



## Tax alert: CBT approves simplified partial PF withdrawals, Vishwas scheme and doorstep Digital Life Certificate (DLC) Services

23 October 2025

The Ministry of Labour & Employment issued a press release on 13 October 2025 on simplification and liberalization of EPF partial withdrawal provisions, introduction of Vishwas scheme to reduce litigation, and providing digital life certificate services (DLC) to pensioners, among other initiatives.

### In a nutshell

 <p><b>New rules for partial withdrawal</b></p> <ul style="list-style-type: none"><li>• Categorization of withdrawal rules into three types – essential (illness, education, marriage), housing needs and special circumstances.</li><li>• Withdrawal limit enhanced up to 100% of PF (employer + employee) balance subject to minimum retained balance of 25% of contributions.</li><li>• Minimum service requirement for partial withdrawal revised uniformly to 12 months.</li><li>• Premature final settlement of PF revised to 12 months and Pension to 36 months.</li><li>• Documentation requirements relaxed to allow 100% auto settlement of partial withdrawal claims.</li></ul>	 <p><b>Vishwas scheme:</b></p> <ul style="list-style-type: none"><li>• Rate of penal damages reduced to a flat rate of 1% per month, except for a graded rate of 0.25% for default up to 2 months and 0.50% for default up to 4 months.</li><li>• Specified instances of litigation eligible for reduced rate of penalty, in case of compliance under Vishwas scheme.</li></ul>	 <p><b>Digital life certificate services (DLC)</b></p> <ul style="list-style-type: none"><li>• MoU to be signed with India Post Payments Bank (IPPB) for providing doorstep Digital Life Certificate (DLC) services to EPS 1995 pensioners; cost to be borne by EPFO.</li><li>• Aims to ensure continuity of pension and family pension payments to those in rural / remote areas.</li></ul>	 <p><b>Other discussions during the meeting:</b></p> <ul style="list-style-type: none"><li>• Other initiatives in pipeline include faster and automated processing of claims, instant withdrawals, payroll-linked contributions which are aimed at further enhancing digitization and reduce turnaround time. These initiatives are set to be implemented in stages.</li><li>• Four portfolio managers to be selected for managing debt portfolio of EPFO for five years.</li><li>• Annual credit of EPF interest for FY 2024-25 completed before July 2025 – much earlier compared to the past years.</li></ul>
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## **Outcome of the CBT meeting held on 13 October 2025:**

### **1. Simplified and liberalized partial PF withdrawal rules:**

- Thirteen distinct rules on partial withdrawal have been merged into three categories - Essential needs (illness, education and marriage), housing needs, and special circumstances. Earlier, the member was specifically required to provide reasons for applying for the partial withdrawal. Now, the member can avail partial withdrawal without assigning any reason under this category.
- Members can now withdraw up to 100% of their eligible balance (subject to retaining minimum 25% in PF account) comprising both employer and employee share. Further the limits for education (allowed up to 10 times) and marriage withdrawals (allowed up to 5 times) have been enhanced as compared to the earlier combined limit of 3 times. Further, it has been clarified in the press release dated 15 October 2025, that a member remaining unemployed, can withdraw 75% of PF balance immediately and the remaining 25% after one year. Full PF withdrawal is allowed in cases like retirement after 55 years, permanent disability, retrenchment, voluntary retirement, or leaving India permanently.
- The minimum service requirement for all partial withdrawals has been reduced to 12 months as compared to varying time periods prevalent currently. Additionally, members can now apply for withdrawals under special circumstances without specifying reasons.
- As indicated above, a minimum balance of 25% of the contributions in the members' account must be maintained at all times to retain a sufficient retirement corpus and to enjoy high rate of interest offered by EPFO.
- Period for availing premature final settlement of EPF has been changed from existing 2 months to 12 months and final pension withdrawal from 2 months to 36 months.

### **2. Vishwas scheme for reducing litigation:**

- Vishwas scheme has been launched to address litigation issues related to penal damages for belated PF remittances.
- Under Vishwas scheme, the rate of penal damages will be capped to 1% per month, except for a graded rate of 0.25% for default up to 2 months and 0.50% for default up to 4 months. Rate of penal damages prior to the year 2024 was ranging from 5% to 25% per annum. The Vishwas scheme is subject to renewal after 6 months.
- The scheme covers ongoing litigation cases under Section 14B<sup>1</sup> (pending in CGIT, High Courts, or Supreme Court), finalized but unpaid Section 14B orders, Pre-adjudication cases (where notice has been issued but final order is pending). All cases pending shall stand abated, in case of compliance under the 'Vishwas Scheme'.

### **3. Doorstep Digital Life Certificate (DLC) Services to EPS Pensioners:**

- CBT has approved a partnership with India Post Payments Bank (IPPB) to provide doorstep Digital Life Certificate (DLC) services to EPS'95 pensioners.
- This service to be provided free of charge, will benefit pensioners by allowing them to submit DLC from home through postal network and ensure timely pension continuity especially for those in rural areas.

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<sup>1</sup> Section 14B deals with levy of damages (penalties) for employers who default in payment of contributions to the Employees' Provident Fund (EPF), Pension Fund, or Insurance Fund.

It is expected to significantly enhance the ease of living for elderly and rural pensioners by eliminating the need for physical visits to banks or EPFO offices and ensuring uninterrupted pension disbursement.

#### **4. Other initiatives/developments by EPFO:**

- CBT has approved a digital transformation framework (as part of EPFO 3.0) to improve the PF related services – which will enable faster, automated claims, instant withdrawals, multilingual self-service and seamless payroll-linked contributions.
- For upgrading the EPFO's digital eco-system, re-engineered return filing and user management module has been introduced to simplify workflow and makes compliance process smoother and faster.
- PM-VBRY: The scheme is expected to benefit 79,098 establishments under Part B and around 6 lakh first time employees under Part A. Further, over 16.78 lakh UANs (Universal Account Numbers) have been allotted using Face Authentication Technology (FAT) since 1st August 2025.

#### **Deloitte's comments:**

The press release highlights some of the significant and path-breaking reforms taken by the EPFO towards withdrawal of PF funds, which will provide greater flexibility and ease of access to members, to meet their immediate financial needs. Similar to the Vivad-se-Vishwas scheme under direct tax, the Vishwas scheme is a welcome step by EPFO in its efforts to reduce the litigation on penal damages. Furthermore, the partnership between EPFO and India Post Payments Bank (IPPB) to offer doorstep DLC services to pensioners, especially in rural areas, the launch of Passbook Lite feature on member portal, online Annexure K for transfer of accounts and UAN activation through UMANG application, would further ease accessibility of EPFO services with the digitization efforts.

Overall, these new developments show EPFO's continuous efforts in strengthening the social security space and to improve service delivery to both members and employers. These changes would get effective once the enabling provisions are brought into the Employees' Provident Funds Scheme, 1952 via gazette notification.

Source: The press release can be accessed from the below link of Press Information Bureau (PIB) website.

**Link:** <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2178522>

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