National Pension System (NPS)

A low-cost, market-linked pension, build a corpus, then draw a lifelong pension.

Market-linked (~9–11% long-run) | Employer NPS deductible in both regimes

In brief

Suits	Long-term retirement saving with a mix of equity and debt you can choose.
You get	Market-linked returns from pension funds regulated by PFRDA; low cost.
Your money	Tier I is for retirement: at exit, up to 80% as a lump sum and at least 20% into an annuity (non-government).
Tax	Employer contribution deductible in both regimes; your own extra ₹50,000 only in the old regime. 60% of the corpus is tax-free at exit.
Watch for	The exit rules changed in December 2025; only 60% of the lump sum is tax-free.

Key facts

Returns	Market-linked (equity + corporate & govt debt)
Entry age	18 to 85 years
Lock-in	Tier I: normal exit at 60, or after 15 years (All Citizen model)
At 60	Non-government: up to 80% lump sum (60% tax-free) + at least 20% annuity
Tax	Section 124 (earlier 80CCD): own ₹50k extra in old regime; employer share in both

What's new

Feb 2026 Budget 2026 did not extend the tax-free lump sum beyond 60% of the corpus, even though PFRDA now allows up to 80% to be withdrawn.

Dec 2025 PFRDA revised the exit rules: non-government subscribers can take up to 80% as a lump sum, entry and exit ages rise to 85, small corpora (up to ₹8 lakh) can be withdrawn fully, and the corpus can back a loan.

> The full guide answers 18 questions on NPS, from eligibility to tax and withdrawals: merasip.com/guides/nps. To talk it through, WhatsApp 60039 03737.

Sources: Nexdigm on NPS lump-sum tax; Business Standard on PFRDA exit amendments.

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