

TAX FLASH NEWS

5 November 2019

Pension Fund Regulatory and Development Authority (PFRDA) has decided to permit Overseas Citizen of India (OCI) to enroll in National Pension System at par with Non- Resident Indian (NRIs)

Background

The Pension Fund Regulatory & Development Authority Act was passed by Parliament in September 2013 and the same was notified on 1 February 2014. PFRDA regulates National Pension System which is subscribed by employees of Government of India, State Governments and by employees of private sector and unorganized sectors.

PFRDA vide a circular¹ dated 28 May 2015 had instructed the Point of Presence not to open National Pension System (NPS) account for the ineligible categories of subscriber's viz. Hindu Undivided Family (HUFs), Overseas Citizen of India (OCI) and Persons of India Origin (PIO).

Recently, the PFRDA has issued a circular² with regards to permit the enrolment of OCI category in NPS at par with Non- Resident Indians (NRIs).

Key highlights of the circular

- The Authority vide Circular dated 28 May 2015 had instructed the Point of Presence (POP) not to open NPS account for the ineligible category of subscriber's viz. Hindu Undivided Family (HUFs), Overseas Citizen of India (OCIs), and Persons of Indian Origin (PIOs).

- The Authority has decided to permit Overseas Citizen of India to enrol in National Pension System at par with Non- Resident Indians (NRIs) subscribing to NPS. However, the option of NPS Tier II account will not be available for both NRI and OCI subscribers.
- The Government vide S.O. 3732(E) dated 17 October 2019 has notified that '*An OCI or NRI may subscribe to the National Pension System governed and administered by Pension Fund regulatory and Development Authority provided such person is eligible to invest as per the provisions of the Pension Fund Regulatory and Development Authority Act. The annuity/ accumulated saving will be repatriable*' (Schedule III (4) of Foreign Exchange Management (Non-debt Instruments) Rule, 2019 dated 17 October 2019).
- All other instructions of the aforesaid Circular no-PFRDA/2015/14/POP/03 dated 28 May 2015 shall remain in force.

Our comments

This is an important notification which may have significant benefit for OCIs working with companies in India offering NPS benefits to employees in India.

This is a welcome step by the pension regulator, and it is likely to increase the subscriber base.

¹ Circular No – PFRDA/ 2015/ 14/ POP/ 03 dated 28 May 2015

² Circular No – PFRDA/ 2019/ 19/ PDES/ 3 dated 29 October 2019

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