

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 3100
TO BE ANSWERED ON MARCH 15, 2021/PHALGUNA 24, 1942 (SAKA)
NATIONAL PENSION SCHEME

3100. Shri Parbatbhai Savabhai Patel
Shri Naranbhai Kachhadiya

Will the Minister of FINANCE be pleased to state:

- (a) the main objective of National Pension Scheme;
- (b) the age prescribed for availing the benefit of said scheme;
- (c) whether all citizens of the country can avail benefit of the scheme or limited retired employees can avail the benefit of the scheme and if so, the details thereof; and
- (d) whether this scheme has also been implemented in States and if so, the details of the services provided in Gujarat State so far?

ANSWER

The Minister of State (Finance)
(Shri Anurag Singh Thakur)

(a) The National Pension System (NPS) was introduced by the Government of India to replace the defined benefit pension system. NPS was made mandatory for all new recruits to the Central Government service from 1st January, 2004, (except the armed forces in the first stage) and has also been rolled out for all citizens with effect from 1st May, 2009, on voluntary basis. The Government had made a conscious move to shift from the defined benefit, pay-as-you-go pension scheme to defined contribution pension scheme, NPS, due to rising and unsustainable pension bill. The transition aimed at freeing the limited resources of the Government for more productive and socio- economic sectoral development.

(b) NPS is open for subscription to all citizens of India, resident as well as non-resident, aged between 18- 65 years. A person after retiring at the age of 60 years can also join NPS and contribute till the age of 65 years.

(c) All citizens of the country, resident as well as non resident, aged between 18-65 years can subscribe to NPS, and can avail the following benefits under NPS:

- i. Contribution up to Rs. 1.50 lakhs made to the NPS Tier-I account is eligible for tax deduction under Section 80CCD (1) and Section 80CCE of the Income Tax Act, 1961. An additional tax rebate of Rs.50000/- is also allowed for contributions made to NPS Tier-I under Section 80CCD (1B) of the Income Tax Act, 1961. The contribution made by an employer to the Tier 1 account of an employee (up to 14% of the salary for Central Government and up to 10% of the salary in case of other employers) is also tax exempt under Section 80CCD (2) of the Income Tax Act, 1961 subject to a maximum of Rs. 7.50 lakhs under Section 17(2) (vii) of the Income Tax Act, 1961.
- ii. Deduction under Section 80C for contribution made to Tier II NPS account by Central Government employees for a fixed period of not less than three years, is allowed.
- iii. In accordance to Section 10(12A) of the Income Tax Act, 1961, the entire 60% amount withdrawn as lump sum is tax-free.
- iv. Partial withdrawal up to 25% of subscriber's own contributions before attaining age of superannuation is allowed, subject to certain conditions.
- v. Transparency and portability is ensured through online access of the pension account by the NPS subscribers, across all geographical locations and portability of employments.

(d) As of now all State Governments (except West Bengal) have notified NPS for their employees. Further, as reported by the Central Recordkeeping Agency (CRA), a total of 2,38,599 subscribers from the State Government of Gujarat have joined NPS as on 27.02.2021 and the total Assets Under Management (AUM) for the State Government of Gujarat are Rs.14,152.36 cr.
