

Fixed Deposit Rules and Regulations

A [fixed deposit](#) is a very common investment in India and it comes with a lot of benefits like financial security, high interest rates, and also liquidity. There are a lot of features and benefits that make fixed deposits a safe option for many.

It is not affected by any market-related fluctuations, and so offer high returns and come with stability. Here are a few features and rules of fixed deposits.

[Check FREE Credit Score](#)

Tax on Fixed Deposits

According to the tax laws, you can now claim a tax deduction for investments that are made in tax-saving fixed deposits of up to Rs.1.5 lakh. This amount is deducted from your total income and then the taxable income is arrived at.

Under [Section 80C](#) of the Income Tax Act, you are eligible for this deduction, if you have invested in a tax-saving fixed deposit.

TDS on Fixed Deposits

Keep in mind that [Tax Deducted at Source \(TDS\)](#) is also applicable to the interest income that you earn in India from your fixed deposits. During each financial year, if your income earned via interest is more Rs.10,000, then you have to pay tax. If your interest amount is less than Rs.10,000, then you do not have to pay any tax.

[Check FREE Credit Score](#)

Loan Against Fixed Deposits

Most banks offer a [loan against your fixed deposit](#). This can be availed from the same bank with which you have a fixed deposit. Banks allow loans up to 90% of your fixed deposit.

A loan against your fixed deposit can easily be availed even if you do not have a high credit score on the CIBIL record or a poor credit history. If you make regular repayment of the loan which you got against your fixed deposit, this will eventually [improve your credit score](#).

[Check FREE Credit Score](#)

Premature Withdrawal of Fixed Deposits

A fixed deposit comes with a range of tenures, from 7 days to 10 years. Your principal amount will be invested in the deposits at a fixed interest rate. You will keep earning interest on these deposits. Banks allow the [premature withdrawal of fixed deposits](#) as well. However, you will be charged a penalty for the same. The penalty charged for the premature withdrawal of a fixed deposit is generally 1% - 2%, however, this varies from one bank to another.

Key Features of a Fixed Deposit Account

- A fixed deposit is safer than any other investment.
- It is flexible and has tenures of up to 10 years.
- This allows you to continuously earn interest on your investment.
- There is no limit on the maximum amount that you can deposit.
- Senior citizens get additional interest rates on their fixed deposits.
- **Types of Fixed Deposits**
- [Regular Fixed Deposits](#)
- [Tax-Saving Fixed Deposits](#)
- [Senior Citizens' Fixed Deposits](#)
- [Cumulative Fixed Deposits](#)
- [Non-Cumulative Fixed Deposits](#)
- [Flexi Fixed Deposits](#)

[Check Your Credit Score for FREE](#)

FAQs on Fixed Deposit Rules and Regulations

1. What will happen if I break my fixed deposit before its maturity?

If you break a fixed deposit before the maturity period, you will get a low rate of interest and also be charged a penalty.

2. Am I allowed to withdraw my fixed deposit at any time?

Yes, you can always withdraw the fixed deposit at any time. This is unless the bank has established a lock-in period for the deposit.

3. Are all fixed deposits risk-free?

Yes, all fixed deposits are risk free and offer guaranteed returns at the end of its maturity.

4. Can I break a 5-year tax-saver fixed deposit?

No, if you invest in a 5-year fixed deposit, you cannot break it before the tenure.

5. In many years will my fixed deposit double?

Your fixed deposit will double based on the interest rate offered by the bank.