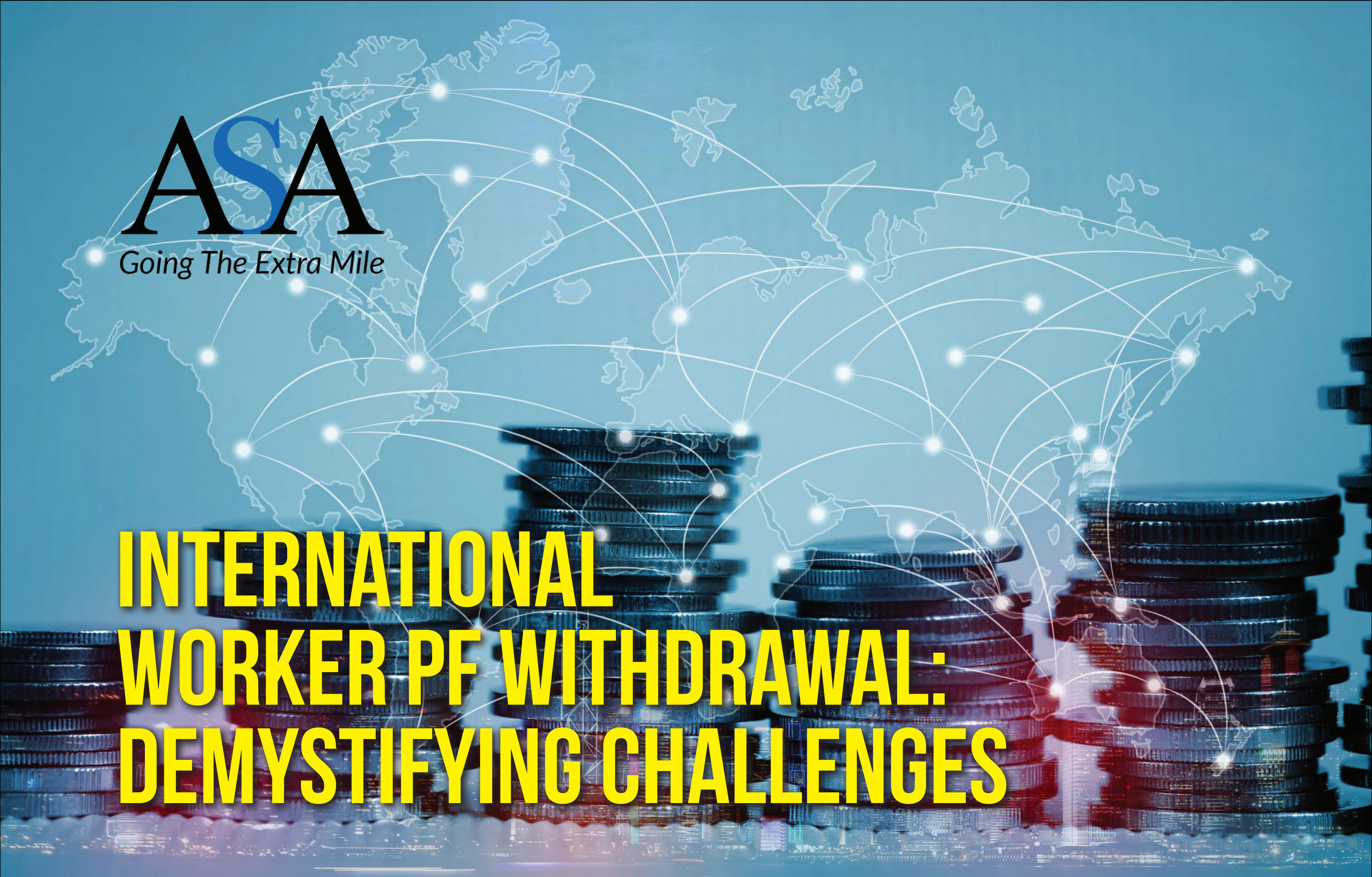

INTERNATIONAL WORKER PF WITHDRAWAL: DEMYSTIFYING CHALLENGES

International workers (IW) often face challenges when it comes to withdrawing their provident fund balance. It is imperative to comprehend the intricacies of Provident Fund ('PF') withdrawal to facilitate a seamless and trouble-free process. To obtain fund withdrawal, it is necessary to delve into various aspects, including eligibility criteria, compliance requirements, exemptions, potential refund of pension funds and who are participating SSA countries. By shedding light on the legal framework and procedural prerequisites, below provides a comprehensive guide for IWs seeking to withdraw their PF.

PF – When can one Withdraw:

The ability to withdraw the PF is contingent upon the existence of Social Security Agreements (SSA) or bilateral agreements between India and the IW's home country. These agreements aim to safeguard the social security interests/withdrawal of IWs and ensure that they accrue the benefits upon their return to their home countries. The agreements outline the recognition of schemes, specific rules, and procedures for PF withdrawal. Till date, India has entered into social security agreements with 18 countries, including Australia, Canada, France, Germany, Japan, Switzerland, and Belgium. However, IWs from non SSA countries can only withdraw PF at time of retirement and superannuation.

Eligibility for Withdrawal:

IWs can withdraw their PF from India under specific conditions:

- Employer must register the expatriate under the International Worker category.
- Contributions to the provident fund must have been made.
- SSA must be in place between India and the expatriate's home country.
- IW can withdraw the funds after a period of 30 days following the termination of their employment with the Indian entity.

Compliance Step-by-Step:

To initiate the PF withdrawal process, IWs must fulfil specific compliance requirements. This entails completing the requisite forms, such as Form 19 and Form 10C, which serve as formal requests for PF withdrawal. Additionally, the

Employees' Provident Fund Organization (EPFO) may request supporting documents, including proof of identity, proof of address, cancelled passports, cancelled visas, and bank account details.

PF Withdrawal for IWs with Closed Indian Bank Accounts:

In an instance where an IW encounter challenge due to closed Indian bank accounts, alternative solutions exist to access their PF funds. IWs can provide details of their active bank accounts in their home country or any other operational country, although this process may be time-consuming. Another alternative is to open a proxy account with Indian bank. Once opened, it is essential to promptly update the EPFO with the new bank account information to facilitate a seamless transfer of funds.

Pension Fund withdrawal

In the case of IWs, employers contributed the entire sum to the provident fund rather than splitting it with the pension funds than the contribution becomes eligible for refunds at the time of PF withdrawal. However, if the contribution is allocated to the pension funds, it can only be withdrawn upon retirement or superannuation.

Exemptions through Certificate of Coverage:

IWs can avail themselves of exemptions during the PF withdrawal process through the Certificate of Coverage (COC). The COC is issued by the social security institution of the expatriate's home country and serves as proof that they are covered by the social security system of their home country. The COC aids in avoiding dual social security contributions in the host country and ensures that the expatriate continues to be eligible for the benefits available to them in their home country's social security scheme.

Tax Impact – Premature Withdrawal:

Withdrawal of accumulated balances before completing five years of continuous service will be taxed on interest and portion of contributions. However, at time of withdrawal the entire amount is subject to tax withholding by the authorities, except for withdrawals below Rs. 50,000. Should total employment period is five years or more, accumulated balances received are exempt from tax. It is thus crucial to calculate the exact five-year period, as no grace period is allowed. Understanding these tax implications is essential for making informed decisions. It is thus advised to consult a tax professional for personalized guidance.

Conclusion

The withdrawal of PF by IWs necessitates a comprehensive understanding of eligibility criteria, participating countries, compliance requirements, exemptions, and the potential refund of pension funds. By navigating the legal framework and adhering to the necessary procedures, IWs can ensure a smooth and successful PF withdrawal process. It is crucial for IWs to stay updated and seek guidance to secure their financial interests when withdrawing their PF from India.

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