

(NPS) National Pension System



Features of NPS

- ✓ Government of India initiative, regulated by PFRDA
- ✓ Open for all Indian citizens between 18 – 65 years
- ✓ Unique and portable PRAN (Permanent Retirement Account Number)
- ✓ Choice of PFM, investment option and asset class
- ✓ Lump sum & purchase of annuity
- ✓ Corporate NPS facilitates employees to join NPS through their Corporate within the purview of their employer – employee relationship

**Transparent
cost structure**

**Simple to
administer**

**Central Grievance
Management**

Tax advantage

Tax Benefit under NPS

Employer Contribution can be deducted as 'Business Expense' from their Profit & Loss Account

Tax benefit to Subscriber

Employer Contribution:

Deduction of up to 10% of salary (Basic + DA) from taxable income u/s 80 CCD(2). This is over and above the limits u/s 80 CCE.

Employee Contribution:

Deduction of up to 10% of salary (basic+ DA) within the overall ceiling of Rs. 1.50 Lakh u/s 80 CCE.

Voluntary Contribution:

Deduction of up to Rs. 50,000 u/s 80 CCD(1B) from taxable income for additional contribution to NPS.

Type of Accounts

Tier I NPS Account

- Known as Pension Account and is mandatory to open in order to join NPS
- Withdrawal is restricted till the Employee attains the retirement age
- Minimum Annual Contribution required is Rs.1,000

Tier II NPS Account

- Known as Investment Account and is optional to Employee.
- Withdrawal is permitted as per Employee's requirement
- It can be opened at the time of opening Tier I NPS Account or later as well

| Particulars | Tier I Account | Tier II Account |
|---|----------------|-----------------|
| Initial Contribution required to open Account | 500 | Rs. 1000 |
| Minimum amount of subsequent Contribution | Rs. 500 | Rs. 250 |
| Minimum Annual Contribution required | Rs. 1000 | Nil |
| Minimum number of Contribution required to be deposited in a year | 1 | Nil |

Please Note In case minimum annual contribution requirement is not met for Tier I NPS Account, the account is frozen

How it works

- In order to offer NPS to its employee corporate needs to register itself through a POP by submitting Corporate Registration Form and KYC documents as prescribed by the regulator.
- POP sends these documents to CRA which creates a Corporate Registration Number called CHO / CBO number.
- Upon receiving the CHO / CBO number, Corporate can implement NPS in the system.
- POP helps create awareness about NPS to all the employees and organize NPS helpdesks where employees can deposit individual NPS registration form and KYC documents for NPS account opening.
- Once the NPS account of employee is opened, Corporate can start deducting the contribution from monthly salary of the employee and sends the same to POP for further processing.

Benefits of Employee and Employer

Employee/Individual Contribution

- Eligible for tax deduction of up to 10% of salary (Basic + Dearness Allowance) or 10% of total gross income under section 80CCD(1), which is within the limit specified under section 80CCE of Rs. 1,50,000.
- Eligible for additional tax deduction of up to Rs. 50,000 under section 80CCD(1B). This benefit will not attract the limit specified under section 80CCE. Hence contribution would be allowed over & above Rs. 1,50,000.

Employer Contribution

- Eligible for tax deduction of up to 10% of salary (Basic + Dearness Allowance) under section 80CCD(2) without any upper cap in terms of absolute value. Hence contribution would be allowed over & above Rs. 1,50,000 under section 80CCE and Rs. 50,000 under section 80CCD(1B)
- An eligible contribution made by the employer is allowed as a business expense under Section 36 of Income Tax Act 1961.

Partial withdrawal from NPS

- **Up to 25% of Contribution deposited by Employee** can be withdrawn after 3 years of account opening
- **Another 2 withdrawals** can be made after the first withdrawal
- Withdrawal is allowed **only for specific purposes** like Higher Education, Child's marriage, buying home or treatment of Critical illnesses etc

Exit from NPS

- Employee can exit from NPS after 10 years or attaining the retirement age defined by the employer, whichever comes first. Benefits payable on exit are shown below:

| Exit before attaining 60 years of age | Exit at the age of 60 years |
|--|---|
| <ul style="list-style-type: none"> Amount allowed to withdraw in lump sum: Up to 20% of Corpus Balance amount to be invested in Annuity If the Corpus is less than or equal to Rs.1Lakh, Employee can withdraw the full Corpus without investing in Annuity | <ul style="list-style-type: none"> Amount allowed to withdraw in lump sum: Up to 60% of Corpus Balance amount to be invested in Annuity If the Corpus is less than or equal to Rs.2Lakhs, Employee can withdraw the full Corpus without investing in Annuity |

NPS Corporate-Eligibility

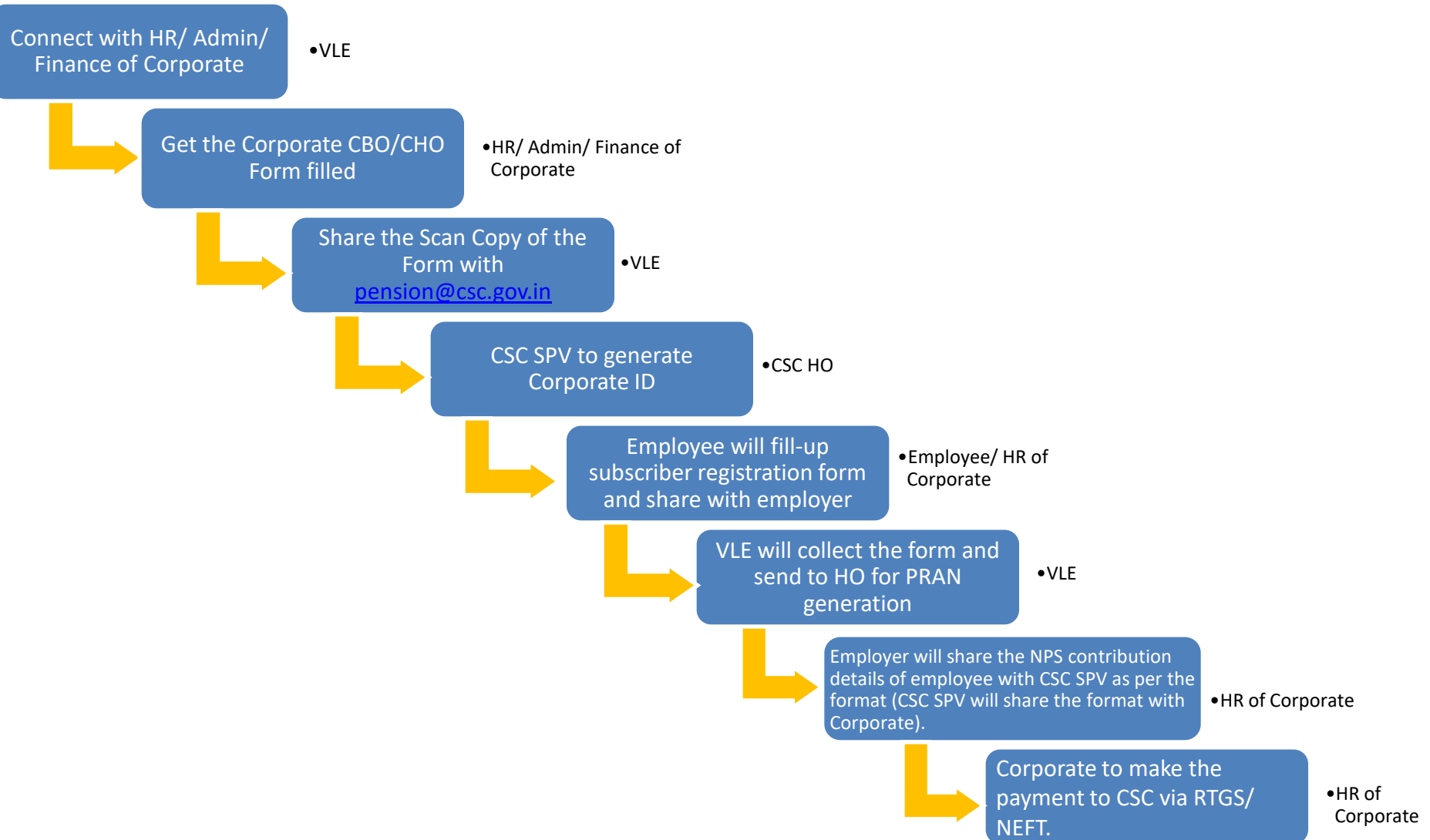
Eligible entities to register under NPS Corporate Model

- Entities registered under Companies Act
- Entities registered under various Co-operative Acts
- Registered Partnership firms & Limited Liability Partnerships (LLPs)
- Proprietorship concern
- Society/Trust

Documents required

- Board resolution copy
- PAN Card copy
- TAN copy
- KYC documents of 2 Nodal officer
- Certificate of Incorporation
- Cancelled cheque
- Duly filled corporate on-boarding form-
<https://nps.karvy.com/Corporate/Registration%20Form%20and%20Covering%20letter%20for%20Nodal%20Office/CHO%20Registration%20Form.pdf>

NPS Corporate on-boarding Flow



Thank You

Reach out to us for any further information:

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