National Savings Certificate (NSC)

A 5-year, fixed-rate certificate with an 80C tax break, no upper limit.

7.7% p.a. | 80C on deposit; interest taxable

What is NSC?

The National Savings Certificate is a 5-year fixed-income certificate from the post office. Unlike small-savings schemes whose rate resets quarterly, the rate that applies when you buy an NSC is locked for its full 5-year term. Interest compounds annually and is paid with the principal at maturity, and there is no upper investment limit, making it a popular 80C option for the debt bucket.

In brief

Suits	A fixed 5-year, government-backed saving with the rate locked on the day you buy.
You get	7.7% a year, compounded yearly, paid at maturity.
Your money	Locked for 5 years; early encashment only in limited cases (such as death).
Tax	Interest is taxable; the deposit and reinvested interest are deductible only in the old regime.
Watch for	Interest is taxable even though it is paid only at maturity.

Key facts

Interest rate	7.7% p.a., compounded yearly, paid at maturity
Tenure	5 years (fixed)
Investment	₹1,000 minimum · no maximum
Tax	Deposit + reinvested interest qualify 80C; interest taxable
Rate lock	Rate at purchase is locked for the full 5 years

What's new

Sep 2026 NSC stays at 7.7% for October–December 2026.

Questions and answers

THE BASICS

How does NSC work?

You buy a certificate for any amount from ₹1,000 up (in multiples of ₹100). It earns 7.7% compounded annually, and the full amount, principal plus accumulated interest, is paid after exactly 5 years. There's no periodic payout; it all comes at maturity.

What does ₹1,000 become after 5 years?

At 7.7% compounded annually, ₹1,000 grows to about ₹1,449 in 5 years. So the maturity value is roughly 1.449× your investment, ₹1 lakh becomes about ₹1,44,900. The rate is locked at purchase, so this doesn't change even if rates move.

Is the rate fixed for the full term?

Yes, and this is a key NSC advantage. The rate in force when you BUY the certificate is locked for its entire 5 years, unlike PPF or Sukanya where the rate is reset every quarter.

WHO CAN BUY & HOW

Who can invest in NSC?

Any resident individual, singly, jointly, or on behalf of a minor. HUFs and trusts cannot buy NSC. NRIs cannot buy new NSC; a resident who becomes an NRI after buying may hold it to maturity.

Where do I buy it, and is there a maximum?

From any post office (and now some banks), or online via the Department of Posts internet banking. Minimum ₹1,000, and there is NO maximum, though only ₹1.5 lakh a year qualifies for the 80C deduction.

TAX TREATMENT

What is the clever 80C benefit on the interest?

The initial investment qualifies under section 123 (earlier 80C) (up to ₹1.5 lakh). Uniquely, the interest for years 1–4 is deemed REINVESTED, so it also counts as a fresh 80C-eligible investment in each of those years. Only the 5th (final) year's interest is taxable with no reinvestment benefit.

Is the interest taxable, and is there TDS?

NSC interest is taxable at your slab, but the reinvested-interest 80C benefit softens the net impact for the first four years. There is NO TDS on NSC, you declare the interest yourself.

Does the 80C benefit apply under the new regime?

No, section 123 (earlier 80C) (both on the initial investment and the reinvested interest) is available only under the OLD tax regime. Under the new regime, NSC is just a fixed-return certificate with no deduction.

LIQUIDITY & LOANS

Can I encash NSC before 5 years?

Premature encashment is generally NOT allowed, except in specific cases: the holder's death, forfeiture by a pledgee (e.g. a bank), or a court order. Otherwise you must hold it for the full 5 years.

Can I take a loan against NSC?

Yes, NSC is widely accepted as collateral. You can pledge it to banks and NBFCs to take a loan against its value, which is often cheaper than breaking other investments.

HOW IT COMPARES

NSC vs 5-year tax-saver FD, which is better?

Both give an 80C deduction and a 5-year lock-in. NSC's edge is the reinvested-interest 80C benefit and a government-fixed rate; a tax-saver FD may quote a higher headline rate at some banks (and seniors get a bonus). Compare the POST-TAX return for your slab before deciding.

NSC vs PPF, when to pick which?

PPF is 15 years and fully tax-free (EEE), ideal for long-horizon, tax-free growth. NSC is a shorter 5-year lock-in with a rate locked at purchase, but its interest is taxable. Use PPF for the long tax-free core; use NSC for a medium-term 80C parking with rate certainty.

GOOD TO KNOW

Can I add a nominee or transfer an NSC?

Yes, you can nominate a beneficiary at purchase or later. An NSC can be transferred from one person to another only once, and only under specific conditions (e.g. to a legal heir, or as required by a court/pledge).

What if I lose the certificate?

Since NSC is now issued mostly in electronic (e-mode) form via your post-office savings account, loss of a physical certificate is rarely an issue. For old physical certificates, a duplicate can be issued by the post office on an application with an indemnity.

Sources: Ministry of Finance notification of 30 Sep 2026 – small-savings rates, Oct-Dec 2026; Business Standard / Business Today on the MoF notification, 30 Sep 2026.

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