

NPS new rule: With systematic lump sum withdrawal, will returns from NPS be tax-free till age of 75?

By Anulekha Ray, ET Online • Last Updated: Dec 15, 2023, 11:36:42 AM IST

NPS investors will now have the option to either withdraw 60% of the retirement corpus as a lump sum or opt for staggered regular payments of the corpus till the age of 75. If you opt for a periodic withdrawal of the lump sum amount, will the amount remain tax-free?

Answering this, Maneesh Bawa, Executive Director, Nangia Andersen India, says, "In a proposal made by Pension Fund Regulatory and Development Authority (PFRDA), the lump sum corpus can now be withdrawn in a phased manner. NPS subscriber/pensioner has the option to withdraw the desired amount systematically at regular periodic intervals. On a plain reading of the Act, it may be interpreted that as long as the withdrawal portion does not exceed 60% of the total payable amount, the staggered method of withdrawal may not affect the taxability of such amount."

Echoing the same, Ankit Jain, Partner, Ved Jain & Associates says, "The NPS authority, as per current regulations, does not impose tax on the monthly SLW. Since this systematic withdrawal forms part of the lumpsum withdrawal, it will also remain tax-free."