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Circular on process for one time tax free transfer of amounts from Provident Fund /Superannuation Fund to NPS issued

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Background

- The Finance Act 2016 provided that one time transfer of funds from Recognized Provident Fund ('RPF')/Superannuation Fund ('SAF') to National Pension Scheme (NPS) were tax free.
- The Pension Fund Regulatory and Development Authority (PFRDA) has now released a circular, providing the process to enable portability of funds to NPS.

Highlights of the PFRDA Circular

If a subscriber to NPS is interested in transferring from RPF/SAF then the below indicated process may be followed:

- The subscriber should have an active NPS Tier I account. Tier I account can be opened either through the employer or directly by employee.
- The subscriber should approach the current employer by giving request for transfer to his/her NPS account.
- The RPF/SAF Trust may initiate the transfer as per provisions of the Trust Deed.
- The RPF/SAF may issue the cheque/draft, as specified.
- The employee should request the RPF/SAF to issue a letter to his present employer / Points-of-Presence (POPs, which are the banks/non-banks registered as POPs) indicating the amount to be transferred to the NPS Tier I account.
- The POP will collect the amount and upload the details in the NPS account of the subscriber.
- From an income tax perspective, the amount transferred will neither be treated as income of the current year, nor will be eligible for any claim of contribution/deduction.

Comments

Members of the RPF / SAF may now avail the benefit of one-time tax free transfer of funds from such accounts to NPS.

Companies which have separate PF and superannuation trusts should revisit their trust deeds to enable the said transfer and communicate the process to employees indicating clearly that the choice to transfer is with the employee and is optional. This would also benefit employees who are resigning/migrating since they now have the option of transferring fund from RPF/SAF to NPS rather than withdrawing the funds.

Source

PFRDA/2017/11/PD/3 dated 6 March 2017

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