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Withdrawal of past PF accumulations permissible, EPFO clarifies for Japanese international workers

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In this issue:

[Background](#)

[Key Highlights](#)

[Comments](#)

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Background

- The Social Security Agreement between India and Japan ("the SSA") has become effective from October 1, 2016. One of the benefits provided under the SSA relates to withdrawals of past contributions to Provident Fund and pension by Japanese nationals.
- The SSA specifically provides that Japanese nationals are entitled to withdraw the accumulated provident fund balances under the EPF Scheme on ceasing to be employees of a covered establishment. Japanese nationals would also be entitled to the withdrawal benefit under the Employees' Pension Scheme, 1995 ("Pension Scheme") where the requirement of eligible services under the scheme is not met after totalisation. The SSA further provides that these benefits are available to persons covered under the EPF / pension schemes prior to the date of the SSA coming into force.
- The domestic regulations in India (Para 69(4) read with Para 83 of the PF Act) also provide for withdrawal of full amount standing in the Fund to the credit of an employee.. The provisions enable withdrawal of contributions by International Workers (IWs) covered under an SSA on ceasing to be an employee of a covered establishment.
- Accordingly, Japanese nationals were entitled to withdraw the accumulated PF balances upon ceasing to be employees of an Indian entity, irrespective of whether such contributions were made prior to or after the effective date of the SSA.
- The Japanese Chamber of Commerce and Industry in India (JCCII) has brought to the notice of the government of India that in practice, refund of accumulated balances were not being issued to Japanese nationals who had left India prior to the effective date of the SSA.

Key Highlights

- Employees' Provident Fund Organisation (EPFO) has now issued a clarification specifically with respect to lump sum withdrawal of Provident Fund (PF) balances / pension contributions for Japanese nationals working in India.
- The EPFO has drawn reference to the specific provisions under the SSA as well as under the PF Act enabling withdrawal of PF contributions and has instructed Regional PF offices to adhere to the above provisions and issue refunds accordingly.
- The clarification specifically states that Japanese nationals who had been working in India before the commencement of the India-Japan SSA (i.e., October 1, 2016), would also be eligible to apply for withdrawal of balances under the EPF / pension schemes, and the refunds should be processed in line with the specific provisions of the SSA and the PF / EPS schemes.

Comments

- The clarification issued by EPFO clearly indicates the intention of the EPFO to process the refunds of PF / pension accumulations of Japanese nationals who have already departed from India before October 1, 2016.
- This is a welcome step by the EPFO to ensure faster processing of refunds of PF / pension accumulations for Japanese nationals.

Source :

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

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