

National Pension System

Adobe Systems | 2019



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What is NPS & Why to Invest?



NPS (National pension system) is a scheme launched by Govt. of India which allows citizens of India to effectively plan for their retirement through safe and reasonable market based returns



A subscriber can contribute regularly in a pension account during their working life, withdraw a part of the corpus in a lump sum and use the remaining corpus to buy annuity to secure their future. At the same time avail lucrative tax benefits

Tax Benefit

- With contribution made through employer (deductible from employee's salary) you can save tax on up to 10% of basic salary with no upper limit
- Additional tax can be saved on individual contribution of upto Rs 50,000 under section 80CCD (1B).
- These benefits are over and above the Rs. 1,50,000 tax benefit available as an individual under 80C

Retirement Fund

- NPS is the lowest cost investment product to help you create a retirement corpus

Salient Features

Web enabled / online accessibility

Market Linked Scheme/
Choice of Funds & Choice
of Scheme Preference

Regulated by PFRDA

Entry Age
18-65 years

Enjoy Tax benefits over and above the limits of 80CCE and 80CCD.
Employee can save tax on upto 10% of basic with no upper limit

Tax Benefits

Lowest cost investment product currently available in the market

Economical

Retirement account (with unique PRAN) may be retained across employers, location, can be operated from anywhere and anytime

Portable

Giving the ease to choose or switch between funds based on risk appetite and fund manager according to their performance

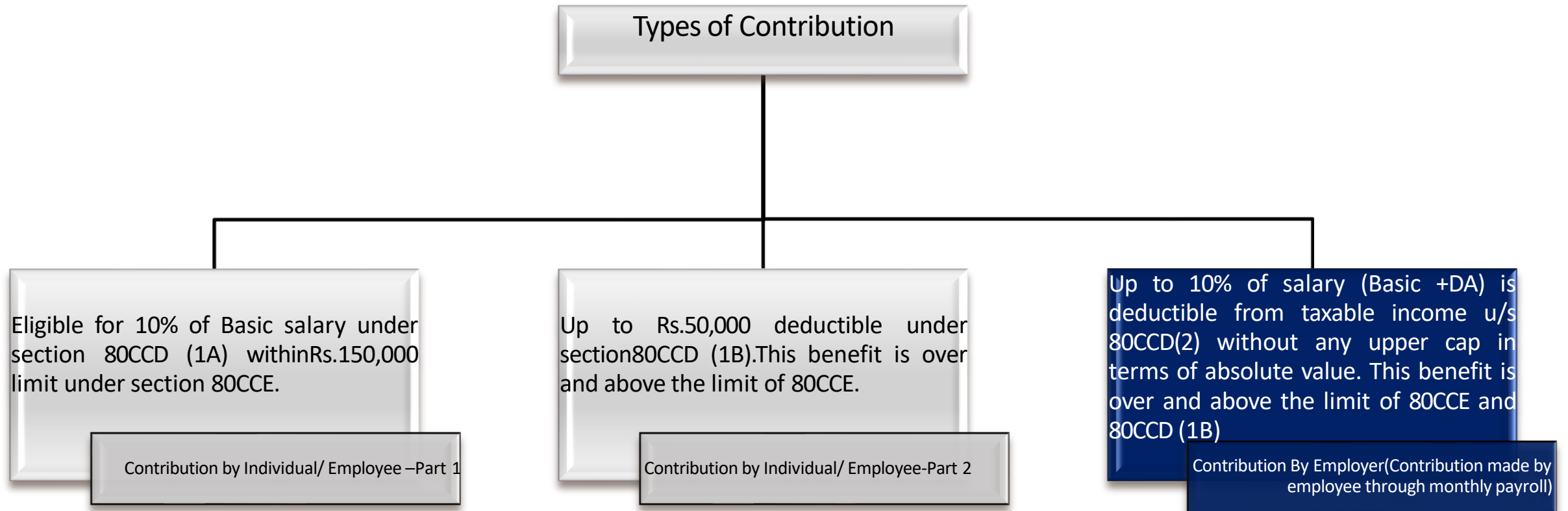
Flexible

Regular investment into the pension account, with options of partial withdrawals and the balance in the form of a fixed monthly income. All of this with no tax liability

Retirement Savings

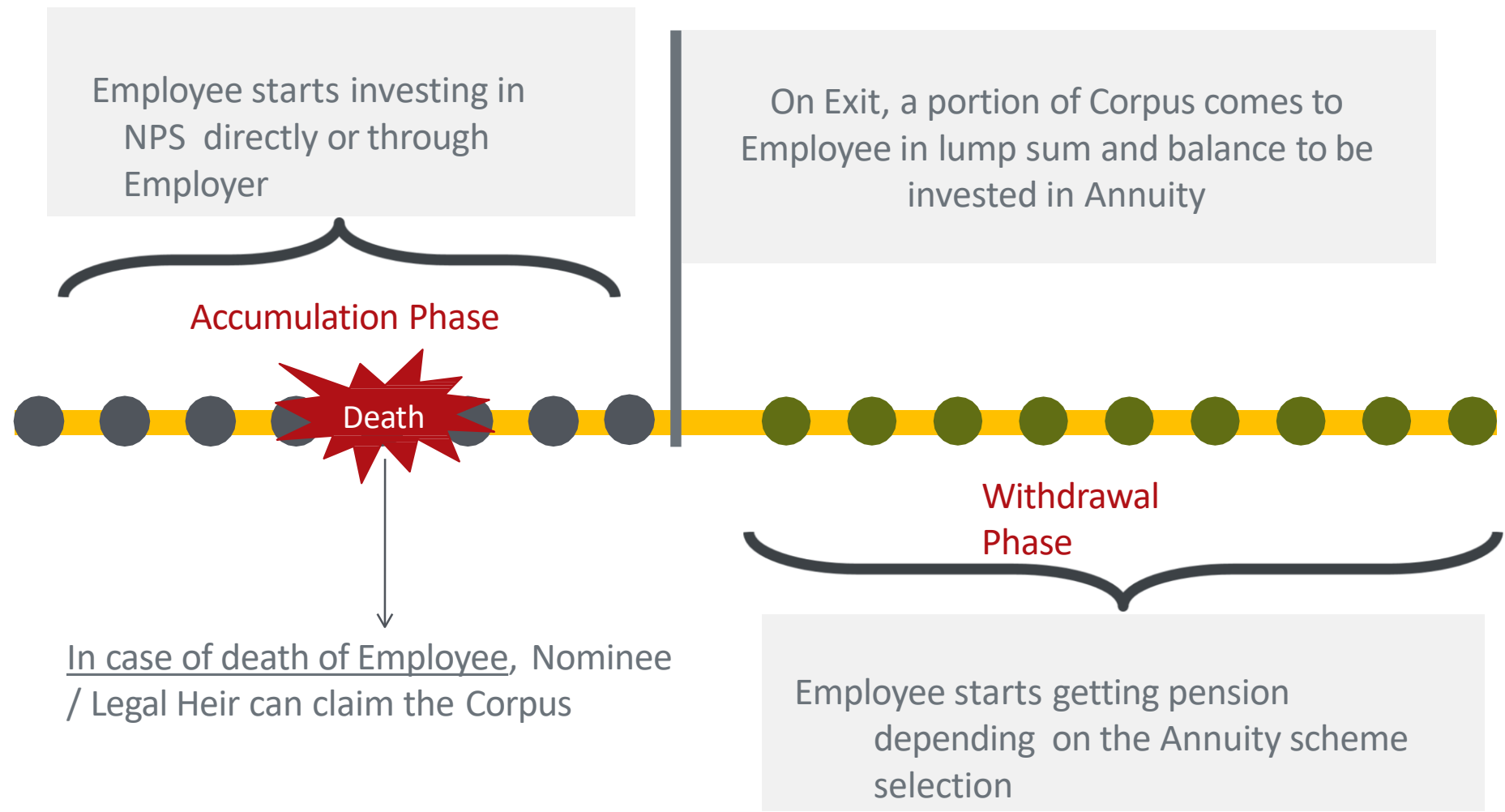


Tax Benefits

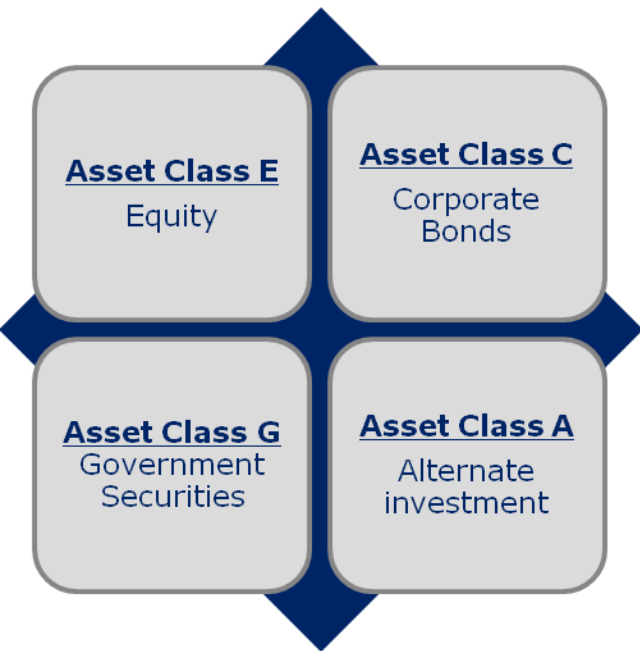


Tax benefit available only after corporate enrolment for NPS

How NPS Works



Investment of Funds



Active Choice

Active fund management by Employee

across E, C, G and A funds (exposure to

Fund E and A is restricted to 75% & 5%

Auto Choice

Investment across 3 funds (E, C and G) is done in a life cycle mode as per age of the Employee.

Choice available between below 3 life cycle funds:

- ❖ LC-75 Aggressive Life Cycle Funds
- ❖ LC-50 Moderate Life Cycle Funds
- ❖ LC-25 Conservative Life Cycle Funds

Type of Accounts

Tier 1

- Mandatory to open
- Restricted & controlled withdrawal
- Eligible for tax benefits
- Minimum contribution of Rs 500 at the time of account opening
- Minimum contribution of Rs 1000 in a financial year

Tier 2

- Voluntary
- No tax benefits
- Subscribers are free to withdraw anytime
- Funds are invested in a similar manner as Tier 1
- Minimum contribution of Rs 1000 at the time of account opening
- Rs 250 is the minimum amount per contribution

Investments will be managed by HDFC Pension Management Company Ltd

Tax saving Illustration- 1

Head	Particulars	Current	Suggested
Salary	Basic salary	7,12,800	7,12,800
	House rent allowance	3,56,400	3,56,400
	Conveyance allowance	3,71,400	3,00,120
	Leave travel allowance	59,400	59,400
	Total	15,00,000	15,00,000
Deductions from Taxable Salary	Corporate Contribution-NPS [80 CCD(2)]	0	71,280
	Individual Contribution- NPS [80 CCD(1B)]	0	50,000
	80CCE	1,50,000	1,50,000
	Total	1,50,000	2,71,280
Change in Taxable Salary			1,21,280
Tax Saved@30%			36,384

Reduce this taxable part of the salary

Up to 10% of the basic salary can be invested in NPS

All figures in INR

Tax saving Illustration- 2

Head	Particulars	Current	Suggested
Salary	Basic salary	4,72,800	4,72,800
	House rent allowance	2,36,400	2,36,400
	Conveyance allowance	2,51,400	2,04,120
	Leave travel allowance	39,400	39,400
	Total	10,00,000	10,00,000
Deductions from Taxable Salary	Corporate Contribution-NPS [80 CCD(2)]	0	47,280
	Individual Contribution- NPS [80 CCD(1B)]	0	50,000
	80CCE	1,50,000	1,50,000
	Total	1,50,000	2,47,280
Change in Taxable Salary			97,280
Tax Saved@30%			29,184

Reduce this taxable part of the salary

Up to 10% of the basic salary can be invested in NPS

All figures in INR

Tax saving Illustration- 3

Head	Particulars	Current	Suggested
Salary	Basic salary	14,32,800	14,32,800
	House rent allowance	7,16,400	7,16,400
	Conveyance allowance	7,31,400	5,88,120
	Leave travel allowance	119,400	119,400
	Total	30,00,000	30,00,000
Deductions from Taxable Salary	Corporate Contribution-NPS [80 CCD(2)]	0	1,43,280
	Individual Contribution- NPS [80 CCD(1B)]	0	50,000
	80CCE	1,50,000	1,50,000
	Total	1,50,000	3,43,280
Change in Taxable Salary			1,93,280
Tax Saved@30%			57,984

Reduce this taxable part of the salary

Up to 10% of the basic salary can be invested in NPS

All figures in INR

Tax saving Illustration- 4

Head	Particulars	Current	Suggested
Salary	Basic salary	23,92,800	23,92,800
	House rent allowance	11,96,400	11,96,400
	Conveyance allowance	12,11,400	9,72,120
	Leave travel allowance	1,99,400	1,99,400
	Total	50,00,000	50,00,000
Deductions from Taxable Salary	Corporate Contribution-NPS [80 CCD(2)]	0	2,39,280
	Individual Contribution- NPS [80 CCD(1B)]	0	50,000
	80CCE	1,50,000	1,50,000
	Total	1,50,000	4,39,280
Change in Taxable Salary			2,89,280
Tax Saved@30%			86,784

Reduce this taxable part of the salary

Up to 10% of the basic salary can be invested in NPS

All figures in INR

Tax Treatment on Exit from NPS

Partial Withdrawal

- Up to 25% of Employee's own Contribution can be withdrawn.
- Corpus Withdrawn is tax exempt

Pre Mature Exit

- Up to 20% of Corpus can be withdrawn in lump sum
- Corpus Withdrawn is tax exempt

Exit on Maturity

- Up to 60% of Corpus can be withdrawn in lump sum
- Corpus Withdrawn is tax exempt

Tax treatment on Annuity: Amount invested in Annuity is tax exempt.
There is no GST levied on it.

Investment in Annuity

Employee can select any of the Annuity Service Providers and Annuity Schemes to get monthly pension post retirement



- Pension payable for life at a uniform rate to the Subscriber only
- Pension payable for 5, 10, 15 or 20 years/death which ever is earlier
- Pension for life with return of purchase price on death of the Subscriber
- Pension for life with a provision of 100% / 50% of the annuity payable to spouse during his/her lifetime on death of the Subscriber with return of purchase price on death of the spouse

Steps to Enroll

Generation of PRAN on NSDL

- Register on NSDL and generate PRAN
 - In case the name of your Bank does not appear in drop down list on NSDL portal, fill the hard copy form and submit to HDFC Bank representative
- In case you already have an account, fill and submit Inter Sector Shifting form (ISS - 1) to HDFC Bank representative for mapping of individual account to corporate account



Declaration on Excelity

- Once PRAN is generated- declare contribution to be made through employer on Excelity
- Contribution to be 1-10% of basic salary
- Declaration to be made between 1st & 10th of November'19, December'19 and January'20

- NSDL Link: <https://enps.nsdl.com/eNPS/NationalPensionSystem.html>
- For existing employees, Excelity portal will open for declaration/changes for first 10 days of the three months from Launch (Nov, Dec & Jan) . Post that it will open once in every quarter of the financial year for enrollment/changes
- For new employees:- Portal will open between 1st-10th of the month post receiving 1st paycheck
- Partnership with HDFC to help employees with enrollment and query management
- POP Charges
 - Rs. 75 (+18% GST) as account opening charges
 - 0.10% of contribution (Rs 20 min) per financial transaction



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