

Public Provident Fund Scheme (PPF), 1968

1. Short title and commencement:- This scheme may be called the Public Provident Fund Scheme, 1968. It shall come into force on 1st 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, may 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 (1st April to 31st 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 **Rs. 500 and not more than Rs. 70,000 in a year.**

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

(a) a Hindu Undivided Family, or

(b) an association of persons or a body of individuals consisting in either case, only of husband and wife governed by the system of community of property in force in the State of Goa and the Union territories of Dadra and Nagar Haveli and Daman and Diu, by whom or on whose behalf money is deposited in an account and the deposit means money is deposited.

Out of the income of the Hindu Undivided Family or an association of persons or body of individuals, as the case may be, any amount not less than **Rs. 500 and not more than Rs. 70,000 in a year.**

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]

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 Rs.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 evidence 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 din favour of the Accounts Officer at the place at which that office is situated.

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

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

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 Rs. 50 alongwith arrear subscription of Rs. 500 for each year.

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.

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), any time 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 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.

(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.

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, 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.'*

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 a 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 **one 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 Provided that where the loan 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 one 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 on 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 .

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.

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

(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 of 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-

a. 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.

b. 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 Rs. 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**.

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

13. Power to relax:- Where the Central Govt 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.

Courtesy Tax Guru