What is new in EPF?

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Executive Summary - There have been some changes in the EPF withdrawal rules. These changes have been done to ensure that people do not withdraw the funds meant for post retirement. The changes include increase in retirement age, disallowance of 100% withdrawal of PF before retirement, restriction on employer contribution withdrawal before retirement and one EPF account for a person irrespective of the employer.

The Employee Provident Fund is a good tool to save money. It is like a retirement saving fund. In February 2016, some changes related to withdrawal of EPF funds were made. Here is an overview of the same -

1) Retirement Age is increased - The minimum age of retirement at which you could withdraw the EPF was 55 years. But now the minimum age has been increased to 58 years. So even if you prefer to retire earlier, you will not be able to withdraw your EPF.

2) It is not possible to withdraw 100% amount of before retirement - When the retirement age was 55 years, one could withdraw 90% of the total amount when one reached the age of 54. Now a person has to wait till he/she reaches the age of 57. But even at the age of 57, one can withdraw the total amount of his contribution along with interest earned on it.

3) Employer Contribution to EPF cannot be withdrawn before one becomes 58 years old - Earlier a person could withdraw the entire EPF amount (employee contribution + employer contribution+ total interest accrued) if he is unemployed for 2 months or more. But now this rule has been changed and he can only withdraw his contribution and interest accrued on it. This rule will not be applicable if you are a woman who is about to get married or who becomes pregnant.

4) The EPF account stays the same - Earlier when an EPF account was opened, it was related to the current employer, employee, their contribution and interest accrued. When the employment terminated, the said account was closed. But as you are not allowed to withdraw the money fully before retirement, the same account continues for future employment. The UAN has to be quoted to the new employer and the same EPF account can be continued.

These rules are primarily aimed at blocking frequent withdrawals as EPF is considered a tool for building a retirement fund. Earlier there were many issues which are sorted because of these rules.
For example, when a person changes his/her job, he/she could withdraw all the amount as there was no check whether the person is employed or not. Moreover there is lesser dependence on the employer for EPF. For example, the UAN can be quoted in the new job. Employer attestation for transfer or withdrawal is not required. In one way, it forces people to save for retirement. But some people might not want their money blocked. They might want to use it for more lucrative investment opportunities. There are some open ended issues like inoperative accounts and what will happen to PF amounts in multiple accounts that cannot be transferred to one EPF account. The employer contribution is low in case of workers with low wages. Blocking this amount will not help in retirement savings. There is a rule that states accounts idle for 3 years or more will not earn interest. There is no point in restricting people from withdrawing their amount from idle accounts. We will have to wait and watch how the EPFO handles these issues.

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