

# Indian Government puts limit on early withdrawal from provident fund

February 20, 2016

## In brief

The Ministry of Labour and Employment, Government of India, has made a few amendments in the Employees' Provident Fund Scheme, 1952 (PF Scheme). These are effective from 10 February 2016. Key implications are briefly explained below:

- Member employees will no longer be allowed to withdraw the full amount standing to their credit in the fund on cessation of employment from a covered establishment before attaining the age of retirement.
- The maximum withdrawal on cessation of employment cannot exceed an amount aggregating employee's own contribution and interest accrued thereon. International workers (IWs) coming from a country with which India has a social security agreement (SSA) in force shall not be governed by this amendment. They can continue to withdraw the full amount standing to their credit in the fund on cessation of employment.

## In detail

The key amendments<sup>1</sup> in the PF Scheme and its impact are tabulated below:

Subject	Relevant existing provisions	Amendment made	Impact
Continuity of PF membership	Explanation to Para 26A provides that the employee's membership shall be deemed to be terminated, if he/she withdraws full amount of provident fund (PF) standing to his credit on cessation of employment (applicable to Indian employees).	Explanation to Para 26A has been omitted.	Indian employees will continue to be a member of the fund even if they cease to be an employee of a covered establishment, as the amended withdrawal provisions no longer allow Indian employees to withdraw the full amount of PF on cessation of employment.
Increase in age-limit	A member may withdraw upto 90% of PF balance on attaining 54 years of age or within one year before actual retirement, whichever is later. (Para 68NN)	The age now has been increased from 54 to 57 years.	Members would now be able to avail this option only on attaining the age of 57 years.

<sup>1</sup> Notification no. G.S.R. 158(E), dated February 10, 2016 [F.No. S-35012/5/2015-SS-II]

Subject	Relevant existing provisions	Amendment made	Impact
Partial withdrawal of PF on cessation of employment		<p>A member who ceases to be in employment and continues to not be employed with a covered establishment for at least two months, may be permitted to withdraw only his own share of contribution, including interest earned thereon.</p> <p>The requirement of 'two months' period referred above shall not apply in case of female members resigning from the service for the purpose of getting married or on account of pregnancy/ child birth. (Para 68NNNN - new insertion)</p>	With the insertion of the new paragraph, employer's contribution, including interest thereon, cannot be withdrawn until retirement.
Amendment in withdrawal provisions	<p>A member may withdraw the full amount standing to his credit in the fund:</p> <ul style="list-style-type: none"> <li>On retirement from service after attaining the age of 55 years, or in other circumstances as prescribed;</li> <li>On cessation of employment and not being re-employed for at least two months</li> </ul> <p>(Para 69 applicable to Indian employees)</p>	<ul style="list-style-type: none"> <li>The age of retirement has now been increased from 55 to 58 years.</li> <li>Option of full withdrawal on cessation of employment has been done away with.</li> </ul>	The retirement age for full withdrawal in case of Indian employees has been aligned with that of IWs. (IW's are governed by a special provision related to withdrawal of PF)

### The takeaways

The amendments introduced in the PF scheme will have a wide impact on Indian employees as they will no longer be allowed to withdraw the entire PF contribution on cessation of employment. While this will help members to build funds for their retirement, at the same time, long term availability of funds to the PF authorities might result in better returns for the members.

IWs from SSA countries will not be affected on account of these changes; they can apply for a full withdrawal of their PF contribution on cessation of their employment.

Companies may consider updating their employees on these changes by circulating the alert among them.

### Let's talk

For a deeper discussion of how

this issue might affect your business, please contact:

### Tax & Regulatory Services – International Assignment Services

Gautam Mehra, *Mumbai*  
+91-22 6689 1154  
[gautam.mehra@in.pwc.com](mailto:gautam.mehra@in.pwc.com)

Kuldip Kumar, *Gurgaon*  
+91-124 616 9609  
[kuldip.kumar@in.pwc.com](mailto:kuldip.kumar@in.pwc.com)

## Our Offices

### Ahmedabad

President Plaza  
1st Floor Plot No 36  
Opp Muktidham Derasar  
Thaltej Cross Road, SG Highway  
Ahmedabad, Gujarat 380054  
+91-79 3091 7000

### Hyderabad

Plot no. 77/A, 8-2-624/A/1, 4th  
Floor, Road No. 10, Banjara Hills,  
Hyderabad – 500034,  
Andhra Pradesh  
Phone +91-40 44246000

### Gurgaon

Building No. 10, Tower - C  
17th & 18th Floor,  
DLF Cyber City, Gurgaon  
Haryana -122002  
+91-124 330 6000

### Bangalore

6th Floor  
Millenia Tower 'D'  
1 & 2, Murphy Road, Ulsoor,  
Bangalore 560 008  
Phone +91-80 4079 7000

### Kolkata

56 & 57, Block DN.  
Ground Floor, A- Wing  
Sector - V, Salt Lake  
Kolkata - 700 091, West Bengal  
+91-033 2357 9101/  
4400 1111

### Pune

7th Floor, Tower A - Wing 1,  
Business Bay, Airport Road,  
Yerwada, Pune – 411 006  
+91-20 4100 4444

### Chennai

8th Floor  
Prestige Palladium Bayan  
129-140 Greams Road  
Chennai 600 006  
+91 44 4228 5000

### Mumbai

PwC House  
Plot No. 18A,  
Guru Nanak Road (Station Road),  
Bandra (West), Mumbai - 400 050  
+91-22 6689 1000

### For more information

Contact us at  
[pwctr.knowledgemanagement@in.pwc.com](mailto:pwctr.knowledgemanagement@in.pwc.com)

## About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 208,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com).

In India, PwC has offices in these cities: Ahmedabad, Bangalore, Chennai, Delhi NCR, Hyderabad, Kolkata, Mumbai and Pune. For more information about PwC India's service offerings, visit [www.pwc.com/in](http://www.pwc.com/in)

PwC refers to the PwC International network and/or one or more of its member firms, each of which is a separate, independent and distinct legal entity in separate lines of service. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

©2016 PwC. All rights reserved



For private circulation only

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwCPL, its members, employees and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. Without prior permission of PwCPL, this publication may not be quoted in whole or in part or otherwise referred to in any documents.

© 2016 PricewaterhouseCoopers Private Limited. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers Private Limited (a limited liability company in India having Corporate Identity Number or CIN : U74140WB1983PTC036093), which is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity.