

Tonic

F.No.7/4/2008-NS.II
Ministry of Finance
Department of Economic Affairs
(Budget Division)

New Delhi, the 1st June, 2011.

To

**The CGM (DGBA),
Reserve Bank of India,
Department of Government & Bank Accounts,
Central Office, Byculla Office Building,
4th Floor, Opp. Mumbai Central Railway Station,
Byculla, Mumbai-400008.**

Sub: Payment of interest in respect of PPF (HUF) accounts.

Sir,

I am directed to say that as per the provisions contained in Public Provident Fund (PPF) Scheme, 1968, prior to 13th May, 2005 accounts could be opened by individuals and on behalf of HUFs. With effect from 13th May, 2005 opening of PPF accounts has been restricted to "individuals" only. In this regard, a clarification was issued by Finance Ministry vide letter No. F.2/8/2005-NS.II dated 20.5.2005 intimating that PPF accounts of HUFs shall continue till maturity and deposits/withdrawals in/from these accounts shall be allowed to be made in accordance with the rules of the scheme. However, any extension of existing accounts shall be subject to the amendment dated 13th May, 2005.

2. As per Paragraph 9(3) of PPF Scheme, 1968 a subscriber to the account, any time after the expiry of 15 years from the end of the year in which the initial subscription was made, if he so desires, can apply for withdrawal of the entire balance standing to his credit. Further, as per proviso below Paragraph 9(3), the subscriber may, if he so desires, make withdrawal of the amount standing to his credit from time to time in instalments not exceeding one in a year.

3. An amendment has been made to PPF Scheme, 1968 vide this Ministry's Notification No. G.S.R. 956(E) dated 7th December, 2010. A new Proviso below Sub Paragraph 3 of Paragraph 9 of PPF Scheme, 1968 has been inserted, according to which PPF accounts opened on behalf of HUFs prior to 13th May, 2005 shall be closed after expiry of 15 years from the end of the year in which initial subscription was made. In respect of those HUF accounts where the initial period of 15 years had already been completed prior to the issue of Notification dated 7.12.2010, such accounts were to be closed on 31st March, 2011.

4. Some of the subscribers of PPF (HUF) accounts had closed the accounts on maturity or thereafter between 13th May, 2005 to 7.12.2010 (before the issue of the aforesaid amendment). 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 this Ministry and it has been decided that interest at PPF rate would be paid on those PPF (HUF) accounts, which had 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.

5. The above decision may be circulated to all concerned for compliance.
6. This issues with the approval of Secretary (EA).

Yours faithfully,



(M.A. Khan)

Under Secretary to the Govt. of India

Copy to:

1. Director General, Department of Posts, M/o Communication & IT, Dak Bhawan, Sansad Marg, New Delhi.
2. The Director, National Savings Institute, 4th Floor, CGO Complex, 'A' Block, Seminary Hills, Nagpur-440006 with request to circulate the aforesaid instructions to all concerned and to ensure availability on the website of N.S.I. also.
3. The Assistant Director (SB), FS Division, Department of Posts, M/o Communication & IT, Dak Bhawan, Sansad Marg, New Delhi for circulating the aforesaid instructions to all Post Offices operating PPF Scheme.



(M.A. Khan)

Under Secretary to the Govt. of India