

1. National Pension Scheme or NPS

National Pension Scheme is a voluntary and long-term investment plan for retirement under the purview of the Pension Fund Regulatory and Development Authority (PFRDA) and Central Government.

The NPS is open to employees from the public, private and unorganized sectors (except armed forces). The scheme encourages people to invest regularly in a pension account during their employment period. Post-retirement, the subscribers can take out a certain percentage of the corpus while the remaining amount is accessed as monthly pensions. The scheme is open to all Indian citizens on a voluntary basis and offers tax benefits under Section 80C and Section 80CCD.

2. Who should invest in the NPS?

If you are an Indian citizen aged between 18 and 60 years, you can join NPS. The NPS is targeted at people planning for their retirement early on. It is a low-risk investment, best-suited for salaried people looking to derive the maximum benefits of 80C deductions.

3. Multifold Tax Benefits of NPS Investment

- Under Section 80CCD(1), an employee's own contribution of up to 10% of the salary is eligible for tax deduction, within the overall 80C ceiling of Rs 1.5 lakhs.
- Aside from the 1.5 lakh exemption under 80C, individuals can claim up to Rs. 50,000 under Section 80CCD (1B).
- The employer's contribution is subject to exemption under Section 80CCD(2).
- As a self-employed person, you can also contribute 10% of your gross income under Section 80CCD(1) NPS.

4. How to open an NPS account

a) Offline Process

To open an NPS account offline or manually, find a PoP (Point of Presence - could be a bank) first. Collect a subscriber form from your nearest PoP and submit it along with KYC papers. Ignore if you are already KYC-compliant with that bank.

Once you make the initial investment (not less than Rs. 500 or Rs. 250 monthly or Rs. 1,000 annually), the PoP will send you a PRAN – Permanent Retirement Account Number. This number and password in your sealed welcome kit will help you operate your account. There is a one-time registration fee of Rs.125 for this process.

b) Online Process

It is now possible to open an NPS account in less than half an hour. Opening an account online (enps.nsdl.com) is easy, if you link your account to your PAN, Aadhaar and/or mobile number. Validate the registration using the OTP sent to your mobile. This will generate a PRAN (Permanent Retirement Account Number), which you can use to operate your account.

5. NPS vs other Tax-Saving Instruments

Apart from NPS, the other popular tax-saving investment options under Section 80C are Equity Linked Savings Scheme (ELSS), Public Provident Fund (PPF) and Tax-saving Fixed Deposits (FD). Here is how they are in comparison to the NPS:

Investment	Interest	Lock-in period	Risk Profile
NPS	8% to 10% (expected)	Till retirement	Market-related risks
ELSS	12% to 15% (expected)	3 years	Market-related risks
PPF	8.1% (guaranteed)	15 years	Risk-free
FD	7% to 9% (guaranteed)	5 years	Risk-free

Invest in NPS and reap the benefits of increased wealth growth while you save on taxes.