

463-60
25/02/2021

No.NPS/2021/233
Government of Punjab
Department of Finance
Principal Accounts Office, New Pension Scheme
Vidya Bhawan, Sector 33 A, Chandigarh.

Dated, Chandigarh, the 12th February.,2021

To

All Head of Departments,
All Commissioner of Divisions,
All Deputy Commissioners and District and Session Judges.
Registrar, Punjab and Haryana High Court, Chandigarh.
Secretary, Punjab Vidhan Sabha,

5-1
Subject: Rebate u/s 80CCD(2) on employer's contribution upto 10% under New Pension Scheme to State Government employees.

Sir/Madam,

I am directed to refer to Finance Department (Tax Planning Cell) Punjab letter No.6/83/2020-TPC/07 dated 12/02/2021 vide which clarification regarding deduction of Income Tax from Employer's Contribution made under New Pension Scheme (NPS) has been issued.

2. The Finance Act, 2019 amended the section 80CCD(2)(w.e.f. 01.04.2020) as follows:

In section 80CCD of the Income-tax Act, in sub-section (2), for the words "does not exceed ten per cent of his salary in the previous year", the words, brackets and letters "does not exceed-

- (a) fourteen per cent, where such contribution is made by the Central Government;
- (b) ten per cent, where such contribution is made by any other employer, of his salary in previous year" shall be substituted with effect from the 1st day of April,2020.

3. Thus, as per the above amendment in the Income Tax Act,1961, the assessee is allowed a deduction in the computation of his total income @ 14% of the employer contribution, if such contribution is made by the Central Government. For any other employer, the deduction is limited to 10% of the employer contribution. **Therefore, the benefit of employer's contribution up to 14% has not been extended to employer's contribution in respect of State Government employees.**

4. The benefit of employer's contribution (Govt. Contribution) upto 10% has been allowed to State Government employees under above said section of Income Tax Act,1961. The tax on rest of 4% contribution (i.e 4% of Basic Pay plus Grade Pay, IR and DA) is to be given by employees themselves at source. Therefore, the amount of 4% of Basic Pay plus Grade Pay, IR and DA is to be added in the total salary income of the employee covered under New Pension Scheme by the DDO while assessing the Income Tax liability of the employee.

5. The Government of Punjab has also made payment of 4% arrear of employer share of financial year 2019-20 during current financial year; therefore, the amount of arrear may also be taken into consideration while assessing the Income Tax. The

figures of arrear 4% can be taken from the concerned District Treasury Office or can be downloaded from NSDL portal by Log in website "<https://npscan-cra.com/CRA>".

6. The clarification with regard to tax liability of additional 4% employer's contribution /arrears in respect of All India Services, Divisional Accountants posted by AG Office, Central Civil Services on deputation with Government of Punjab will be issued separately.

7. This may be brought to the notice of all DDOs under your control for compliance.


Deputy Director (Pension)

Endorsement No.NPS/2021/234

Dated: 12/2/2021

A copy of the above is forwarded to the Advisor, Income Tax, (Tax Planning Cell), Department of Finance, Punjab for information please.


Deputy Director (Pension)

Endorsement No.NPS/2021/235

Dated: 12/2/2021

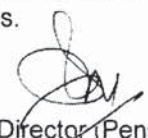
A copy of the above is forwarded to the Project Manager,iHRMS,NIC,Punjab for information and necessary action please.


Deputy Director (Pension)

Endorsement No.NPS/2021/236

Dated: 12/2/2021

A copy of the above is forwarded to all District Treasury Officers with a direction to get ensured the compliance of above instructions from the DDOs.


Deputy Director (Pension)