

What is PPF (Public Provident Fund)? Features & Tax benefits

The Public Provident Fund, or PPF (as commonly known), was introduced in India in 1968. This investment option has evolved significantly over the years and today serves as one of the best sources of long-term savings and tax benefits. In this article, we will discuss what PPF scheme is all about and highlight its features and tax benefits.

What is a PPF Account?

The Public Provident Fund (PPF) is a long-term saving product that provides guaranteed returns and tax benefits. One great advantage of this scheme is that it allows you to keep your investments secure while generating interest at competitive rates (7.1% per annum).

Funds in a PPF account are protected against all contingencies, including bankruptcy or loss of job during tenure. As such, it is one of the safest investment options for individuals with a low-risk appetite.

Features:

The PPF scheme's duration is 15 years.

The minimum deposit you can make per year is Rs. 500, and the maximum deposit can be Rs. 1.5 lakh.

You can get tax benefits up to Rs. 1.5 lakh as stated under Section 80C of the Income Tax Act, 1961.

Your fund and interest income will be eligible for deduction under Section 80C of the Income Tax Act.

Since PPF provides fixed returns, it is a perfect way for investors to diversify their investment portfolio.

When to Invest in a PPF Account?

You can open a PPF account at any time you want in a year. It is best to invest in this fund when one is relatively young because of the higher growth rate that has been observed historically, owing to the long-term benefits that accrue.

How to Open a PPF Account?

You can open a PPF account either at a post office or at any nationalized bank such as SBI and PNB. A few private banks, such as HDFC, ICICI, and Axis, also provide this facility.

Documents required:

PPF account opening application form
KYC documents - aadhaar, voter's id, driving license, etc.
Residential address proof
Nominee declaration form
Passport size photograph

Process of opening PPF account (Offline method):

1. Visit your nearest Post Office or Bank.
2. Fill in the details in the application form and submit all required documents.
3. Once your account is opened, you can deposit in a lump sum or invest over time.

Online Method:

1. Log in to the net banking portal of your bank.
2. Find and click the option 'Open a PPF Account.'
3. Select the type of account you want to open - Self Account/Minor Account.
4. Enter all the relevant information in the application form and verify the details.
5. Enter the total amount you wish to deposit per financial year.
6. You can also set standing instructions that allow an automatic deposit to your PPF account as per your preferred intervals.
7. Submit the application. An OTP will be sent to your registered mobile number to confirm the transaction. Enter the OTP.
8. After you have completed all the above steps, your PPF account will be created.

How to Withdraw Money from PPF?

An individual can withdraw money from PPF after it has been in the account for a minimum of 5 years. There is no specific duration for this. You can withdraw anytime you want as long as you have waited for at least five years from the account opening date. The withdrawal amount cannot exceed 50% of the total amount in your account or a maximum limit decided by the government every year.

Withdrawal Process:

1. Download Form C from your bank's/post office website. Fill in the relevant details.

2. Submit the form to the bank/post office branch where you have your PPF account.

What is Form C in PPF?

Form C consists of 3 sections:

Section 1: The declaration section wherein you need to provide details such as your PPF account number and the amount you wish to withdraw. Along with that, you also have to specify how many years have passed since you opened the PPF account.

Section 2: The Office Use Section which comprises details such as:

Date of the initial subscription

The total amount available in your PPF account

The date on which the previous withdrawal was allowed

The total amount available for withdrawal as per para 9(1)/9(3) of the scheme

The amount of money sanctioned for withdrawal

Section 3: The bank details section, which asks for your bank details such as your bank account number, IFSC code, etc.

Investments Comparable to PPF: NPS and ULIP

Two investments similar to PPF are NPS and ULIP.

NPS is a government-sponsored pension scheme for retirement savings in India. It is regulated and governed by PFRDA (Pension Fund Regulatory and Development Authority).

An NPS Account offers the following benefits:

Regulated: The activities of the NPS are overseen by PFRDA, which has established clear guidelines for the pension fund. The NPS Trust does regular monitoring to ensure that guidelines are being followed.

Economical: NPS is one of the most economical/low-cost investment options.

Portability: Regardless of job changes, state of residence, or physical mobility, your NPS account or PRAN remains the same.

A ULIP is an insurance product sold by life insurance companies and comes with an equity component. When you buy a ULIP, part of the premiums goes towards your life insurance, and the rest is invested in the fund of your choice. You can choose to invest in stocks, bonds, or some mixture of both based on your risk tolerance and long-term goals.

A ULIP essentially provides three benefits:

Life cover

Long-term returns

Tax benefits

Conclusion

PPF is a low-risk investment option that provides people with a decent tax-free return. It is also an effective retirement saving tool for those who do not want to invest in equities. The returns are comparatively low but steady and predictable, which makes it a great long-term investment plan for both new and experienced investors.

Word Count: 990

Meta Description: Want a better and financially secure future? Invest in PPF today! Check out this article to know its features and benefits!

External References:

<https://cleartax.in/s/ppf-account>

<https://www.bankbazaar.com/saving-schemes/how-to-open-a-ppf-account-online.html>

<https://www.hdfcbank.com/personal/invest/nps-national-pension-system>

<https://www.icicprulife.com/insurance-library/ulips/what-are-ulips.html>