



NRI LAWS

PPF account deemed to be closed upon resident account holder becoming Non-resident

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PUBLISHED 31 October 2017

The Central Government by its recent notification^[1] amended the Public Provident Fund Scheme 1968.

Through the amendment, a new proviso is substituted to the old proviso in paragraph 3 of sub paragraph (3) of the Scheme. The newly substituted proviso now reads as follows:

“Provided that if a resident who opened an account under this scheme, subsequently becomes a non resident during the currency of the maturity period, the account shall be deemed to be closed with effect from the day he becomes a non-resident and interest with effect from that date shall be paid at the rate applicable to the Post Office Saving Account up to the last day of the month preceding the month in which the account is actually closed”.

The amendment implies the following:

- PPF account of a resident Indian shall be deemed to be closed with effect from the date he become a non-resident.
- Interest shall be paid at the rate applicable to the Post Office Saving Account up to the last day of the month preceding the month in which the account is actually closed.

PPF is one of the most popular long-term investment schemes in India. Currently, these investments earn an interest of 7.8%. The amendment made it clear that this Scheme is available only for resident Indians. When the PPF account holder become non-resident, the account shall be deemed to be closed. Until the time the account is actually closed, the account will earn a lower interest rate Post Office Saving Account, which is currently 4% per anum.

The amendment will have a significant impact employees going overseas secondment as they cease to be resident during the period of secondment.

Central Government has also made similar amendment to the National Savings Certificate (NSC) (VIII-Issue) Rules, 1989^[2].

^[1] Notification no. G.S.R. 1237(E) dated 3rd October 2017

^[2] Notification no. G.S.R. 1238(E) dated 3rd October 2017

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