Income Tax Act 1961 s 192A - Payment of accumulated balance due to an employee

Notwithstanding anything contained in this Act, the trustees of the Employees' Provident Fund Scheme, 1952, framed under section 5 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952), or any person authorised under the scheme to make payment of accumulated balance due to employees, shall, in a case where the accumulated balance due to an employee participating in a recognised provident fund is includible in his total income owing to the provisions of rule 8 of Part A of the Fourth Schedule not being applicable, at the time of payment of the accumulated balance due to the employee, deduct income-tax thereon at the rate of ten per cent:

Provided that no deduction under this section shall be made where the amount of such payment or, as the case may be, the aggregate amount of such payment to the payee is less than fifty thousand rupees:

Provided further that any person entitled to receive any amount on which tax is deductible under this section shall furnish his Permanent Account Number to the person responsible for deducting such tax, failing which tax shall be deducted at the maximum marginal rate.

Provident fund contribution

Excess of employer's contribution over 12% of salary is taxable.

Excess of interest over notified interest is taxable (notified rate of interest is 9.5%)

Premature withdrawal from Employees Provident Fund [Section 192A]

Under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 (EPF & MP Act, 1952), certain specified employers are required to comply with the Employees Provident Fund Scheme, 1952 (EPFS). However, these employers are also permitted to establish and manage their own private provident fund (PF) scheme subject to fulfilment of certain conditions. The provident funds established under a scheme framed under EPF & MP Act, 1952 or Provident Fund exempted under section 17 of the said Act and recognised under the Income-tax Act, 1961 are termed as Recognised Provident fund (RPF) under the Act. IT Act 1961 Fourth Schedule Part A contains the provisions relating to RPFs.

Under IT Act 1961 Fourth Schedule Part A Rule 8 the withdrawal of accumulated balance by an employee from the RPF is exempt from taxation. But for the purpose of discouraging pre-mature withdrawal and promoting long term savings, if the employee makes withdrawal before continuous service of five years (other than the cases of termination due to ill health, contraction or discontinuance of business, cessation of employment etc.) and does not opt for transfer of accumulated balance to new employer, the withdrawal would be subject to tax.

Under IT Act 1961 Fourth Schedule Part A Rule 9 provides the manner of computing the tax liability of the employee in respect of such pre-mature withdrawal. It provides that the tax on withdrawn amount is required to be calculated by re-computing the tax liability of the years for which the

contribution to RPF has been made by treating the same as contribution to unrecognized provident fund.

IT Act 1961 Fourth Schedule Part A Rule 10 casts responsibility on the trustees of the RPF, who are generally a part of the employer, to deduct tax as computed in Rule 9 at the time of payment.