

Moving abroad? Here's what you should do with your NPS investments.

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When you move abroad, managing your Indian investments becomes a crucial part of your long-term financial planning, whether or not you plan to return to India upon retirement.

For many, the National Pension System (NPS) represents a disciplined, tax-efficient way to save for retirement. But what happens when your residency status changes? Can you still keep investing in NPS after becoming a non-resident Indian (NRI) or an overseas citizen of India (OCI)? What are the compliance requirements, tax consequences, and rules around withdrawals?

What changes?

According to Naisar Shah, director, PR Bhuta & Co, Chartered Accountants, "You can continue contributing to NPS. However, upon changing your residency status, some compliance steps are required. You need to update your KYC status in NPS and ensure that contributions are made only from NRE (non-resident external) or NRO (non-resident ordinary) accounts." Contributions through foreign currency non-resident (FCNR) accounts are not allowed.

If you hold a corporate NPS account and later move abroad, your account doesn't become invalid. Instead, it can be transitioned to the all citizens model, which allows you to continue contributing as an individual subscriber

"Once you leave your Indian employer and become an NRI, you can send a formal request to remove the corporate association and shift your NPS account to the all citizens model," says Ajay Vaswani, a chartered accountant and NRI tax advisor.

According to an expert who did not wish to be named, companies convert such accounts from corporate to all citizens themselves to avoid paying charges after you quit.

In this case you don't have to do anything – you can continue contributing to the existing NPS account. However, if you transition from resident Indian to OCI, you can't continue using the same NPS account indefinitely. "If you become an OCI, your citizenship status changes, and as per NPS rules, you must close your existing NPS account and open a new one under the OCI category," Shah added.

Withdrawal rules & tax Implications

For NRIs who continue to earn income taxable in India, such as rent or dividends, there are still tax benefits to be enjoyed. Under the old tax regime, you can claim a tax deduction up to ₹1.5 lakh under Section 80CCE and an additional ₹50,000 under Section 80CCD(1B).

"However, these benefits are only available if you're filing returns in India," Shah said. Under the new regime, employer contribution to NPS is available as a tax deduction, but this doesn't apply to NRIs. The returns on the NPS account are not taxed in India until withdrawal, but they may be taxed in your country of residence.

When it comes to withdrawals, the tax rules remains the same for residents and NRIs. "At maturity, up to 60% of the corpus can be withdrawn tax-free under Section 10(12A), while the rest must be used to purchase an annuity," said Vaswani. "Annuity income is taxed at slab rates in India," he added.

In the case of premature withdrawals, the rules are similar for both residents and NRIs. Typically, up to 20% of the corpus can be withdrawn as a lump sum, and at least 80% must be used to buy an annuity. However, for NRIs, these withdrawals are subject to tax deducted at source (TDS). "The lump sum withdrawal and annuity income are both subject to TDS," Vaswani said.

A minimum contribution of ₹1,000 a year is required to keep your NPS account active. However, “even if your account is temporarily frozen due to non-payment of the minimum contribution, investment returns will continue to accrue,” Shah said.

Annuity payouts from NPS are credited to your NRO account. “You may remit it overseas from there, subject to RBI regulations and limits,” Vaswani said. If you want to move your annuity income into a foreign account, you’ll need a certificate from a chartered accountant in Form 15CB, Shah added.

Your Permanent Retirement Account Number (PRAN) remains unchanged no matter where you go. You can even switch from the corporate to individual model, update nominees, or reallocate funds online through central record keeping agencies (CRAs) such as NSDL and KFintech. “You can manage your NPS account online from abroad,” Vaswani added.

Not sure where you'll retire?

Planning your NPS investments is also essential if you don't plan to return to India or if you're unsure. “If you're not sure where you'll eventually retire, you may want to diversify your retirement savings between India and your country of residence,” said Vishal Dhawan, a Sebi-registered investment advisor and founder of Plan Ahead Wealth Advisors. NPS may not offer the same flexibility on withdrawals as mutual funds or retirement plans abroad, which could matter if you plan to live outside India permanently.

Ultimately, how you should manage your NPS investments after moving abroad will depend on where you plan to retire. “The only key decision is whether you plan to come back to India or not,” said Kurian Jose, CEO of Tata Pension Fund. “Because if not, and you become an overseas citizen, then you’ll have to repatriate everything.” For NRIs building a retirement nest egg in India, NPS continues to be a robust and tax-efficient option. But staying compliant with KYC norms and planning for tax and repatriation rules will ensure that this long-term investment serves you well.