

SENIOR CITIZENS SAVINGS SCHEME

So far, we have covered investment options for you in PPF, NSC, and Mutual Funds (ELSS) in the earlier articles of this series. **Manesh N Gandhi**, Chartered Accountant, now discusses the features of Senior Citizen's Saving Scheme (SCSS), 2004, yet another popular investment avenue for the seniors.



The SCSS scheme became operational from November 1, 2004, through select branches of designated banks (24 nationalised banks and ICICI Bank) and post offices.

Eligibility:

- Those aged 60 years and above on the date of opening the account.
- Those retiring on superannuation or otherwise, having attained the age of 55 years or more but less than 60 years on the date of opening the account.
- Defence personnel (excluding civilian defence employees) retired on superannuation, irrespective of the age limit.
- Non Resident Indians (NRIs) and Hindu undivided families are not eligible to open the account.
- If you become an NRI subsequent to opening an account under this scheme, you may be allowed to continue till maturity, on a non-repatriation basis and the account shall be marked as a Non-Resident account.

Salient Features:

- ✓ You can open an account at any deposit office with a ceiling of Rs 15 lacs in multiples of thousands for a period of 5 years, by making an application in Form -A, along with the deposit as per the pay-in-slip in Form-D and age proof. You will then be issued a Passbook.
- ✓ You can extend the account for a further period of 3 years on a written request in Form- B, within a period of one year after maturity.

- ✓ You may operate more than one account, provided your deposits in all accounts together shall not exceed Rs 15 lacs, or the total amount representing your retirement benefits, if you are under the category of retiring employee in the age group of 55 to 60 years, whichever is lower.
- ✓ Term retirement benefits means any payment due to you on account of retirement, whether on superannuation or otherwise, and includes Provident Fund dues, retirement/superannuation gratuity, commuted value of pension, cash equivalent of leave, savings element of Group Savings linked Insurance Scheme payable by employer to the employee on retirement, retirement-cum-withdrawal benefit under the Employees' Family Pension Scheme and ex gratia payments under a voluntary retirement or a special voluntary retirement scheme.
- ✓ You can open the account individually or jointly with your spouse, without any eligibility criteria for the latter.
- ✓ Both the spouses can open individual and / or joint accounts with each other with maximum deposits upto Rs 15 lacs each, provided both are individually eligible to invest under the rules governing the Scheme.
- ✓ Your account can be transferred from one deposit office to another by applying in Form-G.

Mode of Deposit:

- In cash, cheque or demand draft (DD) if the amount is less than Rs 1 lac
- Or, by cheque or DD drawn and endorsed in

favour of the depositor.

Interest on Deposit

- ◆ Your deposit under the scheme earns interest @ 9% pa, from the date of deposit.
- ◆ The interest is payable at the end of each calendar quarter i.e. on 31st March / 30th June / 30th September / 31st December. There is no option for cumulative accrual of interest.

Nomination:

- ◆ You may nominate a person or persons in writing, at the time of opening the account or even after opening of the account, but before its closure. You can also avail the facility to change or cancel the nomination.

Closure of Account

On maturity:

- You shall be paid your due by the concerned office after five years from the date of opening the account, on production of your passbook, accompanied by an application in withdrawal Form-E.
- If the account on maturity is neither closed nor extended, it will be treated as matured and you will be entitled to interest at the rate applicable to the deposits under post office savings accounts during the post-maturity period, upto the end of the month preceding the month of closure of the account.

On death of the depositor:

- ◆ The application is to be made in Form-F for closing the account.
- ◆ In the case of death of the depositor before maturity, the account shall be closed and refunded on application, along with interest to the nominee, or legal heirs in case the nominee has also expired or nomination was not made as per rules.
- ◆ However, in the case of the demise of the principal depositor, the spouse -- either being a joint holder or sole nominee -- may continue the account on existing terms of the Scheme, even if the spouse has another account. The total deposits of both the accounts should not exceed Rs 15 lacs.

Premature closure:

- ◆ You are permitted to close the account by making an application in Form-E at any time after one year from the date of opening the account, subject

to the following conditions:

- ◆ In case the account is closed after one year, but before two years from the date of opening the account, an amount equal to one and half percent of the deposit shall be deducted and the balance paid to you.
- ◆ In case the account is closed on or after two years from the date of opening the account, an amount equal to one percent of the deposit shall be deducted and the balance paid to you.
- ◆ If you avail the facility of extension of account, you may be permitted to withdraw the deposit and close the account at any time after one year from the date of extension of the account, without any deduction.

Tax Benefits and Safety:

- ⊙ As such, there are no Tax benefits in this scheme. The interest amount is fully taxable.
- ⊙ TDS @10.3% is deductible if interest exceeds Rs 10,000.
- ⊙ However, as a senior citizen, you can file Form 15G / 15H if your income is below taxable limit for non-deduction of tax, as the case may be.
- ⊙ It provides the highest safety to you as an investor since it is managed and controlled by the Central Government.

(The author is a member of Bombay Chartered Accountants' Society)

In a Nutshell

The SCSS scheme was good and very popular when it was introduced in 2004 since the prevailing rate of interest was less than 9% for bank deposits and other investments. Currently, it is losing its sheen because, as a Senior Citizen, you get more than 9% interest on long-term Fixed Deposits from nationalised banks. However, as a 9% interest is guaranteed for five years with high security, you may opt for such an investment if the long-term horizon of the interest may turn out to be less than 9%. Even retiring persons between 55 to 60 can invest under SCSS, while they may not get additional interest from the banks, which can be availed only by senior citizens. In any case, it is always advisable to spread your eggs and secure your funds, specially in these times of economic volatility.