

The Popat

I was working in a bank's staff college, some decades ago. The salary was reasonably o.k. for a comfortable living. We used to invest in PPF and NSC to reduce tax under section 88C (now 88). Our office was on 5th floor and Administrative office in the basement. The Principal's office was on the 1st floor.

One day towards the end of March (perhaps 28th March), I happened to go to basement. The Administrative Officer, Mr. Vaibhav, who did not impress us as a very sharp person and we in lighter vein used to call him Popat, saw me and asked as to why my saving was so less and why I was paying so much of income tax (roughly 40%). The following interesting conversation took place.

Me: How can I have more savings? With lot of efforts, I have been able to save Rs. 3,000/- (my one month salary).

Popat: It is too less Dr. Saheb. You must save at least Rs. 10,000/-, if not more.

Me: How can I do it? I can't cut my expenses any more.

Popat: No, No, No, you don't need to cut expenses.

Me: (Surprised) Then how do I save?

Popat: Do you know our bank gives loan on NSC.

Me: Yes, but what to do with it, what's the benefit?

Popat: You know you can get employee loan up to 90% of your NSC, at 12% interest.

Me: But I get only 12% on NSC, what's the benefit.

Popat: If you get 90% loan on your Rs. 3,000/- NSC, which is Rs. 2,700/-, you get income tax rebate of 40%, which is Rs. 1,080/-. What do you say? We will share the gain 50-50.

Me: But there is too much of hassle in taking a loan.

Popat: Why? I give you form, you fill it. The Principal is on the first floor. He can sign today itself.

Me: But, then I have to go to buy NSC. I don't have time to do it due to hectic classes.

Popat: No problem, my wife is NSC agent. She can get your NSC tomorrow.

Me: O.K.

He gave me the loan form, I signed it and went to the class. He completed other details, got signature of the Principal and next day evening, he gave me NSC of Rs. 2,700/-, looking at me with some expectation, I gave him Rs. 500/- and thanked.

Popat: "Sir, ek he round kheliega?"

Me: What?

Popat: It is only 29th March. Two days yet to go for year end.

I could not control my laughter and thanked him again. Amused, I realized “Popatbhai was humble not a fool that we thought of him”.

Some questions however, flashed in mind. How much more tax could be save, if I played this game throughout the year? Will it be more than the tax I paid? What if others also played the game? How many other games like this are prevalent? What was purpose of tax regime?

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