

PF Withdrawal for International Workers



June 2023



Purpose Of The Document



The purpose of this document is to explain the basic concepts of PF and its withdrawal for international workers.

Abbreviations



COC – Certificate of Coverage

IW – International Worker

PAN – Permanent Account Number

PF – Provident Fund

SSA – Social Security Agreement

UAN – Unified Account Number

Index



Abbreviations

03

Section 1 Basic Concepts

Section 2 Options for PF withdrawal

Who is an IW?

06

Online route for PF withdrawal **11**

PF contribution for IW

07

Offline route for PF withdrawal **13**

What is SSA and COC?

08

Conditions for withdrawal
of PF withdrawal

09

Section 1

Basic concepts



Topics discussed herein:

- Who is an IW?
- PF Contribution for IW.
- What is SSA and COC?
- Conditions for withdrawal of PF balance.



Who is an IW?



Definition

- A foreign national qualifies as an 'international worker' ('IW'), if he/she is coming to work for an establishment in India to which the Indian social security regulations apply.
- Similarly, an Indian national qualifies as an 'international worker', if he/she has worked or is going to work in a country with which India has entered into a social security agreement (SSA) and is eligible to avail him /herself of the benefits under the social security programme of the host country, according to the terms of the relevant SSA.

PF applicability

- Every establishment in India, employing 20 or more persons is required to register with the social security authorities unless they are an exempt establishment. An establishment employing less than 20 persons can voluntarily opt to register with the authorities for the welfare of its employees.

Exemptions

An IW is exempted from Indian social security regulations where he or she

- is from a country with which India has a reciprocal SSA; **and**
- is contributing to his/her home country's social security, either as a citizen or resident; **and**
- he or she enjoys the status of 'detached worker'¹ for the period, and according to the terms, specified in the relevant SSA

1 Detached Worker - An International worker contributing to the social security programme of the source country in terms of the bilateral Social Security agreement signed between that country and India and exempt from making any contribution to the Indian system for the period and terms as set out in such an agreement is a 'detached worker' for the purpose of compliance under the Indian system.

PF Contribution for IW



Contribution payable by employee.

- An IW is required to contribute 12% of his/her salary to the PF. The monthly pay shall be the pay as specified under Para 29 of the EPF Scheme, 1952, which covers:
 - Basic wages (all emoluments paid or payable in cash while on duty or on leave / holiday)
 - Dearness allowance (all cash payments by whatever name called paid to an employee on account of a rise in the cost of living)
 - Retaining allowance
 - Cash value of any food concession

Contribution payable by employer

- Employers are required to deduct the social security contribution from the employee's monthly pay and, after making a matching contribution of 12%, to deposit the sum with PF authorities.
 - Out the above 12% of the contribution, 8.33% shall go the pension fund and balance 3.67% shall go the PF account. Both of the said amount shall be reflected in the same statement issued by the PF authorities.
-

What is SSA and COC?



Definition of SSA

SSA stands for Social Security Agreement. SSAs are bilateral agreements between India and other countries designed to protect the interests of cross border workers. They provide for avoidance of 'no coverage' or 'double coverage' and equality of treatment of the workers of both countries.

Countries with which India has signed SSAs² till date

- Belgium
- Germany
- Switzerland
- Denmark
- France
- Republic of Korea
- Netherlands
- Hungary
- Finland
- Sweden
- Czech Republic
- Norway
- Austria
- Canada
- Australia
- Japan
- Quebec
- Portugal
- Brazil
- Luxembourg

Certificate of Coverage

A Certificate of Coverage (COC) is also known as a 'detachment certificate'. COC must be obtained by an international worker to avoid paying social security contributions in both countries i.e., home and host country while working in host country.

A COC will be issued by the worker's home country's social security authority in accordance with the provisions of the relevant SSA. The COC serves as a proof of detachment on the basis of which exemption from social security contributions or social security taxes in the host country are available for the period of detachment.

2 - SSA can be accessed from <https://labour.gov.in/social-security-agreement>

Conditions for withdrawal of PF balance



Withdrawal by IW can be done in following situations

An IW can withdraw their accumulated balance in the PF in the following circumstances:

- Retirement from service in the establishment or after attaining 58 years of age, whichever is later.
- Retirement on account of permanent and total incapacity to work due to bodily or mental infirmity as certified by a prescribed medical officer/registered practitioner,
- When suffering from certain diseases detailed in the terms of the scheme,
- According to the provisions specified in the relevant SSA which covers the international worker.

Note: Generally, the SSAs provide that the amount accumulated in the PF account can be withdrawn at the time of cessation of employment.

Taxability on withdrawal

- Any lump sum amount withdrawn by IW from their PF account on retirement or otherwise, after completing five years of continuous service in a covered establishment in India or under other specified circumstances, is exempt from tax.
 - In all other cases, the employer's contribution is taxable in the year of withdrawal. Interest (on both employer and employee contribution) is taxable in the year of withdrawal. Furthermore, where an IW availed of any deduction for his/her own contribution during the past years, such deduction shall be taxable in the year in which it is withdrawn.
 - Interest paid on the accumulated balance in PF account from the date of termination to the date of withdrawal is taxable in all circumstances.
-

Section 2

For Investors



Topics discussed herein:

- Online Route for PF Withdrawal.
- Offline Route for PF Withdrawal.



Online route for PF Withdrawal



Documents/ prerequisite for PF withdrawal

- A copy of PAN.
- A copy of Aadhaar. Mandatory requirement for filing the refund claim online³.
- A copy of the cancelled cheque. In case the same is not available, then a copy of the passbook shall be submitted
- Login credentials of the EPFO portal.
- Updated KYC on the EPFO portal. In case any change is there (including the bank account details/ nominee details etc., then the same shall be approved by the employer).

Note: In case the expatriate is from the country which whom India has SSA, then the amount can be received directly in the foreign bank account. However, in any other case, the amount shall be credited to the Indian Bank account only.

3 – One Time Password ('OTP') shall be received on the mobile number linked with the Aadhaar

Online route for PF Withdrawal



Step 1

- KYC needs to be updated on the PF portal by the IW. Once done, the same shall be approved by the employer.

Step 2

- For the withdrawal of amount in PF account, Form 19 must be filed.
- For the withdrawal of amount in pension account, Form 10C must be filed.

Note: OTP shall be received on the mobile number linked with Aadhaar for filing the above forms.



Offline route for PF withdrawal

Documents/ prerequisite for PF withdrawal

- Duly filled and completed Form 10C;
- Duly filled and completed Form 19;
- A copy of PAN;
- A copy of the latest Passport;
- A copy of the VISA and FRRO for the period when the IW was working in India;
- Letter of employment and Letter for Termination of employment;
- Application for issue of Swift Foreign Transfer (Form FD Swift 103) and Form FD MT 103⁴ ;
- Form A2⁴ ;
- Form IW-1 (to be provided by the employer);
- Form 15CA and Form 15CB. For issuing Form 15CB, the Chartered Accountant shall require the Tax Residency Certificate ('TRC')⁴ ;
- A letter from the employer confirming the details of the IW and contributions made to the PF account;
- Nominee details. This shall include a copy of the passport and a proof of relationship with the IW;
- A copy of the cancelled cheque or passbook. If cheque is not issued by the banker, then Certificate to be issued by the Banker (on letterhead of the Bank) in lieu of cheque duly stamped and signed by the Bank official – should include name, account number, SWIFT code, Branch name, Branch address and currency of the account – not handwritten;
- Login credentials of the EPFO portal (if available);
- Employer shall be required to update the KYC on the portal.

Note1: In case IW is from the country which whom India has SSA, then the amount can be received directly in the foreign bank account. However, in any other case, the amount shall be credited to the Indian Bank account first and then can be transferred to the foreign bank account of such PF account holder.

Note2: PF authority on case-to-case basis may ask for further information/ document.

Note3: All the documents needs to be self attested by the IW and the employer as well.

4 – Applicable only where the amount is received in foreign bank account

Offline route for PF Withdrawal



Step 1

- KYC needs to be updated on the PF portal by the employer.

Step 2

- For the withdrawal of amount in PF account, Form 19 must be submitted to PF authorities.
- For the withdrawal of amount in pension account, Form 10C must be submitted to PF authorities.
- All the supporting documents along with the above forms must be submitted to PF authorities.

Step 3

- PF authorities may ask for additional information/documents (may vary from case-to-case basis).
- Regular follow-ups with the PF authorities on the refund status.
- Once all the documents seem fine to PF authorities, they confirm the total amount that needs to be processed.

Step 4

- Form 15CB along with Form 15CA needs to be submitted to PF authorities for remitting the funds to the foreign bank account.
- PF authorities will verify the forms and forward the same to the SBI banker.
- SBI will verify the claim and process the funds to the overseas bank account/ Indian bank account as the case may be.

Coinmen Consultants LLP



At Coinmen, our aim is to provide financial expertise to help set up your business and provide profound advisory for its growth.

This presentation is put together by our team to ensure that you're prepared well in advance to address the financial challenges that can potentially arise for your business in India.

VIKRANT SURI

Partner – Tax & Regulatory Services
+91 98107 79000
virkant.suri@coinmen.com

SHREY AGGARWAL

Senior Manager – Tax & Regulatory Services
+91 99711 36072
shrey.aggarwal@coinmen.com

Disclaimer: This publication does not constitute as professional advice. The information in this publication has been obtained or derived from sources believed by Coinmen Consultants LLP (Coinmen) to be reliable but Coinmen does not represent that this information is accurate or complete. Any opinions or estimates contained in this publication represent the judgment of Coinmen at this time and are subject to change without notice. Readers of this publication are advised to seek their own professional advice before taking any course of action or decision, for which they are entirely responsible, based on the contents of this publication. Coinmen neither accepts or assumes any responsibility or liability to any reader of this publication in respect of the information contained within it or for any decisions readers may take or decide not to or fail to take.