

EPFO issues clarification on lump sum withdrawal of PF/ Pension contributions for Japanese international workers

September 5, 2017

In brief

In a recent circular,¹ the Employees Provident Fund Organisation (EPFO) has clarified that Japanese nationals who have worked in India and departed on a date prior to the date of entry into force (i.e. 01 October, 2016) of the India-Japan Social Security Agreement (SSA), would be eligible to apply for withdrawal of their Provident Fund (PF)/ Pension accumulations as per the provisions of the relevant schemes.

In detail

Background

- The India-Japan SSA came into force on 01 October, 2016, and accordingly, provided detachment, totalisation and exportability benefits to Japanese nationals working/ intending to work in a covered establishment in India.
- Article 18 of the India-Japan SSA provides that a covered Japanese national is entitled to withdraw the full amount standing to his/her credit under the Employees' Provident Fund Scheme, 1952 (EPF Scheme) on cessation of employment with the covered establishment. Similarly, such person would also be entitled to the withdrawal benefit under

the Employees' Pension Scheme, 1995 (Pension Scheme) provided the requirement of eligible services for monthly pension is not fulfilled even after including the totalisation benefit as provided in the SSA. Further, the said Article provides that the above mentioned withdrawal benefits shall also be available to a person who had been covered under the EPF/ Pension Schemes of Indian social security prior to the date of the entry into force of this SSA.

- The substituted paragraph 69(4) of the EPF Scheme (applicable to international workers who are covered under an SSA entered into between India and any other country), similar withdrawal benefits from

EPF Scheme is also provided to such international workers on their cessation of employment with a covered establishment in India. However, the provision is silent on a situation where the international worker has already completed his/her employment with a covered establishment on a date prior to the date of entry into force of the relevant SSA.

- Considering the above, there were practical challenges faced by Japanese nationals who had already completed their employment with a covered establishment in India on a date prior to 1 October, 2016 but applied for withdrawal of their PF money once the SSA with Japan came into force.

¹ http://www.epfindia.com/site_docs/PDFs/Circulars/Y2017-2018/IWU_Clari_Japan_11311.pdf

The field officers were litigating their withdrawal application on grounds that they were not covered under a SSA when their employment ceased with the covered establishment. The above issue was then taken up by the Japanese Chamber of Commerce and Industry in India with the Ministry of Commerce and Industry, Government of India, for clarification from the EPFO.

EPFO's clarification

Japanese nationals who had been

working in India before the commencement of the India–Japan SSA would also be eligible to apply for withdrawal under the EPF/ Pension Schemes. Hence, they would not be required to wait till attaining the age of 58 years for withdrawing their accumulated funds from the EPF/ Pension account under the relevant Schemes.

The takeaways

The clarification has now removed the confusion with regard to the withdrawal of the PF/ Pension contributions by Japanese

expatriate employees who have already departed from India on completion of their employment with a covered establishment before the commencement of the India-Japan SSA. This is a welcome step by the EPFO and will ensure the faster processing of such withdrawal applications and that the benefit of the SSA is rightfully provided to all the stakeholders involved.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact your local PwC advisor

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