

## ● RETIREMENT • NATIONAL PENSION SYSTEM

# nps, and the deduction *that survived.*

When the new tax regime removed Section 80C, it left one retirement deduction standing — and quietly made it larger. The **National Pension System** is now the most tax-efficient way to build a retirement corpus inside the new regime. Here is how it works, and where it does not.

## THE ONE DEDUCTION THAT STAYED

## SECTION 80CCD(2)

- 1 Your employer's contribution is deductible**  
Up to 14% of basic + DA paid into your NPS Tier I account, for private-sector employees.
- 2 It works inside the new regime**  
The only NPS route that stays deductible once you opt for the new regime.  
> [this is the deduction that grew in Budget 2025](#)
- 3 It sits over and above the standard deduction**  
Separate from the ₹75,000 standard deduction — not counted within it.
- 4 It needs payroll to offer it**  
Your employer must run NPS through payroll. Ask HR about the corporate NPS model.

*your own contribution — the honest position.* Under the new regime, the contributions you make yourself — Section 80CCD(1) and the extra **₹50,000** under 80CCD(1B) — are **no longer deductible**. They still build the same corpus at the same low cost; you simply get no tax break for them. If you remain in the old regime, both routes continue as before.

## THE TWO ACCOUNTS

## TIER I VS TIER II

## THE RETIREMENT ONE

## tier i

Locked until 60 and low-cost. This is the account the tax benefits attach to, and the one a corporate NPS pays into.

## THE FLEXIBLE ONE

## tier ii

Voluntary, no lock-in, withdraw any time — and no tax benefit for private subscribers. A parking account, not a pension.

## A NOTE ON THE YOUNG

NPS VATSALYA

1

**A pension account a parent opens for a minor**

Contributions compound from childhood; it converts to a standard NPS when the child turns 18.

2

**You choose how it is invested**

Auto (an age-based glide path) or Active (you set the equity-debt mix), across registered pension fund managers.

## AT RETIREMENT

getting the money *out*.

## up to 60%

Withdrawn as a lump sum at 60, **tax-free** under Section 10(12A).

## at least 40%

Buys an annuity — your monthly pension, taxed as income when received.

## partial exits

Allowed earlier for defined needs — education, a home, medical — within limits.

## before 60

A larger share must be annuitised if you exit early.

*one line in a larger plan.* NPS is one instrument, not a whole strategy. For the full list of what the new regime keeps and removes — and how NPS sits beside it — read the companion **new tax regime** guide.

**General education, not investment or tax advice.** NPS is a market-linked product; returns are not guaranteed and are subject to market risk. Tax treatment reflects the Finance Act 2025 and may change. Suitability depends on your age, employer and goals — discuss before acting. funds to wealth. is a trade name of Indushree Taxease Consultancy Private Limited.