

Amendments in Small Saving Schemes and PPF



The government of India proposes the unification of Public Provident Fund Act, 1968 and Government Savings Certificates Act, 1959 with the Government Savings Banks Act, 1873.

The Objective of this merger:

- A single act is to make implementation for depositor is much easier as they do not need to follow different rules of different acts.
- The Single scheme will reduce the ambiguities.
- Common scheme increase flexibility for investors.
- Easy to understand the provision of the small saving scheme.
- Minimum government and maximum governance.

Priority area under this scheme

- Interest to small savers

- Saving for the benefits of girl child
- Senior citizen
- Regular savers

About Government Saving Certificate Act, 1959

- This act was enacted by parliament.
- This act came into force on 1st August 1960.

About Public Provident Fund Act, 1968

- This act was enacted by parliament.
- It was introduced by the National Savings Institute of the Ministry of Finance in 1968
- A minimum annual deposit of Rs. 500 is necessary to start and maintain a PPF account

After the merger of above two schemes with Government Savings Banks Act, 1873 what are the benefits for investors?

Earlier (before merger)	Now (after merger)
<ul style="list-style-type: none"> ○ The PPF account cannot be closed before completion of five financial years. 	<ul style="list-style-type: none"> ○ But after the unification of two schemes, the closer of premature account has been introduced for dealing with some emergencies like the medical emergency, education needs and so on.
<ul style="list-style-type: none"> ○ Guardian can make an investment in small saving schemes on the behalf of minor 	<ul style="list-style-type: none"> ○ Now, the guardian can make an investment in small saving schemes on the behalf of the minor. ○ And, guardians also have associated rights and responsibilities regarding investment.
<ul style="list-style-type: none"> ○ No clear provision regarding the deposit by minors 	<ul style="list-style-type: none"> ○ But now, provision has been created to promote saving among children.

<ul style="list-style-type: none"> ○ No provision for the physically infirm and differently abled. 	<ul style="list-style-type: none"> ○ But now, the provision has been made for them.
<ul style="list-style-type: none"> ○ According to the present act, if the depositor dies and assigned someone as a nominee then the outstanding balance will be paid by the nominee. ○ It means that the nominee has to complete all the payments then whoever can withdraw. 	<ul style="list-style-type: none"> ○ But now, the act of nominee is clearly defined by the judgment of the Supreme Court as it is suggested that nominee will consider as a trustee for benefits of legal heirs.
<ul style="list-style-type: none"> ○ Earlier there was no flexibility regarding the operation of the account. 	<ul style="list-style-type: none"> ○ But this amendment added some flexibility in the operation of account under the small saving scheme.
<ul style="list-style-type: none"> ○ The recent act is silent about the grievances redressal. 	<ul style="list-style-type: none"> ○ But this amendment provides some redressal for grievances and for friendly and quick settlement of disputes relating to Small Savings.
<p><u>Minor case</u></p> <ul style="list-style-type: none"> ○ In existing act, there is no provision for nomination with regard to account opened in the name of minor. ○ In existing act, if minor account holder dies and there is no nomination and amount is more than prescribed limit in the minor account then, the amount shall be paid to legal heirs. But for this, they need to show the succession certificate. ○ This will complicate the whole procedure. 	<ul style="list-style-type: none"> ○ But now, this provision has been made. ○ If the minor dies and there is no nomination then the balance shall be transfer to guardian.

Other Benefits are:

- This scheme provides the higher rate of interest as compared to bank deposits.
- Income tax benefits.

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