# 9 Interesting Post office investment schemes (7 mins read)

## Description

We all have heard about investment/saving in schemes offered by the Post office. They are believed to offer more interest rates as compared to banks and are considered to be safer investment options. Also in Budget 2022, the government has announced that all the post offices would come under the core banking system to bring the post-offices on the level of banks as a financial institution.

Investing with the post offices is more popular in villages, tier 2 and tier 3 cities. WealthDrift has compiled here the list of all the schemes offered by the Indian Post Offices across the country along with their maturity period, tax benefits, interest rates, etc. Stay with us for the next 5 mins and you will be amazed to know about these schemes.

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## 1. Post Office Savings Account (SB)

This is like a normal savings account that we open in banks. You can open a savings account in the Post Office for which a min of INR 500/- is required. Like normal banks here also you get facilities like Cheque book, ATM card, e-banking/mobile banking, etc. An individual can open only one savings account as a single account. You can deposit as much money as you want in this account but the minimum balance that is to be maintained is INR 500.

**Interest Rate** – 4.0% per annum and will be calculated on the basis of the minimum balance that is maintained between the 10th of the month and the end of the month. Also, No interest will be paid in a month if the balance between the 10th and last day of the month falls below INR 500.

**Income Tax –** Under Section 80TTA of the Income Tax Act, from all savings accounts, the total interest up to INR 10,000 in a financial year is exempted from taxable income.

If you want to know the name of the banks that pay the highest interest on savings accounts then click here.

## 2. Public Provident Fund Account

It is a very common scheme in which most people invest. It has a maturity period of 15 yrs excluding the financial year of account opening. The maturity period can be further extended by 5 yrs (these 5 yrs are also blocked years). You can deposit any amount between INR 500 to INR 1.5 Lakhs in a financial year. This amount can be deposited either in one time or in installments. If you fail to deposit a minimum amount of INR 500 then the account is discontinued and can be revived only after depositing INR 500 + INR 50 per year (Default fee for the number of years defaulted). An individual can have a single PPF account, be it in Post Office or any bank.

**Interest –** Post office PPF interest rate is 7.1% per annum (Compounded annually) and can be changed as announced by the Ministry of Finance on a quarterly basis. Interest is credited at the end of every financial year.

**Premature closure –** It is allowed only after 5 yrs only in the case of a life-threatening disease to the account holder or dependent, higher education of holder or children, or change of residency (i.e. NRI). On premature closure, 1% interest shall be deducted from the date of opening.

**Income Tax –** You can claim a tax rebate under section 80C of the Income Tax Act, 1961 for the amount invested in the scheme. The interest earned is also tax-free.

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## 3. National Savings Recurring Deposit Account

Under this 5 year RD scheme offered by Post Office, you can do monthly savings i.e. deposit a minimum of INR 100/- per month with no maximum limit. If the account is opened in the first 15 days of a month, then all your subsequent deposits in the RD account shall happen up to the 15th of every month. And, if the account is opened between the 16th of the month and the last working day, then all your subsequent deposits shall be made up to the last working day of the month. If you default on any payment then you will be charged a default fee of INR 1 per INR 100 i.e. if your RD amount is INR 1000 then you will be charged INR 10 as a default fee.

**Interest Rate –** 5.8% per annum (quarterly compounded).

You can also avail loan of 50% of the amount in your RD account if you have continued it for 1 year. The interest rate for the loan will be 2% + RD interest rate applicable.

**Premature Closure –** If you close this account prematurely then PO savings account interest will be applicable on the amount deposited. You can also extend your account for further 5 years at the time of maturity.

**Income Tax –** The amount deposited in such account is eligible to be claimed as savings under section 80C of Income Tax Act, 1961.

## 4. Senior Citizen Savings Scheme (SCSS)

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This is a 5 yr savings scheme for senior citizens (above age 60 yrs), retired civilian employees between 55 to 60 yrs of age, and retired defense employees between 50 to 60 yrs of age. The condition on the latter two categories is that they have to make the investment within 1 month of the receipt of retirement benefits.

The minimum amount to be deposited is INR 1000 and the maximum limit is INR 15 Lakhs.

**Interest-** 7.4% per annum which is paid quarterly. No additional interest is paid on the interest of the previous quarter.

**Premature Closure** – If an account is closed within 1 year from the date of opening, then no interest shall be paid and the interest that was paid earlier will be recovered from the principal amount.

If closed between 1 yr to 2 yrs, then 1.2% of the principal amount is deducted.

If closed between 2 yrs to 5 yrs, then 1% of the principal amount is deducted.

**Income Tax –** You can claim a tax rebate under section 80C of the Income Tax Act, 1961 for the amount invested in the scheme. The interest earned is tax-free if the total interest in the financial year is less than INR 50,000.

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## 5. National savings time deposit account

A time deposit account is nothing but an FD account. In the post office, you can open a TD account for 1yr, 2 yrs, 3 yrs, and 5 yrs. An individual can open any number of accounts. The minimum amount with which you can open a TD account is INR 1000 and in multiples of 100. In this account, the interest is paid annually and no interest is paid on the interest from the previous year. A TD account can also be extended for the duration the account was initially opened.

**Premature Closure –** This account cannot be prematurely closed for 6 months from the date of deposit. If it is closed between 6 months to 1 year from the date of deposit then the PO savings account rate is applicable. If closed after one year then, the interest rate that will be paid for the completed number of years will be 2 % less than the TD interest rate and for the part of the year, it will be equal to the PO savings account rate.

**Interest Rate-**

| Time Period | Interest Rate |
|---|---|
| 1 yr | 5.5% |
| 2 yrs | 5.5% |
| 3 yrs | 5.5% |
| 5 yrs | 6.7% |

**Income Tax –** The amount deposited in 5 yrs TD account can be claimed as savings under section 80C of Income Tax Act, 1961. However, the interest rate is taxable.

# 6. Sukanya Samriddhi Account (SSA)

This is a special account that can be opened by the guardian in the name of a girl child below 10 yrs of age. Like a PPF account, one can open only 1 SSA in the name of a girl child. In a family, only two SSA can be opened however, in the case of twins/triplets more than two accounts can be opened. A minimum of INR 250/- has to be deposited in a financial year while the maximum limit is INR 1.5 Lakh which can be deposited either in lump sum or installments.

In this scheme, investment can be done up to 15 yrs however the account matures in 21 yrs or at the time of the girl's marriage after attaining the age of 18 yrs. If the minimum amount is not deposited then the account is considered defaulted. The defaulted account can be revived by depositing a minimum of INR 250 + INR 50 per year (Default fee for the number of years defaulted).

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**Interest –** 7.6% per annum (Compounded annually) and can be changed as announced by the Ministry of Finance on a quarterly basis. Interest is credited at the end of every financial year.

**Premature Closure-**

i. It can be prematurely closed after 5 yrs of account opening if the account holder dies.
ii. Life threatening disease to the account holder.
iii. Death of guardian who was operating the account

**Income Tax –** You can claim a tax rebate under section 80C of the Income Tax Act, 1961 for the amount invested in the scheme. The interest earned is also tax-free.

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# 7. National Savings Monthly Income Account (MIS POST OFFICE)

MIS in the Post office is a monthly income scheme available with the Post Office for the people who do not want to take risks with their money and also want monthly income. The account matures after 5 yrs from the date of opening of the account. It can be opened with a minimum amount of INR 1000 with a maximum limit set as INR 4.5 Lakhs for a single account and INR 9 lakhs for a joint account where the amount deposited is equally shared by the holders.

**Interest rate –** 6.6% per annum paid monthly.

The interest is paid monthly and no interest is paid on the interest amount of the previous month if it was not claimed.

**Premature Closure –** This account cannot be closed prematurely for 1 yr from the date of opening of the account. If you close it between 1 yr to 3 yrs from the date of opening then a 2% deduction is made from the principal and the remaining amount is paid back. And, if the account is closed between 3 yrs to 5 yrs then, a 1% deduction is made from the principal, and the remaining amount is paid back.

**Income Tax –** The amount invested in this scheme is not eligible for tax rebate under section 80C and the interest earned is taxable.

## 8. National Savings Certificate

This is another fixed amount investment scheme by Post Office in which you can invest your money. In this scheme, anyone can have any number of accounts. The minimum amount of investment is INR 1000 and there is no maximum limit on the investment amount.

The maturity period for this investment is 5 yrs.

**Interest rate –** 6.8% per annum compounded annually.

**Premature Closure-** It can be prematurely closed only when the account holder dies or on the order of the court.

**Income Tax –** You can claim a tax rebate under section 80C of the Income Tax Act, 1961 for the amount invested in the National Savings Certificate. The interest earned in the last year is taxable since the interest of the previous years was added to the deposit amount making it tax-free.

## 9. Kisan Vikas Patra

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This is a long-term investment scheme introduced by Post Office. Basically at maturity, this investment scheme doubles the amount that was initially submitted. Therefore the maturity period of this scheme keeps on changing on the basis of the rate of interest announced by the government. At the current interest rate, the maturity period is 124 months (10 yrs and 4 months).

Anyone can have a Kisan Vikas Patra at their name and that too in multiple numbers.

**Interest Rate –** 6.9% per annum compounded annually.

**Premature Closure –** It can be closed prematurely in 2 yrs and 6 months (18months) from the date of deposit.

**Income Tax –** You cannot claim any tax rebate under section 80C of the Income Tax Act, 1961 for the amount invested in Kisan Vikas Patra. The interest earned on the deposit is also taxable. It is taxed in the year of its maturity at the applicable slab rates.

So our dear investors, these were the 9 investment/saving options that are offered by Post-office. You can invest in these schemes as they are less risky. Although the interest rate is not very attractive however these options at least give the security that your money isn't going anywhere. You can choose from these investment options according to your requirement. Feel free to share this amazing article with your friends and let them know about these options too. Subscribe to us to get the notification of our next post. Follow us on Instagram (Wealth_drift) for valuable content on Personal Finance.

**Category**

1. General

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