Twitter Thread by BasuNivesh

BasuNivesh
@BasuNivesh

What will happen to your PPF account once it completes 15 years?? Many are unaware (including bank staff). Hence, it is wise to understand the rules properly. Read a thread..

Ideally, PPF is not a 15 years product. But slightly higher than that. Because PPF will mature on immediately next 1st April after the completion of 15 years. Let us take an example.

Assume you have opened PPF on the 23rd of Nov 2022. Then It will complete 15 years on 23rd Nov 2037. However, the maturity date as I mentioned above is immediately next 1st of April. Hence, it will mature on 1st April 2038.

Now once it completes 15 years, then you have three options.
1) Close the account.
2) Extend for another 5 years (without any fresh contribution)
3) Extend for another 5 years (with contribution)
Let us see the options one by one.

1) Close the account -
You have to opt for this within a year from the date of completion of 15 years.
You will get the complete principal and interest (up to the last day of the month preceding the month in which the account is closed.

Many are unaware that you can withdraw the maturity proceeds in installments also (post closure). But you can't opt for this option for more than a year.

2) Extend without the contribution
If you do not submit the closure of the account or have not opted for an extension of the account for another 5 years, then this default option is exercised.

During this extension, you are not allowed to contribute freshly. You can extend your PPF account as many times as you wish.
However, an extension with a contribution is not allowed in the future.

There is no limit to withdraw the balance during this period. You are eligible to withdraw whatever amount is available in your account at any point of time without any restriction. The balance amount will continue to earn. However, this option can be exercised only once a year.

3) Extend for another 5 years (with contribution)
Let us see the options one by one.
As I mentioned above, to opt for this option, you have to apply for an extension before the completion of a year from the date of maturity.

If you not opted for this option but continued to contribute as usual, then such deposit amount neither earns any interest not eligible for Sec.80C tax benefit. To regularize it, you have to write it to the Ministry of Finance, for regularizing the account.

Once you opted this option, then you can't go back to the 2nd option mentioned above.

In this option, you will be allowed to withdraw 60% of the balance at the beginning of each extended period (block of five years) is permitted.

Let us say the account matured on 1st April 2016 and the available balance is Rs.1 Cr. Then, you are allowed to withdraw 60% of this Rs.1 Cr during the block period of 5 years i.e. Rs.60 lakh.

You can withdraw Rs.20 lakh in 1st year, Rs.10 lakh in the second year & Rs.5 lakh in the third year, & so on until 5 years extension matures. The overall limit in the above example is Rs.60 lakh, this can be withdrawn either in a single withdrawal or in installments in each year

However, only one withdrawal is allowed in each Financial year.

I wrote a detailed post on this. You can refer the same also.
PPF withdrawal rules & options after 15 years maturity
https://t.co/hOPYkZkn18