

The smoother and easier way of transferring EPF money

Most people do not transfer the EPF account to new employer as it is a cumbersome process. Now, the EPFO has made the transfer process easier

Deepti Bhaskaran



Ramesh Pathania/Mint

Universal Account Number (UAN) was launched by the Employees' Provident Fund Organisation (EPFO) in 2014, to discourage early withdrawals and encourage people to transfer their EPF money while changing jobs, something the rule book says to do anyway. But the process of transfer has not been a smooth one. According to V.P. Joy, central provident fund commissioner, EPFO, the delay is primarily due to the multiple bank accounts held by regional provident offices. "Currently the transfer can take months because the money in the employees account has to be transferred from the bank account held by a regional provident fund commissioner's (RPFC) office of the previous employer to the bank account held by the RPFC of the new employer," he said. So, in order to reduce the turnaround time of such transfers, EPFO has decided to discontinue the practice of multiple bank account and keep just one. This is likely to get

operational this week. “We have now abolished individual State Bank of India (SBI) receipt accounts and have only one bank account for the EPFO. The money is tagged to the employee’s UAN and as she changes jobs, only the account details get transferred to the new EPF office. There is no physical movement of EPF money,” he explained.

The second step that the EPFO plans to take to effect faster transfers is to do away with form-filling exercise that is needed to initiate a transfer.

“This facility will be applicable for those employees whose UAN is seeded with Aadhaar. Through this we should be able to cut the transfer time to about 5 days,” added Joy. The EPFO expects to launch auto-transfers in a month’s time.

So how will the two initiatives help? We explain but start with understanding the process that was prevalent till now.

The old system

When you move from one organization to another, you need to transfer your EPF account. For this you need to fill up two forms: Form 11 and Form 13.

Form 11 is a declaration form that is kept by the employer. It asks your details including details of your UAN, previous provident fund account number and the date of exit from previous employment.

Form 13 is the form in which you put your transfer request. You need to again fill up all your details along with provident fund details of the present and previous employers and submit it with the current employer.

The employer then sends this Form 13 to its regional provident fund office (RPF), which in turn sends it to the RPF of the previous employer. “The RPF of the previous employer, after verifying all the details with it, issues a cheque equal to the outstanding balance of the employee and then sends it to the new RPF. Once the cheque is realised, the money is transferred,” explained Joy.

This process can also happen online. “You can also use the online process using OTCP, which has now been renamed as Online Services Transfer Request, as now you can transfer multiple accounts at once. But this is possible only if the employers have registered their digital signatures,” added Joy. “In fact, our aim is to become an electronic paper-free organization by the next Independence Day. Towards this end, we will be offering free e-signatures to the employers in a week’s time, so that all of them are able to move to the electronic mode,” he added.

The new system

But under the one-bank-account system, transfer of money is no longer needed. EPFO simply tags the new provident account to your UAN and the contributions continue to

happen. Of course, the process of transfer still remains the same: you fill up Form 13 which is sent to the previous employer for verification. But in a month's time even that is expected to get better.

EPFO is preparing to launch an auto-transfer facility in which employees, who have seeded their Aadhaar number with UAN, will no longer have to fill Form 13 to initiate a transfer request.

The new employer will glean all the relevant information from the Form 11 and initiate a transfer. "The employer will just take your UAN and register you as an employee digitally with the EPFO. The RPF of the previous employer will update the account history tagged to this UAN and the transfer is complete. Since KYC can be processed through the UAN, we have eliminated the verification process by the former employer and also the form-filling exercise completely. The transfer should take no more than 5 days," said Joy.

The facility of auto transfer has been a long-awaited step. "Even as UAN was launched, the process of transfer was never automatic although it should have been—since UAN allows for seamless account portability. Now, EPFO has centralised the database so information can move in real time between the RPFs, which in turn will help in the auto-transfer," said Madhu Damodaran, head, legal operations, Simpliance, a labour law compliance software firm.

According to Anil Lobo, India business leader, retirement practice, Mercer—a human resources consulting firm—this is a welcome step. "EPFO has come a long way in removing administrative bottlenecks, which earlier were the main reason why many chose to withdraw the money instead of transfer. This not only ensures seamless transfer but also acts as a deterrent for premature withdrawals," he said.

The path that EPFO is walking on is to de-link the employee's PF account from the employer completely and eliminate the role of the employer in the transfer process. Just like it is in the case of the National Pension System (NPS), the employee is identified by the authority through his permanent retirement account number (PRAN) and not through the employer.

However as per Amit Gopal senior vice-president, India Life Capital Pvt. Ltd, the EPFO needs to get an effective system for data correction. "Often we see data mismatches. For instance, employers may have recorded the names differently or the name in Aadhaar is different from what is there under the UAN. This means an employee cannot make use of new services that rely heavily on Aadhaar and UAN, because effecting changes is a cumbersome process," he added. EPFO is finally moving towards speedy settlement of claims. However, unless you have seeded Aadhaar with your UAN, you can make little use of it.

EPFO has about 190 million accounts of which about 120 million accounts have UAN. Of these, about 45 million accounts receive contributions, or can be seen as active accounts and only about 20 million accounts are seeded with Aadhaar.

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