



dvmgopal & associates
Company Secretaries

April - 2024

NEWSLETTER



TOPICS:

- Overview of National Pension System
- Compliance Calendar – April 2024

What is National Pension System?

- National Pension Scheme (NPS) India is a voluntary and long-term investment plan for retirement under the purview of the Pension Fund Regulatory and Development Authority (PFRDA) and the Central Government.
- It is one of the lowest-cost pension schemes in the world.
- Moreover, investments made in the NPS qualify for tax deductions under Section 80C and Section 80CCD.



Eligibility Criteria?

Any individual who satisfies the following NPS Eligibility Criteria can invest in the scheme

- You should be between 18 and 70 years of age on the application date.
- Should be resident, non-resident or an Overseas Citizen of India
- Should be legally competent to execute a contract as per the Indian Contract Act
- Should comply with KYC (Know your customer) regulations
- Hindu Undivided Families (HUF) and Persons of Indian Origin are not eligible
- NPS is an individual pension account and cannot be opened on behalf of a third person



Income Tax Sections for NPS Deductions

Income Tax Section	Description for NPS Deduction
80CCD (1)	Self-contribution of up to Rs. 1.5 lakh can be claimed as part of the NPS tax deduction.
80CCD (2)	This benefit can be availed for the salaried individual only. Deduction is available on employer's contribution to NPS. Government employees can claim upto 14% and Private sector employees claim 10% percent of their salary (Basic + DA) under this section. (This deduction is in addition to 80-C deduction)
80CCD (1B)	Any individual can claim Additional deductions of up to Rs. 50,000 for self-contribution. (This deduction is in addition to 80-C deduction)

To sum up, the total tax benefits under Section 80CCD (1) + Section 80CCD (1B) can be as high as ₹2 Lakhs for the relevant financial year, depending on various circumstances

Other Tax Benefits Under National Pension Scheme

Apart from the annual tax deductions that can be claimed under Section 80C and Section 80CCD (1B), investors can claim a **few additional NPS deduction benefits** in some cases. Here are the other NPS tax-saving benefits:

1. NPS Tax Benefit on Partial Withdrawal:

- a. After 3 years of investment, an investor can withdraw up to 25% of the corpus from the NPS Tier I account for specific purposes such as medical expenses, children's higher education, marriage, etc. This NPS withdrawal is exempt from tax

2. NPS Tax Benefit on Returns:

- a. Returns from NPS Tier I account are not taxable until maturity. This means that any market-linked returns you earn will not be subject to tax

3. NPS Tax Benefit on Maturity:

- a. Once an investor turns 60, up to 60% of the corpus can be withdrawn in a lump sum. The remaining 40% has to be used to purchase annuities. Both of these are exempt from tax.
- b. For instance, if an investor has a total corpus of ₹20,00,000 at 60, up to ₹12,00,000 can be withdrawn. The remaining ₹8,00,000, is used to buy annuities which will pay retirement pension.

4. NPS Tax Benefit on Lumpsum Withdrawal:

- a. After attaining 60 years of age, you can withdraw 60% of the total accumulated corpus as lumpsum withdrawal. This lump sum withdrawal is totally exempt for tax purposes under Section 10(12A).

5. Flexibility:

- a. The NPS subscription is flexible. NPS subscribers can contribute to the NPS fund at any time in a financial year and can also change the amount of subscriptions. They can choose their own investment options. They can operate their account online from anywhere and continue it even when they change their city and employment.

6. Option to change the Scheme or Fund Manager:

- a. With NPS, you have the provision to change the pension scheme or the fund manager if you are not happy with their performance. This option is available for both tiers I and II accounts

Types of NPS Account

Tier I NPS Account

- This retirement account provides numerous tax benefits, but your **contributions remain locked until you turn 60**. However, under specific conditions—such as **completing three years of service** or facing critical illness, educational expenses for children, wedding costs, or house-related expenditures—you can make partial withdrawals.
- Additionally, after 25 years of service, you can withdraw up to 50% of the corpus. Tax benefits can be claimed under Section 80CCD (1), Section 80CCD (1B), and Section 80CCD (2) when you open an NPS account.

Tier II NPS Account:

- This voluntary account functions like a regular investment account and requires a Tier I account for eligibility. It means we can not open Tier II a/c directly, we must open Tier I account first.
- You can open a Tier II account with an additional application form. Unlike the Tier I account; you can withdraw funds at any time without restrictions.
- Investments in the NPS Tier II account do not qualify for **tax benefits, and the returns are taxable. There is no lock-in period**, and you can have a separate scheme preference and nomination for the Tier II account. The primary advantage of the Tier II account is its **liquidity, allowing unlimited withdrawals, making it a valuable resource during emergencies.**

Key Differences of Tier I & Tier II NPS Account

<u>Particulars</u>	<u>Tier I NPS Account</u>	<u>Tier II NPS Account:</u>
Status	Default	Voluntary
Withdrawals	As per the rules/regulations	Permitted
Tax exemption	Up to Rs 2 lakh p.a. (Under 80C and 80CCD)	1.5 lakh for government employees Others -None
Minimum NPS contribution for opening an account	Rs.500	Rs.1,000
Minimum NPS contribution	Rs 500 per month or Rs 1,000 p.a.	Rs 250
Maximum NPS contribution	No limit	No limit

- ✚ The Tier-I account is mandatory for everyone who opts for the NPS scheme.
- ✚ The Central Government employees have to contribute 10% of their basic salary. For everyone else, the NPS is a voluntary investment option

NPS Interest Rates - 2024

- ❖ Interest or return from the NPS scheme depends on the contributions made and asset classes chosen. The return is market-linked as NPS invests in asset classes like equities and debt. Historically, NPS has earned 9.00% to 12.00% p.a., depending on the schemes chosen
- ❖ However, there is no fixed rate of return (NPS interest rate) established



- ❖ When compared to other fixed-income savings schemes, NPS has performed comparatively well in the market. Since the investment made and the scheme differ, the interest in NPS schemes hasn't been set as a definite amount.
- ❖ The higher the contributions made; the higher will be the retirement corpus. And the power of monthly compounding will make NPS an attractive retirement financial plan. **The NPS interest is entirely tax-free**

Class of Assets in an NPS Scheme

The National Pension Scheme has **four asset classes**

Asset Class E

- This asset class belongs to equity market instruments

Asset Class C

- All Bonds issued by Public Financial Institutions (PFIs), Public Sector Undertakings (PSUs), Money Market Instruments, and Infrastructure Companies fall under this asset class

Asset Class G

- Central Government and State Governments securities and Money Market Instruments (of the government) fall under this asset class

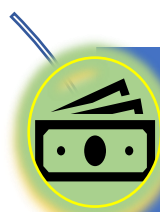
Asset Class A

- Commercial Mortgage-Backed Securities (CMBS), Real Estate Investment Trusts (REITs), Alternative Investment Funds (AIFs), etc. form a part of this asset class

Comparing NPS Scheme with other Tax Saving Instrument

Investment	Interest	Lock-in period	Risk Profile
NPS	9% to 12% (expected)	Till retirement	Market-related risks
ELSS - Tax (Equity-Linked Savings Schemes -)	10% to 12% (expected)	3 years	Market-related risks
PPF Public Provident Fund	7.1% (guaranteed)	15 years	Risk-free
FD Tax-saving Fixed Deposits	5% to 7% (guaranteed)	5 years	Risk-free

Key Points from the above table



The NPS can earn higher returns than the PPF or FDs, but it is not as tax-efficient upon maturity. For instance, you can withdraw up to 60% of your accumulated amount from your NPS account



The good thing about the National Pension Scheme is that it has equity allocation. However, the equity allocation is still not as much as tax-saving mutual funds



Equity-Linked Savings Schemes invest primarily in equities and can generate higher returns than the NPS. The lock-in period of tax-saving mutual funds is also lesser than NPS – only three years compared to NPS. They also pose a greater risk than NPS, though

Compliance Calendar – April 2024

Companies Act, 2013			
Compliance details	Form	Applicability	Due Date
Return for outstanding payments due to MSME as per the provisions of MSME Development Act, 2006	Form MSME 1 (Half Yearly)	Specified Companies which get supplies of goods or services from MSME, and whose payments exceed 45 days from the date of acceptance of the goods or services	4/30/2024
FEMA			
Compliance details	Form	Applicability	Due Date
External Commercial Borrowings (ECB) - FEMA	Form ECB-2	All Companies having ECB	4/7/2024
SEBI LODR Regulations			
Compliance details	Form	Applicability	Due Date
Regulation 7 (3)	Compliance Certificate certifying maintaining share transfer facility	All Listed Entity	4/30/2024
Regulation 13(3)	Statement of Investor complaints.	All Listed Entity	4/21/2024
Regulation 14	Listing Fees	All Listed Entity	1/30/2024
Regulation 27 (2)	Corporate Governance	All Listed Entity, other than (a) the listed entity having equity paid up capital up to Rs. 10.00 Cr & net worth up to Rs. 25.00 Cr, as on the last date of the previous FY (b) the listed entity listed on the SME Exchange.	4/21/2024
Regulation 31(1) (b)	Shareholding Pattern.	All Listed Entity	4/21/2024
Regulation 40(10)	Certificate from PCS - Reg. transfers, sub-division, consolidation, renewal, exchange or endorsement of calls/allotment monies.	All Listed Entity	4/30/2024
SEBI Circular dated 26th November, 2018	Large Corporate: Initial Disclosure	by Listed entity identified as a Large Corporate, as per the said circular	4/30/2024
SEBI(DP) Regulations, 2018			
Regulation 76	Reconciliation of Share Capital Audit Report	All Listed Entity	4/30/2024
SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011			
Regulation 31(4)	Declaration of encumbrance by the promoter along with the PAC's	Promoter of Company to (a) every stock exchange where the shares of the target company are listed; and (b) the audit committee of the target company.	within seven working days from 31.03.2023



Labour Laws

Compliance details	Form	Applicability	Due Date
State Professional Tax (PT)	Form V	Entities registered with PT	4/10/2024
PF Payment	Monthly ECR	Entities registered with PF Authorities	4/15/2024
ESI Payment	Monthly ECR	Entities registered with ESIC Authorities	4/15/2024
Integrated Annual Return		This Return is to be filed for consolidated compliance of minimum wages act, payment of wages act, payment of bonus act & contract labour act	4/30/2024

INCOME TAX

Compliance details	Form	Applicability	Due Date
Deposit of Tax Deducted	Challan 281	Non-government deductors	4/30/2024

GST

Compliance details	Form	Applicability	Due Date
Return of outward supplies of taxable goods and/or services	GSTR 1	GST Taxpayers who have not opted for QRMP scheme	4/11/2024
Return of outward supplies of taxable goods and/or services	GSTR 1	GST Taxpayers who opted for QRMP scheme -Optional	4/13/2024
Summary Return of Outward and Inward Supplies along with payment of Tax	GSTR 3B	GST Taxpayers who have not opted for QRMP scheme	4/20/2024
GST Challan Payment if no sufficient ITC		GST Taxpayers who opted for QRMP scheme and not having sufficient ITC	4/25/2024
Summary Return of Outward taxable supplies and tax payable	GSTR 5 & 5A	Non-Resident GST Taxpayers	4/20/2024
Return for details of ITC received and distribution	GSTR 6	Input Service Distributors	4/13/2024
Return for TDS under GST	GSTR 7	Government Authorities	4/10/2024
Return for Details of Supplies and the amount of tax collector	GSTR 8	E-commerce Operator	4/10/2024
Return for details of goods and services purchased in India	GSTR-11	Taxpayer claiming Refund & having UIN	4/28/2024
Summary Return of Outward and Inward Supplies along with payment of Tax	CMP-08	Composition taxpayers	4/18/2024