

8 NSC and KISAN VIKAS PATRA – At a Glance

8.1 National Savings certificate

Taxpayers generally purchase NSC for saving income tax u/s 80C but they forget to do the proper accounting of taxable accrued interest. Here are some notable points about NSC:

8.1.1 Interest accrual on NSC is taxable under the head of income from other sources.

8.1.2 Since interest gained on NSC is reinvested so interest (of first five years only) is allowed as deduction u/s 80 C. Since NSC is encashed after getting interest of sixth year so sixth year interest is not allowed for deduction u/s 80C.

8.1.3 Interest rates of NSC have changed from time to time and reduced from 12%(till Jan 14, 2000) to 8.7% . lately.

8.1.4 Ready Reckoner for calculation of Accrued Interest during FY 14-15 on NSC-VIII issue of Rs.1000

Year of purchasing	2010-11	2011-12 (up to Nov 11)	2011-12 (from Dec 11)	2012-13	2013-14	2014-15	2015-16
Interest accrued	120.8	111.6	119.20	113.10	102.50	94.30	86.8

8.1.5 Ready Reckoner for calculation of Accrued Interest during FY 14-15 on NSC-XI issue of Rs.1000

Year of purchasing	2011-12 (from Dec 11)	2012-13	2013-14	2014-15	2015-16 discontinued w.e.f.Dec.1,2015
Interest accrued	125	118.10	106.80	98.0	89.90

8.2 Kisan Vikas Patra

There is no benefit of Income Tax while investing in Kisan Vikas Patra. The Interest accrued during the investment period is taxable under the head of other income.

8.2.1 Ready Reckoner for calculation of Accrued Interest during FY 16-17 on Kisan Vikas Patra of Rs.1000

Year of purchasing	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	From Dec 11 to Oct 14 discontinued
Interest accrued	93	148	136	126	116	107	0

8.2.2 Central Govt has reintroduced Kisan Vikas Patra w.e.f. Nov.18, 2014. Initially, the Kisan Vikas Patra certificates will be sold through post offices, but later on they will be made available to the through designated branches of nationalised banks. Some feature are as-

- The amount invested in Kisan Vikas Patra would get doubled in 100 months or eight years and four months. This means KVPs would be giving a return of 8.7 per cent annually.
- Available in denominations of Rs 1,000, 5,000, 10,000 and 50,000 and no upper limit on investment.
- KVPs can be encashed after a lock-in period of 30 months or 2 years and 6 months. Thereafter, investors can withdraw in any block of six months.
- KVPs can be issued in single or joint names and can be transferred from one person to other persons.
- The facility of transfer from one post office to another anywhere in India and of nomination will be available. KVP certificates can also be pledged as security to avail loans from the banks.

