



Tax Flash News



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EPFO Update: Simplifying process of Provident Fund withdrawal for International Workers

Executive summary



In October 2008, the Government of India made significant changes to the Employees' Provident Funds Scheme (EPFS) and Employees' Pension Scheme (EPS) by including International Workers (IWs) under the Indian social security regime. This change required foreign nationals working in organizations covered by the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, to contribute to the Provident Fund (PF). In 2012, the government further amended the withdrawal clause, allowing IWs covered under a Social Security Agreement (SSA) between India and another country to withdraw their accumulated PF balance upon ceasing employment in an EPF-covered establishment.

Recently, the Employees' Provident Fund Organisation (EPFO) issued a clarification addressing the settlement of physical claims without Aadhaar for certain members. This includes IWs who left India without Aadhaar, Indian workers who migrated permanently and obtained foreign citizenship, and citizens of Nepal and Bhutan working in EPF-covered establishments but residing outside India. For these members, claims will be verified using alternate IDs, and the requirement of linking Aadhaar with the Universal Account Number (UAN) is waived.

Background



- In October 2008, Government of India ('GOI') had made fundamental changes¹ in the Employees' Provident Funds Scheme, 1952 ('EPFS') and Employees' Pension Scheme, 1995 ('EPS') by bringing International Workers ('IWs') under the purview of Indian social security regime. Consequently foreign nationals who were working in an organisation covered under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPF Act) were required to pay the Provident Fund (PF) contributions.
- With regard to withdrawal, the Government of India amended the refund clause by a notification dated 05 October 2012². According to the amended clause, IWs who are covered under a Social Security Agreement (SSA) between India and any other country can withdraw their accumulated PF balance under EPFS on ceasing to be an employee in an establishment covered under EPF Act.

¹ The Gazette of India http://egazette.nic.in/WriteReadData/2008/E_538_2010_002.pdf

² The Gazette of India http://egazette.nic.in/WriteReadData/2012/E_507_2012_020.pdf
Accessed on 06 December 2024

Key Points of the circular



- EPFO has issued a clarification³ addressing the settlement of physical claims without the requirement of Aadhaar for certain classes of members. This decision comes in response to difficulties faced by field offices in seeding and authenticating Aadhaar, which has led to delays and grievances in claim settlements for following class of members:
 - **International Workers (IW):** Those who have left India without obtaining Aadhaar.
 - **Indian Workers:** Those who have permanently migrated to a foreign country and obtained citizenship without Aadhaar.
 - **Citizens of Nepal and Bhutan:** Employees working in establishments covered under the EPF&MP Act but residing outside India and without Aadhaar.

³ EPFO Circular - https://www.epfindia.gov.in/site_docs/PDFs/Circulars/Y2024-2025/Sttle_claim_w_o_adhar_29112024.pdf

Accessed on 06 December 2024

- EPFO has now clarified that the physical claims will be accepted and processed for the above classes of members. The verification will be based on alternate IDs such as Passport, Citizenship Identification Certificate/Document, PAN, and Bank Account.
- Universal Account Number (UAN) will still be generated for these members if they do not already possess one. However, the requirement of seeding Aadhaar with UAN is dispensed with for these members.

Our comments



This clarification for IWs, Indian nationals who have migrated abroad permanently, Nepalese and Bhutanese nationals is a welcome step for obtaining refund. It will help in facilitating the retirement benefits of eligible members who were previously unable to initiate the process due to lack of Aadhaar.



KPMG in India addresses:

Ahmedabad

Commerce House V, 9th Floor,
902, Near Vodafone House, Corporate Road, Prahlad Nagar, Ahmedabad – 380 051.
Tel: +91 79 4040 2200

Hyderabad

Salarpuria Knowledge City, 6th Floor, Unit 3, Phase III, Sy No. 83/1, Plot No 2, Serilingampally Mandal, Ranga Reddy District, Hyderabad – 500 081.
Tel: +91 40 6111 6000

Noida

Unit No. 501, 5th Floor, Advant Navis Business Park, Tower-A, Plot# 7, Sector 142, Expressway Noida, Gautam Budh Nagar, Noida – 201 305.
Tel: +91 0120 386 8000

Bengaluru

Embassy Golf Links Business Park, Pebble Beach, 'B' Block, 1st & 2nd Floor, Off Intermediate Ring Road, Bengaluru – 560071 Tel: +91 80 6833 5000

Jaipur

Regus Radiant Centre Pvt Ltd., Level 6, Jaipur Centre Mall, B2 By pass Tonk Road, Jaipur – 302 018.
Tel: +91 141 - 7103224

Pune

9th floor, Business Plaza, Westin Hotel Campus, 36/3-B, Koregaon Park Annex, Mundhwa Road, Ghorpadi, Pune – 411 001.
Tel: +91 20 6747 7000

Chandigarh

SCO 22-23 (1st Floor), Sector 8C, Madhya Marg, Chandigarh – 160 009.
Tel: +91 172 664 4000

Kochi

Syama Business Centre, 3rd Floor, NH By Pass Road, Vytilla, Kochi – 682 019.
Tel: +91 484 302 5600

Chennai

KRM Towers, Ground Floor, 1, 2 & 3 Floor, Harrington Road, Chetpet, Chennai – 600 031.
Tel: +91 44 3914 5000

Kolkata

Unit No. 604, 6th Floor, Tower – 1, Godrej Waterside, Sector – V, Salt Lake, Kolkata – 700 091.
Tel: +91 33 4403 4000

Mumbai

2nd Floor, Block T2 (B Wing), Lodha Excellus, Apollo Mills Compound, N M Joshi Marg, Mahalaxmi, Mumbai- 400011 Tel: +91 22 3989 6000

Vadodara

Ocean Building, 303, 3rd Floor, Beside Center Square Mall, Opp. Vadodara Central Mall, Dr. Vikram Sarabhai Marg, Vadodara – 390 023.
Tel: +91 265 619 4200

Vijayawada

Door No. 54-15-18E, Sai Odyssey, Gurunanak Nagar Road, NH 5, Opp. Executive Club, Vijayawada, Krishna District, Andhra Pradesh – 520 008.
Tel: +91 0866 669 1000

Gurugram

Building No.10, 8th Floor, DLF Cyber City, Phase II, Gurugram, Haryana – 122 002.
Tel: +91 124 307 4000

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KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000

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