



Ministry of Finance

# New Benefits announced for NPS Subscribers in Union Budget 2017-18

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In a bid to provide further impetus to the National Pension System (NPS), the following provisions have been introduced in the Finance Bill 2017 laid down in the Parliament today.

## **Tax-exemption to partial withdrawal from National Pension System (NPS)**

The existing provision of section 10(12A) of the Income Tax Act, 1961 provides that payment from National Pension System (NPS) to a subscriber on closure of his account or opting out shall be exempt up to 40% of total corpus at the time of withdrawal. The amount utilized for purchase of annuity is also tax exempt. At the time of normal exit, 40% of the total corpus is mandatorily required to be purchased for annuity. The subscriber has the option to use higher amount for purchase of annuity.

In order to provide further relief to the subscriber of NPS, it has been proposed to insert a new clause (12B) in the section 10 of Income Tax Act, 1961 to provide exemption on partial withdrawal not exceeding 25% of the contribution made by an employee in accordance with the terms and conditions specified under Pension Fund Regulatory and Development Authority Act, 2013 and regulations made there under.

This benefit will be effective on partial withdrawal made by the subscriber after 1st April 2017.

**Further, Contribution up to 20% of the Gross Income of the Self-employed individual (Individual other than salaried class) will be deductible from the taxable income under Section 80CCD (1) of the Income Tax Act, 1961, as against 10% earlier.**

This is with a view to provide parity between a salaried employee and a self-employed.

This benefit will be available on contribution made by the self employed persons on or after 1st April 2017.

This increased limit for tax benefit will help the self-employed individuals, to save taxes on higher contribution in NPS and thereby properly plan for their old age income security.

Additional tax deduction on investment upto Rs. 50000/- under Section 80CCD (1B) will continue to remain the same for all NPS subscribers whether salaried or self-employed.

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**DSM/MS/KA**

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