National Pension System (NPS) – FAQ’s

1. What is the National Pension System (NPS?)
   The central government introduced NPS, a voluntary contributory pension scheme, to private sector employee’s in 2009. NPS helps an individual invest regularly in a pension account while he/she is working. NPS is an easily accessible, ultra-low cost, tax-efficient, flexible and portable retirement savings account. The scheme is monitored by the Pension Fund Regulatory and Development Authority (PFRDA).

2. What are the benefits of NPS?
   The benefits of NPS are:
   a. It is voluntary - A Subscriber can opt to contribute twice in a Financial Year (April and September) and also change the amount of contribution in this window.
   b. It is simple - Subscriber is required to open an account with any one of the POPs (Point of Presence) or through eNPS (https://enps.nsdl.com/eNPS/).
   c. It is flexible - Subscribers can choose their own investment options and pension fund and see their money grow.
   d. It is portable - Subscribers can operate their account from anywhere, even if they change the city and/or employment.
   e. It is regulated - NPS is regulated by PFRDA, with transparent investment norms and regular monitoring and performance review of fund managers by NPS Trust.

3. How do I join NPS?
   You can enroll into the NPS online through enps.nsdl.com. You can do so by using your PAN which is linked to your bank account. Check if your bank is registered with the NPS on enps.nsdl.com.

4. Is there an alternate way of registering for NPS?
   You can open an NPS account manually with entities known as Point of Presence (POP) by paying a charge of INR.200. VMware has partnered with HDFC Bank to facilitate NPS. You should submit the completed registration form with supporting KYC documents i.e. a) Proof of Identity b) Proof of Address c) Age/date of birth proof.

5. Who is a POP and what is their role?
   PFRDA has appointed entities known as Points of Presence (POPs) to extend customer interface for all citizens of India, who wish to open NPS account. POP is the first point of interaction between the subscriber and the NPS architecture. Point of Presence (POP) shall perform the functions relating to registration of subscribers, undertaking Know Your Customer (KYC) verification, receiving contributions and instructions from subscribers and transmission of the same to designated NPS intermediaries.

6. Who is a Point Presence (POP) for VMware?
VMware has partnered with HDFC Bank to offer NPS services to its employees.

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### Types of NPS accounts

7. What are different types of NPS Account?

Under NPS, Employee gets the option to open two accounts i.e. Tier 1 and Tier 2. Tier I account is mandatory for corporate employees to contribute towards NPS to avail subsequent tax benefits thereof. Difference between Tier I and Tier II accounts are as below:

<table>
<thead>
<tr>
<th>Tier I NPS Account</th>
<th>Tier II NPS Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is known as Pension account</td>
<td>It is known as investment account</td>
</tr>
<tr>
<td>All investments for tax savings happen in this account only</td>
<td>No Tax benefit on Tier II account</td>
</tr>
<tr>
<td>Withdrawal from this account restricted</td>
<td>Withdrawal from this account can be done at any point of time as per Employee’s need</td>
</tr>
<tr>
<td>Minimum annual contribution required for this account is Rs.1,000</td>
<td>No minimum annual contribution required for this account</td>
</tr>
</tbody>
</table>

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### Registration to NPS

8. How can I open an NPS account?

Opening an NPS account is very easy, it can be opened through Online or by visiting to your nearest Point of Presence.

- **Through POP:** The applicant is required to submit duly filled in Subscriber Registration Form (CSRF) along with supporting KYC documents to the branch of POP called as POP-SP or visit the online portal of the respective POPs. **Online (through eNPS):** The applicant needs to visit eNPS website of NSDL-CRA (https://enps.nsdl.com) and register himself/herself using PAN Card details. After filling up other necessary details and payment of initial contribution, PRAN will be generated online.

9. How much time is required for registration and obtain PRAN?

Time required in Subscriber Registration depends on the mode of registration opted.

a. **Through POP:** After receipt of registration forms, POP scrutinizes the forms and generates PRAN. POP then sends the forms to NSDL-CRA. PRAN card is printed and dispatched within 7 - 10 days working days from the date of receipt of duly filled in registration (PRAN Generation) form at NSDL-CRA.

b. **Through Online:** Online Registration through eNPS portal is much faster and can be completed in few minutes. however updated application form has to be downloaded, signed and couriered to HDFC for further processing...
9. **What is a Permanent Retirement Account Number (PRAN)?**

   Every NPS subscriber is issued a 12-digit unique number called Permanent Retirement Account Number or PRAN on opening Tier -1 account.

10. **What are the charges for registration process?**

    Apart from the onetime registration fees payable to PoP (as outlined in the next section of this document) you will have to make a minimum contribution of Rs. 500 towards your NPS account.

11. **Do I need to re-open NPS account when I change my Job or location?**

    No, there is no need to re-open NPS account when you change your Job or location. Portability is one of the key features of NPS, it can be operated from anywhere in the country irrespective of individual employment and location/geography. This implies that you can shift your PRAN from one company to another. Further, if you are relocated because of any reason, you can also change POP of your choice available to the location.

12. **How is my money invested in NPS?**

    Pension Funds (Pension Fund Managers) are responsible for investing contributions, accumulating them and managing pension corpus through various schemes under National Pension System in accordance with the provisions of the PFRDA Act.

13. **What are the investment choices available in NPS?**

    NPS offers you two approaches to invest in your account:

    a. Active choice  
    b. Auto choice  

    In Active choice, Subscriber selects the allocation percentage in assets classes, however, in Auto choice, funds are automatically allocated amongst asset classes in a pre-defined matrix, based on the age of the subscriber. After selection of pension fund manager, Subscriber also has to exercise the choice of investment.

14. **What is difference between Active / Auto choice in NPS?**

    **Active choice:**
    Unlike traditional investment products, NPS offers you with the flexibility to design your own portfolio. Depending on your risk appetite, you can design your portfolio by allocating Funds amongst available four asset classes. This is called Active Choice. Following are the four asset classes are available under Active choice:

    a. Equity or E (Subject to Max of 75% allocation up to age 50 of the subscriber)  
    b. Corporate Debt or C  
    c. Government Securities or G
d. Alternative Investment Funds or AIF (Subject to max of 5%)

**Auto Choice:**
At times designing your portfolio can be a little delicate and time consuming. NPS gives you the flexibility to opt for a dynamic and automatic allocation of your portfolio in case you do not want to exercise an Active choice. This option is called the Auto choice.

In Auto choice, your money will be invested in asset classes - E, C and G – (in 3 types of Pre-) defined proportions based on your age (known as LC-75, LC-50 & LC-25)

15. **How do I select a Pension Fund Manager (PFM)?**

Selection of Pension Fund Manager is mandatory while filling up the registration form. There are 8 registered PFMs who are regulated by PFRDA. They are mandated to invest Subscriber’s contribution as per prescribed guidelines and regulations by PFRDA.

You can find the performance of respective PFMs on NPS Trust website at [http://www.npstrust.org.in/return-of-nps-scheme](http://www.npstrust.org.in/return-of-nps-scheme). Returns of different schemes under NPS may help you while selecting the PFM. In NPS, you are allowed to change PFM once in a financial year.

16. **How are the returns calculated in Tier I and Tier II account? Is there an assured return / dividend / bonus?**

The contribution remitted in Subscriber’s account is passed on to the PFMs as selected by the Subscriber at the time of registration (or changed subsequently). The PFMs invest the money and declare Net Asset Value (NAV) at the end of each business day. Accordingly, based on the NAV, units are credited in the Subscriber’s account. The present value of the investment is arrived at by multiplying the units held with the NAV.

The return under NPS is market driven. Hence, there is no guaranteed/defined amount of return. The returns generated through investments are accumulated for the pension corpus and is not distributed by way of dividend or bonus.

17. **What is Net Asset Value (NAV)?**

Net Asset Value is also known as NAV. This is the price of one unit of a fund. NAV is calculated at the end of every working day. It is calculated by adding up the value of all the securities and cash in the fund’s portfolio (its assets), subtracting the fund’s liabilities, and dividing that number by the number of units that the fund has issued.

The NAV increases (or decreases) when the value of the fund’s holdings increase (or decrease). NAV of schemes of different PFMs may differ. Even the different schemes under the same PFM will have different NAV.

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**Tax Exemption on NPS**
18. What are the tax benefits under NPS?

- **Tax Benefits under the Corporate Sector:** Additional Tax Benefit is available to Subscribers under Corporate Sector, u/s 80 CCD (2) of Income Tax Act. Employer's NPS contribution (for the benefit of employee) up to 10% of salary (Basic + DA), is deductible from taxable income, without any monetary limit.

- **Exclusive Tax Benefit to all NPS Subscribers u/s 80CCD (1B)**
  An additional deduction for investment up to Rs. 50,000 in NPS (Tier I account) is available exclusively to NPS subscribers under subsection 80CCD (1B). This is over and above the deduction of Rs. 1.5 lakh available under section 80C of Income Tax Act. 1961.

- **Tax Benefit available to Individual:**
  Any individual who is Subscriber of NPS can claim tax deduction up to 10% of gross income under Sec 80 CCD (1) with in the overall ceiling of Rs. 1.5 lac under Sec 80 CCE.

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### Charges under NPS

19. What is the charge structure in NPS?

Charges under NPS are defined by PFRDA as per below chart. These charges are exclusive of Service Tax.

<table>
<thead>
<tr>
<th>Intermediary</th>
<th>Charge Head</th>
<th>Charge</th>
<th>Frequency of deduction</th>
<th>Mode of deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>PoP</td>
<td>Subscriber Registration Charge</td>
<td>Rs.200 ( Rs.125 In Case of PAN Based online Enrolment)</td>
<td>One time at the time of registration</td>
<td>Deducted from the initial contribution amount deposited by Subscriber</td>
</tr>
<tr>
<td></td>
<td>Contribution processing charge</td>
<td>0.25% of the Contribution amount subject to minimum Rs.20 and maximum Rs.25,000</td>
<td>On each transaction</td>
<td>Deducted from the amount deposited by the Subscriber</td>
</tr>
<tr>
<td></td>
<td>Non – Financial Transaction Processing Charge</td>
<td>Rs 20 for each active retail customer</td>
<td>On each transaction</td>
<td>Collected from Subscriber separately</td>
</tr>
<tr>
<td></td>
<td>Persistency incentive- NotApplicable- Please delete</td>
<td>Rs.50 for each active retail customer NotApplicable</td>
<td>Charged from 2nd year of account opening NotApplicable</td>
<td>Collected from Subscriber separately</td>
</tr>
<tr>
<td>CRA (NSDL)</td>
<td>PRAN Generation charge</td>
<td>Rs.40</td>
<td>One time</td>
<td>Collected by cancelling units on a quarterly basis</td>
</tr>
<tr>
<td></td>
<td>Account Maintenance charge</td>
<td>Rs.95</td>
<td>Annual</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial transaction processing charge</td>
<td>Rs.3.75</td>
<td>On each transaction</td>
<td></td>
</tr>
<tr>
<td>Pension Fund Manager</td>
<td>Asset Management Charge</td>
<td>0.01%</td>
<td>Annual</td>
<td></td>
</tr>
<tr>
<td>Custodian</td>
<td>Asset Servicing Charge</td>
<td>0.0032%</td>
<td>Annual</td>
<td></td>
</tr>
<tr>
<td>NPS Trust</td>
<td>Trust Management Charge</td>
<td>0.005% (no Service Tax applicable – Please delete service tax part as this is adjusted before NAV gets declared)</td>
<td>Annual</td>
<td></td>
</tr>
</tbody>
</table>
20. When can a subscriber exit from NPS?

As per PFRDA (Exits & Withdrawals under NPS) Regulations 2015, in following conditions Subscriber can exit from NPS:

a. Upon Superannuation - When a subscriber reaches the age of Superannuation/attaining 60 years of age, he or she will have to use at least 40% of accumulated pension corpus to purchase an annuity that would provide a regular monthly pension. The remaining funds can be withdrawn as lump sum (non-taxable- Subject to release of PFRDACircular). If the total accumulated pension corpus is less than or equal to Rs. 2 lakh, Subscriber can opt for 100% lumpsum withdrawal.

b. Pre-mature Exit - In case of pre-mature exit (exit before attaining the age of superannuation/attaining 60 years of age) from NPS, at least 80% of the accumulated pension corpus of the Subscriber has to be utilized for purchase of an Annuity that would provide a regular monthly pension. The remaining funds can be withdrawn as lump sum. However, you can exit from NPS only after completion of 10 years. If the total corpus is less than or equal to Rs. 1 lakh, Subscriber can opt for 100% lumpsum withdrawal.

c. Upon Death of Subscriber - The entire accumulated pension corpus (100%) would be paid to the nominee/legal heir of the subscriber.

21. What options are available for exit from NPS at the time of Superannuation/at the age of 60?

Subscriber can decide to remain invested in NPS (Up to 70 years) or can exit from NPS. Following options are available to NPS Subscribers:

a. Continuation of NPS account:
   Subscriber can continue to contribute to NPS account beyond the age of 60 years/superannuation (Up to 70 years). This contribution beyond 60 is also eligible for exclusive tax benefits under NPS.

b. Deferment (Annuity as well as Lump sum amount):
   Subscriber can defer Withdrawal and stay invested in NPS up to 70 years of age. Subscriber can defer only lump sum Withdrawal or defer only Annuity to the max of 3 years or defer both lump sum as well as Annuity (Cannot Exercise both- Please delete deferment of both)

c. Start your Pension:
   If Subscriber does not wish to continue/defer NPS account, he/she can exit from NPS. He/she can initiate exit request online and start receiving pension as per NPS exit guidelines.

22. Can I claim 100% Withdrawal in case of Superannuation and Pre-mature Exit?

a. Yes, a subscriber can claim withdrawal in following cases:
   In case of Superannuation- A Subscriber can claim 100% Withdrawal if the total accumulated corpus is less than or equal to Rs. 2 Lakh at the time of Superannuation/attaining age of 60 years.

b. In case of Pre-mature Exit:
If total accumulated corpus is less than or equal to Rs. 1 Lakh, the Subscriber can avail the option of complete Withdrawal. However, you can exit from NPS only after completion of 10 years.

23. In case of pre-mature exit, when shall the pension starts?

In case of pre-mature exit, pension starts immediately, if Subscriber fulfils the Age and Corpus criteria for purchasing Annuity.

24. What are Annuity Schemes available under NPS?

Following schemes are available with ASPs under NPS:

a) Annuity for life– On death of the annuitant, payment of Annuity ceases.

b) Annuity for life with return of purchase price on death– On death of the annuitant, payment of Annuity ceases and the purchase price is returned to the nominee

c) Annuity payable for life with 100% Annuity payable to spouse on death of annuitant– On death of the annuitant, Annuity is paid to the spouse during life time. If the spouse predeceases the annuitant, payment of Annuity will cease after the death of the annuitant.

d) Annuity payable for life with 100% Annuity payable to spouse on death of annuitant with return on purchase of Annuity– On death of the annuitant, Annuity is paid to the spouse during life time and purchase price is returned to the nominee after the death of the spouse.

25. What are the Tax implications for withdrawal executed from Tier-1 account?

Apart from tax benefits available under 80CCD, below are the other tax benefits available under NPS:

a. **Tax benefits on partial withdrawal:**
Subscriber can partially withdraw from NPS tier I account before the age of 60 for specified purposes. According to Budget 2017, amount withdrawn up to 25% of Subscriber contribution is exempt from tax.

b. **Tax benefit on Annuity purchase:**
Amount invested in purchase of Annuity, is fully exempt from tax. However, annuity income that you receive in the subsequent years will be subject to income tax.

c. **Tax benefit on lump sum withdrawal:**
After Subscriber attains the age of 60, up to 60% of the total corpus withdrawn in lump sum is exempt from tax.

*For example:* If total corpus at the age of 60 is 10 lakhs, then 60% of the total corpus i.e. 6 lakhs, can be withdrawn without paying any tax (Subject to release of PFRDA Circular). So, if you use 60% of NPS corpus for lump sum withdrawal and remaining 40% for annuity purchase at the time of retirement, you do not pay any tax at that time. Only the annuity income that you receive in the subsequent years will be subject to income tax.