



**PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY**

**PRESS RELEASE**

**Budget 2017- New Benefits announced for NPS Subscribers**

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.

**(i) 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.

**(ii) 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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