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## THE PUBLIC PROVIDENT FUND SCHEME, 1968

[Issued vide Government of India, MOF (DEA) Notification No. GSR 1136 dated 15.6.1968 and further amended from time to time]

Note:- The scheme was introduced in Head Post Offices w.e.f. 1.1.1979 vide **Annexure 1** and Selection Grade sub post offices w.e.f. 1.7.1988 vide **Annexure 2**. The nationalized banks as detailed in **Annexure-3** were authorized to accept subscriptions under paragraph 2 of the PPF Scheme w.e.f. 1.1.1988. Some branches of the Corporation Bank (Nationalised Bank) as detailed in Annexure 4 were authorized to accept subscriptions w.e.f. 27.8.2003.

**GSR 1136:** - In exercise of the power conferred by Section 3 of the Public Provident Fund Act, 1968 (23 of 1968), the Central Government hereby makes the following scheme, namely:-

**1. Short title and commencement:** - (1) This scheme may be called the Public Provident Fund Scheme, 1968.

(2) It shall come into force on 1<sup>st</sup> July, 1968.

**2. Definitions:** - In this scheme, unless the context otherwise requires:-

(a) '**Account**' means a Public Provident Fund Account under this scheme.

(b) '**Accounts Office**' means an office or branch of the State Bank of India, any subsidiary bank of the State Bank of India (excluding a pay office, a sub pay office or any other office managed by single officer or clerk) and any other office authorized by the Central Government to receive subscriptions under the scheme;

(c) '**Accounts Officer**' means the person who for the time being is in charge of an Accounts Office.

(d) '**Act**' means the Public Provident Fund Act, 1968 (23 of 1968)

(e) '**Form**' means a form appended to this scheme;

(ee) '**Guardian**' in relation to a minor, means:-

(i) Father or mother and

(ii) Where neither parent is alive, or where the only living parent is incapable of acting, a person entitled under the law for the time being in force to have care of the property of minor;

(f) '**Year**' means the financial year (1<sup>st</sup> April to 31<sup>st</sup> March)

**3. Limit of subscription:**- (1) Any individual may, on his own behalf or on behalf of a minor of whom he is the guardian, subscribe to the Public Provident Fund (hereafter referred to as the fund) any amount not less than ` **500 and not more than ` 1,50,000 in a year.**

(2) Notwithstanding anything contained in sub-paragraph (1), an individual may also subscribe to the fund on behalf of:-

**(a) HUF- Deleted vide MOF Notification No. GSR 291 (E) dated 13.05.2005**

**(b) An Association of persons- Deleted vide MOF Notification No. GSR 291 (E) dated 13.05.2005**

**(3) Non Resident Indians** are not eligible to open an account under the Public Provident Fund Scheme:-

Provided that if a resident, who subsequently becomes Non Resident Indian during the currency of the maturity period prescribed under Public Provident Fund Scheme, may continue to subscribe to the Fund till its maturity on a Non Repatriation Basis.

[MOF (DEA) Notification No GSR 585 (E) dated 25.7.2003]

### CLARIFICATIONS

(1) The accounts if any opened by juristic person (HUF, Trusts etc.) i.e. Persons other than individual on or after 13.5.2005, under PPF, shall be treated as void ab initio and immediate action should be taken to close such account and refund the deposits without any interests to the depositors. Further existing accounts in operation prior to the amendment date 13.5.2005, shall continue till maturity and deposits/withdrawals in/from these accounts shall be allowed to be made in accordance with the said rules. However, any extension of existing accounts shall be subject to the amendments dated 13.5.2005.

[MOF letter F No. 2/8/2005-NS-II dated 20.5.2005]

(2) An amendment was made to Rule 3 of PPF Scheme 1968 vide MOF Notification No. GSR 585 (E) dated 25.7.2003; Non Resident Indians are not eligible to extend/continue PPF account after maturity. It has been clarified by the Ministry of Finance that accounts opened under such category cannot continue beyond maturity; therefore any subscription made by the depositor is irregular and not entitled for interest. Amount deposited after maturity, shall be refunded to the account holder without interest.

[MOF letter F No. 3/4/2012-NS-II dated 16.7.2012]

(3) The limit of deposit of ` 1,00,000 in a year by an individual in his self account and accounts opened by him on behalf of his minor(s) of whom he is the guardian is combined under rule 3 (1) of the Scheme. This limit is separate for account opened by the HUF or an association of persons or body of individuals vide rule 3 (2) of the scheme.

[MOF (DEA) Notification No GSR 908 (E) dated 6.12.2000]

(4) **PPF Accounts opened by Non Resident Indians:-** As per rule 3 (3) effective from 25.7.2003 the Non Resident Indians are now not eligible to open an account under the PPF scheme. According to orders issued earlier by the NSC Nagpur vide his letter No. 9032-9070/1(16) CR/68-II dated: 4.5.1970 and MOF (DEA) letter No. F.3(6)-PD/74 dated: 31.1.1975 the Non Resident Indian residing abroad could open PPF account out of his moneys held in his non resident account in India in a bank dealing with foreign exchange. Such account was marked as non-resident account and all credits therein and debits thereto were made subject to the same regulations as were applicable to non resident account.

(5) A Public Provident Fund account on behalf on a minor can be opened by either father or mother. Both the parents cannot open a separate account for the same minor. An individual may open one PPF account on behalf of each minor of whom he is the guardian.

[MOF (DEA) letter No 7/34/88-NS II dated 17.11.1989]

(6) The grand father/mother cannot open a PPF account on behalf of their minor grand son/daughter when parents of the minor are alive. They can open the account if they are appointed as legal guardian after the death of the parents.

(7) Under the rules only father or mother can open a PPF account on behalf of minor son/daughter. If neither parent is alive or where the only living parent is incapable of acting, a person entitled under the law for the time being in force to have care of the property of minor can open a PPF account on behalf of the such a minor.

(8) An individual can open only one account in his name either in the post office or in the bank and he has to declare this in application form for opening the account. Persons having a PPF account in the bank cannot open another account in the post office and vice-versa.

[DG Posts letter No. 1-23/75-SB dated: 8.2.1979]

(9) Only one account can be opened in one name. If two accounts are opened by the subscriber in his name by mistake, the second account will be treated as irregular account and will not carry any interest unless the two accounts are amalgamated with the approval of the Ministry of Finance (DEA). For this purpose the subscriber will have to write to the Under Secretary-NS Branch MOF (DEA), New Delhi-1 through the Accounts Office giving detail of each account.

(10) If contributions in excess of ` 1,00,000 are made during a year by the subscriber, the deposits in excess of ` 1,00,000 will be treated as irregular subscriptions and will neither carry any interest nor this excess amount will be eligible for rebate under Section 80-C of the Income Tax Act. This excess amount will be refunded by the Accounts Office to the subscriber without any interest.

[MOF (DEA) letter No F.3(1)-PD/70 dated 24.9.1970 and N.S.C. Nagpur letter No. 12235/Tech/PPF/20-3/98 dated: 20.7.1998]

(11) **Opening of Accounts in joint names or in the name of artificial/Juridical persons:-** According to Rule 3 of the Public Provident fund Scheme, 1968, a PPF account can be opened by an individual in his own name or on behalf of a minor of whom he is the guardian. The Ministry of Finance (DEA) has clarified that the PPF account cannot be opened in the joint names. Further such accounts cannot be opened in the name of an artificial/juridical person. The accounts Office should ensure at the time of opening a PPF account that the Account is opened correctly as per Rule 3 of the PPF Scheme to avoid further complications.

[MOF (DEA) letter No.F.3 (1)-PD dated 24.9.1970 and D.G. Posts letter No. 1-23/75-SB dated 15.11.1979]

(12) The HUF account will not be closed before maturity on the death of the Karta but it will continue by the new Karta appointed by the HUF.

(13) If the account is opened in the name of the minor and the minor attains majority before the maturity of the accounts, the ex-minor will himself continue the account thereafter. He will submit a revised application form for opening the account and nomination form to the Account Office. His signature on the application form will be attested by the guardian who opened the account of the minor or by a respectable person known to the Accounts Office.

(14) If the subscriber dies during a year, his executors cannot deposit any sum from the income of the deceased to his PPF account after his death. If they do so, the amount deposited shall neither carry interest nor shall this amount be eligible for rebate. This amount will be refunded without interest to the nominee/legal heir, as the case may be, at the time of closure of the account.

(15) There is no bar in opening a PPF account by an illiterate subscriber. For this purpose the thumb impression of the subscriber will be attested by a respectable person known to the Accounts Office. The procedure for opening a savings account by a illiterate depositor will be followed. The blind person will be treated as illiterate subscriber. The attestation should be in the following terms:-

"The subscriber is known to me and his thumb impression/mark has been affixed in my presence."

(16) For opening of a PPF account Form-A appended to the Scheme has been prescribed. This form does not contain provision for the nomination. A separate Form-E for nomination appended to the Scheme has been prescribed for this purpose. Both these forms may be supplied by the Accounts Office to the subscriber to be filled up at the time of opening of the account.

(17) There is no maximum limit of age for a person to open a PPF account. A person of any age can open an account.

(18) Those having General Provident Fund or Employee's Provident Fund account can also open a Public Provident Fund Account.

(19) **Opening/operations of a PPF account by a Power of Attorney holder:-** The matter has been considered in this Department. It is clarified that in the absence of a specific provision in the PPF Scheme, 1968, a Power of Attorney holder can neither open a PPF account nor operate any PPF account on behalf of a subscriber.

[MOF (DEA) letter No.F.7/72004-NS.II dated 12.4.2004]

**4. Manner of making the subscription:-** (1) Every individual desirous of subscribing to Fund under the Scheme for the first time either on his own behalf or on behalf of a minor of whom he is the guardian or on behalf of a Hindu Undivided Family of which he is a member or on behalf of an Association of persons or a Body of individuals as referred to in sub rule 2 (b) of Rule 3 above shall apply to the Accounts Office in **Form A**, or as near thereto as possible together with the amount of initial subscription which shall be **integral multiples of ` 5 /-.**

(2) On receipt of an application under sub-paragraph(1), the Accounts Office shall open an account in the name of the subscriber and issue a pass book to him, wherein all amount of deposits, withdrawals, loans and repayment thereof together with interest due shall be entered over the signature of the Accounts Officer with the date stamp.

(3) The subscriber shall deposit his subscription with the Account Office with challan in **Form B**, or as near thereto s possible. The counterfoil of the challan shall be returned to the depositor by the Account Office, duly evidenced by receipt. In the case of deposits made by cheques or draft or pay order, the Accounts Office, may issue a paper token to the depositor pending realization of the proceeds.

(4) Every subscription shall be made in cash or by crossed cheques or draft or pay order in favour of the Accounts Officer at the place at which that office is situated.

[MOF (DEA) Notification No GSR 755 (E) dated 19.11.2004]

(5) Where a deposit is made by means of an outstation cheque or instrument, collection charges at the prescribed rate shall be payable along with the deposit and the date of realisation of the amount shall be the date of deposit.

[MOF (DEA) Notification No GSR 690 (E) dated 27.8.2003]

#### CLARIFICATIONS

(1) Where a subscriber to a PPF account does not subscribe ` 500/- in the initial year, the subscriptions paid by him will be returned to him without interest with the remarks that the amount of subscription being less than the minimum limit prescribed, the PPF account in question cannot be treated as having been opened validly.

[DG Posts letter NO. 1-23/75-SB dated 8.2.1979]

(2) As regards accounts where subscribers, having subscribed ` 500/- in the initial year fail to subscribe the minimum amount in the following years, their account will be treated as discontinued. The subscriber in all such cases will not be entitled to the facility of obtaining loan or making partial withdrawals unless the account is revived. In such cases the subscriber cannot open another PPF account in addition to the discontinued one. He must revive his discontinued account in case he desires to continue the account with deposits and avail of other facilities such as loan or partial withdrawal.

[MOF (DEA) letters No.F.3 (8)-PD/72 dated 16.8.1972 and F.7/2/97-NS II dated 9.2.1998]

(3) When the deposit is made by means of a local cheque or draft by the subscriber, the date of realization of the amount will be treated as the date of deposit.

[MOF (DEA) letter No. F.7/7/2008-NS-II dated 10.2.2010]

(4) The account in which the subscriptions are discontinued any time after the expiry of the financial year in which it was opened and the subscriber is unable to continue it further will be treated as discontinued. The subscriber will get back his amount only after the expiry of maturity period of 15 years alongwith interest which will continue to be added each year on the balance at rate fixed from time to time. The facility of loan and withdrawal will not be allowed from such an account.

(5) A discontinued account can be revived during the period of maturity only. It cannot be revived after maturity nor can it be closed before maturity. The account will continue to earn interest till it is closed after maturity.

(6) The subscription can be deposited in the account in multiples of ` 5/- either in lump sum or in installments subject to the condition that the total amount deposited in a year should not be less than ` 500 and more than ` 1,00,000.

**5. Number of subscription:** The subscription, which shall be in multiples of ` 5/- may, for any year, be paid into the account in one lump sum or installments not exceeding twelve in a year.

**Clarification:-** A subscriber can pay his subscription in more than one installment in a calendar month provided the total number of installments paid in a financial year does not exceed 12. He can vary the amount of subscription to suit his convenience.

[Ministry of Finance (DEA) letter No. F.3 (8)-PD/72 dated 6.8.1972]

**6. Transfer of Account:-** A subscriber may apply for transfer of his account from one "Account Office" to another "Account Office".

**Clarification:-** The PPF account standing open in the State Bank can be transferred to the Head Post Office or Nationalized bank or selected private banks and vice-versa. The account standing in a nationalized bank can be transferred to other nationalized bank or State Bank or selected private bank or Head Post Office and vice-versa.

**7. Issue of duplicate pass book, etc.:-** (1) In the event of loss or destruction of a pass book issued by an Accounts Office, the Accounts Office may, on an application made to it in this behalf, and on payment of **rupee one** by the subscriber, issue a duplicate thereof to him.

(2) **Condonation of default:-** A subscriber who fails to subscribe in any year according to the limits specified in paragraph 3, may approach the Accounts Office for condonation of the default, on payment, for each year of default, a fee of ` 50 alongwith arrear subscription of ` 500 for each year.

[MOF (DEA) Notification No. GSR 768 (E) dated 15.11.2002]

Note: The revised rate of defaulted subscriptions and default fee will also be applicable to the defaults occurred in the previous years prior to 2002-2003 if deposited after 15.11.2002.

**8. Interest** - Interest at the rate, notified by the Central Government in official gazette from time to time, shall be allowed for calendar month on the lowest balance at credit of an account between the close of the fifth day and the end of the month and shall be credited to the account **at the end of each year.**

Provided that where the interest to be credited contains a part of a rupee then, if such part is fifty paise or more, it shall be increased to one complete rupee, and if such part is less than fifty paise, it shall be ignored.

**Note:-** In case where withdrawals are made during the year from 1986-87 to 1988-89, an amount equivalent to one per cent of the amount withdrawn, rounded to the nearest rupee, shall be deducted from the interest creditable to the account of the subscriber. This recovery has been discontinued w.e.f. 1.4.1989.

[MOF (DEA) Notifications No. F.6 (1)-PD/86 dated 30.4.1986 and NO. S.O. 279 (E) dated 2.4.1989]

#### CLARIFICATIONS

(1) The subscriptions in the PPF account start earning interest from the date of their deposits i.e. even before they reach the level of ` 500/- in a year.

[NSC Nagpur letter No. 29/70/1(6) CR/68-III dated 1.1.1972]

(2) A doubt has been raised whether interest would be admissible on PPF accounts in case of discontinuance of subscriptions. It has been clarified by the Ministry of Finance that it is not intended to disallow interest in such cases and interest has to be added to all the accounts.

[NSC Nagpur letter No. 864-84/1(6) CR/68-VI dated 5.1.1973]

(3) Interest as per the PPF Scheme, 1968 shall be payable to those PPF (HUF) accounts, which have completed the initial period of fifteen years and continued without any further extension after 13.5.2005 till they are closed in accordance with Ministry of Finance (DEA) Notification No. GSR 956 (E) dated 7.12.2010

[MOF letter F No.7/4/2008-NS-II dated 11.2.2011]

(4) Some of the subscribers of PPF (HUF) accounts have closed the accounts on maturity or thereafter between 13.5.2005 to 7.12.2010 (before the issue of the notification dated 7.12.2010). Some of such account holders, were not paid interest at PPF rates on the deposits retained beyond the maturity period (without further subscriptions). Those subscribers had been representing that interest at PPF rate may also be paid to them on the deposits that were retained in PPF accounts beyond maturity period. The matter has been examined in the Ministry and it has been decided that interest at PPF rate would be paid on those PPF (HUF) accounts, which has attained the maturity after 13.5.2005 but closed by the subscribers before 7.12.2010, subject to the conditions that the accounts had not been extended thereafter and the deposits were retained in such accounts without further subscriptions.

[MOF letter F. No. 7/4/2008-NS-II dated 1.6.2011]

#### SCHEDULE

Rates of interest payable in PPF accounts as fixed from time to time since the introduction of the scheme.

Year	Rate of interest (p.a.)
1968-69	4.8%
1969-70	4.8%
1970-71	5%
1971-72	5%
1972-73	5%
1973-74	5.3%
From 1.4.1974 to 31.7.1974	5.8%
From 1.8.1974 to 31.3.1975	7%
1975-76	7%
1976-77	7%
1977-78	7.5%
1978-79	7.5%
1979-80	7.5%
1980-81	8%
1981-82	8.5%
1982-83	8.5%
1983-84	9%
1984-85	9.5%
1985-86	10%
From 1.4.1986 to 31.3.1999	12%
From 1.4.1999 to 14.1.2000	12%
From 15.1.2000 to 28.2.2001	11%
From 1.3.2001 to 28.2.2002	9.5%

From 1.3.2002 to 28.2.2003	9%
From 1.3.2003 to 30.11.2011	8%
From 1.12.2011 to 31.3.2012	8.6%
From 1.4.2012 to 31.3.2013	8.8%
From 1.4.2013 to 31.3.2016	8.7%
From 01.04.2016 to 30.09.2016	8.1%
From From 1.10.2016 to 31.03.2017	8.0%
From 01.04.2017 to 30.06.2017	7.9%
From 01.07.2017 to 31.12.2017	7.8%
From 01.01.2018 to 30.09.2018	7.6%
From 01.10.2018 to 30.06.2019	8.0%
From 01.07.2019 to 31.03.2020	7.9%
From 01.04.2020 onwards	7.1%

**9. Withdrawals from the Fund:-** (1) Any time after the expiry of five years from the end of the year in which the initial subscription was made, a subscriber may, if he so desires, apply in **Form C** or as near thereto as possible, together with his pass book to the Accounts Office withdrawing from the balance to his credit, an amount not exceeding fifty per cent of the amount that stood to his credit at the end of the forth year immediately preceding the year of withdrawal or at the end of preceding year, whichever is lower, less the amount of loan, if any, drawn by him under paragraph 10 and which remains to be repaid:

Provided that not more than one withdrawal shall be permissible during any one year.

(2) On receipt of an application under sub paragraph (1) the Accounts Office may, after satisfying itself that the amount of withdrawal applied for is not in excess of the limit prescribed in sub-paragraph (1) and that the applicant has, till the date of application, been subscribing according to the limit specified in paragraph 3, subject to the provisions of sub-paragraph (4) permit the withdrawal and enter the amount withdrawn in the pass book.

(3) **Closure of account or continuation of account without deposits after maturity:-** Notwithstanding the provisions of sub-paragraph (1), anytime after the expiry of 15 years from the end of the year in which the initial subscription was made by him, a subscriber may, if he so desires, apply in **Form C** or as 'near thereto as possible together with his pass book to the Accounts Office for the withdrawal of the entire balance standing to his credit and the Accounts Office, on receipt of such an application from the subscriber, shall subject to the provisions of sub-paragraph (4) allow the withdrawal of the entire balance (together with interest up to the last day of the month preceding the month in which the application for withdrawals is made) after making adjustments, if any, in respect of any interest due from the subscriber on loans taken by him and close his account.

Provided that a subscriber may, if he so desires, make withdrawal of the amount standing to his credit, from time to time, in installments not exceeding one in a year.

Provided further that an account opened on behalf of a Hindu Undivided Family prior to the 13<sup>th</sup> day of May, 2005, shall be closed after expiry of fifteen years from the end of the year in which the initial subscription was made and the entire amount standing at the credit of the subscriber shall be refunded, after making adjustments, if any, in respect of any interest due from the subscriber on loans taken by him. In the case of accounts opened on behalf of Hindu Undivided Family, where fifteen years from the end of the year in which initial subscription was made, has already been completed, they shall also be closed end of the current year i.e. the 31<sup>st</sup> day of March, 2011 and the entire amount standing at the credit of the subscriber shall be refunded, after making adjustments, if any, in respect of any interest due from the subscriber on loans taken by him.

[MOF Notification No. GSR 956 dated 7.12.2010]

(3A) **Continuation of account with deposits after maturity:-** Subject to the provisions of sub-paragraph (3) a subscriber may, on the expiry of 15 years from the end of the year in which the initial subscription was made but before the expiry of one year thereafter, may exercise an option with the Accounts Office in **Form H**, or as near thereto as possible, that he would continue to subscribe for a further block period of 5 years according to the limits of subscription specified in paragraph 3.

(3B) In the event of a subscriber opting to subscribe for the aforesaid block period he shall be eligible to make partial withdrawals not exceeding one every year by applying to the Accounts Office in **Form C**, or as near thereto as possible, subject to the condition that the total of the withdrawals, during the 5 year block period, shall not exceed 60 percent of the balance at his credit at the commencement of the said period.

**Note:-** A subscriber may at his option (to be exercised before the expiry of the first year of every extended block period) avail of this facility for a further block of 5 years on expiry of 20 years or on expiry of 25 years and so on, from the end of the year in which the initial subscription was made.

(4) Where the application is made by a person who has made subscription to the Fund on behalf of a minor of whom he is the guardian, he shall furnish a certificate in the following form, namely.....

"Certified that the amount sought to be withdrawn is required for the use of ..... who is alive and is still a minor."

[MOF (DEA) Notification NO. F.3(8)-PD/84 dated 22.7.1985, No. F.3(6)-PD/86 dated 23.6.1986, and No GSR 1013 (E) dated 20.8.1986]

### CLARIFICATIONS

(1) A subscriber is allowed to make one withdrawal during any one year. The first withdrawal can be made at any time after the expiry of five years from the end of the year in which the initial subscription was made. If a account is opened during 190-91, the first withdrawal can be made during 1996-97 upto 50% of the balance as on 31.3.1993 or 31.3.1996 whichever is lower less the amount of loan, if any, drawn and which remains to be repaid. The balance as on 31.3.1993 or 31.3.1996 will include interest upto year 1992-93 or 1995-96 as the case may be. The amount of withdrawal is not repayable.

(2) From 1986-87 to 1988-89 an amount equivalent to one per cent of the amount withdrawn, rounded to the nearest rupee, will be deducted from the interest creditable to the account of the subscriber. The deduction of one per cent of withdrawal was discontinued w.e.f. 1.4.1989.

(3) A subscriber who has not maintained his subscriptions in accordance with Para 3 of the Scheme and has defaulted in subscriptions, either by non-payment of subscriptions or payment of amount less than the minimum of ` 500/- is not eligible for facility of making partial withdrawals from the account unless the account is revived.

[MOF (DEA) letter No. F.3(8)-PD/72 dated 16.8.1972]

(4) As per proviso to Rule 9(3) the subscriber can retain his account after maturity without making any further deposits for any period without limit. For this purpose, it is not necessary to give option in writing. It is automatic. **Form H** has since been amended. The balance in the account will continue to earn interest at the normal rate applicable to PPF accounts. The subscriber can make one withdrawal in each financial year of any amount within the balance. Once the account is continued without deposits, for more than a year, the subscriber cannot opt again to continue the account with deposits for a block period of 5 years.

[MOF (DEA) Notification No. F.3(6)-PD/86 dated 20.8.1986]

(5) According to Rule 9 (3A) and (3B) the subscriber can continue to make deposits after the maturity of an account for one or more further blocks of 5 years without any loss of benefit. For this purpose he will give his option in writing to the Accounts Office in **Form H** within one year from the date of maturity of the account. If the subscriber fails to give his option to continue the account within one year but continues to make deposits in the account, these deposits will be treated as irregular deposits and will not carry interest. Further these deposits will not earn rebate under Section 80-C of Income Tax Act unless the account is regularized by the Ministry of Finance (DEA). For this purpose the subscriber will have to write to the Ministry of Finance, (DEA) NS Branch through the Accounts Office for regularizing the account which was continued by him without giving the option.

[MOF (DEA) letter No. F.7/8/88-NS II dated 11.8.1992]

(6) As per Rule 9 (3B), if the PPF account is continued after maturity for a further block period of 5 years, the subscriber is eligible to make partial withdrawals not exceeding one every year subject to the condition that the total of the withdrawals, during the 5 year block period, shall not exceed 60 per cent of the balance at his credit at the commencement of the said period. This amount can be withdrawn either in one installment (one year) and or in more than one installment in different years as per requirements of the subscriber. Similarly during the second block period of 5 years the subscriber can withdraw 60% of the whole amount at credit at the commencement of the second block period either in one year or in different years not exceeding one withdrawal in a year. This limit of withdrawal will apply on commencement of every extension of block period of 5 years.

[MOF (DEA) letter No. F.7/2/97-NS II dated 9.2.1988]

(7) If the account is continued with deposits for one or more block period of 5 years, the subscriber can leave the account without deposits on completion of any block period. The account will continue to earn interest till it is closed and the subscriber can make one withdrawal every year from the account.

(8) The Account Offices should not accept further subscriptions from the account holders whose accounts have matured unless they give option in writing in **Form H** to continue the account. For this purpose they should prepare a list of such accounts which should be kept with the counter Assistant so that it may be referred to when deposits in such accounts are received. The list should be updated on 1<sup>st</sup> April each year.

(9) A PPF account can be closed after the expiry of 15 financial years from the end of year in which the account was opened. For example, if the account was opened during the year 1984-85, the account can be closed on or after 1.4.2000 at the option of the subscriber. The account will continue to earn interest till it is closed.

(10) A question was raised whether a subscriber whose account has matured and he leaves the matured account without further deposits, can open a new PPF account as he will not be maintaining his existing account i.e. he will not be subscribing to the said account. The matter was referred to the Ministry of Finance (DEA) for clarification on this point. The MOF (DEA) has clarified that since the facility of extension for further block periods of 5 years has been provided in the scheme, the subscriber should extend the account instead of opening the new account. Had the facility of extension not been provided in the PPF Scheme, the subscriber could open a new account. In view of this facility the subscriber cannot open a new account in addition to his existing matured account.

[MOF (DEA) letter NO. F.7/2/97-NS II dated 9.2.1998]

(11) From rule 9 and clarifications given below this rule it will be seen that the subscriber, on maturity of the account, has the following three options before him. He has to choose one out of these:-

(i) To close the account; or

(ii) To continue the account for any period without further deposits and make one withdrawal in a year. The balance in the account will continue to earn interest at normal rate till the account is closed. There is no need to give in writing about this option to the Accounts Office. This is automatic; or

(iii) To continue the account with usual annual deposits for one or more block periods of 5 years without any loss of benefit. For this purpose he should give his option in writing to the Accounts Office in **Form H** within one year from the date of maturity of the account. During each block period he can make one withdrawal not exceeding sixty per cent of the balance at his credit at the commencement of each block period. This amount can be withdrawn either in one installment (one Year) or in more than one installment in different years as per his requirement not exceeding one withdrawal in a year. The account will continue to earn interest till it is closed.

(12) The subscriber who has given his option for the extension of the account for a period of 5 years cannot withdraw his request at a later stage.

(13) Where a withdrawal is made from the account of a minor the guardian shall furnish the following certificate on the application of withdrawal.

"Certified that the amount sought to be withdrawn is required for the use of the minor ..... Who is alive and is still a minor."

[As per provision in Form C]

(14) The amendment to paragraph 9(3) of PPF Scheme 1968 made vide MOF Notification dated 7.12.2010 provides that on PPF (HUF) accounts opened prior to 13.5.2005 shall be closed after expiry of fifteen years from the end of the year in which initial subscription was made. In respect of those accounts where the initial lock in period of fifteen years has already been completed, all such accounts were to be closed on 31<sup>st</sup> March, 2011. MOF Notification dated 7.12.2010 is not applicable to those PPF (HUF) accounts which have already been closed prior to issue of the said notification on 7.12.2010. It is also clarified that in terms of instructions quoted above, no extension was to be granted to PPF (HUF) accounts after 13.5.2005. In case any bank/post office has accepted the deposits even after the maturity of the accounts on completion of fifteen years or more, such deposits of subscription is irregular as per the rules of the scheme.

[MOF letter F. No. 10/7/2011-NS-II dated 8/20.4.2011]

**10. Loans:-** (1) Notwithstanding the provisions of paragraph 9, any time after the expiry of one year from the end of the year in which the initial subscription was made but before expiry of five years from the end of the year in which the initial subscription was made, a subscriber may, if he so desires, apply in **Form D** or as near thereto as possible, together with his pass book to the Accounts Office for obtaining loan consisting of a sum of whole rupees not exceeding twenty five percent of amount that stood to his credit to at the ends of the second year immediately preceding the year in which the loan is applied for.

(2) On receipt of an application under sub-paragraph (1) the Accounts Office may, after satisfying itself that the amount of loan applied for is not in excess of the limit prescribed in sub-paragraph (1) and that the applicant has, till the date of application, been subscribing according to the limit specified in paragraph 3, subject to the provisions of sub paragraph (3), sanction the loan and enter the amount in the pass book.

(3) Where the application is made by a person who has made subscriptions to the Fund on behalf of a minor of whom he is the guardian, he shall furnish a certificate in the following form, namely:-

'Certified that the amount for which loan is applied for is required for the use of ..... Who is alive and is still a minor.'

(4) A subscriber shall not be entitled to get a fresh loan so long as earlier loan has not been repaid in full together with interest thereon.

#### CLARIFICATIONS

(1) The first loan can be taken in the third financial year from the financial year in which the account was opened upto 25% of the amount at credit at the end of the first financial year. Thus, if an account was opened in 1996-97, the first loan may be drawn in 1998-1999, upto 25 per cent of the amount including interest for 1996-97 at credit in the account as on 31.3.1997. Further loans can be taken provided earlier loan(s) have been repaid in full with interest @ 2 per cent per annum as prescribed in para 11. If one takes loan in 4<sup>th</sup> or 5<sup>th</sup> or 6<sup>th</sup> financial year, he can take loan upto 25% of the balance at his credit at the end of 2<sup>nd</sup> or 3<sup>rd</sup> or 4<sup>th</sup> financial year respectively. No loan can be taken after the end of the 6<sup>th</sup> financial year from the financial year in which the account was opened.

(2) The loan can be taken only once in a year even though the loan taken in the year is repaid in the same year as the limit of amount of loan is fixed for each year. For example, if the account is opened during 1996-97, the first loan can be taken during 1998-99 to the extent of 25% of the balance as on 31.3.1997. If the said loan is also repaid during 1998-99 the second loan cannot be taken again during 1998-99 as the limit of loan i.e. 25% of the balance as on 31.3.1997 has already been exhausted. The next loan can be taken only during 1999-2000 to the extent of 25% of the balance as on 31.3.1998.

(3) A subscriber who has not maintained his subscriptions in accordance with paragraph 3 of the scheme and has defaulted in subscriptions in any year, either by non-payment of subscriptions or payment of amount less than the minimum of ` 500 is ineligible for facility of taking loan from the account unless the account is revived.

[MOF (DEA) letter No. F.3 (8)-PD/72 dated 16.8.1972]

**11. Repayment of loan and interest :-** (1) The principal amount of a loan under this Scheme shall be repaid by the subscriber before the expiry of thirty six months from the first day of the month following the month in which then loan is sanctioned. The repayment may be made either in one lump sum or in two or more monthly installments within the prescribed period of thirty six months. The repayment will be credited to the subscriber's account.

(2) After the principal of the loan is fully repaid, the subscriber shall pay interest thereon in not more than two monthly installments at the rate of **two percent per annum** of the principal for the period of commencing from the first day of the month following the month in which the loan is drawn up to the last day of the month in which the last installment of the loan is repaid.

Provided that where the loan is not or is repaid, only in part within the prescribed period of thirty six months, interest on the amount of loan outstanding shall be charged at **six per cent per annum** instead of at two per cent per annum from the first day of the month following the month in which the loan was obtained to the last day of the month in which the loan is finally repaid.

(3) The interest on the amount of loan outstanding under the proviso to sub-paragraph (2) and any portion of interest payable, but not paid, on any loan, the principal amount of which has already been repaid within the prescribed period of thirty six months, may, on becoming due, be debited to the subscriber's account.

(4) The interest recoverable shall accrue to the Central Government.

[MOF (DEA) Notification No. F.3(8)-PD/84 dated 22.7.1985]

**Clarifications:-** (1) The penal interest on outstanding loans which are not paid before the expiry of 36 months or paid partly will be debited to the subscriber's account at the end of each financial year and adjusted in the departmental accounts as per prescribed procedure.

[D.G. Posts letter NO. 1-23/5-SB dated 8.2.1979]

(2) In case of death of subscriber the nominee/legal heir is liable to pay interest on loan availed of by the subscriber but not paid before his death.

[NSC Nagpur letter No. 29-70(1)(b)-CR/68-III dated 1.1.1972]

**12. Nomination and repayment after death of subscriber :-** (1) Subscriber to the fund may nominate in **Form E** or, as near thereto as possible, one or more persons to receive the amount standing to his credit in the event of his death before the amount has become payable or, having become payable, has not been paid.

(2) No Nomination shall be made in respect of an account opened on behalf of minor.

[MOF (DEA) Notification No. GSR 477 (E) dated 25.5.1994]

(3) A nomination made by a subscriber may be cancelled or varied by a fresh nomination in **Form F** or, as near thereto as possible, by giving notice in writing to the Accounts Office in which the account stands.

(4) Every nomination and every cancellation or variation thereof shall be registered in the Accounts Office and shall be effective from the date such registration, the particulars of which shall be entered in the pass book.

(5) If any nominee is a minor, the subscriber may appoint any person to receive the amount due under the account in the event of the death of the subscriber during the minority of the nominee.

(6) Notwithstanding the provisions contained in paragraph 9 –

(1) If a subscriber to an account in respect of which a nomination is in force dies, the nominee or nominees may make an application in **Form G** or, as near thereto as possible, to the Accounts Office together with proof of death of the subscriber and on receipt of such application all amounts standing to the credit of the subscriber after making adjustment, if any, in respect of interest on loans taken by the subscriber shall be repaid by the Accounts Office itself to the nominee or nominees.

Provided that if any nominee is dead, the surviving nominee or nominees shall, in addition to the proof of death of the subscriber, also furnish proof of the death of the deceased nominee.

(ii) Where there is no nomination in force at the time of death of the subscriber, the amount standing to the credit of the deceased after making adjustment, if any, in respect of interest on loans taken by the subscriber, shall be repaid by the Accounts Office to the legal heirs of the deceased on receipt of application in **Form G** in this behalf from them.

Provided that the balance **up to ` 1 lakh** may be paid to the legal heirs on production of (i) a letter of indemnity, (ii) an affidavit, (iii) a letter of disclaimer on affidavit, and (iv) a certificate of death of subscriber, on stamped paper, in the forms as in **Annexure to Form G**.

[MOF (DEA) Notification No. F.3(6)-PD/86 dated 23.6.1986]

(7) A subscriber to the Fund cannot nominate a trust as his nominee.

[MOF (DEA) Notification No. GSR 755 (E) dated 19.11.2004]

#### CLARIFICATIONS

(1) On the death of the subscriber, the balance in the PPF account does not cease to earn interest. The interest is admissible till the end of the month preceding the month in which payment of the deposits is made to the nominee/legal heirs of the deceased subscriber.

[NSC Nagpur letter No. 6398-6417/1(6)-CR/68-IV dated 1.3.1973]

(2) As the PPF accounts are not transferable from one individual to another, the nominee cannot continue the account of a deceased subscriber in his own name. He is free to open an account in his own name if he so wishes even when he has applied for payment from the account of the deceased subscriber.

[NSC Nagpur letter No. 29150-90-1(6)-CR/68-III dated 10.12.1971]

(3) The nominee/heir to the deceased subscriber is liable to pay interest on loans availed of by the subscriber but not paid before his death.

[NSC Nagpur letter No. 29-70/1(6)-CR/68-III dated 1.1.1972]

(4) No fee is to be charged from the subscriber for the registration, cancellation or variation of nomination in the PPF account.

[D.G.Posts letter No. 1-23/75-SB dated 8.2.1979]

(5) When a subscriber dies without any nomination, the scheme now permits payment of balance upto ` One lakh to the legal heirs on the basis of affidavits as explained in proviso to Rule 12 (6) (ii) of the scheme without the production of succession certificate.

(6) Nominee does not get the right of ownership. He is only authorized to collect the money on the death of the subscriber and keep it with him as a trustee for the benefit of the persons who are entitled to it under the law of succession. Such payment to nominee does not deprive the legal heirs and holders of succession certificate to receive the amount in the hands of the nominee.

**[Supreme Court decision in VIDYA Vs VISHIN case, October, 2000 and D.G.Posts letter No. 105-26/93-SB dated 5.8.1994]**

(7) Documents to be submitted with the deceased claim case:- The following documents are required to be submitted with the claim cases of the deceased subscriber:-

(1) **Where there is a nomination:-**

(a) Application form for withdrawal in **Form G** by the surviving nominee/nominees.

(b) A certificate in regard to the death of the subscriber.

(c) A certificate in regard to death of Sh. \_\_\_\_\_ also the nominee appointed by the subscriber.

(d) Pass book of the subscriber.

(2) **When there is no nomination and the claim is supported by the legal evidence:-**

(a) Application form for withdrawal in Form G by the legal heir(s)

(b) A certificate in regard to the death of the subscriber.

(c) Succession Certificate/Letter of Administration/ An attested copy of the probated will of the deceased subscriber issued by \_\_\_\_\_ High Court.

(d) Pass book of the subscriber.

(3) **When there is no nomination or legal evidence is not produced and the amount at credit in the account is upto ` one lakh:-**

(a) Application form for withdrawal in **Form G** by the legal heir(s).



- (b) A certificate in regard to the death of the subscriber.
- (c) Letter of indemnity in form in **Annexure I to Form G** on stamped paper.
- (d) An affidavit in form in **Annexure II to Form G** on stamped paper.
- (e) Letter of disclaimer on Affidavit in form in **Annexure III to Form G** on stamped paper.
- (f) Pass Book of the subscriber.

[Rule 12 (6) and provisions contained in **Form G**]

(8) The nominee or legal heir will have to close the account by taking full amount due in the account in one installment. He will not be allowed to take part payment in more than one installment.

(9) State of PPF account in the event of death of the guardian of the minor or the death of the minor:- The matter has been examined in consultation with the Ministry of Law and the following clarifications are issued.

Point raised	Clarification
i In the event of death of guardian, in relation to a minor, whether PPF account standing in the name of the minor should be closed and a new account opened	In the case of an account opened on behalf of a minor, the minor is treated as subscriber. The amount in the account of a minor does not become payable on the death of the guardian, because, under Section 8 of the PPF Act the amount becomes payable only on the 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 competent court may continue the account of minor after producing necessary guardianship certificate.
ii In the event of death of the minor subscriber whether the balance in the account is payable to the guardian.	In the event of death of the minor subscriber the guardian does not ifsofacto becomes 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 PPF Act and para 12(6) of the Public Provident Fund Scheme.

[MOF (DEA) letter No. F.3(5)-PD/86 dated 19.5.1987]

(10) **State of HUF PPF account in case of death of Karta:-** The HUF is a body and not an individual. It will continue till the death of its last member or the HUF is dissolved. When the Karta passes away, the PPF HUF account does not expire. It is handled by the new Karta, the senior member of the HUF. If the senior member is not in a position to work as Karta, some other member can work as Karta. The Accounts Office will be informed by the new Karta through an application supported with a copy of the death certificate of the deceased Karta and revised application form for opening the account duly signed by the new Karta. The new Karta will continue the account till it is matured. If a nominee was appointed by the deceased Karta, the nominee who will be one of the members of the HUF, will become the new Karta and he will continue the account. In such cases the account cannot be closed before maturity after the death of the Karta.

[As per advice given by the Ministry of Law to MOF (DEA)]

(11) In the form of Nomination (**Form-E**) the share payable to each nominee, if the nominees are more than one, is to be mentioned by the subscriber at the time of opening the account. If this is not mentioned, the amount due will be payable in equal share to all the nominees after the death of the subscriber.

(12) If there are more than one nominee, they should give a joint discharge on the application of withdrawal (**Form G**) at the time of receiving payment. In case some nominee or nominees are not available or not interested to take payment, payment may be made to the nominee(s) who want(s) to take payment of his/her share(s) leaving the share of other nominee(s) in the account. In this case the Postmaster should retain the pass book and issue a notice to the other nominee(s) intimating the fact of payment to the nominee(s) who has/have taken payment and calling upon him/them to take payment of his/their share(s) and the availability of the pass book with the post office. The pass book will be entered in the register of undelivered pass books in deposit in the head office and will be disposed of like other pass books in deposit. Where the payment is made by the sub office, the pass book will be forwarded by the sub office to the head office for safe custody. The above procedure is being followed in case of P.O. Savings accounts and can be applied to PPF accounts also in such cases.

(13) If the subscriber dies during a year, his executors cannot deposit any sum from the income of the deceased to his PPF account after his death. If they do so, the amount deposited shall neither carry interest nor shall this amount be eligible for rebate. This amount will be refunded without interest to the nominee/legal heir, as the case maybe, at the time of closure of the account.

(14) A doubt has been raised whether interest would be admissible on PPF accounts in case of discontinuance of subscriptions. It has been clarified by the Ministry of Finance that it is not intended to disallow interest in such cases and interest has to be added to all the accounts.

[NSC Nagpur letter No.864-84/1(6) CR/68-VI dated 5.1.1973]

**13. Power to relax:-** Where the Central Government is satisfied that the operation of the any of the provisions of this Scheme causes undue hardship to a subscriber, it may, by order for reasons to be recorded in writing , relax the requirements of that provision in a manner not inconsistent with the provisions of the Act.

## PART – II

### IMPORTANT ORDERS

1. **Attachment of PPF balances in deceased subscribers accounts by Estate Duty Officials:-** (1) A reference is invited to this Ministry's letter No. F.3(7)-PD dated 26.8.1972 (copy enclosed) on the subject mentioned above. As advised therein, attachment notices served by the Estate Duty Officials attaching Public Provident Fund balance in the account of the deceased subscriber against estate duty recoverable on his death are to be honoured as the protection from attachment afforded by Section 9 of the Public Provident Fund Act, 1968 is not available in such cases.

1. The aforesaid instructions would also be applicable in cases where the deceased person had opened PPF accounts(s) on behalf of minor(s) from his own (deceased's) income. All the branches of the State Bank and its subsidiaries dealing with Public Provident Fund may be instructed to honour attachment orders issued by Estate Duty Officials for recovery of estate duty leviable on the

death of a guardian where the orders pertain to balances in the minor's account(s) built by subscriptions by the deceased guardian out of his own income.

[Ministry of Finance (DEA) letter No. F.3(16)-PD/80 dated 6.6.1981]

[Copy of Ministry of Finance (DEA) letter No.F.3(7)-PD/72 dated 26.8.1972 to officer in charge, State Bank of India, Bombay and circulated under D.G. Posts letter No. 1-23/75-SB dated 16.8.1981]

I am directed to refer to your letter No. P.BLS; RSP;1292 dated 21.7.1972. The question whether or not the protection from attachment afforded by Section 9 of the Public Provident Fund Act, 1968 would extend to attachment by Estate Duty Officials to balances of deceased subscriber has been considered. As the liability to pay Estate Duty arises only after the death of the subscriber and is as such, not a liability incurred by the subscriber. You may, therefore, instruct all the branches of the State Bank and its subsidiaries dealing with Public Provident Fund to honour such notices

**2. Change in name of subscriber on account of marriage:-** (1) A doubt had been raised whether the name of a woman Public Provident Fund subscriber can be changed, in the event of her marriage on the basis of affidavit and newspaper cutting submitted by the subscriber.

(2) The Ministry of Finance has vide its letter No. F.3(17)-PD/91 dated 30<sup>th</sup> December, 1982 clarified that as change in the surname of a woman after marriage, is not unusual, there would be no objection to deposit offices acceding to such a request from a female Public Provident Fund subscriber in the event of her marriage on the basis of documentary evidence/application submitted by her. This may please be brought to the notice of all concerned.

[NSC Nagpur letter No. 1(6)-CR/168-IX dated 13.1.1983]

**3. Tax Relief on contributions to Public Provident Fund Account in case of premature closure of the Account:-** A point was raised by the State Bank of India Main Branch Bombay as to whether a partial withdrawal in excess of the prescribed limits or premature closure agreed to by the competent authority would have any effect on the relief of income tax admissible under Section 10(11) of the Income Tax Act and already availed of by the depositor on the subscription made in the relevant assessment year(s) and whether the relief so allowed could be withdrawn or reviewed in the event of a partial withdrawal or premature closure. The matter was referred to Central Board of Direct Taxes and the clarification now received from them in this regard is reproduced below for information and future guidance.

"Section 10(11) states that any payment from Provident Fund to which the Provident Fund Act, 1925 applies or from any other Provident Fund set up by the Central Government and notified by it in this behalf in the official gazette is not to be included in computing the total income of a person in any previous year. The Section does not put any condition/restriction regarding the partial withdrawal of the account. If it is a payment in accordance with the Provident Fund Act, such payment is to be excluded from the total income of the I.T. Act. Hence any partial withdrawal in excess of the prescribed limit or premature closure agreed to by the competent authority will not have any adverse effect on the relief under the Income-Tax Act in term of Section 10(11) if the payment is in accordance with the rules of Provident Fund Act."

[Ministry of Finance (DEA) letter No. F.3(12)-PD/80 dated 13.11.1981]

**4. Delegation of powers to Postmasters to close Public Provident Fund Accounts opened in contravention of rules:-** The deposit offices have already been authorized to close irregular accounts opened in joint names vide our endorsement No. F.3(8)-PD/79 dated 3<sup>rd</sup> November, 1979 to D.G.P & T and their O.M. No. 1-23/75-SB dated 15.11.1979 ( See clarification No. (6) below Rule 3). Likewise deposit offices are authorized to close accounts in which the minimum deposit of ` 100 is not made in the year of opening by refund of the amount deposited. In view of these executive instructions which are being followed a specific amendment of the Scheme for the purpose is not considered necessary.

[MOF (DEA) U.O.No. F.3(10)-PD/81 dated 18.9.1981 and circulated under D.G.P&T letter NO. 1-23/75-SB/Volume II dated 18.1.1982]

**5. Premature closure of P.P.F. Account:-** If requests for premature closure of PPF accounts and refund of deposits from the subscribers on grounds of genuine hardship are received, such cases can be dealt with under Rule 13 of the scheme. Since no withdrawal is permissible before the expiry of five years from the end of the year in which the account was opened vide para 9 of the scheme, the request for premature closure of accounts can be considered only after the expiry of the said period. For example, the request for premature closure of accounts opened in 1988-89 can be considered only after 1.4.1994. Such requests may, therefore, be forwarded to the Ministry of Finance (DEA) alongwith the following information:-

- (i) Name and address of the account holder:
- (ii) Account number and the date on which opened:
- (iii) Loans availed of from the account with dated and position regarding repayment:
- (iv) Reasons given for the request and evidence in support thereof:
- (v) Designation and address of the income tax authority under whose jurisdiction the subscriber falls.
- (vi) Any other information relevant to the request.

[MOF (DEA) letter No F.3(8)-PD/72 dated 16.8.1972 and No. F.3(4)-PD/74 dated 29.6.1974]

**6. Closure of PPF accounts opened in contravention of Rules:-** (1) The PPF accounts cannot be opened by artificial/judicial persons. As such, all accounts standing in the name of artificial/judicial persons have to be treated as invalid. The amounts received from these subscribers cannot be treated as "subscription" under the PPF Scheme, 1968 and were therefore to be repaid to the subscribers. Ordinarily no interest would accrue to the subscribers in such cases.

(2) However, having regard to the fact that accounts in the name of artificial/judicial persons had been opened in some cases due to confusion about the distinction between, "individuals" and "persons" both on the part of subscribers and the deposit offices and the fact that the amounts so received actually remained with Government, it has been decided that interest on these accounts may be paid up to the date of refund at the prevailing POSB rates. Debits on the accounts of these payments may be raised against Government in the usual manner. The subscribers may be told that, as their accounts are not in the names of individual, the moneys tendered by them cannot be accepted as subscription and as such are being refunded to them with interest calculated on a ex-gratia basis.

[MOF (DEA) letter No. F.3(1)-PD/70 dated 24.9.1970 and D.G.Posts letter NO. 1-23/75-SB/Vol.II dated 24.2.1982]

**7. Disposal of old records:-** It has been decided that PPF paid claims should be retained for a further period of 5 years from the date of audit of all such claims.

[NSC Nagpur letter No. AGY(17)77 dated 26.3.1983]

**8. Opening of an account by an individual on behalf of minors:-** (1) I am directed to state that clarifications have been sought as to whether an individual is allowed to open PPF accounts on behalf of more than one minor child of whom he is a guardian. This issue has been considered in this Department. It is clarified that under the Public Provident Fund Scheme, an individual may open one Public Provident Fund account on behalf of each minor child of whom he is the guardian.

(2) Incidentally, it may be reiterated that only one account can be opened in one name. Thus, if a guardian opens an account on behalf of a minor child, the other guardian cannot open on behalf of the same minor child.

[MOF (DEA) letter No. F.7/34/88-NS.II dated 17.11.1989 and D.G. Post letter No. 38-1/85-SB dated 15.12.1989]

**9. Attachment of credit balance in Public Provident Fund Account under orders of Income Tax authorities in respect of any debt or liability incurred by the subscriber:-** It has been clarified by the CBDT and the Ministry of Law that Section 9 of the Public Provident fund Act applies only to attachment under a decree/order of a Court of Law and not to attachment by the Income Tax Authorities. In view of this clarification, the amount standing to the credit of subscriber in PPF Account shall be liable to attachment under any order of income tax authorities in respect of debt or liability incurred by the subscriber.

[MOF (DEA) letter No. 7/21/88-NS.II dated 10.8.1990 and D.G.Posts letter No. 38-2/90-SB dated 7.11.1990]

**10. Tax-deduction under Section 80-C of Income Tax Act on deposits made after 15 years in PPF account without exercising option for continuance of account:-** (1) I am directed to say that paragraph 9(3A) of PPF Scheme, 1968 provides for continuance of account on the expiry of 15 years for a block period of 5 years and so on, if the subscriber exercises an option within one year after the expiry of 15 years.

(2) A question arose as to whether the deposits made after 15 years without exercising the option for continuance of the account would enjoy concession under Section 80-C of Income Tax Act. The matter was taken up with the Department of Revenue (Central Board of Direct Taxes). The CBDT has clarified that the benefits of Section 80-C of Income Tax Act will not be available on deposits made in PPF account after expiry of 15 years without exercising option for continuance of the account.

[MOF (DEA) letter No. F.7/8/88-NS.II dated 11.8.1992]

**11. (1) Tax Concessions:-** (i) Contributions paid out of the assessee's income of the current year or of previous year(s) into the PPF account(s) standing in the name of the assessee, his children (minor and major) and the spouse qualify for rebate under section 80-C of the Income Tax Act subject to the limit of ` 1,00,000 in a year.

(ii) In the case of a Hindu Undivided Family, the contribution of the HUF to the PPF account of any member of the family will qualify for rebate under Section 80-C of Income Tax Act.

(iii) The interest credited to the fund including interest allowed during the extended period and withdrawal from the fund is exempt from income tax.

(iv) The interest credited in the PPF account is not treated as reinvestment for the purpose of Section 80-C of Income Tax Act as it is totally tax free and does not form part of the taxable income.

(v) The balance held in the PPF account is completely free from Wealth Tax. The condition that the assets must be held for a period of at least six months before valuation date, does not apply to the P.P. Fund.

(vi) The contribution paid into the fund in repayment of loans will not be eligible for rebate under Section 80-C of the Income Tax Act.

(2) **Freedom from court attachment:** The balance to the credit of a subscriber in his account is not subject to attachment under any order or decree of a court in respect of any debt or other liability incurred by him.

(3) **Attachment of credit balance in PPF Account by Income Tax and Estate Duty Authorities:-** Section 9 of the Public Provident Fund Act gives freedom only from attachment under a decree/order of a court of law and not to attachment by the Income Tax and Estate Duty Authorities. In view of this, the amount standing to the credit of subscriber in his PPF account shall be liable to attachment under any order of the Income Tax and Estate Duty Authorities in respect of any debt or liability incurred by the subscriber.

**12. Transfer of PPF Account from State Bank of India to Head Post Office and vice versa:-** (1) A Public Provident Fund account can be transferred from one Accounts Office to another Accounts Office; in other words from a branch of the State Bank of India/its subsidiaries to any Head Post Office and vice-versa. The following procedure as laid down in D.G.Posts letter No. 38-7/88-SB dated 22.12.1988 will be followed for this purpose.

(a) **Transfer of a PPF account form State Bank of India/ its subsidiary to a Head Post Office:-** The State Bank of India/ its subsidiary will issue an "Account Payee Cheque" or a Demand Draft when the transfer is to an outside station, in favour of the transferee Head Post Office along with a certified copy of the ledger and all other related original records like application for opening the account, specimen signature and nomination. 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 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.

(b) **Transfer of a PPF account form a Head Post Office to State Bank of India/its subsidiary:-** On receipt of transfer application from the subscriber in form **SB-10** duly amended in manuscript, the identity of the subscriber will be verified through his specimen signature on record in the Head Post Office. The balance at credit will be withdrawn and the account closed by the Postmaster through the ordinary application for withdrawal (SB-7) with suitable remarks regarding transfer of the account to the State Bank of India/its subsidiary in all relevant records. The balance at credit will be remitted by Cheque or Bank Draft if the transfer is to an outside station, along with a certified copy of the ledger and all other related original records like application for opening the account, specimen signature card, if any, and nomination in original. The cheque/draft will be drawn by designation and will indicate that it relates to PPF Account No..... The transaction will not be included in the debit transfer journal/advise of transfer like savings account since the transfer is by cash, but will be shown as withdrawal in the list of transaction.

(2) The PPF Account so transferred will be treated as a continuous account with the benefits envisaged in the PPF Scheme.

**Note 1:-** The procedure for transfer of PPF accounts from State Bank of India to head post office and vice-versa already in force will apply mutatis mutandis to transfer of PPF accounts from head post offices to nationalized banks authorized to open PPF accounts and vice-versa or from State Bank of India to Nationalized bank and vice-versa or from Nationalized bank to other Nationalized bank and vice versa.

**Note 2:-** The bank or the head post office transferring the account will add the interest upto the preceding 31<sup>st</sup> March in the account before the account is transferred. The interest from 1<sup>st</sup> April onwards will be added by the transferee office after the close of the year. As per rule 8 of the scheme the interest in the account is to be credited only at the end of the each year and not in the middle of the year. If the interest is added in the middle of the year at the time of transferring the account, it will result in addition of compound interest on the interest already added in that year. Further the amount of interest is to be debited to the MOF (DEA) by both the Accounts Offices and it will not make any difference to the transferee office to add the interest at the end of the year.

### 13. Deleted.

### 14. Collections by Banks under Public Provident Fund Scheme, 1968.

(1) We invite your attention to our circular No. CO.DT. 15.02.001/3537/95-96 dated 27<sup>th</sup> May, 1996 wherein you were, inter alia, requested to instruct your designated branches not to refuse to open new accounts under the Public Provident Fund Scheme. 1968.

(2) Despite reiteration of our instructions, we have been receiving a number of representations/complaints from members of the public about non-cooperative/unhelpful attitude of the branches of your bank authorized to accept PPF deposits. Some of the branches are reported to be insisting that the investor should have a fixed deposit account in the same branch and must be residing in the vicinity of the branch. You will please realize that this has a dampening effect on the collections. With a view to mitigating the hardships faced by the investors, you may like to exhort the staff concerned to adopt a customer friendly approach while providing adequate infrastructure at all the designated branches on priority basis. In particular, the following needs to be pin-pointed in your instructions to branches:

- (i) Depositors need not have fixed deposits account at the branch.
- (ii) It is not necessary that the account holder must be residing in the vicinity of the branch where the account is to be opened.
- (iii) The designated branch should not direct the investor to another bank or branch under any circumstances.
- (iv) The staff should be cooperative and field all the queries which the investor may have, with courtesy.
- (v) Banks/branches should make available sufficient numbers of challans, forms or any other relevant material to members of the public for opening of PPF accounts.
- (vi) The branches may display a banner heading as under

#### **WE ACCEPT PPF DEPOSITS**

The banner will be supplied by the National Savings Institute.

(3) (i) In the context of the popularity of PPF Scheme and the need to provide the staff with inputs about the salient features of the scheme, the National Savings Institute, Mumbai-23 desires to associate itself closely by handling sessions at your Staff Training College. We request you to communicate the addresses of your Staff Colleges to the National Savings Institute and the officer to be contacted by them for the purpose.

(ii) Please also intimate the National Savings Institute of the name of the Nodal Officer to be contacted in your bank for resolving the common issues.

(iii) You may consider issuing similar instructions to the branches for stepping up efforts for increasing mobilization of deposits under:

- (a) Deposit Scheme for Retiring Government Employees, 1989; and
- (b) Deposit Scheme for Retiring Employees of Public Sector Companies; 1991.

[RBI Central Office, Mumbai-51 Circular No. CO.DT.16/97-98 dated 16.3.1997 addressed to all State Banks of India and its Associate Banks and 14 Nationalized Banks]

**15. Public Provident Fund Scheme, 1968 – Revision of rates of remuneration payable to banks from 1.4.1993:-** I am directed to refer to your letter No. CO.DT.15.02.2001/2540/93-94 dated 21.12.1993 on the subject cited above and to state that the proposal of Reserve Bank of India has been considered in this Department. It has been decided to revise the rates of remuneration payable to the banks for managing PPF Scheme from ` 5/- (Rupees five only) to ` 15/- (Rupees fifteen only) per annum for new accounts and from ` 3/- (Rupees three only) to ` 12/- (Rupees twelve only) per annum for old accounts. The revised rates of remuneration shall be effective from the financial year 1993-94.

[MOF (DEA) letter No. F.15/4/93-NS.II dated 21.2.1994 addressed to the Chief Accountant, Reserve Bank of India, Central Office, Bombay-400051.]

**16. Public Provident Fund Scheme, 1968 -Revision of rates of remuneration payable to banks from 1.4.1999:-** I am directed to refer to your letter No. CO.DT.15.2.002/3923/97-98 dated 15.4.1998 on the subject cited above and to state that the proposal of Reserve Bank of India has been considered in this Department. It has been decided to revise the rates of remuneration payable to the banks for managing PPF Scheme from ` 15 /- (Rupees fifteen only) to ` 25/- (Rupees twenty five only) per annum for new accounts and from ` 12/- (Rupees twelve only) to ` 20/- (Rupees twenty only) per annum for old accounts. The revised rates of remuneration shall be effective from the financial year 1999-2000.

[MOF (DEA) letter No. F.7/13/97-NS.II dated 16.7.1999 addressed to the Deputy General Manager, Reserve Bank of India, Central Office, Bombay-400051.]

### 17. Rates of interest of PPF accounts from 15.1.2000 onwards:-

**S.O. 48 (E):-** In pursuance of Section 5 of the Public Provident Fund Act, 1968 (23 of 1968), and in supersession of S.O. 492 (E) dated 24<sup>th</sup> June, 1999 the Central Government hereby notifies that the subscriptions made to the fund on or after the 15<sup>th</sup> day of January, 2000 but before the 1<sup>st</sup> day of March, 2001 and balances at the credit of the subscriber shall bear interest at the rate of **eleven per cent** per annum:

Provided that the rate of interest applicable on the subscriptions made to the fund on or after the 1<sup>st</sup> day of April, 1999 and before the 15<sup>th</sup> day of January, 2000 and balances at the credit of the subscriber shall bear interest at the rate of **twelve per cent** per annum.

Provided further that the subscriptions made to the fund on or after the 1<sup>st</sup> day of March, 2001 but before the 1<sup>st</sup> day of March, 2002 and balances at the credit of the subscriber shall bear interest at the rate of **nine and a half per cent** per annum.

Provided also that the subscriptions made to the Fund on or after the 1<sup>st</sup> day of March, 2002 but before the 1<sup>st</sup> day of March, 2003 and the balances at the credit of the subscriber shall bear interest at the rate of **nine per cent** per annum.

Provided also that the subscriptions made to the Fund on or after the 1<sup>st</sup> day of March, 2003 and balances at the credit of the subscriber shall bear interest at the rate of **eight per cent** per annum.

[MOF (DEA) Notification NO. SO 48(E) dated 15.1.2000, SO 192 (E) dated 1.3.2001 and SO 250 (E) dated 1.3.2003]

18. Deleted.

**19. Public Provident Fund Scheme, 1968—Non –adherence of instructions:-** (1) The Reserve Bank of India vide their letter No. CO.DT.15.02.001/4544/99-2000 dated 21<sup>st</sup> February 2000 has informed that branches dealing with Public Provident Fund Scheme are not properly adhering to the instructions relating to the operation of the Scheme. This fact was revealed in the course of inspection of branches by their officers. The common irregularities noticed are as under:-

- (i) Withdrawals being allowed beyond the permissible limits.
- (ii) Errors in interest calculations.
- (iii) Allowing premature closure of accounts without proper authorization.

(2) To ensure that the above mentioned discrepancies do not occur, we briefly enumerate the guidelines on these points in this regard.

**(A) Withdrawal from the fund:-** (i) Anytime after the expiry of 5 years from the end of the financial year in which the initial subscription was made, the subscriber may withdraw 50% of the balance to his credit at the end of 4<sup>th</sup> year immediately preceding the year of withdrawal or the amount at the end of the preceding year whichever is lower. However, not more than one withdrawal is permitted in one financial year.

(ii) A subscriber may withdraw the entire amount standing to his credit, after the expiry of 15 years from the end of the financial year in which the initial subscription was made. He/She may, also, opt to continue with the scheme by subscribing for a further block of 5 years by applying to the deposit offices in **Form- H** before the expiry of one year thereafter.

(iii) A subscriber may also avail of this facility for a further block of 5 years on the expiry of 20 years (or on expiry of 25 years and so on) from the end of the year in which the initial subscription was made. However, if a subscriber continues to deposit after 15 years without submitting **Form H**, he shall not be eligible to enjoy benefits under Section 80-C of I.T.Act. These deposits will be treated a irregular and will not earn interest.

(iv) During the extended period of 5 years, a subscriber is eligible to make partial withdrawal not exceeding one in every financial year subject to the condition that total withdrawal during the 5 years shall not exceed 60% of the balance to his credit at the commencement of the period.

(v) Even if the subscriber does not wish to make any further subscription, the balance in his credit shall continue to earn interest.

**(B) Calculation of interest:-** Interest shall be allowed on the lowest balance at the credit of an account from the close of 5<sup>th</sup> day and end of the month and shall be credited to the account at the end of each financial year. The rate of interest shall be notified by the Government from time to time. The interest shall be rounded off to the next rupee. The Officer attached to this Department should thoroughly check the calculation of Products and interest for its accuracy.

**(C) Premature withdrawal/closure of Accounts:-** No withdrawal is permitted before the expiry of 5 years from the end of the year in which the initial subscription was made. Request by the subscriber for premature closure/refund of deposits after 5 years on genuine grounds may be forwarded to Ministry of Finance (DEA) for their consideration.

(3) The Branches dealing with the above Scheme are requested to comply with the above provision and it is needless to mention that the branches should be more careful in future while operating the scheme to avoid adverse remarks passed by inspecting officers.

[Deputy General Manager, Union Bank of India, Central Office Mumbai 400021 letter No. DA/GB/DGH/131 dated 28.3.2000 addressed to all its branches]

**20. Introduction of facility of nomination in HUF PPF accounts:-** The facility of making nomination in HUF PPF accounts was introduced by the MOF (DEA) vide its Notification GSR 477(E) dated 25.5.1994, the copy of which is appended below for information of all the Accounts Offices.

PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY, PART II,  
SECTION 3, SUB-SECTION (1)

**Government of India**  
**Ministry of Finance (DEA)**  
**New Delhi, the 25 May, 1994**

**NOTIFICATION**

**G.S.R.477 (E)** – In exercise of the powers conferred by section 3 of the Public Provident Fund Act, 1968 (23 of 1968), the Central Government hereby makes the following scheme further to amend the Public Provident Scheme 1968, namely:-

1. (1) This scheme may be called the Public Provident Scheme (Amendment Scheme, 1994)
- (2) It shall come into force on the date of its publication in the official gazette.
2. In paragraph 12 of the said scheme:-
  - (a) in sub paragraph (1), at the end, the following note shall be inserted namely:-

Note:- Nomination may also be made in respect of an account opened on behalf of a Hindu Undivided Family (HUF).

(b) In sub-paragraph (2), after the word "minor", the words "and in respect of an account opened on behalf of a Hindu Undivided Family (HUF)" shall be omitted.

**21. Public Provident Fund Scheme, 1968- No Interest Account:-** (1) On a suggestion received from the Secretary of Dawoodi Bohra Sect Bombay, it has been decided by Government to accept requests for not crediting interest on balances of existing subscribers to the Public Provident Fund or individuals desirous of opening a Public Provident Fund account if they are not willing to take interest on accumulations in their account. On receipt of written requests from such subscribers in this regard, deposit offices may be asked to keep a note to the effect in the relevant ledger page of such accounts that interest calculations are not to be made for credit to their accounts.

(2) Deposit officer may also be advised that subscribers opening PPF accounts who are not desirous of getting interest should be requested to make a specific mention in their application in **Form A** for opening of the account that no interest should be credited to the account.

(3) You are requested to issue suitable instructions for the guidance of all deposit offices.

[MOF (DEA) Notification No. F.3 (11) PD/80 dated 14.8.1980 addressed to the Chief Officer Operations, State Bank of India, Central Office, Bombay]

**22. Wrong calculation of interest in PPF account for the year 1999-2000:-** (1) It has been brought to the notice of the Directorate that PPF interest calculation for the year 1999-2000 has not been properly carried out in conformity with the Gazette Notification No. S.O.48(E) dated 15.01.2000, circulated vide Directorate's letter of even number dated 17.01.2000, effecting change in interest rate from 12 % to 11% w.e.f. 15.01.2000.

(2) The matter was taken up with the Ministry of Finance (DEA) and that Ministry vide their reference No. F.7/13/2000-NS-II dated: 7.12.2000 has clarified as follows:-

"Interest is allowed for the calendar month on the lowest balance at credit of an account between the close of the 5<sup>th</sup> day and the end of the month and is credited into the account at the end of each year.

The rate of interest for such calculation on monthly balances on or before 14.01.2000 shall be 12 % p.a. The rate of interest for such calculation on monthly balances on or after 15.01.2000 shall be 11% p.a."

(3) Accordingly, interest calculated in four stages as indicated below is to be summed up in order to arrive at the interest for 1999-2000 in respect of a PPF account:-

(a) Interest @ 12% by working out IBBs for the month of April to December, 1999.

(b) Proportionate interest for January, 2000 for 14 days from 01.01.2000 to 14.01.2000 @ 12% on the IBB for the month of January, 2000.

$$\text{Interest} = \frac{\text{IBB} \times 14 \times 12}{366 \times 100}$$

$$366 \times 100$$

(c) Proportionate interest for remaining 17 days of January, 2000 from 15.01.2000 to 31.01.2000 @ 11% on the IBB for the month of January, 2000.

$$\text{Interest} = \frac{\text{IBB} \times 17 \times 11}{366 \times 100}$$

$$366 \times 100$$

(d) Interest @ 11% by working out IBBs for the month of February and March, 2000.

(4) This may be brought to the notice of all concerned for information and necessary action.

[D.G.Posts letter No. 95-1/2000-SB dated 11.1.2001 and 24.1.2001]

### **23 and 24. Deleted.**

**25. Change of name of depositor:-** (1) When a depositor changes his name, e.g. on adoption or otherwise or in the case of female depositor, on marriage, the depositor should be required to intimate the fact in writing to the post office and produce the pass book of the account. The intimation should bear the depositor's signature with the old as well as with the new name, and the depositor should also be required to sign a fresh application form with the new name. The depositor's signature as written with the old name on the intimation should be compared with the specimen on record. The depositor's new name should be written clearly in red ink in the pass book and the ledger card above the entry of the old name which should be penned through in such a manner as to leave it still legible. The corrections in the ledger card and the pass book should be supported by the entry "Vide depositor's intimation dated \_\_\_\_" which should be initialed and dated by the Postmaster. The pass book should then be returned to the depositor. The number of the account should be written at the top of the intimation which together with the old application card/form should be kept in a guard file.

(2) In sub offices one specimen of the new signature should be taken. The intimation with the fresh application form should be forwarded to the head office entered in the list of documents. The new specimen signature obtained from the depositor should be pasted in the S.S. Book over the old specimen in such a manner as to allow inspection of the old specimen signature. Suitable corrections should also be made in the sub office ledger in the manner prescribed above.

[Rule 72(1) of P.O.S.B. Manual Volume I]

Note:- The above procedure applicable to P.O. Savings Accounts can also be applied to PPF accounts. The fresh application form in Form A and nomination form in Form E applicable to PPF accounts will be taken from the subscriber.

**26. Public Provident Fund Accounts- requests for premature closure:-** (1) Recently, there has been a considerable increase in the number of cases being forwarded by Circles to the Directorate for taking up with the Ministry of Finance, relating to premature closure of PPF accounts. The Ministry of Finance have noticed that very few of them qualify for pre-mature closure by relaxation of relevant rules and they have informed the Directorate that generally, cases on ground of migration to abroad, marriage, purchasing of house/vehicle, ceremonial occasions, repayment of loan, education, retiring/suspension from job, etc. do not merit relaxation of rules for premature closure of PPF account. Only those cases of extreme compassionate ground such as medical support in life-threatening diseases/ cases, death cases, etc. deserve consideration for granting permission for premature closure.

(2) It is, therefore, requested that Circles/Regions may forward with the approval of their Principal/Chief PMG/PMG/DPS only these cases of premature closure of PPF accounts for consideration of Directorate/Ministry of Finance, where extreme compassionate ground is

involved. In other non-deserving cases, the attention of depositors can be brought to the facility of loans and withdrawals available under Rule 9 and 10 of the PPF Scheme. These instructions may be circulated immediately to all concerned for information, guidance and necessary action.

[D.G.Posts letter NO. 32-1/2003-SB dated 22.9.2003]

**27. Prevention of issue of irregular PPF Accounts:-** (1) The Department of Posts is providing Banking Services to the people at every nook and corner of the country. Due to fraud and uncertainty in the share markets and other financial services, the people are turning to the Post Office Savings Schemes in the recent years. The Directorate is very much concerned about the increasing trend of court cases in the recent times. It has been noticed in the most of the cases, irregular opening of accounts, not closing of accounts immediately after the death of the depositor accounts opened without nominees, non-checking the minimum and maximum deposit level of a depositors as per prescribed rules, untimely regularization of irregular accounts are the causes for court cases. The courts have also come down heavily on the Department for not checking the irregular opening of accounts at the initial stage and it is also not fair on the part of the Department to inform the depositor about the irregularities at the final stage i.e. at the time of maturity of such accounts.

(2) It is requested to ensure that such irregular opening of accounts under PPF Scheme ought to have been detected at the initial stages itself. The Ministry of Finance, Department of Economic Affairs is also insisting to take action against the erring postal official(s) for allowing such opening of irregular accounts. In future, all such proposal for regularization of irregular accounts should be accompanied with the action taken against the erring officials.

(3) It is, therefore, requested that all Head of Circles and Director of Accounts (Postal) may ensure to detect such irregularities at the earliest point of time and all the counter Assistants handling such opening of PPF accounts to be urgently educated and be careful of the opening of accounts. They may also be informed of the decision of the Ministry of Finance; Department of Economic Affairs that severe action will be taken against those who are responsible for opening of such irregular accounts. All auditors may also be advised to check the newly opened accounts year-wise and point out the irregularities immediately.

(4) It is requested that the above instructions may be brought to the knowledge of all concerned in your Circle for information, guidance and compliance.

[D.G.Posts letter No. 107-6/2004-SB(PG) dated 25.5.2004]

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