

If you Withdraw EPF before Five Years, you Will have to Pay Tax on Corpus

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- There should not be any gap in Contribution to EPF to avail of the continuous Service Clause.
- Interest on Employee's Contribution will be Taxable as Income from other sources

Employees Provident Fund – (EPF)

As we know, **Employees' Provident Fund (EPF)** is Taxable if withdrawn before the completion of five years of continuous service. What's the meaning of "continuous service"? I have been working from January 2012. In November 2015, I left the job and rejoined another organization after two months; so for two months, there was no Contribution made to EPF. Could you please tell me if it will be counted as continuous service of five years?

—Jitendra Gupta

If EPF is withdrawn before the completion of five years of subscription or continuous service of five years, **TDS (Tax deducted at source)** would be applicable and such withdrawal will become Taxable under the Income-Tax Act, 1961. However, there are exceptions under which the period of five years is exempted such as when the service is terminated by reason of the Employee's ill health or discontinuance of the Employer's business or reasons beyond the control of the Employee. In such instances, the withdrawal amount will be exempt from Income Tax. Likewise, if the Employee finds another job and the total EPF balance is transferred to the new EPF account maintained by the new Employer, continuous service will be counted for EPF.

However, there should not be any gap in Contribution to EPF to avail of the continuous service clause. As you have joined the new Employer after two months, there is a gap in continuous service and, hence, Taxes are applicable.

If EPF is withdrawn before five years of continuous service, it will be Taxable in the hands of the individual the Employer's Contribution along with interest accrued is Taxable as "Income from salary". The Employee's own Contribution is exempt from Tax (to the extent not claimed as a deduction) and the interest accrued on the Employee's Contribution will be Taxable as "Income from Other Sources".

- Surya Bhatia is managing partner of Asset Managers