May 19, 2016
2016-061

flash Alert

A Publication for Global Mobility and Tax Professionals by KPMG's Global Mobility Services Practice

India – Restrictions Placed on Early PF Withdrawals Now Rescinded

by KPMG, India (a KPMG International member firm)

Pursuant to representations from various stakeholders, the government of India has decided to withdraw a previously-issued notification that had placed restrictions on early withdrawal of full accumulated balances in the Provident Fund (PF) accounts of employees.

The Employees' Provident Fund Organisation (EPFO) issued a circular[1] dated 19 April 2016, that rescinded the restrictions on withdrawals that had been introduced by the earlier notification[2].

Why This Matters

Because the earlier notification has been withdrawn, an employee who is not an International Worker[3] can make an application to withdraw his or her full accumulated PF balance, where the employee ceases to be employed and is not re-employed with any other establishment which is covered under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPF Act) for a continuous period of at least two months.

International Workers who are covered under an effective Social Security Agreement (SSA) continue to be entitled to a full refund of PF accumulations at the time of cessation of their employment in Indian establishments covered under the EPF Act. However, International Workers from countries with which India does not have an effective SSA are not eligible to withdraw their full PF accumulations before the age of 58.

Background

The EPFO issued a notification dated 10 February 2016, to amend the Employees' Provident Funds Scheme, 1952 (EPFS) relating to withdrawals of PF accumulations. (For prior coverage, see "The Government of India Issues a Notification for Canging the Provisions of Provident Fund Withdrawals under the Employees' Provident Funds Scheme, 1952," in *Tax Flash News* (25 February 2016), a publication of the KPMG International member firm in India.)

The notification placed restrictions on early withdrawals of full accumulated balances in the PF accounts of employees.

This article is excerpted with permission from "Government of India Withdraws the Restrictions on Early Provident Fund Withdrawals," in *Tax News Flash* (21 April 2016), a publication of the KPMG International member firm in India.

Footnotes:

1 See: http://www.epfindia.com/site_docs/PDFs/Circulars/Y2016-2017/Coord_AdmdScheme.pdf accessed as on 21 April 2016.

2 Notification no. G.S.R. 158(E), dated 10 February 2016 [F.No. S-35012/5/2015-SS-II].

3 For social security/PF purposes, a foreign national working in India is an International Worker as per the EPF Act.

* * * *

For additional information or assistance, please contact your local GMS or People Services professional or Parizad Sirwalla (tel. +91 (22) 3090 2010 or e-mail psirwalla@kpmg.com), partner with the KPMG International member firm in India.

The information contained in this newsletter was submitted by the KPMG International member firm in India.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click **here**. To learn more about our GMS practice, please visit us on the Internet: click **here** or go to http://www.kpmg.com .