

**INSTITUTE OF BUSINESS MANAGEMENT  
EMPLOYEES PROVIDENT FUND  
RULES FOR WITHDRAWAL AND LOAN**

**1. Permitted withdrawals.-**

- (1) Subject to these rules, withdrawals by employees from accumulated balance may be allowed by the trustees of a recognized provident fund in the following circumstances, namely:-
- (a) to pay expenses in connection with the illness of a subscriber or a member of his family;
  - (aa) to transfer the balance or a part thereof to an approved pension fund, established under Voluntary Pension System Rules, 2005;
  - (b) to meet the expenditure on purchase of a motor cycle or scooter provided that authenticated copies of documents substantiating such purchase are deposited with the trustees of the fund;
  - (c) to pay the overseas passage by reason of health or education of a subscriber or a member of his family;
  - (d) to pay expenses in connection with marriages, funerals or ceremonies, which, by the religion of the subscriber, it is incumbent upon him to perform and in connection with which it is obligatory that expenditure should be incurred;
  - (e) to pay expenses in connection with the performance of Hajj by the subscriber;
  - (f) to meet the expenditure on building or purchasing a house or a site for a house, provided that the documents substantiating the building or purchase of such house, or the purchase of such site, are deposited with the trustees of the fund;
  - (g) to meet the expenditure on repairs, renovation or extension of a residential house belonging to the subscriber;
  - (h) to pay premiums on policies of insurance on the life of the subscriber or of his wife provided that the policy is assigned to the trustees of the fund or at their discretion deposited with them and that the receipt granted by the insurance company for the premiums is from time to time handed over to the trustees for inspection by the Commissioner Inland Revenue;
  - (i) to purchase shares of a public limited company for investment as per rules of this Chapter;
  - (j) in the case of a subscriber who has attained the age of fifty years on the date on which withdrawal is permitted: -
    - (i) subject to sub-rule (2), to meet the expenditure on the purchase of a house or construction of a house on land owned by him or a member of his family anywhere in Pakistan;

- (ii) subject to sub-rule (3), to meet expenditure on the purchase of agricultural land from Government;
  - (iii) to repay a loan taken from a financial institution, provided that the subscriber shall, within a period of two weeks from the date of withdrawal produce satisfactory evidence before the trustees to show that the advance has been utilized for the purpose for which it was drawn failing which the entire amount of withdrawal together with interest accrued thereon shall forth with become repayable to the fund in a lump-sum; and
  - (iv) without assigning any reason; or
  - (k) in the case of an employee proceeding on leave preparatory to retirement, at the discretion of the trustees of the fees, without assigning any reason, provided that where an employee rejoins duty on the expiry of his leave, the amount withdrawn together with the interest accruing thereon at the rate allowed by the fund shall be repaid forthwith into the fund in a lump-sum.
- (2) The first instalment of a withdrawal under sub-clause (i) or clause (j) of sub-rule (1) shall be allowed to be drawn only after an agreement has been executed between the subscriber and the trustees of the fund to the effect that the subscriber shall expend the full amount of the said advance towards the purchase or the building of a house as claimed at the earliest possible opportunity and if the actual amount so expended is less than the amount of permitted withdrawal, the subscriber shall repay the difference into the fund forthwith and further that if the said house is sold or otherwise alienated by its owner to any other person while the subscriber is still in service, the subscriber shall forthwith repay into the fund the entire amount of the withdrawal together with interest accrued thereon in lump-sum.
- (3) The first instalment of a withdrawal under sub-clause (ii) of clause (j) of sub-rule (1) shall be allowed to be drawn only after an agreement has been executed between the subscriber and the trustees of the fund to the effect that the subscriber shall expend the full amount of the said advance towards the purchase of the said piece of land at the earliest possible opportunity and if the actual amount so expended is less than the amount of permitted withdrawal, the subscriber shall repay the difference into the fund forthwith and further that if the said house is sold or otherwise alienated by its owner to any other person while the subscriber is still in service, the subscriber shall forthwith repay into the fund the entire amount of the withdrawal together with interest accrued thereon in lump-sum amount.

## **2. Limit on Withdrawals.**

- (1) Withdrawals permitted under these rules shall not exceed the following limits, namely:-
- (a) in the case of withdrawals permitted under clause (a), (b) (c) or (d) of sub-rule (1) of rule 103 of the Income Tax Rules, 2002, six months' salary of the subscriber or the total of accumulated balance to his credit, whichever is the less;

(aa) in the case of withdrawals permitted under clause (aa) of sub-rule (1) of rule 103 of the Income Tax Rules, 2002; the accumulated balance to the credit of subscriber;

(b) in the case of withdrawals permitted under clause (e) of sub-rule (1) of rule 103 of the Income Tax Rules, 2002; six months salary of the subscriber or twenty five thousand rupees or/of the total of the accumulated balance to his credit, whichever is the lowest;

(c) in the case of withdrawals permitted under clause (f) or (g) of sub-rule (1) of rule 103 of the Income Tax Rules, 2002; thirty-six months salary of the subscriber or the total of the accumulated balance to his credit, whichever is the less;

(d) in the case of withdrawals permitted under clause (h) of sub-rule (1) of rule 103 of the Income Tax Rules, 2002; eighteen months salary of the subscriber or the total of the accumulated balance to his credit, whichever is the less, provided that this restriction shall apply to each withdrawal and not to the total withdrawal;

(e) in the case of withdrawals permitted under clause (i) of sub-rule (1) of rule 103 of the Income Tax Rules, 2002; six months salary of the subscriber or ten thousand rupees or the total of the accumulated balance to his credit, whichever is the lowest;

(f) in the case of withdrawals permitted under sub-clause (i), (ii) and (iii) of clause (j) of sub-rule (1) of rule 103 of the Income Tax Rules, 2002; twenty-four months salary of the subscriber or eighty percent of the total of the accumulated balance to his credit, whichever is the less;

(g) in the case of withdrawals permitted under sub-clause (iv) of clause (j) of sub-rule (1) of rule 103 of the Income Tax Rules, 2002; sixty percent of the total of the accumulated balance to credit of the subscriber; and

(h) in the case of withdrawals permitted under clause (k) of sub-rule (1) of rule 103 of the Income Tax Rules, 2002; ninety percent of the accumulated balance to the subscriber.

(2) For the purpose of rule and this rule:-

(a) "accumulated balance" means the total of the accumulations of exempted contributions and exempted interest contained in the balance to the credit of the employee at the time of withdrawals;

(b) "family" means the employee's wife, legitimate children, step children, parents, sisters and brothers who reside with the employee and are wholly dependent on him; and

(c) "salary" means the salary as defined in clause (h) of rule 14 of Part I of the Sixth Schedule to the Ordinance to which the employee is entitled at the time when the withdrawal is granted.

**3. Second withdrawals.**

- (1) Save as provided in sub-rules (2), (3), (4) and (5), no second withdrawal from a recognized provident fund shall be permitted until the sum first withdrawn has been fully repaid.
- (2) A withdrawal may be permitted for the purposes specified in clause (h) of sub-rule (1) of rule 110 of the Income Tax Rules, 2002, notwithstanding that the sum withdrawn for any other purpose has not been repaid.
- (3) Subsequent withdrawals for the purposes specified in clause (h) of sub-rule (1) of rule 103 of the Income Tax Rules, 2002 may be permitted, notwithstanding that the sum or sums previously drawn for the same purpose has or have not been repaid.
- (4) A withdrawal for any one of the purposes specified in sub-rule (1) of rule 103 of the Income Tax Rules, 2002, other than that specified in clause (a) of that sub-rule may be permitted notwithstanding that the sum or sums withdrawn for the purposes of clause (e) of sub-rule (1) has or have not been repaid.
- (5) A withdrawal for any of the purposes specified in sub-rule (1) of rule 103 of the Income Tax Rules, 2002, other than those specified in clauses (f) and (h) of that sub-rule may be permitted notwithstanding that the sum previously withdrawn for the purposes of clause (d) of sub-rule (1) has not been repaid.
- (6) Subsequent withdrawals for the purposes specified in clause (aa) of sub-rule 1 of rule 103 of the Income Tax Rules, 2002; shall be permitted.

**4. Repayment of amounts withdrawn.**

- (1) Where any withdrawal is allowed for a purpose specified in clause (aa) (f), (h), (i), (j) or (k) of sub-rule (1) of rule 103 of the Income Tax Rules, 2002; the amount withdrawn need not be repaid.
- (2) Subject to sub-rules (3) and (4), where a withdrawal is allowed for a purpose other than those referred to in sub-rule (1), the amount withdrawn shall be repaid in not more than forty-eight equal monthly instalments and shall bear profit in accordance with the following:

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|-----|---|---|
| (a) | Withdrawals which are repaid in not more than twelve monthly instalments                            | The rate of mark-up fixed by the Federal Government under rule 3(b) of Part-I of the Sixth Schedule to the Ordinance payable in the form of one additional instalment.  |
| (b) | Withdrawals which are repaid in more than twelve but not more than twenty-four monthly instalments. | The rate of mark-up fixed by the Federal Government under rule 3(b) of Part-I of the Sixth Schedule to the Ordinance payable in the form of two additional instalments. |
| (c) | Withdrawals which are repaid in more than twenty-four but   | The rate of mark-up fixed by the Federal Government under rule 3(b) of Part-I of the  |

not more than thirty-six monthly instalments.

Sixth Schedule to the Ordinance payable in the form of three additional instalments.

(d) Withdrawals which are repaid in more than thirty-six monthly instalments.

The rate of mark-up fixed by the Federal Government under rule 3(b) of Part-I of the Sixth Schedule to the Ordinance payable in the form of four additional instalments.

- (3) For the purposes of sub-rule (2) and at the discretion of the trustees of the fund, profit may be recovered on the amount withdrawn or the balance thereof outstanding from time to time at 1 per cent above the rate which is payable for the time being on the balance in the fund to the credit of the subscriber.
- (4) Where an employee contributing to the fund elects not to receive any profit accruing on his accumulated balance, no profit shall be charged on the amount withdrawn by him from the fund.
- (5) The employer shall deduct such instalments payable under sub-rule (2) from the employee's salary and pay them to the trustees commencing from the second monthly payment made after the withdrawal or, in the case of an employee on leave without pay, from the second monthly instalment after his return to duty.
- (6) In the case of default of repayment of instalments under sub-rules (2) and (5), the Commissioner may at his discretion, order that the amount of withdrawal or the amount outstanding shall be added to the total income of the employee for the year in which the default occurs and the employee shall be assessed accordingly.