

What is NPS?

National Pension System (NPS) is a pension cum investment scheme launched by Government of India to provide old age security to Citizens of India. It brings an attractive long term savings avenue to effectively plan your retirement through safe and regulated market based return.

- NPS is regulated by Pension Fund Regulatory and Development Authority (PFRDA).
- National Pension System Trust (NPST) established by PFRDA is the registered owner of all assets under NPS.
- National Security Depository Limited (NSDL) is appointed as Central Record Keeping Agency (CRA) by the State Government.

Implementation of NPS

- By Central Government
w.e.f. 1st January 2004
- By State Government
w.e.f. 1st July 2018

(vide Finance Department Notification No. F.8(1)-FIN(G)/2014(P-I) dated 13th July 2018 and Gazette Notification No. F.9(1)(131)-FIN(E)/2013/PART-VI dated 15th May 2021)

Is deduction under NPS is mandatory?

NPS is mandatory for all appointments made under

- Regular pay scale post and
- Fixed Pay employees, who are being appointed to a fixed pay post created by keeping regular pay scale post in abeyance on or after 1st July, 2018

Norms for deduction under NPS

- For Central Government Employees:

- w.e.f. 1st January 2004

- Employees contribution: 10% of Basic + DA
 - Employers contribution: 10% of Basic + DA

- w.e.f. 1st April 2019

- Employees contribution: 10% of Basic + DA
 - Employers contribution: 14% of Basic + DA

Note: All the contribution are on monthly basis

For State Government Employees:

❑ w.e.f. 1st July 2018

➤ Employees contribution: 10% of Basic

➤ Employers contribution: 10% of Basic

(Ref: Notification No. F.8(1)-FIN(G)/2004(P-I) / 108-308
dated 13th July 2018)

❑ w.e.f. 1st July 2023

➤ Employees contribution: 10% of Basic+DA

➤ Employers contribution: 14% of Basic +DA

(Ref: Notification No. F.8(1)-FIN(G)/2004(P-I)/819-1026
dated 15th July 2023)

Note: All the contribution are on monthly basis

NPS

```
graph TD; NPS --> TIER-I; NPS --> TIER-II;
```

TIER-I

- Mandatory Retirement Account
- Withdrawal can happen maximum of three times during the entire tenure of subscription against specific reasons

TIER-II

- Voluntary Savings Account
- Withdrawal from Tier – II Account at any point of time.
- Subscribers who has an active Tier-I account can activate a Tier-II account

Subscriber Registration

- The Government employees can open NPS accounts through respective the DDO.
- The recruitees will submit the duly filled in NPS registration form to the concerned DDO while joining in the service.
- PFRDA has appointed entities known as Points of Presence (POPs) to perform the functions like (1) Registration of Subscribers (2) Undertaking KYC verification (3) receiving contributions and (4) receiving contributions and instructions from subscribers and transmission of the same to designated NPS intermediaries.

In case of Government Employees of Tripura, the respective DDOs are performing the functions of POPs .

- CRA-FC is Facilitation Centre appointed by NSDL-CRA to facilitate Nodal Officers to submit applications for allotment of **PRAN (Permanent Retirement Account Number)**. Following services is being offered by CRA-FC:
 - (a) Acceptance of Application for allotment of new PRAN by Nodal Officers
 - (b) Acceptance of subscribers request for change in signature and/or change in photograph by Nodal officers

The subscribers are not required to interact with CRA-FC, but the single point of contact would be the respective POPs.
- On successful enrolment, a PRAN is allotted to the subscribers. (once PRAN is generated an e-mail as well as SMS alerts is sent to the subscribers registered e-mail ID & mobile respectively provided during registration)

- A PRAN card is dispatched to the subscriber which has subscribers name, Father`s name, photograph, signature/thumb impression and subscriber`s date of birth.
- Subscribers may visit the “Login” section available on home page of <https://enps.nsdl.com/>.
- I-PIN is a password to access your NPS account/mobile App.

Important Points to be noted while Registration

- The salary account details should match with the account details to be provided during the PRAN registration, else registration will be unsuccessful.
- The name and other details should match with the PAN card details of the subscribers, else registration will be unsuccessful.
- Once a subscriber had a PRAN number earlier may not opt for new registration. The PRAN should be shifted through subscriber NPS shifting form.

What are the investment choices available in NPS?

- NPS offers two approaches to investment
 - (i) Active Choice**: Subscribers select the allocation percentage in asset classes. At present there are 8 Pension Fund Managers (PFMs) who manage the subscribers' funds at the option of the subscribers.
 - (ii) Auto Choice / Standard**: Funds are automatically allocated amongst asset classes in a pre-defined matrix.

Contributions

- **In TIER-I:**

- (i) The Government Servant shall make a contribution of 10% of his/her Basic + DA which will be deducted from his/her salary every month by the DDO.
- (ii) Government will also make a matching contribution i.e. @ 14% of Basic + DA on monthly basis.
- (iii) The amount so deducted from the salary of the Government Servant and the amount of matching contribution will be transferred to a pension account in order to invest the same as per the provision of PFRDA.

Contributions

- **In TIER-II**: The contribution will be kept in a separate account that will be made available at the option of the Government Servant. The State Government will not make any contribution to TIER-II account. The employee will be free to withdraw part or all of the Tier II of his money anytime.

Withdrawal

As per PFRDA (Exits & Withdrawals under NPS) Regulations 2015, in following conditions subscribers can exit from NPS

(a) Upon Superannuation: When a subscriber reaches the age of superannuation, he or she will have to use at least 40% of accumulated pension corpus to purchase an annuity that would provide a regular monthly pension. The remaining funds can be withdrawn as lump sum.

***Note:** If the total accumulated pension corpus is less than or equal to Rs.2 lakh, Subscriber can opt for 100% lump sum withdrawal.*

(b) Pre-mature Exit: In case of pre-mature exit (i.e. exit before attaining the age of superannuation) from NPS, at least 80% of the accumulated pension corpus of the Subscriber has to be utilized for purchase of an annuity that would provide a regular monthly pension. The remaining funds can be withdrawn as lump sum.

***Note: (i)** A subscriber can exit from NPS only after completion of 10 years*

***(ii)** If the total corpus is less than or equal to Rs.1 lakh, Subscriber can opt for 100% lump sum withdrawal.*

(c) Upon Death of Subscriber: The entire accumulated pension corpus (100%) would be paid to the nominee/legal heir of the subscriber if the total corpus is less than or equal to 5 lakh

Where are the withdrawal forms available?

What are the different types withdrawal forms?

Based on the different types of withdrawal request, following forms are made available:

(i) Superannuation

(ii) Premature

(iii) Death

The forms are available in “Form” section on <https://npscra.nsdl.co.in/>.

Partial Withdrawal

Following are the conditions for partial withdrawal:

- (i) Subscriber should be in NPS at least for 3 years.
- (ii) Withdrawal amount will not exceed 25% of the contribution made by the subscriber.
- (iii) Withdrawal can happen maximum of three times during the entire tenure of subscription.
- (iv) Withdrawal is allowed only against the specified reasons, for example;
 - (a) Higher education of children
 - (b) Marriage of children
 - (c) For purchase/construction of residential house
 - (d) For treatment of Critical illnesses

How can a subscriber initiate the withdrawal / partial withdrawal request in CRA System?

The subscriber have to submit the physical withdrawal / partial withdrawal form along with the required documents to the POP/DDO.

Based on the subscriber`s request, POP/DDO will initiate the online withdrawal request on the behalf of the subscriber.

On receipt of the printed copy of the online withdrawal / partial withdrawal application along with the required documents by the Treasury Office, the Treasury Officer will verify the request and authorize the withdrawal request. Accordingly the amount will be credited to the subscribers bank account.

Tax Benefits under NPS

- (i) Employee`s own contribution: Subscribers will be allowed tax deduction in addition to the deduction allowed under sec 80CCD(1) for contribution in his NPS account subject to maximum of Rs.50000/-
- (ii) On Partial Withdrawal: Tax Free
- (iii) On Lump sum Withdrawal: In case of Superannuation, 40% of Lump sum withdrawal is tax free.
- (iv) On Annuity: Amount utilized for purpose of annuity is not taxable. Only the annuity income that you receive in the subsequent years will be subject to income tax.

THANK YOU