

## FAQ : UNDERSTANDING NPS & RELATED TAX EXEMPTION

**Note :** Employees shall refer to latest details on NPS and Income Tax rules before making any investment decisions

### 1. What is NPS?

National Pension System (NPS) is an investment cum pension scheme initiated by Government of India to provide old age security and pension of all citizen of India. The NPS was rolled out for all citizens of India on May 01, 2009. The Scheme is regulated by Pension Fund Regulatory and Development Authority (PFRDA).

### 2. How the NPS Scheme works?

NPS is based on unique **Permanent Retirement Account Number (PRAN)** on enrolling into NPS. Employee contributes towards NPS (directly or through the employer she is working with) during his / her working life. On retirement or exit from the scheme, the Corpus is made available to the Employee with the mandate that some portion of the Corpus must be invested in to Annuity to provide a monthly pension post retirement or exit from the scheme

### 3. How TCE's NPS Corporate Model works?

NPS Corporate Model was launched by the regulator to facilitate Employees working with various organizations to onboard NPS through their Employer – Employee relationship.

Under TCE's NPS Corporate model, TCE (on behalf of employee) can contribute towards NPS account of employee. Employee's own contribution to NPS is currently not in the scope of this model.

### 4. Is there any restriction on frequency of contribution?

Under TCE's NPS Model, the contribution will be on monthly basis. If NPS account details are not submitted as per process, corresponding amount will be paid at the end of Financial Year by default and taxed.

### 5. What are different types of NPS Account?

Under NPS, Employee gets the option to open two accounts. A Tier I account is mandatory to open in order to join NPS. Difference between Tier I and Tier II accounts are as mentioned below:

Tier I NPS Account	Tier II NPS Account
<ul style="list-style-type: none"><li>It is also known as Pension account. All investments for tax savings happens in this account only.</li><li>Withdrawal from this account restricted</li></ul>	<ul style="list-style-type: none"><li>It is known as investment account</li><li>Withdrawal from this account can be done at any point of time as per Employee's need</li></ul>

### 6. In which account contribution routed through the Employer is deposited?

This contribution is known as Employer's contribution and is deposited in Tier I NPS Account of the Employee.

**7. What happens when I route NPS Contribution through TCE to avail tax benefits u/s 80CCD(2)?**

Employee will define the contribution amount (max upto 10% of Basic Salary) in the CompStruct. Minimum amount to be invested is Rs. 500/- per month.

Amount specified by the employee will be deposited on monthly basis into NPS.

**8. Can I open more than one NPS account?**

No. In the entire life span you will be allowed to open only one NPS Account. The NPS Account number which is also called PRAN is fully portable across job and geography.

**9. Does the criterion of minimum annual contribution requirement for Tier I account include Employer's contribution as well?**

Yes. All contributions deposited in Tier I account by Employer will be counted in order to arrive at Rs.1000 per annum contribution criteria.

**10. What are the tax benefits available to me for contribution under corporate model?**

Under NPS corporate model for Tier I account, you get the following tax benefits on contributions for both Old and New Tax Regime.

<b>Tax Benefit on investment</b>	<b>Tax Treatment on exit</b>
<ul style="list-style-type: none"><li>Investment up to 10% of Salary (Basic + Dearness Allowance) is deductible from taxable income u/s 80CCD (2) of Income Tax Act, 1961. This is covered under TCE's Corporate NPS Model. <b>Tax benefits is capped to employer contribution to EPF + NPS + Superannuation is limited to Rs 7.5 lakhs per annum.</b></li><li>Additionally, investment up to Rs.50,000 is deductible from taxable income u/s 80CCD (1B) of Income Tax Act, 1961. This is not covered under TCE's Corporate NPS Model.</li></ul>	<ul style="list-style-type: none"><li>Up to 60% of Corpus withdrawn in lump sum is exempt from tax</li><li>Balance amount invested in Annuity is also fully exempt from tax</li><li>Pension received out of investment in Annuity is treated as income and will be taxed appropriately</li></ul>

**Note :** Income Tax rules may change from time to time. Employees shall refer to prevailing tax rules before making any investment

### 11. How will I get additional Tax exemption by diverting part of Additional Allowance to NPS?

Employee can avail tax exemption upto 10% of basic salary towards employer contribution in NPS. This amount will be adjusted with Additional Allowance in CTC.

Salary and Tax benefits beyond 80C limit –How it works?

Particulars	Amount (Rs. Per annum)	
	Without NPS	With NPS
Basic	15,00,000	15,00,000
HRA	7,50,000	7,50,000
Other Allowances	2,82,525	2,82,525
Corporate Contribution – PF	1,80,000	1,80,000
Corporate Contribution - Gratuity	62,475	62,475
Corporate Contribution – Superannuation	2,25,000	150,000
Corporate Contribution –NPS (upto 10% of basic)	0	75,000
<b>Total Salary</b>	<b>30,00,000</b>	<b>30,00,000</b>
Deductions :		
Corporate Contribution – PF under section 80C	1,50,000	1,50,000
Corporate Contribution – Gratuity_ as per IT exemption rule	62,475	62,475
Corporate Contribution – Superannuation_ as per IT exemption rule	1,50,000	1,50,000
Corporate Contribution- NPS [80CCD(2)]_ exemption upto 10% of Basic	0	75,000
Total Deductions	3,62,475	4,37,475
<b>Taxable Salary</b>	<b>26,37,525</b>	<b>25,62,525</b>
Change in Taxable Salary		75,000
Tax Saved @ 30%		22,500

### 12. What happens to my NPS account if I leave the job?

There can be multiple scenarios in this case as shown below:

- **You join an organization which is offering NPS:** in this case you need to shift your NPS account to the next employer by submitting duly attested (by HR) ISS – 1 form with Service Charge to the service provider whom the Corporate has tied up with for NPS implementation.
- **You join an organization that does not offer NPS:** in this case you need to shift your NPS account to Retail NPS account by submitting ISS – 1 form with Service Charge to the current service provider.
- **You are not working / Self-employed:** in this case you need to shift you NPS account to Retail NPS account by submitting ISS – 1 form with Service Charge to the current service provider

### 13. I want to know my pension amount. How do I get to know this?

You can calculate your pension after 60 years in NPS Calculator. Please check the below link for the same:

<https://www.hdfcsec.com/national-pension-scheme#npscalculatorrrr>

#### 14. What is meant by exit from NPS?

Exit from NPS means closure of NPS account. If this is opted, both Tier I and Tier II NPS Account is closed.

#### 15. When can I exit from NPS?

You can exit from NPS after 10 years of account opening or attainment of superannuation age (retirement age) defined by the corporate you are working with, whichever is earlier.

#### 16. How the payout happens if I exist from NPS?

Primary objective of Tier – I NPS Account is to create a Corpus which can be used at the time of retirement to buy pension for you or your nominee. Hence, there is a restriction imposed on lump sum amount accessible on exit as mentioned below:

Exit before the age 60 years	Exit at Retirement age defined by the Corporate
<ul style="list-style-type: none"><li>Up to 20% of Corpus can be withdrawn in lump sum</li><li>Balance amount needs to be invested in Annuity</li><li>If the Corpus is less than or equal to Rs.2.5 lakhs, there is no need to invest into Annuity. Entire amount can be withdrawn in lump sum</li></ul>	<ul style="list-style-type: none"><li>Up to 60% of Corpus can be withdrawn in lump sum</li><li>Balance amount needs to be invested in Annuity</li><li>If the Corpus is less than or equal to Rs.5 lakhs, there is no need to invest into Annuity. Entire amount can be withdrawn in lump sum</li></ul>

<b><u>ESCALATION MATRIX FOR INDIVIDUAL &amp; CORPORATE EMPLOYEES</u></b>			
Any queries pertaining to account status, Shifting status, Contribution Status, Auto Debit, Withdrawal, Exit, Investment status, deferment etc.			
Level 1	Contact 1	+91 22 3901 9400	<a href="mailto:customercare@hdfcsec.com">customercare@hdfcsec.com</a>
Level 2	Contact 2	+91 22 4936 0469	<a href="mailto:services@hdfcsec.com">services@hdfcsec.com</a>
Level 3	Contact 3	+91 22 3045 3600	<a href="mailto:complianceofficer@hdfcsec.com">complianceofficer@hdfcsec.com</a>