVESTMENT IN SMALL SAVINGS SCHEMES :

These schemes being primarily meant for small urban and rural investors; institutions are not eligible to invest in major small savings schemes.

❖ N.R.Is' INVESTMENT IN SMALL SAVINGS SCHEMES :

The Non-Resident Indians (NRIs.) are not eligible to invest in small savings schemes including Public Provident Fund (PPF) and Deposit Schemes For Retiring Employees.

■ CURRENT SMALL SAVINGS SCHEMES with MAIN FEATURES:

➤ POST OFFICE SAVINGS ACCOUNTS :

■ *Who can open :*

- A single adult or two-three adults jointly,
- A pensioner to receive/credit his monthly pension,
- Group Accounts by Provident Fund, Superannuation Fund or Gratuity Fund,
- Public Account by a local authority/body,
- An employee, contractor, or agent of a government or of a government company or of a university for depositing security amounts,
- A Gazetted Officer or an officer of a government company or corporation or Reserve Bank of India or of a local authority in his official capacity.
- A cooperative society or a cooperative bank for payment of pay, leave salary, pension contribution of government servants on deputation with such society or bank.

■ *Where can be opened :*

- At any post office.

■ *Deposits:*

- Account can be opened with a **minimum** of Rs. 20.
- **Maximum** of Rupees **One Lakh** for single holder and **Rs. Two lakhs** for joint holders. If depositors have more than one account (single, pension or joint), the balances or shares of balances in all such accounts taken together should not exceed Rs. One Lakh for each of the depositors.

■ *Maturity period / withdrawal :*

- There is no lock-in / maturity period prescribed.
- *Withdrawals:* Any amount subject to keeping a minimum balance of Rs. 50 in simple and Rs. 500 for cheque facility accounts.

■ *Interest :*

- Interest at the rate (s) 'as decided by the Central Government from time to time', is calculated on monthly balances and credited annually.
- Interest rate applicable **w.e.f. 1.3.2001** is 3.5 per cent / per annum for general public.

■ *Pass Book :*

- Depositor is provided with a pass book with entries of all transactions duly stamped by the post Office.

■ *Silent Accounts :*

- An account, not operated during three complete years, shall be treated as 'Silent Account'.
- A service charge @ Rs. 20 per year is charged on the last day of each year until it is reactivated.
- In a silent account from which after deduction of service charge, the balance becomes NIL, the account stands automatically closed.

■ *Final closure / withdrawal :*

- Final withdrawal/ closure of account shall be allowed by Sub Postmaster/Extra departmental Sub/Branch Postmaster on obtaining sanction from Head Postmaster.

▪ **Tax treatment :**

Income tax relief is available on the amount of interest under the provisions of section 80L of Income Tax Act.

➤ **POST OFFICE TIME DEPOSIT ACCOUNTS :**

▪ **Types of Accounts:**

- 1 Year maturity,
- 2 Years maturity,
- 3 Years maturity &
- 5 Years maturity.

▪ **Who can open :**

- A single adult or two adults jointly,
- A pensioner to receive/credit his monthly pension,
- Group Accounts by Provident Fund, Superannuation Fund or Gratuity Fund, Authority controlling funds of the Sanchayika.
- Public Account by a local authority/body,
- Institutional Accounts by the Treasurer of Charitable Endowments for India, Trust Regimental Fund & Welfare Fund,
- A cooperative society / cooperative bank or scheduled bank on behalf of its members, clients or employees
- Gazetted Officer in his official capacity.

▪ **Where can be opened :**

- At any post office.

▪ **Deposits:**

- A deposit with a **minimum** of Rs. 200 with **no maximum limit**.

▪ **Maturity period / withdrawal :**

- **Withdrawals:** The deposited amount is **repayable after expiry of the period** for which it is made viz: 1 year, 2 years, 3 years or 5 years.

▪ **Interest :**

- Interest, 'calculated on quarterly compounding basis', is payable annually.
- Interest rates applicable w.e.f. the **1st day of March, 2003** are :

Period of deposit	Rate of Interest per cent / per annum
1 YEAR	6.25
2 YEARS	6.50
3 YEARS	7.25
5 YEARS	7.50

▪ **Pass Book :**

- Depositor is provided with a pass book with entries of the deposited amount and other particulars duly stamped by the post office.

- **Tax treatment :**
 - Income tax relief is available on the amount of interest under the provisions of section 80L of Income Tax Act.
- **Premature withdrawal :**
 - Premature withdrawals from all types of Post Office Time Deposit accounts are **permissible after expiry of 6 months** with certain conditions.
- **Post maturity interest :**
 - Post maturity interest "at the rate applicable to the post office savings accounts from time to time", is payable for a maximum period of 2 years.

➤ POST OFFICE RECURRING DEPOSIT ACCOUNTS :

- **Who can open :**
 - A single adult or two adults jointly,
 - A guardian on behalf of a minor or a person of unsound mind; or
 - A minor who has attained the age of ten year, in his own name.
- **Where can be opened :**
 - At any post office.
- **Maturity :**
 - Period of maturity of an account is five years.
- **Deposits:**
 - Sixty equal monthly deposits shall be made in an account in multiples of Rs. five subject to a minimum of ten rupees.
- **Defaults in deposits :**
 - Accounts with not more than four defaults in deposits can be regularized within a period of two months on payment of a default fee.
 - Account becomes discontinued after more than four defaults.
- **Interest & Repayment on maturity :**
 - On maturity of the accounts opened on or after 1st March, 2003, an amount (**inclusive of interest**) of **Rs. 728.90** is payable to a subscriber of **Rupees: Ten denomination account**.
 - Amount repayable, inclusive of interest, on an account of any other denomination shall be proportionate to the amount specified above.
- **Pass Book :**
 - Depositor is provided with a pass book with entries of the deposited amount and other particulars duly stamped by the post Office.

- **Premature closure :**
 - Premature closure of accounts is **permissible after expiry of three years** provided that interest at the rate applicable to post office savings account shall be payable on such premature closure of account.
- **Continuation after maturity :**
 - Permissible for a maximum period of five years.

➤ **POST OFFICE MONTHLY INCOME ACCOUNTS:**

- **Who can open :**
 - A single adult or 2-3 adults jointly.
 - More than one account can be opened subject to maximum deposit limits.
- **Where can be opened :**
 - At any post office.
- **Maturity :**
 - Period of maturity of an account is **six** years.
- **Deposits:**
 - Only one deposit shall be made in an account.
- **Deposit limits :**
 - **Minimum:** rupees one thousand.
 - **Maximum:** rupees **three lakhs** in case of single and rupees **six lakhs** in case of joint account. Deposits in all accounts taken together shall not exceed Rs. three lakhs in single account and Rs. six lakhs in joint account. The depositor's shares in the balances of joint accounts shall be taken as one half or one third of such balance according as the account is held by 2 or 3 adults.
- **Interest :**
 - Interest @ **8 per cent/** per annum, **payable monthly** in respect of the accounts opened on or after the 1st March, 2003.
 - In addition, **bonus** equal to **ten per cent** of the deposited amount is payable at the time of repayment **on maturity**.
- **Pass Book :**
 - Depositor is provided with a pass book with entries of the deposited amount and other particulars duly stamped by the post Office.
- **Premature closure :**
 - Premature closure facility is available after one year subject to condition.
- **Closure of account :**
 - Account shall be closed after expiry of 6 years, bonus equal to ten per cent of deposits shall be paid alongwith principle amount.

▪ **Income Tax relief :**

- Income tax relief is available on the interest earned as per limits fixed vide section 80L of Income Tax, as amended from time to time.

➤ **NATIONAL SAVINGS CERTIFICATE (VIII Issue):**

▪ **Who can purchase :**

- An adult in his own name or on behalf of a minor,
- A minor,
- A trust,
- Two adults jointly,
- Hindu Undivided Family.

▪ **Where available :**

- Available for purchase/issue at Post Offices.

▪ **Maturity :**

- Period of maturity of a certificate is **six** Years.

▪ **Nomination / Transferability:**

- Nomination facility is available.
- Certificates can be transferred from one post office to any other post office.
- Transfer from one person to another person permissible in certain conditions.

▪ **Denomination / Deposit limits :**

- **Certificates** are available in denominations (face value) of Rs. 100, Rs. 500, Rs. 1000, Rs. 5000 & Rs. 10,000.
- There is **no maximum limit** for purchase of the certificates.

▪ **Interest/maturity value :**

- With effect from 1st March, 2003, **Maturity value** a certificate of Rs. 100 denomination is **Rs. 160.10**.
- Maturity value of a certificate of any other denomination shall be at proportionate rate.
- Interest accrued on the certificates every year is liable to income tax but deemed to have been reinvested.

▪ **Premature encashment :**

- Premature encashment of the certificate is not permissible except at a discount in the case of death of the holder(s), forfeiture by a pledgee and when ordered by a court of law.

▪ **Place of Encashment/discharge on maturity :**

- Can be encashed/discharged at the post office where it is registered or any other post office.

▪ **Income Tax relief :**

- **Income Tax rebate** is available on the amount invested and interest accruing every year under Section 88 of Income tax Act, as amended from time to time.
- Income tax relief is also available on the interest earned as per limits fixed vide section 80L of Income Tax, as amended from time to time.

➤ **KISAN VIKAS PATRA :**

▪ **Who can purchase :**

- An adult in his own name or on behalf of a minor,
- A minor,
- A Trust,
- Two adults jointly.

▪ **Where available :**

- Available for purchase/issue at Post Offices.

▪ **Maturity amount / period :**

- With effect from 1st March, 2003, invested amount **doubles** on **maturity** after **Eight Years and Seven months**.

▪ **Nomination :**

- Nomination facility is available.

▪ **Denomination / Deposit limits :**

- **Certificates** are available in denominations (face value) of Rs. 100, Rs. 500, Rs. 1000, Rs. 5000, Rs. 10,000 & Rs. 50,000.
- There is **no maximum limit** for purchase of the certificates.

▪ **Tax Benefits :**

- No income tax benefit is available under the scheme. However the deposits are exempt from Tax Deduction at Source (TDS) at the time of withdrawal.

▪ **Premature encashment :**

- Premature encashment of the certificate is not permissible except at a discount in the case of death of the holder(s), forfeiture by a pledgee and when ordered by a court of law.

▪ **Place of Encashment/discharge on maturity :**

- Can be encashed/discharged at the post office where it is registered or any other post office.

➤ **PUBLIC PROVIDENT FUND SCHEME :**

- **Who can open account under the scheme :**
 - An individual :
 - in his own name,
 - on behalf of a minor of whom he is a guardian,
 - a Hindu Undivided Family.
- **Where to open an account :**
 - at designated post offices throughout the country and
 - at designated branches of Public Sector Banks throughout the country.
- **Maturity period :**
 - The account matures for closure after **15 years**.
 - Account can be continued with or without subscriptions after maturity for block periods of five years.
- **Nomination :**
 - Nomination facility is available.
- **Deposit limits :**
 - **Minimum** deposit required is **Rs. 500** in a financial year.
 - **Maximum** deposit limit is **Rs. 70,000** in a financial year.
 - **Maximum** number of deposits is **twelve** in a financial year.
- **Loans :**
 - Loans from the amount at credit in PPF account can be taken after completion of one year from the end of the financial year of opening of the account and before completion of the 5th year. The amount of withdrawal cannot exceed 40% of the amount that stood to credit at the end of fourth year preceding the year of withdrawal or at the end of preceding year whichever is lower.
- **Withdrawal :**
 - Premature withdrawal is permissible every year after completion of 5 years from the end of the year of opening the account.
- **Transferability :**
 - Account can be transferred from one post office to another post office,
 - from a bank to another bank; and
 - from a bank to post office and vice-versa.
- **Pass Book :**
 - Depositor is provided with a pass book with entries of the deposited amounts, interest credited every year and other particulars duly stamped by the post Office.
- **Interest :**
 - Interest at the rate, notified by the Central Government from time to time, is calculated and credited to the accounts at the end of each financial year.
 - Present rate of interest is **eight per cent / per year** since: 1st March, 2003.

▪ **Income Tax relief :**

- **Income Tax rebate** is available 'on the deposits made', under Section 88 of Income tax Act, as amended from time to time.
- Interest credited every year is tax-free.

▪ **DEPOSIT SCHEME FOR RETIRING GOVERNMENT EMPLOYEES :**

▪ **Who can open an account :**

- Retired Central and State Governments' employees.
- Retired Judges of the Supreme Court and High Courts.

▪ **Where to open an account :**

- At designated branches of Public Sector Banks throughout the country.

▪ **Maturity period :**

- The account matures for closure after **3 years**.
- Account can be continued with the whole or a part of the deposits after maturity.

▪ **Nomination :**

- The account can be opened individually or jointly with his/her spouse.
- Nomination facility is available in respect of individual accounts.

▪ **Deposit limits :**

- **One** time deposit with a **minimum** of **Rs. 1000** to the **maximum** of the total retirement benefits in multiple of one thousand rupees.

▪ **Retirement benefits means :**

- (i) Balance at the credit of employee in any of the Government Provident Funds.
- (ii) Retirement/Superannuation gratuity.
- (iii) Commuted value of pension.
- (iv) Cash equivalent of leave,
- (v) Savings element of Government insurance scheme payable to the employee on retirement, and
- Arrears of retirement benefits, as defined in (i) to (v) above on implementation of Fifth Pay Commission's recommendations.

▪ **Withdrawals :**

- **Whole** or a **part** of the deposits can be withdrawn at any time after expiry of the normal maturity period of **3 years**.

▪ **Premature withdrawal :**

- Not permissible before completion of one year.
- **Permissible** after completion of one year and before completion of three years **on reduced interest rate**.

- **Interest :**
 - Interest at the rate, notified by the Central Government from time to time, is credited and payable on half yearly basis at any time after 30th June and 31st December every year.
 - Present rate of interest is **Seven per cent / per annum** since: 1st March, 2003.
- **Transferability :**
 - Account can be transferred from one public sector bank to another public sector bank operating the scheme due to change of residence.
- **Pass Book :**
 - Depositor is provided with a pass book with entries of the deposited amount, interest etc. and other particulars by the bank.
- **Income Tax relief :**
 - **Interest** accrued / credited / paid is fully **tax-free**.
 - **Amount deposited** under the scheme is **free** from **wealth tax**.
- **Banks authorised to accept deposits :**
 - Selected branches of the following banks are authorised to accept deposits under the scheme :

➤ **DEPOSIT SCHEME FOR RETIRING EMPLOYEES OF PUBLIC SECTOR COMPANIES :**

- **Who can open an account :**
 - Retired/retiring employees of Public Sector Undertakings, Institutions, Corporations, **viz:**
 - Public Sector Banks,
 - Life Insurance Corporation of India,
 - General Insurance Corporation,
 - Public Sector Companies, etc.
- **Where to open an account :**
 - At designated branches of Public Sector Banks throughout the country.
- **Maturity period :**
 - The account matures for closure after **3 years**.
 - Account can be continued with the whole or a part of the deposits after maturity.
- **Nomination :**
 - The account can be opened individually or jointly with his/her spouse.
 - Nomination facility is available in respect of individual accounts.
- **Deposit limits :**
 - **One** time deposit with a **minimum** of **Rs. 1000** to the **maximum** of the total retirement benefits in multiple of one thousand rupees.

- **Retirement benefits means :**
 - (i) Balance at the credit of employee in any of the Government Provident Funds.
 - (ii) Retirement/Superannuation gratuity.
 - (iii) Commuted value of pension.
 - (iv) Cash equivalent of leave,
 - (v) Savings element of Government insurance scheme payable to the employee on retirement, and
 - Arrears of retirement benefits, as defined in (i) to (v) above on implementation of Fifth Pay Commission's recommendations.
- **Withdrawals :**
 - **Whole** or a **part** of the deposits can be withdrawn at any time after expiry of the normal maturity period of **3 years**.
- **Premature withdrawal :**
 - Not permissible before completion of one year.
 - **Permissible** after completion of one year and before completion of three years **on reduced interest rate**.
- **Interest :**
 - Interest at the rate, notified by the Central Government from time to time, is credited and payable on half yearly basis at any time after 30th June and 31st December every year.
 - Present rate of interest is **Seven per cent / per annum** since: 1st March, 2003.
- **Transferability :**
 - Account can be transferred from one public sector bank to another public sector bank operating the scheme due to change of residence.
- **Pass Book :**
 - Depositor is provided with a pass book with entries of the deposited amount, interest etc. and other particulars by the bank.
- **Income Tax relief :**
 - **Interest** accrued / credited / paid is fully **tax-free**.
 - **Amount deposited** under the scheme is **free** from **wealth tax**.
- **Banks authorised to accept deposits :**
 - Selected branches of the following banks are authorised to accept deposits under the scheme :

■ THIS IS FOR PUBLIC INFORMATION:

Given hereinabove are the main features of the small savings & other schemes run by the Government of India, Ministry of Finance(Department of Economic Affairs). The accuracy of conversion to the electronic medium is subject to usual constraints. Hence, nothing in the above document may in any case be construed as an authority. For legal purposes and/or ruling position as well as more details, the nearby post office and/or any of the below mentioned officers/offices of the National Savings Organisation may be contacted:

NATIONAL SAVINGS ORGANISATION (NSO) HEADQUARTERS:			
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REGIONAL OFFICES / CENTRES OF NSO:			
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4	Shri Nassir Sajjad, Regional Director, National Savings, East & West Insurance Building, 55, Mumbai Samachar Marg, Fort, <u>MUMBAI-400023.</u> Tele./ Fax No. 022-22661812	9	Shri Jameel Ashgar, Regional Director, National Savings, Halwasia Court, Jazrat Ganj, <u>LUCKNOW-226001.</u> Tele. No. 0522-2224876 Fax : 0522-2219526
5	Shri P. C. Ekka, Regional Director, National Savings, CGO Complex, 'A' Block, 4 th Floor, Seminary Hills, <u>NAGPUR – 440006.</u> Tele. No. 0712-2525482	10	Shri M. K. Malhotra, Regional Director, National Savings, SCO No. 3007-3008, Sector 22-D, <u>CHANDIGARH-160023.</u> Tele. No. 0172-2704560 Fax: 0172-2703186