

Special Bank Term Deposit Scheme (BTDS) - A Tax Saving Scheme

This scheme was notified by Central Government vide Notification No. 203/2006 dated 28th July 2006. This is the only deposit scheme available with banks where tax benefits under section 80C of Income Tax, Act are available to depositors. The deposit is for a period of five years and no loan is available against security of this deposit. The salient features of Bank Term Deposit Scheme (BTDS) are as under:

Who can open?	Only individuals and HUFs (Hindu Undivided Families) are eligible. The deposits can be issued in single holder or joint holder types.
What is minimum amount?	Rs. 100/-
What is maximum amount?	In multiples of Rs. 100/- not exceeding Rs. 1,00,000/- in a year.
Maturity period?	5 years
Maturity period	Interest rate varies from bank to bank. The interest may be paid either in lump sum at the time of maturity or it may be paid every quarter or every month.
Nomination facility	Available, except in cases where deposits are made or held in the name of minors.
Transferability	Allowed from one branch of the issuing bank to another.
Premature Encashment	Not allowed, except in the event of the death of the first holder of the deposit in a case of a joint holder type deposit, the other holder of the deposit shall be entitled to encash the term deposit before its maturity by making an application to the branch manager of the bank, supported by proof of death of the first holder of the deposit. (Amendment by Notification No.289/2007 dated 13-12-2007)
Deduction u/s 80C	Available
Interest Taxability	Taxable Tax is Deduction at Source.
Other features	The single holder type deposit receipt is issued to an individual for himself or in the capacity of the Karta of the Hindu undivided family. The joint holder type deposit receipt is issued jointly to two adults or jointly to an adult and a minor, and is payable to either of the holders or to the survivor.

In case of deposit receipts issued in joint names, the deduction from income under section 80C is available only to the first holder of the deposit.

No loan is available against pledge of these deposits.

Permanent Account Number (PAN) is required at the time of issue of these deposits.

If a term deposit receipt is lost, stolen, destroyed, mutilated or defaced, the person entitled thereto may apply for the issue of a duplicate receipt to the branch of the scheduled bank from where the receipt was issued.

In the event of the death of the holder of a term deposit in respect of which a nomination is in force, the nominee or nominees shall be entitled at any time before or after the maturity of the term deposit to encash the term deposit.

If a holder of a term deposit dies and there is no nomination in force at the time of his death, the branch manager of the branch of bank from where the term deposit was issued, shall pay the sum due to the deceased, to his legal heirs.

Post Office Time Deposit Scheme

Post Office Time Deposit Scheme offers the facility of investing surplus funds at relatively higher rates of interest. The deposits made under this scheme for a period of 5 years are also eligible for tax benefits under section 80C of Income Tax Act.

The salient features of the scheme are as under:

Who can open?	Any individual singly or jointly with another adult. An adult individual on behalf of a minor.								
Minimum amount	Rs. 200/-								
Maximum amount	In multiples of Rs. 50/-. No upper limit.								
Maturity period	One year, Two years, Three years and Five years.								
Nomination facility	Available								
Interest Rate	<table><tr><td>One Year</td><td>6.25%</td></tr><tr><td>Two years</td><td>6.5%</td></tr><tr><td>Three years</td><td>7.25%</td></tr><tr><td>Five Years</td><td>7.5%</td></tr></table> The interest on deposits is calculated on quarterly compounding basis and is payable annually.	One Year	6.25%	Two years	6.5%	Three years	7.25%	Five Years	7.5%
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Premature withdrawal	Allowed after expiry of six months from the date of deposit, subject to following conditions : No interest is paid for the deposit withdrawn prematurely after six months but before the expiry of one year. In case of deposits for two, three or five years withdrawn prematurely after the expiry of one year from the date of deposit, interest is payable for the completed years and months at 2% lower rate than specified for the completed period.								
Deduction u/s 80C	Available w.e.f. Financial Year 2007-08 i.e. Assessment Year 2008-09 for Term Deposits of 5 year.								
Interest Taxability	Taxable								
Other features	A deposit can be renewed with retrospective effect, subject to the following:								

		Period elapsed from the date of maturity	Minimum period of re-deposit	
		6 months or less	1 year	
		More than 6 months up to 12 months	2 years	
		More than 12 months up to 18 months	3 years	
		More than 18 months	5 years	

National Savings Certificates (NSCs) (VIII Issue)

National Savings Certificates (NSCs) are popular as Tax Saving instruments. NSCs are a long term tax Saving option for investors. The salient features of NSCs are as under:

Who can purchase	Any individual singly or jointly with other adult. A guardian on behalf of a minor.
Minimum amount	Rs. 100/-
Maximum amount	No maximum limit
Maturity period	Six years
Interest Rate	8 per cent per annum compounded half yearly. Rs.100/- grows to Rs.160.10 on maturity.
Nomination facility	Available
Transferability	Transferable from one Post Office to another. The certificate can also be transferred from one person to another with the previous consent of the Postmaster or the Head Postmaster. The transfer can be made after expiry of a period of at least one year from the date of the certificate. On an application being made in the prescribed Form by the transferor and transferee, the Postmaster may permit the transfer of any certificate (pledging of certificate) as a security. The transfer is permitted only for the whole amount and not for the part of it. Transfer of the Certificate purchased on behalf of minor is permitted only if his guardian certifies that the minor is alive and the transfer is for the benefit of the minor.
Encashment	The Certificates can be encashed after Six years. The Certificate can be encashed at the Post Office at which it stands registered or it at any other Post Office subject to satisfactory verification of the identity of the presenter. In case of certificates purchased on behalf of a minor who has since attained majority, the certificate shall be signed by such a person himself, but his signature

	shall be attested either by the person who purchased the certificate on his behalf or by any person who is known to the Postmaster. In case of death of the holder, in respect of which a nomination is in force, the nominee or nominees are entitled to encash the Certificate at any time before or after the maturity.														
Premature Encashment	A Certificate may be prematurely encashed in case of • Death of the holder • Forfeiture by a pledgee being Gazetted Government Officer when the pledge is in conformity with these rules When ordered by the Court of Law If the Certificate is encashed within one year from the date of certificate, only the face value of the Certificate shall be payable. If the certificate is encashed after expiry of one year but before the expiry of three years from the date of certificate, an amount equivalent to the face value together with simple interest is payable. The amount payable after expiry of three years from the date of the certificate is as under: <table border="1"> <thead> <tr> <th>Period lapsed from the date of certificate</th><th>Amount payable</th></tr> </thead> <tbody> <tr> <td>> 3 years < 3 years and 6 months</td><td>121.15</td></tr> <tr> <td>> 3 years and 6 months < 4 years</td><td>125.09</td></tr> <tr> <td>> 4 years < 4 years and 6 months</td><td>129.16</td></tr> <tr> <td>> 4 years and 6 months < 5 years</td><td>133.36</td></tr> <tr> <td>> 5 years < 5 years and 6 months</td><td>137.69</td></tr> <tr> <td>> 5 years and 6 months < 6 years</td><td>142.16</td></tr> </tbody> </table>	Period lapsed from the date of certificate	Amount payable	> 3 years < 3 years and 6 months	121.15	> 3 years and 6 months < 4 years	125.09	> 4 years < 4 years and 6 months	129.16	> 4 years and 6 months < 5 years	133.36	> 5 years < 5 years and 6 months	137.69	> 5 years and 6 months < 6 years	142.16
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Deduction u/s 80C	Available														
Interest Taxability	Taxable. Interest accruing annually is automatically reinvested, and such re-invested interest qualify for tax rebate under section 80C of the Income Tax Act. No tax deduction at source.														
Other features	Deposits are exempt from Wealth tax. Loans can be availed from banks on pledge of NSCs. NSCs are available in denominations of Rs.100, Rs.500, Rs.1000, Rs.5,000 and Rs.10,000														

NSCs can be purchased in Demat Form from select Post Offices.

If a certificate is lost, stolen, destroyed, mutilated or defaced, application may be made showing particulars of the certificate with circumstances attending such loss, theft, destruction, mutilation or defacement for issue of duplicate certificate to the Post Office where the Certificate is registered. If the Officer-In-Charge is satisfied, he shall issue a duplicate Certificate on the applicant furnishing an indemnity bond in the prescribed form with sureties or with a bank's guarantee.

PPF (Public Provident Fund) Accounts

Investment in Public Provident Fund (PPF) Accounts is a favourite tax saving option on account of relief under section 80C of Income Tax Act alongwith tax free interest on the investments. PPF accounts can be opened at designated branches of State Bank of India and its associate banks, all Head Post Offices and other designated Post Offices and at designated branches of other nationalized banks.

The salient features of PPF accounts are as under:

Who can open?	Any adult on his / her name or on minor's name in the capacity of guardian of the minor.
Minimum amount	Rs. 500/- per annum is required to be deposited. The accounts in which deposits are not made for any reason are treated as discontinued accounts and such accounts cannot be closed before maturity. The discontinued account can be activated by payment of the minimum deposit of Rs.500/- with default fee of Rs.50/- for each defaulted year.
Maximum amount	Rs. 70,000/- per annum The depositor has flexibility and freedom for depositing any amount in a maximum 12 installments in a financial year.
Maturity period	15 years. An Account, on the expiry of fifteen years, can be extended for a further period of five years at a time.
Interest Rate	The interest is paid as per the rates declared by the Government from time to time. The current rate is 8% per annum. The interest is compounded annually. The interest for the month is calculated on the minimum balance available in the account from 5th of a month to the last date of the month.
Nomination facility	Available
Transferability	A PPF account can be transferred from a branch of State Bank of India or a nationalized bank to Post Office and vice versa and also from a branch of State Bank of India to a designated branch of Nationalized Bank. A PPF account cannot be transferred from one person to another. Even in the case

	of death of a depositor, the nominee cannot continue the account.
Loan facility	A depositor can avail of loan facility in the third financial year from the financial year in which the account was opened. Application in prescribed form is to be made for loan along with the pass book of the account. In case, the loan is sought from minor's Account, the guardian has to make a declaration that the money is required for the use/benefit of the minor. The loan can be taken up to 25% of the amount in the account at the end of the second year immediately preceding the year in which the loan is applied for. The loan is repayable in lump sum or convenient installments. Where loan is repaid within 36 months, interest is charged at 1% and if it is not repaid within 36 months, the interest at the rate of 6% is charged on the outstanding balance. The interest is to be paid in not more than two installments after the loan amount is fully repaid. Once the first loan is repaid, second loan can be obtained on same terms. This facility is available till the end of 5th financial year from the end of the financial year in which initial subscription was made.
Withdrawal facility	A depositor can make partial withdrawals, once every year from his PPF account after expiry of five years, from the end of Financial Year, in which the initial deposit was made. Application in prescribed form is to be made for withdrawal along with the pass book of the account. In case, the withdrawal is sought from minor's Account, the guardian has to make a declaration that the money is required for the use/benefit of the minor. The amount of withdrawal is restricted to 50% of the credit balance at the end of the fourth year immediately preceding the year of withdrawal or the year immediately preceding the year of withdrawal, whichever is lower. In case of accounts extended beyond Maturity period partial withdrawals are allowed once in a year with the condition that the amount of withdrawal during a five year block period should not exceed 60% of the balance in the account at the commencement of the block period.
Premature Encashment	Premature closure of a PPF Account is not permissible except in the case of death of the depositor.

Deduction u/s 80C	Available
Interest Taxability	Interest income is totally tax free.
Other features	The benefits of exemption of interest from Income Tax is not available on deposits made in a PPF account after expiry of fifteen years without exercising option in writing for continuance of the account within one year. PPF accounts can be opened and operated through an authorised agent appointed by the National Savings Organisation. Only local cheques are accepted for deposit and the date of presentation of local cheque and demand draft is treated as date of deposit in the Account. Balance in PPF account cannot be attached under court decree. Entire deposit in a PPF account is exempt from the Wealth Tax. The deposit in a minor account is clubbed with the deposit of the account of the guardian for the limit of Rs.70,000/-. On death of the account holder his nominee(s)/legal heir(s) cannot continue the account. The account has to be closed in such case. Deposits in excess of Rs.70,000/- in a financial year in a PPF account are refunded without interest and the excess amount is not considered for income tax rebate.

Home Loans and Tax Saving

Housing Property

Home is the place where one returns after a hard day's work and relaxes and shares his precious moments with his family. Therefore, acquiring a house probably is one of the most cherished dream of most of us.

An investment in house property may not look a wise decision in the short run as one can get a similar property on rent at a much lower cost than the cost of the capital required to buy the house property. But, in the long run with the saving in rent or rental income combined with capital appreciation of the property, it turns out a very good investment.

Home Loans

Purchasing a house property is probably one of the major buying decision one takes in his life. However, with the sky rocketing prices of housing properties, it is generally not possible for most people to purchase a house property from their own savings/resources. Therefore, finance from outside sources is required for acquiring a house property. Unlike in the past, nowadays almost all banks and other financial institutions offer home loans at competitive rates and easier terms. A request on the internet or a phone call to a bank or financial institution shall result in their representative contacting you to know your actual needs and to render the desired help.

Home Loans and Tax Savings

Home Loans also help in reducing the tax liability. Currently undernoted tax reliefs are available on Home Loans:

- Repayment of housing loan upto Rs. 1,00,000/- (inclusive of other investment u/s 80C) qualifies for relief under section 80C of the Income Tax Act.
- A further rebate in the form of deduction on accrued interest upto Rs. 1,50,000/- per annum from the total income is available under Section 24 of the Income Tax Act.