SUKANYA SAMRIDDHI ACCOUNT SCHEME

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Special Edition

The Scheme

Sukanya Samriddhi Account Scheme is been notified by Ministry of Finance vide Notification No. G.S.R.863(E) Dated 02.12.2014. Scheme become operational by notification of rules namely 'Sukanya Samriddhi Account Rules, 2014'. It's a good scheme started with a good purpose by the Government. However the scheme has very little benefits to offer if one sees from the tax point of view. Interest earned on this scheme should have been exempted. That would have given this scheme a complete look. Further, instead of including it in Overall Deduction Limit of Section 80C of the Income Tax Act, 1961, a provision of separate deduction for amount deposited in this scheme. Lets have a closer look at the scheme.

One Girl One Account

Only one account can be opened under this scheme. Depositor cannot open multiple or more than one account in the name of a Girl Child. Also note that the legal guardian can open accounts for maximum two girls.

Who are the depositor?

For this scheme Depositor is an individual who on behalf of a minor girl child of whom he or she is the guardian and deposits amount in account opened under this scheme. In simple words, it is the guardian who can deposit in such an account.

Who are the Guardians?

In relation to a minor girl child Guardian means

1. Either father or mother; and
2. Where neither parent is alive or is incapable of acting, a person entitled under the law for the time being in force to have the care of the property of the minor.

Sukanya Samriddhi Account Scheme is a great initiative from the Government.

In This Issue

Hon'ble Prime Minister Modiji at the eve of the launch of the scheme

Account Opening

Age Restrictions

The account may be opened by the natural or legal guardian in the name of a girl child from the birth of the girl child till she attains the age of ten years. In case any girl child, who had attained the age of ten years, one year prior to 02.12.2014 shall also be eligible for opening of account under these rules..

Documents Required

Birth certificate of a girl child in whose name the account is opened shall be submitted by the guardian at the time of opening of the account in post office or bank along with other documents relating to identity and residence proof of the depositor.

Where to open the account?

At any post office in India doing savings bank work and Branch of a commercial bank authorized by the Central Government to open an account under 'Sukanya Samriddhi Account Rules, 2014'.

Passbook

On opening an account, the depositor shall be given a pass book bearing the date of birth of the girl child, date of opening of account, account number, name and address of the account holder and the amount deposited. The pass book shall be presented to the post office or bank. as the case may be, at the time of depositing money in the account and receiving payment of interest.

Interest Rate

No Fixed Rate

Under this scheme Interest rate is not fixed and Government will declare on yearly basis the Interest on accounts opened under these rules. For the Financial Year 2014-15 the Government has **declared Interest Rate of 9.10%** vide Notification F.NO. 2/3/2014.NS-II, DATED 20-1-2015.

Compounding

Interest will be compounded yearly and will be credited to account till the account completes fourteen years from the date of opening.

In case of account holder opting for monthly interest, the same shall be calculated on the balance in the account on completed thousands, in the balance which shall be paid to the account holder and the remaining amount in fraction of thousand will continue to earn interest at the prevailing rate.

Operation of the account

The account shall be opened and operated by the natural or legal guardian of a girl child till the girl child in whose name the account has been opened attains the age of ten years.

On attaining age of ten years, the account holder that is the girl child may herself operate the account. however, deposit in the account may be made by the guardian or any other person or authority.

Deposits and Term Period

Maximum and Minimum Deposit

The account may be opened with an initial deposit of one thousand rupees and thereafter any amount in multiple of one hundred rupees may be deposited subject to the condition that a minimum of one thousand rupees shall be deposited in a financial year but the total money deposited in an account on a single occasion or on multiple occasions shall not exceed one lakh fifty thousand rupees in a financial year.

Default in depositing Minimum Amount

Where minimum amount of Rs. 1000/- a year has not been deposited than such irregular account may be regularized on payment of a penalty of fifty rupees per year along with the minimum subscription of Rs. 1000/- for the year (s) of default any time till the account completes fourteen years.

Mode of Deposit

Deposit can be made in cash; or by cheque or demand draft. Where deposit is made by cheque or demand draft, the date of encashment of the cheque or demand draft shall be the date of credit to the account.

Term Period

Deposits can be made till completion of fourteen years from the date of opening of the account. The maturity of the account is 21 years from the date of opening of account or if the girl gets married before completion of such 21 years.

Pre-Mature Withdrawal

To meet the financial requirements of the account holder for the purpose of higher education and marriage withdrawal up to fifty per cent of the balance at the credit, at the end of preceding financial year shall be allowed but such withdrawal shall be allowed only when the account holder girl child attains the age of eighteen years.

Account Maturity

The account shall mature on completion of twenty-one years from the date of opening of the account.

Special Case 1

In case marriage of the account holder takes place before completion of such period of twenty-one years the Accountholder have to give an affidavit to the effect that she is not less than eighteen years of age as on the date of closing of account.

Special Case 2

In the event of death of the account holder. the account shall be closed immediately on production of death certificate issued by the competent authority. In this case the balance amount along with interest will be paid to the guardian of the account holder.

Passbook

The pass book shall be presented to the post office or bank, as the case may be, at the time of at the time of final closure of the account on maturity.

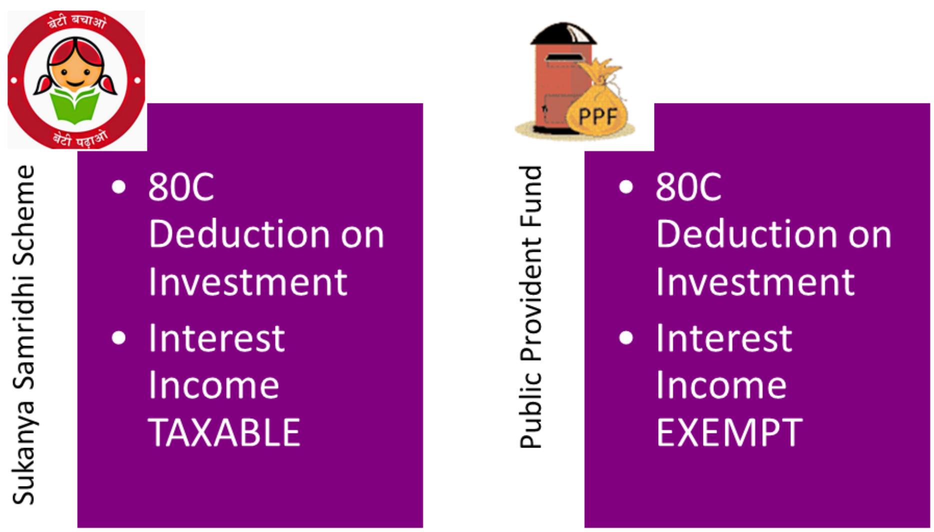
Payment

The balance including interest outstanding in the account will be paid to the account holder on production of withdrawal slip along with the pass book.

The Tax Analysis

80C Deduction but no Exempt Interest

The amount deposited towards Sukanya Samriddhi Account is deductible under section 80C of Income tax Act,1961 upto Rs.1.5 lakhs as notified by Notification No. 09/2015 dated 21.01.2015. Amount deposited in this account will be counted in overall limit of Rs. 1.50 Lakh under section 80C. Interest earned in this scheme is taxable, but maturity amount is exempt.



A Comparison between Sukanya Samridhi Scheme and Public Provident Fund.

Drawback of the Sukanya Samriddhi Account Scheme

1. High Lock in Period — One will have to wait for 21 (Twenty-One) Years from the date of opening of the account. This lock in period is quite high. The restriction from withdrawal should be removed as soon as the girl attains the age of 18. That will make a lot of sense.
2. Tax on Interest Income. Such income should definitely be exempted from tax. There is a fair chance that in the upcoming budget the interest will be declared as exempt income.
3. No Clarity on Future Interest Rate for this account.

Disclaimer:

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