

PF Withdrawal May be Capped at 75%

FOR SECURITY SAKE Move to retain the worker in PF net and ensure that the money saved is used only in case of dire need

The government is planning to put a cap on premature withdrawal of provident fund (PF) money. The move is aimed at ensuring social security for workers in old age.

The Employees' Provident Fund Organisation (EPFO) has proposed that an employee be allowed to withdraw only 75% of the overall kitty, instead of 100% as permitted under the existing Employees' Provident Funds Scheme, 1952, in case of resignation from a job or for any other use before retirement.

The change, once implemented, will impact working people who tend to withdraw PF money between jobs or those planning to use it for either buying a house or for paying medical bills or for children's higher education or weddings. Pre-mature withdrawal before retirement on these counts as well would also be restricted to 75% of the overall amount.

“The provision of 100% withdrawal at any time is being misused to a large extent. The idea of a PF account is to ensure social security for workers in old age,” central provident fund commissioner KK Jalan said on Monday on the sidelines of Digital India Week celebration by the EPFO. The idea is to retain the worker in the PF net and ensure that the money saved under the PF account as social security for old age is used only in case of dire need and not as a savings bank account.

Of the 13 million annual claims pending with the EPFO, over 6.5 million claims are for 100% withdrawal.

The proposal, which is seen as a reverse move happening for the first time in the history of the EPFO, is pending with labour ministry and once approved it could be implemented by a simple executive order outlining changes in the EPF scheme.

“If we continue allowing 100% withdrawal under various categories, which are generally planned events, it will defeat the purpose of retirement savings,” Jalan said. According to Jalan, the labour ministry is keen on the idea and hence a notification to this effect could be in place within this month. If implemented, it could bring down the number of claims annually to just 5 million.

The proposal, however, has not gone down well with trade unions. “It is our money and not a single penny is contributed by the government, Hence, we should be allowed to withdraw the full amount as and when required, in the absence of which the government should compensate with higher minimum wages,” Ashok Singh of Indian National Trade Union Congress said.

EPFO, under the aegis of the labour ministry, has rolled out Universal Account Number programme for all contributing members wherein each subscriber is allotted an account number that acts as an umbrella for multiple employments of a member. This helps the EPFO track

members even after job switches. It also helps employees track their account as well as claim withdrawal or transfer online without the interference of the employers.

(Economic Times)