



National Savings Certificate (NSC)

Features & Benefits of NSC

- I. **Interest Rates:** The certificates earn an annual fixed interest, which is currently at a rate of **7.0% per annum** (revised every quarter by the government), thus guaranteeing a regular income for the investor.
- II. **Maturity period:** The scheme originally had two types of certificates – NSC VIII Issue (5 year tenure) and NSC IX Issue (10 year tenure). With the discontinuation of the latter one in December 2015, only the former issue is available for subscription.
- III. **Tax saver:** As a government-backed tax-saving scheme, the principal invested in NSC qualifies for tax savings under Section 80C of the Income Tax Act up to Rs. 1.5 lakhs annually.
- IV. **Investment Flexibility:** You can invest as small as Rs. 100 as an initial investment with no maximum limit.
- V. **Accessible:** It can be easily bought from any post office on submission of required KYC documents. Also, it is easy to transfer the certificate from one PO to another as well as from one person to another without impacting interest accrual/maturity of the original certificate.
- VI. **Loan collateral's:** NSC certificates are accepted as collateral or security for secured loans in Banks and NBFCs. In such a case, a transfer stamp is put on the certificate and transferred to the bank while disbursing loans
- VII. **Power of compounding:** Interest earned gets compounded annually and reinvested by default but will be payable only at maturity.
- VIII. **Nomination:** Investor can nominate any family member (even a minor) so that they can inherit it in the case of an unfortunate event of the investor's demise.
- IX. **Corpus on maturity:** The investor will receive the entire corpus value on maturity. As there is no TDS on NSC payouts, the subscriber should pay the applicable tax on it while filing his Income tax returns or paying his advance tax.
- X. **Premature withdrawal:** Generally, one cannot exit the scheme early except on the death of investor, or on a court order, or on forfeiture by a pledgee who is a Gazetted Government Officer for it.

Tax benefits for NSC Investment

Though there is no maximum limit on the purchase of NSCs, but only investments of up to Rs 1.5 lakh annually can earn the subscriber the tax savings under Section 80C of the Income Tax Act, 1961. Additionally, the interest earned on the certificates annually, for the 1st 4 years are deemed to be reinvested (i.e added back to the initial investment) and hence, also eligible for a tax break, subject to the overall annual limit of 1.5 lakh. However, the interest earned in the 5th year is not re-invested hence taxable as per the investor's applicable slab rate.