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Foreword

This amendment is aimed at promoting long term savings.

New section 192A has been inserted under the Income Tax, Act 1961, for deducting TDS from the Provident Fund (PF) account.

With this amendment TDS shall be deducted, if at the time of payment, the accumulated PF balance is more than or equal to Rs 30,000/- and the same is withdrawn before completing five years of service and does not opt for transfer of accumulated balance to the new employer. Thus, TDS at the rate 10% shall be deducted on pre-mature withdrawal if the Pan Number is quoted by the employer, however if in case the employee fails to quote the Pan Number TDS at the rate 34.608% shall be deducted. Accordingly, if the total taxable income of an employee does not exceed the maximum amount chargeable to tax no TDS shall be deducted from his accumulated balance if he furnishes declaration in form 15G/15H respectively. This change is with effect from 1st June 2015.

Further, TDS shall not be deducted in the following circumstances:

1. Transfer of PF from one account to another PF account;
2. Termination of services due to ill health of member, discontinuation/contraction of business by employer, completion of project or other cause beyond the control of the member;
3. If employee withdraws PF after a period of five years of continuous service, including service with the former employer;
4. If PF payment is less than Rs 30,000/-but the member has rendered service less than 5 years;
5. If the employee withdraws amount more than or equal to Rs 30,000/- with services less than 5 years but submits FORM 15G/15H along with their PA.

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