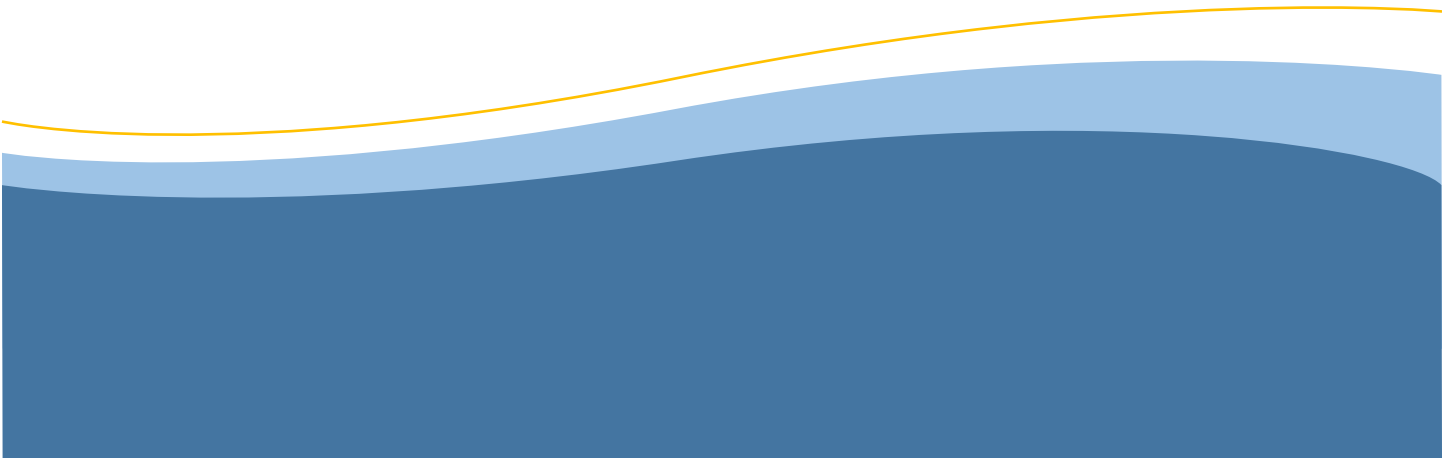


A Guide to Tax Saving Through NPS (National Pension System)

(with Illustration on Tax Savings for Government Employees/ Corporate Employees)*





Tax Savings through NPS

One of the key advantages of retirement planning through NPS is that while saving for your future, you get to enjoy tax benefits today, as NPS comes with a unique mix of Tax advantages.

We are presenting an illustration, which will provide you with a brief idea as to the amount of tax you can save under NPS.

The illustration has been prepared with the following assumptions that- *

- NPS is your only Tax Saving vehicle
- You are under any of the three tax brackets i.e. 10, 20 or 30%.

Under the present tax regime, if your annual salary (basic +DA) is Rs.4.00/ 10.00 Lakh; your contribution is Rs.0.40/1.00 Lakh, you can claim the complete amount as tax deduction u/s 80 CCD(1) within the overall ceiling of Rs.1.50 Lakh.

But if your annual salary is say, Rs.20.00 Lakh and your NPS contribution is Rs.2.00 Lakh, your tax deduction will still be confined to the ceiling of Rs.1.50 Lakh only under Section 80 CCD(1).

In case your employer is also contributing towards your pension account (mandatory employer contribution in case of Government employees and voluntary in case of Corporates, unless specified otherwise), you can avail an additional deduction of 10 % of salary (basic + DA) u/s 80 CCD(2) irrespective of any limit., over and above the overall ceiling of Rs.1.50 Lakh u/s 80 CCE. This means that you can additionally claim tax deduction on the total amount of co-contribution by your employer, subject to that being 10% of your salary (basic + DA).

Also, from FY 2015-16, you can invest an additional amount of Rs.50,000 (or more) to your NPS Tier I account and claim tax deduction on the same, subject to a maximum of Rs.50,000. You may note that NPS is now the only investment vehicle which allows you this additional tax deduction under section 80 CCD (1B).

[Click here for Illustration for Government Employees](#)

[Click here for Illustration for Corporate Employees](#)

Tax Illustration for Government Employee

(Amounts in Lakh)		Tax Savings through NPS [Contribution from Employee and Employer]		
		10%	20%	30%
Tax Rates (as Applicable) →				
Salary (Basic + DA)		4.00	10.00	15.00
Allowances		1.00	1.00	1.50
Employer NPS Contribution (10% of Salary)		0.40	1.00	1.50
Total Taxable Salary		A	5.40	12.00
Deductions from Taxable Salary available w.e.f. FY 2015-16 for NPS Subscriber				
Employee Contribution (10% of Salary) Deductions u/s 80 CCD(1)		B	0.40	1.00
Employer Contribution (10% of Salary) Deductions u/s 80 CCD(2) through NPS		C	0.40	1.00
Investment under 80 CCD(1B) [Max. Rs.50,000, available exclusive under NPS]		D	0.50	0.50
Total Deductions		E=B+C+D	1.30	2.50
Taxable Salary		F=A-E	4.10	9.50
Tax (without surcharge)		G	0.16	2.60



Tax Illustration for Corporate Employee

		Tax Savings through NPS [NPS contribution only from employee]			Tax Savings through NPS [NPS contribution from both employee and employer]		
		10%	20%	30%	10%	20%	30%
Tax Rates (as Applicable) →		10%	20%	30%	10%	20%	30%
Salary (Basic + DA)		4.00	8.00	15.00	4.00	8.00	15.00
Allowances		1.00	2.00	3.00	0.60	1.20	1.50
NPS Co-contribution from Employer (10% of Salary)		Nil	Nil	Nil	0.40	0.80	1.50
Total Taxable Salary	A	5.00	10.00	18.00	5.00	10.00	18.00
Deductions from Taxable Salary available w.e.f. FY 2015-16							
Employee Contribution (10% of Salary) Deductions u/s 80 CCD(1)	B	0.40	0.80	1.50	0.4	0.80	1.50
Employer Contribution (10% of Salary) Deductions u/s 80 CCD(2) through NPS	C	Nil	Nil	Nil	0.4	0.80	1.50
Investment under 80 CCD(1B) [Max. Rs.50,000, available exclusive under NPS]	D	0.50	0.50	0.50	0.50	0.50	0.50
Total Deductions	E=B+C+D	0.90	1.30	2.00	1.30	2.10	3.50
Taxable Salary	F=A-E	4.10	8.70	16.00	3.70	7.90	14.50
Tax (including surcharge)	G	0.16	0.99	3.05	0.12	0.83	2.60