National Pension System (NPS) — Major 2025 Reforms

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The National Pension System has undergone one of its most comprehensive overhauls in recent years, focusing especially on withdrawal flexibility, exit rules, annuitisation requirements, and extended investment tenure.

These changes are part of the **PFRDA (Exits and Withdrawals under the National Pension System) (Amendment) Regulations, 2025 notified in mid-December 2025.**

Below, we outline the old rules vs new rules and explain how these reforms impact retirement planning for both government and non-government subscribers.

1. Lump-Sum Withdrawal Limits

Earlier:

- Non-government subscribers could withdraw up to 60% of the corpus in a lump sum at retirement; the balance 40% had to be annuitised.

New Changes:

- Non-government subscribers can withdraw up to 80% as a lump sum.
- Only 20% is required for mandatory annuity purchase.
- Remaining 80% can be taken as lump sum or structured withdrawals (Systematic Unit Redemption).
- For government subscribers, the 60:40 rule largely remains, but some flexibility is introduced in specific slabs.

2. 100% Withdrawal in Certain Cases

Earlier:

- Full withdrawal was allowed only if the total corpus was below a lower threshold (earlier less than 5 lakh).

New Changes:

- If corpus is ≤ ₹8 lakh, a subscriber (government or non-government) can withdraw 100% in one go without mandatory annuity.

- For corpus between ₹8–12 lakh, up to ₹6 lakh can be withdrawn upfront, with remaining used for structured withdrawal or annuity.

3. Extended Maximum Age for NPS Participation

Earlier:

- Maximum deferment for annuity purchase and exit was up to 75 years of age.

New Changes:

- Subscribers can remain in NPS and defer exit or annuity purchase until 85 years.
- This provides more time for corpus growth and flexible timing of withdrawals.

4. Annuity Purchase Requirement Reduced

Earlier:

- Mandatory annuitisation was 40% of total corpus at exit (for non-government).

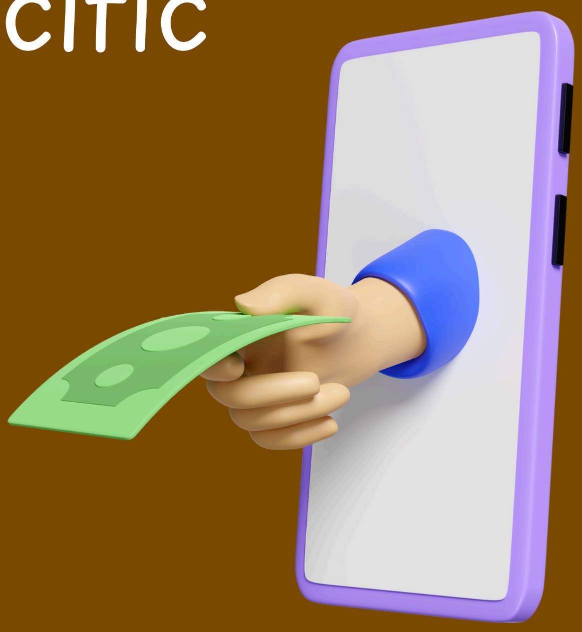
New Changes:

- It has been reduced to 20% for non-government subscribers with larger corpus (> ₹12 lakh).
- This increases flexibility to use retirement savings more effectively.

5. Partial Withdrawal / Exit Flexibility

Earlier:

- Limited partial withdrawal options before age 60 with specific conditions.



New Changes:

- Subscribers can make up to 4 partial withdrawals before age 60 (earlier limit was 3), with minimum gaps between withdrawals.
- After age 60, partial withdrawals can be made with a minimum 3-year gap.
- NPS also introduces Systematic Unit Redemption (SUR) over a minimum 6-year period—an option allowing phased access to funds.

6. Earlier Exit Option for Non-Government Subscribers

Earlier:

- Exit typically permitted at age 60 or superannuation after minimum subscription period.

New Changes:

- Non-government subscribers can exit after 15 years of subscription or upon reaching retirement age or superannuation—whichever occurs earlier—offering earlier access to funds with flexible terms.

Taxation Note

While the new rules allow **80%** withdrawal, currently only up to **60%** of the corpus is tax-exempt at exit under existing Income Tax laws.

The additional 20% lump sum may be taxed according to the subscriber's income tax slab unless future amendments align tax laws with the new NPS limits

Tax rules for the additional 20% are yet to be clarified

👉 Proper planning is important to avoid unnecessary tax impact

Parameter	Earlier NPS Rules	New NPS Rules (Dec 2025)	What It Means for You
Maximum Lump-Sum Withdrawal at	Up to **60%**	Up to **80%**	More cash available at retirement
Mandatory Annuity Purchase (Non-	**40%** of corpus	Reduced to **20%**	Less forced pension, more flexibility
100% Withdrawal Eligibility	Only if corpus was very small (lower limit)	**100% withdrawal allowed if corpus ≤ ₹8 lakh**	Big relief for small & mid investors
Withdrawal for Medium Corpus	No clear flexibility	Corpus ₹8–12 lakh: **up to ₹6 lakh lump sum**	Better liquidity planning
Maximum Age to Remain in NPS	Up to **75 years**	Extended to **85 years**	Longer investment & growth period
Exit Timing (Non-Govt.)	Mostly at **age 60**	Exit allowed after **15 years of subscription**	Early flexibility if needed
Partial Withdrawals Before 60	Limited (up to 3 times)	**Up to 4 partial withdrawals**	Easier access during emergencies
Withdrawals After 60	Mostly lump sum + annuity	**Systematic Unit Redemption**	Regular income without annuity lock-in
Control Over Retirement Corpus	Restricted	Significantly improved	More personal control & planning
Role of Annuity	Central & compulsory	Optional to a large extent	Reduced dependency on low returns
Tax-Free Withdrawal Limit	**60% tax-free**	**Unchanged (60%)**	Tax planning still required

My Advice

These changes are positive — but how and when you use them matters.

I **recommend:**

• Reviewing your existing NPS structure
• Aligning withdrawals with tax planning
• Deciding between lump sum, systematic withdrawal, and annuity wisely

📞 I would be happy to personally guide you through what these changes mean specifically for your situation.

Warm regards,
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