

# NATIONAL SAVINGS CERTIFICATES (VIII-ISSUE) RULES, 1989

*[Issued vide Government of India, Ministry of Finance (DEA) Notification No. G.S.R. 496 (E) dated 1.5.1989 and further amended from time to time]*

**GSR 496 (E)**—In exercise of the powers conferred by section 12 of the Government Savings Certificates Act, 1959 (46 of 1959), the Central Government hereby makes the following rules, namely :—

## 1. Short title and commencement :—

- (1) These rules may be called the National Savings Certificates (VIII Issue) Rules, 1989.
- (2) They shall come into force on the 8th May, 1989.

## 2. Definitions :— In these rules, unless the context otherwise requires.

- (i) "Act" means the Government Savings Certificates Act, 1959 (46 of 1959);
- (ii) "Banking Company"—deleted.
- (iii) "cash" means cash in Indian currency;
- (iv) "certificate" means the National Savings Certificates (VIII Issue);
- (v) "Company"—deleted.
- (vi) "corporation" means a corporation established by or under any law for the time being in force;
- (vii) "firm"—deleted.  
[Clauses (ii), (v) & (vii) deleted vide MOF (DEA) Notification No. GSR 120(E) dated 8.3.1995 effective from 1.4.1995]
- (viii) "Form" means a form appended to these rules and also includes forms as prescribed by the Department of Posts ;
- (ix) "Government Company" means a company as defined in section 617 of the Companies Act, 1956 (1 of 1956);
- (x) "Local Authority" means a municipal corporation, municipal committee, district board, Body of port commissioners or other authority legally entitled to or entrusted by the Government with the control or management of municipal or local fund;
- (xi) "Old Certificate" means a certificate issued under the Post Office Savings Certificates Rules, 1960, or the National Savings Certificates (First Issue) Rules, 1965 or the National Savings Certificates (IV Issue) Rules, 1970 or the National Savings Certificates (V Issue) Rules, 1973; or a Bond issued under the National Development Bonds Rules, 1977 or the National Savings Certificates (VI Issue) Rules, 1981 or the National Savings Certificates (VII Issue) Rules, 1981 or the Social Security Certificate Rules, 1982 or the Kisan Vikas Patra Rules, 1988;
- (xii) "Post Office" means any departmental post office in India doing Savings Bank work and such other post office as is authorised by



Department of Posts:

- (xiii) "Scheduled Bank" means a bank for the time being included in the second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);
- (xiv) "Trust" means a trust registered under any law for the time being in force.

**3. Denominations in which certificates shall be issued :-** The National Savings Certificates (VIII Issue) shall be issued in denominations of Rs. 100, Rs. 500, Rs. 1000, Rs. 5000, Rs. 10,000 and such other denominations as may be notified by the Central Government from time to time.

**4. Types of Certificates and Issue thereof—**(1) The certificates shall be of the following types, namely :-

- (a) Single Holder Type Certificates;
- (b) Joint 'A' Type Certificates; and
- (c) Joint 'B' Type Certificates.

(2) (a) A Single Holder Type certificate may be issued to :-

- (i) an adult for himself or on behalf of a minor or to a minor;
- (b) A Joint 'A' Type certificate may be issued jointly to two adults payable to both the holders jointly or to the survivor.
- (c) A Joint 'B' Type certificate may be issued jointly to two adults payable to either of the holders or to the survivor.

(iii) a Hindu Undivided Family

(3) **Non Resident Indians** are not eligible to purchase the National Savings Certificates :

Provided that if a resident who subsequently becomes Non Resident Indian during the currency of maturity period, shall be allowed to avail the benefits of the certificates on maturity on a Non Repatriation Basis.

[MOF (DEA) Notification No. GSR 120(E) dated 8.3.1995, GSR 572(E) dated 2.8.2001 and No. GSR 591 (E) dated 25.7.2003]

**5. Purchase of Certificates :-** Certificates may be purchased for any amount.

**6. Procedure for purchase of certificates :-** Any person or body specified in rule 4, desiring to purchase a certificate, shall present at a post office an application in Form I, either in person or through an authorised agent of the Small Savings Schemes.

**7. Legal tender :-** Payment for the purchase of a certificate may be made to a post office in any of the following modes, namely :-

- (i) cash;
- (ii) a locally executed cheque, pay order or demand draft drawn in favour of the Postmaster.
- (iii) by presenting a duly signed withdrawal form with the pass book for withdrawal from the Post Office Savings Bank account.



- (iv) surrender of a matured old certificate duly discharged as follows—  
"Received payment through issue of fresh certificate vide application attached".

**8. Issue of certificates :-** (1) On payment being made under rule 7, except where payment is made by a cheque, pay order or demand draft, a certificate shall normally be issued immediately, and the date of such certificate shall be the date of payment.

(2) Where payment for the purchase of a certificate is made by a cheque, pay order or demand draft, the certificate shall not be issued before the proceeds of the cheque, pay order or demand draft, as the case may be, are realised and the date of such certificate shall be the date of encashment of the cheque, pay order or demand draft, as the case may be.

(3) If for any reason a certificate cannot be issued immediately, a provisional receipt shall be given to the purchaser which may later be exchanged for a certificate and the date of such certificate shall be as specified in sub-rule (1) and sub-rule (2) as the case may be.

**9. Certificate in lieu of proceeds of old certificates :-** A holder of an old certificate entitled to encash that certificate may make an application in **Form 1** for the grant of a certificate under these rules; on receipt of such an application, there shall be issued to the applicant a certificate under these rules, the date of issue being the date on which the old certificate duly discharged is presented.

**10. Transfer from one post office to another :-** (1) A certificate may be transferred from a post office at which it stands registered, to any other post office on the holder or holders making an application in the prescribed form at either of the two post offices;

(2) Every such application shall be signed by the holder or holders of the certificate:

Provided that in the case of Joint 'A' Type Certificate or a Joint 'B' Type certificate, the application may be signed by one of the joint holders if the other is dead.

**11. Transfer of Certificate from one person to another :-** (1) A certificate may be transferred with the previous consent in writing of an officer of the post office as specified below (hereinafter referred to in these rules as authorised Postmaster)

Cases in which transfer can be sanctioned	Designation of the Officer competent to grant permission for transfer.
(a) (i) From the name of a deceased holder to his heir.	Postmaster of the post office where the certificate stands registered.
(ii) From a holder to a court of law or to any other person under the orders of court of law.	



(iii)	From a single holder to the names of joint holders of whom the transferee shall be one.	—do—
(iv)	From joint holders to the name of one of the joint holders	
(b)	All other cases	Head Postmaster

(2) An authorised Postmaster as referred in sub-rule (1) shall give his consent to the transfer of a certificate only if the following conditions are satisfied, namely:-

(a) the transferee is eligible under these rules to purchase certificates;

(b) the transfer is made after the expiry of a period of at least one year from the date of the certificate or where the transfer is sought before the expiry of such period, the transfer falls under any of the following categories, namely :-

(i) transfer to a near relative out of natural love and affection;

**Explanation :-** For the purposes of this rule, "near relative" means husband, wife, lineal ascendent or descendent, brother or sister.

(ii) transfer in the name of the heir of the deceased holder;

(iii) transfer from a holder to a court of law or to any other person under the orders of the court of law;

(iv) transfer in accordance with Rule 12; (Pledging)

(v) transfer in the name of the survivor in the event of death of one of the joint holders.

(c) An application for transfer is made in the prescribed form and is signed by the holder or holders of the certificate;

Provided that in the case of a Joint 'A' Type Certificate or a Joint 'B' Type Certificate, the application may be signed by one of the holders, if the other is dead.

(3) Without prejudice to the provisions of sub-rule (2), an authorised Postmaster shall give his consent to the transfer of a certificate held on behalf of a minor only if at the time of the proposed transfer, a parent or the guardian referred to in sub-clause (i) or, as the case may be, sub-clause (ii), of clause (b) of Section 5 of the Act, certifies in writing, that the minor is alive and that such transfer is in his interest.

(4) In every case of transfer, other than a transfer under rule 12, the original certificate shall be duly discharged and the new certificate bearing the same date as that of the original certificate surrendered shall be issued in the name of the transferee.

**Clarification :-** A certificate purchased in joint names can also be transferred to other person(s) under rule 11(2) above and relevant rules applicable to KVP Rules. For this purpose only the Head Postmaster will be competent to sanction the transfer.

[D.G. Posts letter No. 62-4/2001-SB dated 26.4.2001 addressed to  
PMG, Mumbai Region, Mumbai]

**12. Pledging of certificate :-** (1) On an application being made in the prescribed form by the transferer and the transferee, the Postmaster of the office of the registration may, at any time, permit the transfer of any certificate as security to—

(a) the President of India or Governor of a State in his official capacity;



- (b) the Reserve Bank of India or a scheduled bank or a cooperative society including a cooperative bank;
- (c) a corporation or a Government company;
- (d) a local authority; and
- (e) a Housing Finance Company approved by the National Housing Bank and notified by the Central Government

[MOF (DEA) Notification No. GSR 508(E) dated 23.5.1990]

Provided that the transfer of a certificate purchased on behalf of a minor shall not be permitted under this sub-rule unless the parent or the guardian of the minor referred to in sub-clause (i) as the case may be, sub-clause (ii), of clause (b) of Section 5 of the Act certifies in writing that the minor is alive and that the transfer is for the benefit of the minor.

(2) When any certificate is transferred as security under sub-rule (1), the Postmaster of the office of the registration shall make the following endorsement on the certificate, namely :-

“Transferred as security to.....”

(3) Except as otherwise provided in these rules, the transferee of a certificate under this rule, shall, until it is re-transferred under sub-rule (4), be deemed to be the holder of the certificate.

(4) A certificate transferred under the sub-rule (2), may, on the written authority of the pledgee, be re-transferred with the previous sanction in writing of the authorised Postmaster and when any such re-transfer is made, the Postmaster of the office of registration shall make the following endorsement on the certificate, namely :-

“Re-transferred to.....”

(5) Where as a result of several endorsements made under sub-rules (2) and (4) on a certificate, no space is left for making further endorsements of a



like character on that certificate, a fresh certificate may be issued by the Postmaster of the office of the registration in lieu of such certificate.

(6) A fresh certificate issued under sub-rule (5) shall be treated as equivalent to the certificate in lieu of which it has been issued for all purposes of these rules.

**13. Replacement of lost or destroyed certificate :-** (1) If a certificate is lost, stolen, destroyed, mutilated or defaced, the person entitled thereto may apply for the issue of a duplicate certificate to the post office where the certificate is registered or to any other post office in which case the application will be forwarded to the post office of registration.

(2) Every such application shall be accompanied by a statement showing particulars such as number, amount and date of the certificate and the circumstances attending such loss, theft, destruction, mutilation or defacement.

(3) If the officer in charge of the post office of registration is satisfied of the loss, theft, destruction, mutilation or defacement of the certificate, he shall issue a duplicate certificate on the applicant furnishing an indemnity bond in the prescribed form with one or more approved sureties or with a bank's guarantee.

Provided that where the face value or the aggregate face value of the certificate or certificates lost, stolen, destroyed, mutilated or defaced is Rs. 500 or less, a duplicate certificate or certificates may be issued on the applicant furnishing an indemnity bond without any such surety or guarantee.

Provided further that where such application is made with respect to certificate mutilated or defaced, or whatever face value, a duplicate certificate may be issued without any such indemnity bond, surety or guarantee if the certificate mutilated or defaced is surrendered and the certificate is capable of being identified as the one originally issued.

(4) A duplicate certificate issued under sub-rule (3) shall be treated as equivalent to the original certificate for all the purposes of these rules except that it shall not be encashable at a post office other than the post office at which such certificate is registered without previous verification.

**14. Nomination :-** (1) Subject to provisions of sub rules (2) to (6), the single holder or joint holders of a certificate may by filling in necessary particulars in Form 1 at the time of purchasing the certificate, nominate any person who, in the event of death of the single holder or both the joint holders, as the case may be, shall become entitled to the certificate and to the payment of the amount due thereon. If such nomination is not made at the time of purchasing the certificate, it may be made by the single holder, the joint holders or the surviving joint holder, as the case may be, at any time after the purchase of the certificate but before its maturity, by means of an application in Form 2 to the Postmaster of the office at which the certificate stands registered.



(2) There shall not be more than one nominee, except in cases where the denomination of a certificate is Rs. 500 or more.

(3) No nomination shall be made in respect of a certificate applied for and held by or on behalf of a minor.

(4) A nomination made by the holder or holders of a certificate under this rule may be cancelled or varied by submitting an application in Form 3 affixing postage stamps of the value specified in sub-rule (2) of rule 25 together with the certificate to the Postmaster of the post office at which the certificate stands registered.

(5) Separate application for nomination or cancellation of a nomination or a variation of a nomination shall be made in respect of certificates registered on different dates.

(6) The nomination or the cancellation of a nomination or the variation of a nomination shall be effective from the date it is registered in the post office, which shall be noted on the certificate.

**15. Encashment on maturity :-** (1) The maturity period of a certificate of any denomination shall be six years commencing from the date of the certificate. The amount, inclusive of interest, payable on encashment of a certificate at any time after the expiry of its maturity period shall be Rs. 201.50 for denomination of Rs. 100 and at proportionate rate for any other denomination. The interest as specified in the Table below shall accrue to the holder or holders of the certificate at the end of each year and the interest so accrued at the end of each year upto the end of the fifth year, shall be deemed to have been re-invested on behalf of the holder and aggregated with the amount of face value of the certificate.

**TABLE**

The year for which interest accrues	Amount of interest (Rs.) accruing on certificate of Rs. 100 denomination
First year	12.40
Second year	13.90
Third year	15.60
Fourth year	17.50
Fifth year	19.70
Sixth year	22.40



(6) Where a certificate has been purchased on or after the 1st day of March, 2003, the amount inclusive of interest, payable on encashment of the certificate at any time after the expiry of its maturity period shall be Rs. 160.10 for denomination of Rs. 100 and at proportionate rate for any other denomination. The interest as specified in the Table below shall accrue to the holder or holders of the certificate at the end of each year and the interest so accrued at the end of each year upto the end of the fifth year shall be deemed to have been reinvested on behalf of the holder and aggregated with the amount of face value of the certificate.

**TABLE**

The year for which interest accrues	Amount of interest (Rs.) accruing on certificate of Rs. 100 denomination
First year	8.16
Second year	8.83
Third year	9.55
Fourth year	10.33
Fifth year	11.17
Sixth year	12.08

(7) **Mode of Payment :-** The amount payable at the time of encashment on maturity may be rounded off to the nearest multiple of one rupee and for this purpose any amount of 50 paise or more shall be treated as one rupee and any amount less than 50 paise shall be ignored.

[MOF (DEA) Notification No. GSR 590 (E) dated 25.7.2003]

**15A. Post-maturity interest :-** Where repayment of the amount, inclusive of interest, under rule 15 has become due but has not been made, interest shall be allowed on the amount due for a maximum period of two years from the date of maturity to the date of repayment of the amount subject to the following conditions, namely :-

- The interest shall be simple and shall be calculated at the rate applicable from time to time to savings accounts of the type of single or joint account.
- For the purpose of payment of interest, any part of the period which is less than one month shall be ignored.
- The interest shall be paid to the depositor in lump sum at the time of repayment of amount due.

[MOF (DEA) Notification No. GSR 820 (E) dated 16.10.2003]

**16. Premature encashment :-** (1) Notwithstanding anything contained



in rule 15 and subject to sub-rules (2), (3) and (4), a certificate may be prematurely encashed any time in any of the following circumstances, namely:-

- (a) on the death of the holder or any of the holders in case of joint holders;
- (b) on forfeiture by a pledgee being Gazetted Government Officer when the pledge is in conformity with these rules; or
- (c) when ordered by a court of law.

(2) If a certificate is encashed under sub-rule (1) within a period of one year from the date of the certificate, only the face value of the certificate shall be payable.

(3) If a certificate is encashed under sub-rule (1) after expiry of one year but before the expiry of three years from the date of certificate, the encashment shall be at a discount. On encashment of the certificate, an amount equivalent to the face value of the certificate together with simple interest shall be payable. Such simple interest shall be calculated on the face value at the rate applicable from time to time to single accounts under the Post Office Savings Account Rules, 1981, for the complete months for which the certificate has been held. The difference between the aforesaid simple interest and the interest accruing under rule 15 shall be deemed to be discount.

(iv) If a certificate is encashed under sub-rule (1) after the expiry of three years from the date of certificate purchased on or after the 1st day of March, 2003, the amount payable, inclusive of interest accrued under rule 15 and after adjustment of discount, shall be as specified in the Table given below for a certificate of Rs. 100 denomination and at a proportionate rate for a certificate of any other denomination.

**TABLE**

Period from the date of the certificate to the date of its encashment	Amount payable inclusive of interest (in rupees)
3 years or more, but less than 3 years and 6 months	121.15
3 years and 6 months or more, but less than 4 years	125.09



4 years or more, but less than 4 years and 6 months	129.16
4 years and 6 months or more, but less than 5 years	133.36
5 years or more, but less than 5 years and 6 months	137.69
5 years and 6 months or more, but less than 6 years	142.16

[MOF (DEA) Notification No. GSR 179 (E) dated 1.3.2003]

**(5) Mode of Payment :-** The amount payable at the time of premature encashment may be rounded off to the nearest multiple of one rupee and for this purpose any amount of 50 paise or more shall be treated as one rupee and any amount less than 50 paise shall be ignored.

[MOF (DEA) Notification No. GSR 590 (E) dated 25.7.2003]

**17. Place of encashment :-** A certificate shall be encashable at the post office at which it stands registered : Provided that a certificate may be encashed at any other post office if the officer-in-charge of that post office is satisfied on verification from the office of its registration that the person presenting the certificate for encashment is entitled thereto.

**18. Discharge of certificate :-** (1) The person entitled to receive the amount due under a certificate shall, on its encashment, sign on the back thereof in token of having received the payment.

(2) In the case of a certificate purchased on behalf of a minor who has since attained majority, the certificate shall be signed by such a person himself, but his signature shall be attested either by the person who purchased it on his behalf or by any person who is known to the Postmaster.

(3) A certificate of discharge may be issued by the post office to any person encashing a certificate on payment of the fee specified in sub-rule (1) of rule 25.

**19. Encashment of minor's certificate :-** (1) A person encashing a certificate on behalf of a minor shall furnish a letter from the parent or guardian of the minor referred to in sub-clause (i), or as the case may be, sub-clause (ii), of clause (b) of section 5 of the Act, to the effect that the minor is alive and that the money is required on behalf of the minor.

(2) When the nominee is a minor, the person appointed under sub-section (3) of section 6 of the Act while encashing the certificate, shall furnish a certificate that the minor is alive and that the money is required on behalf of the minor.

**20. Payment to heirs—**(1) If a person dies and is at the time of his death the holder of a Savings Certificate and there is no nomination in force at the time of his death and probate of his will or letters of administration of his estate or a succession certificate granted under the Indian Succession Act, 1925 (39 of 1925) is not, within three months of the death of the holder, produced to the authority specified in the Table to sub-rule (2), and if the sum due on the Savings Certificates does not exceed one lakh rupees (inclusive of the sum due



**21. Encashment of Certificates held by Army, Air Force and Navy Personnel :-** Where a certificate is held by a person who is subject to the Army Act, 1950 (46 of 1950) or the Air Force Act, 1950 (45 of 1950) or the Navy Act 1957 (62 of 1957), and such person dies or deserts, the Commanding Officer of the Corps, department, unit or ship to which the deceased or deserter belonged or the Committee of Adjustments, as the case may be, may send a requisition to the officer-in-charge of the post office where the certificate stand registered to pay him or it the amount due under the certificate; and the officer-in-charge of the Post Office shall be bound to comply with such requisition even though there is in force at the time of death or desertion of holder of the certificate a nomination made in favour of any person.

**22. Rights of nominees :-** (1) In the case of death of the holder of a certificate in respect of which a nomination is in force, the nominee or nominees shall be entitled at any time before or after the maturity of the certificate to :-

(a) encash the certificate; or

(b) sub-divide the certificate in appropriate denominations in favour of individual nominees or two adult nominees jointly.

(2) For the purpose of sub-rule (1), the surviving nominee or nominees shall make an application to the Postmaster of the office of registration, supported by proof of death of the holder and of deceased nominee or nominees, if any.

(3) If there are more nominees than one, all the nominees shall give a joint discharge of the certificate at the time of receiving the payment or sub-division.

**23. Conversion from one denomination to another :-** (1) Certificates of lower denomination may be exchanged for a certificate or certificates of higher denomination of the same aggregate face value or a certificate of higher denomination may be exchanged for the certificates of lower denomination of the same aggregate face value;

Provided that certificates bearing different dates shall not be combined for being exchanged for certificate or certificates of higher denomination.

(2) The date of the certificate or certificates issued in exchange shall be the same as that of the original certificate or certificates surrendered and not



the date on which the exchange is made

**24. Income tax :-** Interest on these certificates shall be liable to tax under the Income-tax Act, 1961 (43 of 1961) on the basis of the annual accrual specified in rule 15, but no tax shall be deducted at the time of payment of discharge value

**25. Fees :-** (1) A fee of rupee five shall be chargeable in respect of the following transactions, namely :-

- (i) transfer of certificates from one person to another other than a transfer from the holder to a court of law;
- (ii) issue of duplicate certificate under rule 13;
- (iii) issue of a certificate of discharge under rule 18;
- (iv) conversion from one denomination to another under rule 23;

**26. Responsibility of the Post Office :-** The post office shall not be responsible for any loss caused to a holder by any person obtaining possession of a certificate and fraudulently encashing it.

**27. Rectification of mistakes :-** The Department of Posts or the Post Master General or Heads of Postal Divisions in their respective jurisdictions, may either suo moto or upon an application by any person interested in any certificate issued in pursuance of these rules, rectify any clerical or arithmetical mistake with respect to that certificate, provided that it does not involve any financial loss to the Government or to any such person.

**28. Power to relax :-** Where the Central Government is satisfied that the operation of any of the provisions in these rules causes undue hardship to the holder of a certificate, it may, by order, for reasons to be recorded in writing, relax the requirements of that provision in a manner not inconsistent with the provisions of the Act.

### **IMPORTANT ORDERS**

**1. Sale of National Savings Certificates (VIII-Issue) through authorised agents under the Standardised Agency System :-** (1) I am directed to refer to this Department's letter No. 1(53)-NS/57 dated 31.12.1959 as amended from time to time introducing the Standardised Agency System and to state that it has been decided that S.A.S. agents may canvass for investments in the National Savings Certificates (VIII-Issue) introduced by the Government of India. Ministry of Finance, Department of Economic



Affairs. For the investment in National Savings Certificates (VIII-Issue) secured by the authorised Standardised Agency System Agents, they will be paid commission at the rate of one per cent. No commission will, however, be payable on institutional investments in National Savings Certificates (VIII-Issue), secured by these agents.

(2) The procedure for payment of commission to agent as applicable in case of Kisan Vikas Patras shall apply to the payment of commission in case of National Savings Certificates (VIII-Issue).

(3) These instructions take effect from 8.5.1989.

[MOF (DEA) letter No. F.1/8/89-NS.II dated 1.6.1989 circulated under D.G. Posts letter no. 61-22/89-SB dated 12.6.1989.]

**2. Income Tax Concessions :-** (i) The investments by individuals in the National Savings Certificates (VIII-Issue) will qualify for tax deduction under Section 80C of the Income Tax Act. The interest accruing annually but deemed to be reinvested upto 5 years will also qualify for tax deduction under Section 80C of the Income Tax Act.

[Ministry of Finance (DEA) letter No. F.3/38-89-NS.II dated 16.5.1989]

(ii) It has been clarified by the Central Board of Direct Taxes that the investments made in NSCs (VIII-Issue) by the father/husband out of his income in the name of minor children/wife will not be eligible for rebate under Section 88 of the Income Tax Act.

[CBDT letter No. DIR (HQ)/CH(DT)95/1090 dated 22.8.1995]

**4. Sale of National Savings Certificates (VIII-Issue) through ED Post Offices :-** As per rule 2 (xii) of the National Savings Certificates (VIII-Issue) Rules, 1989, the sale of these certificates can be made through Department Post Offices or such other post offices as authorised by the Department of Posts. The Head of Circle can authorise any other post office if demand and justification is there besides the Departmental one to sell National Savings Certificates (VIII-Issue). The provision of Provisional Receipt is also there in rule 8(3) for these certificates.

[D.G. Posts letter No. 61-22/89-SB dated 21.12.1989]

**5. Partial discharge :-** The partial discharge of NSCs (VIII-Issue) is not admissible vide Note below Rule 32(1) of P.O.S.B. Manual Volume II. The partial discharge means splitting of a certificate into two parts. It does not mean discharge of one certificate out of four certificates purchased through one application. This is allowed. The other certificates will remain intact and can be discharged by the investor as and when desired by him.



**6. Pledging of National Savings Certificates (VIII-Issue) - Notifying the names of Housing Finance Companies approved by the National Housing Bank :-** In pursuance of Rule 12, sub-rule (1), Clause (c) of National Savings Certificates (VIII-Issue) Rules, 1989, the Central Government hereby notifies that the following Housing Finance Companies, approved by the National Housing Bank are authorised to accept pledging of National Savings Certificates (VIII-Issue) :-

1. Housing Development Finance Corporation Ltd, Bombay.
2. Can Finance Homes Ltd., Bangalore.
3. Gujarat Rural Housing Finance Corporation Ltd.
4. PNP Housing Finance Ltd., New Delhi.
5. India Housing Finance and Development Ltd., Madras.
6. SBI Home Finance Limited, Calcutta.
7. Dewan Housing and Development Finance Ltd., Bombay.
8. G.I.C. Grih Vitta Ltd., Bombay.
9. L.L.C. Housing Finance Ltd., Bombay.
10. Akshaya Awas Nirman Vitta Ltd., Jaipur.
11. Indbank Housing Ltd., Madras.
12. Parshwanath Housing Finance Corporation Ltd., Ahmedabad.
13. Saya Housing Finance Company Ltd., Ahmedabad.
14. Vyaya Bank Housing Finance Ltd., Bangalore.
15. Fairgrowth Home Finance Ltd., Bangalore.

[MOF (DEA) Notifications F.3/20/86-NS.II dated 6.9.1990 and 1.8.1991]

**7. Tax rebate under section 88 of Income-tax Act on interest accrued but deemed to have been reinvested in National Savings Certificates (VIII-Issue)-Clarification regarding :-** I am directed to state that queries were received from various quarters regarding tax rebate on the interest accrued but deemed to have been reinvested in respect of National Savings Certificates (VIII-Issue). The matter was taken up with the Department of Revenue (Central Board of Direct Taxes). The CBDT has clarified that the interest accruing at the end of each year and reinvested in NSCs (VIII-Issue) will enjoy tax rebate under section 88 (earlier Section 80-C) of Income Tax Act.

[MOF (DEA) letter No. F.3/88/89-NS.II dated 12.8.1992 forwarded under D.G. Posts letter No. 61-25/92-SB dated 20.8.1992]

**8. Issue of certificate of annual interest in respect of NSCs (VIII-Issue) for the purpose of filing of income tax returns :-** Instructions were issued in this office letter number 90-3/83-SB dated 10.5.1983 that certificate of annual interest accrued in respect of National Savings Certificates (VI & VII Issue) and Social Security Certificates would be issued to the holders without levying any fee for the purpose of filing of income-tax returns. It is clarified for the



guidance of all concerned that these instructions will also apply mutatis mutandis to the current series of certificates, namely, National Savings Certificates (VIII Issue). These instructions may be brought to the notice of all concerned. A proforma of the certificate to be issued is also enclosed.

[D.G. Posts letter No. 61-26/92-SB dated 22.9.1992]

### PROFORMA

From \_\_\_\_\_ To \_\_\_\_\_  
 \_\_\_\_\_  
 No. : \_\_\_\_\_ Dated : \_\_\_\_\_

**Subject :** Certificate of accrual of annual interest on certificates in respect of NSCs (VIII-Issue)

This is to certify that an amount of Rs. \_\_\_\_\_ has accrued as interest for the year \_\_\_\_\_ on National Savings Certificate (VIII Issue) particularised below standing in your name at this office.

Sl. No.	Number of Savings Certificates	Denomination Rs.	Value Rs.	Interest Rs.
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Date Stamp of Post Office

Postmaster/Sub Postmaster

**9. Discontinuance of investment in NSCs (VIII-Issue) by Institutions w.e.f. 1.4.1995 :-** Some post offices have issued NSCs (VIII-Issue) to Institutions on or after 1.4.1995 which was irregular. The matter for their regularisation has been considered in consultation with the Ministry of Finance (DEA) who have not agreed to regularise these investments made by Institutions on or after 1.4.1995. In case any irregularity is noticed, suitable action may be taken against the erring officials.

[D.G. Posts letter No. 61-11/95-SB dated 9.10.1995]

**10. Encashment of National Savings Certificates (VIII-Issue) when the maturity date falls on Sunday or Postal Holiday :-** If the date of maturity of a NSCs falls on Sunday or a Postal Holiday, the payment should be deemed to be due on the business day immediately preceding.

[Rule 12(2) (iii) of P.O.S.B. Manual Volume II]

**11. Purchase of NSCs (VIII-Issue) in the name of Hindu Undivided Family :-** With effect from 2.8.2001 the NSCs (VIII-Issue) can be purchased in the name of Hindu Undivided Family. The Karta of the HUF will purchase



the certificates on behalf of the HUF by adding the words "H.U.F." after his name.

[D.G. Posts letter No. 61-4/2001-SB dated 8.11.2001]

**11A. Facility for encashment of NSCs through messenger :-** If the holder of the certificate is unable to attend the post office for the encashment of the certificate, he can get the certificate encashed through his messenger. When the certificate is presented for encashment through the messenger, the endorsement on the back of the certificate should have been signed already by the holder and the certificate is accompanied by a letter of authority containing the specimen signature of the messenger. When payment is made to the messenger, his signature or T-1 will be taken in addition to the signature of the holder below the holder's encashment "Received payment of Rs. \_\_\_\_\_".

[Rule 23(2) of P.O.S.B. Manual Volume II]

**12. Facility of encashment of National Savings Certificates through banks :-** A reference is invited to Note 2 below Sub Rule 2 of Rule 23 of the P.O.S.B. Manual Volume II regarding the encashment of Savings Certificates through banks. The rule specifies that a scheduled bank or a co-operative bank can act as an agent of the holder for collecting proceeds of the certificate(s). For this purpose, if the bank presents the certificates duly discharged by the holder and confirms the signature of the holder on the certificates and furnishes the endorsement thereon to the effect that the payee's account will be credited with the proceeds of a certificate, payment should be made by means of a crossed cheque in the name of the holder which will be handed over to the bank under receipt. In such cases no separate letter of authority need to be insisted upon from the holder but if the bank desires immediate payment in cash it should be asked to produce the usual letter of authority from the holder.

Complaints have been received in this office where the procedure as specified in the rule for encashment of savings certificates through the banks has not been properly followed thereby causing inconvenience to the holders for getting encashment of savings certificates through banks. It may be ensured that the procedure as specified in Note 2 below Sub Rule 2 of Rule 23 is scrupulously followed and there is no undue complaint from the investors on this account.

[D.G. Posts letter No. 61-39/88-SB dated 16.11.1988]

**13. Issue of Certificate of holdings in respect of National Savings Certificates :-** (1) Instructions were issued in this office letter number 30-26/70-SB dated 15.12.1971 (copy enclosed) that on the request of a investor of National Savings Certificates, a Certificate of holding should be issued to him in the prescribed proforma.



(2) A doubt has been raised whether these instructions apply to 6-year National Savings Certificates (VI & VII Issues) also. It is clarified for the information of all concerned that these instructions apply to all series of certificates including NSCs (VI & VII-Issues) and Social Security Certificates.

(3) Since the subscriptions to 6-Year National Savings Certificates (VI & VII Issues) are now eligible for income tax concessions under Section 88 of the Income Tax Act 1961, there will be more frequent requests from investors for issue of certificate of holding. Such requests should be complied with promptly so that there is no occasion for complaint from the investors.

[D.G. P&T letter No. 61-6/83 SB dated 1-9-1983]

**Copy of D.G. P&T letter No. 30-26/70-SB dated 15-12-1971**

**Subject:- Issue of Certificate of holding.**

(1) If the holder of Savings Certificates applies for a certificate of his holding whether in a Head, Sub or Branch Office, he should be requested to produce the certificates or furnish particulars of the certificates and dates of purchase. The Head/Sub/Branch Postmaster should verify these particulars from the applications for purchase on record in his office and issue a certificate in the following form:-

"Certified that the following savings certificates held by \_\_\_\_\_  
\_\_\_\_\_ are registered in this office.

No. & Type of Certificates	Date of Issue	Denomination
Total		

Post office date stamp

Postmaster(Signature)

(2) A suitable remark indicating issue of the certificate will also be made in the application for purchase under the dated signature of the postmaster. The certificate mentioned above will be limited to the Savings Certificates registered in that office. If a holder having savings certificates at other offices applies for the above certificate, he should be requested to apply to the office where the savings certificates stand registered, giving full particulars of the savings certificates and dates of purchase as prescribed above.

#### **14. Regulation of NSCs issued irregularly in contravention of rules:-**

(1) Proposals are being received in this office for regularisation of NSCs IV/V/VI/VII Issues, which have been issued irregularly by diversion of funds from Teachers Provident Fund, etc., though such certificates have been issued in the names of individuals.

(2) The matter has been considered in consultation with the Ministry of Finance and it has been decided that in all cases where the certificates have been issued in individual names, the certificates are regular. The question of their regularisation would, therefore, not arise and no such case need, therefore, be referred to this office for regularisation.

[D.G. Posts letter No. 42-3/90-SB dated 4-9-1990]



**15. Confiscation of the amount of pledged NSCs by the pledgee other than the Government officer :-** A question has been raised whether a pledgee, other than a Government Gazetted Officer, of National Savings Certificates is empowered to confiscate the amount of pledged National Savings Certificates in the case of default, etc. The matter was examined in consultation with the Ministry of Law and Justice. They have advised that under the Post Office Savings Certificates Rules, the pledgee gets a good title to retain the goods pledged in case of default in payment of the debt. The pledgee can, therefore, confiscate the amount pledged. The Post Office can, therefore, make payment to the pledgee according to the rules for payment of the certificates.

[D.G. Posts letter No. 1-6/75-SS dated 12.11.1975]

**16. Issue of Certificate for the interest accrued on pledged NSCs :-** A clarification has been sought by some Circles whether the certificate for the interest accrued on pledged NSCs is to be issued to the pledger or pledgee for claiming benefit under Section 88 of Income Tax Act. The Ministry of Finance in consultation with Ministry of Law have clarified that reinvestment of interest accrued on the National Savings Certificates during the period of pledge continue to be in the name of the original holder and therefore, the benefit of Section 88 should be given only in his hands. The said certificate will be issued only to the pledger, the original holder of certificates.

[D.G. Posts letter No. 61-9/88-SB dated 24.2.1989]

**17. Entitlement of interest on pledged savings certificates - clarification regarding :-** Doubts were raised by some of the Circles whether the pledgee is entitled to receive interest on National Savings Certificate VI/VII Issue pledged with him. The Ministry of Finance have now clarified in consultation with the Ministry of Law, that a pledgee being the holder of the Savings Certificate under NSCs VI/VII Issue Rules, 1981 is entitled to receive payment of interest under rule 19 of the NSCs VI/VII Issue Rules, 1981.

[D.G. Posts letter No. 61-4/85-SB dated 23.12.1987]

**18. Premature encashment of National Savings Certificates pledged to Banks :-** Please refer to your D.O. letter No. SB/28-87/NSC/88 dated 28.9.1988 regarding premature encashment of National Savings Certificates pledged to the Bank. The Ministry of Finance (DEA) vide their D.O. No. F.3/8/88-NS.II dated 8.12.1988 has clarified that the proposal for premature encashment of certificates by banks in the event of default on the part of loanee has been carefully considered and not agreed to.

[D.G. Posts letter No. 61-4/85-SB (Pt.II) dated 7.7.1989]

**19. Bank loans against National Savings Certificates :-** (1) I am directed to refer to paragraph 8 of the Minutes of the meeting of the National Savings Central Advisory Board (NSCAB) held at New Delhi on 11.11.1983 regarding complaints that Commercial Banks are not giving loans against small savings securities inspite of instructions issued by the Central Government. The Chairman National Savings Central Advisory Board had assured the Board



that the instructions will be reiterated and implemented.

(2) The Reserve Bank of India have since reiterated their instructions to all Scheduled Commercial Banks that banks may grant advances against the security of the National Savings Certificates subject, however, to other normal terms and conditions vide their circular DBOD No. BP.BC.105/C469(44)/83 dated 20.12.1983 issued to all scheduled commercial banks.

[MOF (DEA) letter No. F.8/11/83-NS dated 5.3.1984 addressed to all Finance Secretaries of State Governments and others and circulated under D.G. P&T letter No. 61-4/84-SB dated 19.4.1984]

**20. Purchase of NSCs (VIII-Issue) by Trusts :-** It is clarified that the Trusts which are registered under any law for the time being in force can only purchase the NSCs (VIII-Issue) under rule 2 (xiv) of NSCs (VIII-Issue) Rules. The unregistered Trusts cannot purchase NSCs (VIII-Issue).

**21. Immediate clearance of cheques presented for the purchase of KVPs/NSCs :-** (1) In addition to other modes of investment, Savings Certificates Rules (KVPs/NSCs etc.) also provide facility of investment in certificates through cheque, pay order or demand draft. However, the certificates are issued only after realisation of the proceeds of the instruments. In such cases, the effective date of issue of certificates is the date of encashment of the cheque and not the date of its presentation.

(2) Instances have been brought to the notice of Directorate where undue delay (10 to 15 days) has taken place in getting the investment cheques cleared by the post offices. Of course, the number of such cases may be few but you would agree that even some cases may have the potential to affect mobilisation of resources under Small Savings Schemes leading to public complaints, having an adverse impact on the image of the Government/Department.

(3) We would be grateful if you could kindly issue suitable instructions to all concerned to ensure that in future, the cheques are sent for clearance on the same day (i.e. date of its presentation) or the next working day without fail. Cases of laxity should be viewed seriously.

[D.G Posts letter No. 61-4/2000-SB dated 18.2.2000]



**25. Prevention of issue of irregular KVPs / NSCs and opening of TD/ MIS / NSS / PPF Accounts :-** (1) The Department of Posts is providing Banking Services to the people at every nook and corner of the country. Due to fraud and uncertainty in the share markets and other financial services, the people are turning to the Post Office Savings Schemes in the recent years. The Directorate is very much concerned about the increasing trend of court cases in the recent times. It has been noticed in most of the cases, irregular issue of certificates and opening of accounts, not closing of accounts immediately after the death of the depositor, accounts opened without nominees, non-checking the minimum and maximum deposit level of a depositor as per prescribed rules, untimely regularisation of irregular accounts and certificates, allowing unauthorised institutions to purchase certificates and open accounts under Post Office Savings Accounts etc. are the causes for court cases. The courts have also come down heavily on the Department for not checking the irregular opening of accounts and issue of certificates at the initial stage and it is also not fair on the part of the Department to inform the depositor about the irregularities at the final stage i.e. at the time of maturity of such accounts and certificates.

(2) It is requested to ensure that such irregular opening of accounts under



Post Office Savings Schemes and issue of certificates ought to have been detected at the initial stages itself. The Ministry of Finance, Department of Economic Affairs is also insisting to take action against the erring postal official(s) for allowing such opening of irregular accounts and issue of certificates. In future, all such proposal for regularisation of irregular accounts and issue of certificates should be accompanied with the action taken against the erring officials.

(3) It is, therefore, requested that all Heads of Circles and Director of Accounts (Postal) may ensure to detect such irregularities at the earliest point of time and all the counter Assistants handling such opening of POSB accounts and issue of certificates to be urgently educated and be careful at the opening of accounts and issue of certificates. They may also be informed of the decision of the Ministry of Finance, Department of Economic Affairs that severe action will be taken against those who are responsible for opening of such irregular accounts and issue of certificates. All auditors may also be advised to check the newly opened accounts and issue of certificates issued year-wise and point out the irregularities immediately.

(4) It is requested that the above instructions may be brought to the knowledge of all concerned in your Circle for information, guidance and compliance.

[D.G Posts letter No. 107-6/2004-SB(PG) dated 25.5.2004]