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EMPLOYEE PROVIDENT FUND IN INDIA

EMPLOYEE PROVIDENT FUND

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EMPLOYEE PROVIDENT FUND (EPF)

Employees' Provident Fund is a statutory benefit payable to employees working in India. The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 ("Act") is applicable pan-India. The administration and management of the Employees' Provident Fund (EPF) are carried out by the Central Board of Trustees (CBT) established by the Central Government consisting of representatives of the Government, employers, and employees respectively. The Employees' Provident Fund Organization (EPFO) assists this Board in its activities.

EPF is a welfare scheme brought into force to secure a better future for employees. It is a statutory benefit available to the employee's post-retirement or when they leave the services. In the case of deceased employees, their dependents will be entitled to the benefits. Under the Employees' Provident Fund Scheme (EPF Scheme) both employers and employees have to make their contributions towards the Fund. Interest earned on the amount is credited to the member's Provident Fund Account (PF account) and is available to the employee at the time of retirement or exit from employment as the case may be, provided certain conditions are fulfilled.

EMPLOYEE PROVIDENT FUND

EMERGENCE OF EMPLOYEE PROVIDENT FUND (EPF)

The Employees' Provident Fund came into existence with the promulgation of the Employees' Provident Funds Ordinance on the 15th of November 1951. It was replaced by the Employees' Provident Funds Act, of 1952. The Employees' Provident Funds Bill was introduced in the Parliament as Bill Number 15 of the year 1952 as a Bill to provide for the institution of provident funds for employees in factories and other establishments. The Act is now referred to as the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 which extends to the whole of India. The Act and Schemes framed there under are administered by a tri-partite Board known as the Central Board of Trustees, Employees' Provident Fund, consisting of representatives of Government (Both Central and State), Employers, and Employees.

The Central Board of Trustees administers a contributory provident fund, a pension scheme, and an insurance scheme for the workforce engaged in the organized sector in India. The Board is assisted by the Employees' PF Organization (EPFO), consisting of offices at 138 locations across the country. The Organization has a well-equipped training setup where officers and employees of the Organization as well as Representatives of the Employers and Employees attend sessions for training and seminars. The EPFO is under the administrative control of the Ministry of Labour and Employment, Government of India (click here 14-07-2015)

The Board operates three schemes - EPF Scheme 1952, Pension Scheme 1995 (EPS), and Insurance Scheme 1976 (EDLI).

TYPES OF SCHEMES UNDER THE ACT

Employees' Provident Fund has been set up under The Employees' Provident Fund and Miscellaneous Provisions Act, 1952 ("Act") applicable pan-India. The Act is applicable to every factory or industry mentioned in Schedule 1 of the Act, wherein 20 or more persons are employed or to any other establishment which the Central Government specifies by notification in the official Gazette, even when the number of employees is less than 20.

- **Employees' Provident Fund Scheme, 1952**: Employees' Provident Fund Scheme was set up under the Act for the purpose of providing a post-retirement benefit for the employees or a class of employees or their legal heirs in case of death, employed under an establishment to which this Act applies.

- **Employees' Pension Scheme, 1995**: Employees' Pension Scheme was framed under the Act for the purpose of providing the superannuation pension, retiring pension, or permanent total disablement pension to the employees of any establishment or class of establishments to whom this Act applies; and widow or widower's pension, children pension or orphan pension payable to the beneficiaries of such employees.

- **Employees' Deposit-linked Insurance Scheme, 1976**: Employees' Deposit-linked Insurance Scheme (EDLI Scheme) was framed under the Act for the purpose of providing insurance benefits to the employees of an establishment or a class of establishments to whom this Act applies in case of death while in service.

PROVIDENT FUND CONTRIBUTIONS

Category	Percentage of contribution (%)
Employees Provident Fund	3.67
Employees' Pension Scheme (EPS)	8.33
Employee's Deposit Link Insurance Scheme (EDLIS)	0.50
EPF Admin Charges	1.10
EDLIS Admin Charges	0.01

PROVIDENT FUND CONTRIBUTIONS

- The contributions payable by the employer and the employee under the scheme are 12% of PF wages. From the employer's share of contribution, 8.33% is contributed towards the Employees' Pension Scheme and the remaining 3.67% is contributed to the EPF Scheme. Employer's contribution towards Employees' Deposit-linked Insurance Scheme is 0.50% and the administrative charges are 0.50%.
- An employee with a basic salary of over Rs. 15,000 and who has never been a member of EPF can opt out of the scheme. But once they become a member, they cannot opt out of the scheme.
- If an employee's salary at the time of joining is less than Rs. 15,000 and it later gets increased to over Rs. 15,000, while still being in service, they are added to the members list for the provident fund mandatorily. They do not have the option to opt out of the scheme once enrolled.
- A trainee or an intern is not an employee by the definition of the Act and the schemes defined under the Act. EPF is not deducted from the stipend earned by a trainee or an intern subject to the condition that such trainees are covered under either the Apprenticeship Act or Industrial Employment (standing orders) Act or the interns are engaged through recognized institutions undergoing on-job training as part of their curriculum.
- An employer is under no obligation to contribute over and above the PF wage ceiling limit. The employer may, however, voluntarily contribute to higher wages

- In case an employee leaves an establishment where this Act applies and joins an organization where this Act doesn't apply, the accumulated amount shall be transferred to the employee's fund, or as the case may be, in the Provident Fund of the establishment left by him/her, within such time as may be specified by the Central Government.
- An employer cannot deduct the employer's contribution towards EPF from the wages of employees. According to Section 14(1A) of the Act, any such deduction is a criminal offense and shall be punishable with imprisonment for a term which may extend to three years but shall not be less than one year and a fine of Rs. 10,000.
- The member can contribute beyond the wage ceiling limit of Rs. 15,000. The total contribution i.e., voluntary + mandatory can be up to Rs. 15,000 per month. The member can also contribute on higher wages i.e., greater than Rs. 15,000 but only up to a maximum limit of 100% of the PF wages, provided they get permission from the APFC/RPFC as per the provisions of para-26(6) of the scheme. The employer may restrict his/her own share to the statutory rate.
- After the latest Supreme Court Judgement on Surya Roshni case, dated 28th February 2019, the contribution shall be calculated on the basis of monthly pay containing the following components actually drawn during the whole month whether paid on a daily, weekly, fortnightly or monthly basis:

a. Basic wages

b. Dearness Allowances

c. Retaining Allowances

d. Conveyance Allowances
e. Other Allowance
f. Special Allowance
g. Leave Travel Allowances
h. Fixed cash Allowance (Management allowance, educational Allowance, Medical Allowance, Telephone, Food Allowance etc.)
i. Petrol Reimbursement (without bills and without supporting documentation/data to substantiate the reimbursement is for official purposes)
j. City Compensatory Allowance or any other allowance paid as fixed component, uniformly and universally having no direct nexus to the outcome of an employee's normal work.

- The components which are excluded while calculating the EPF:

a. HRA(House rent allowance)
b. Attendance allowance
c. Night shift allowance

d. Canteen allowance

e. Various Incentives provided for a particular employee

f. Bonus or Commissions payable to a particular Employee

- An employee cannot become a member of the Employees' Pension Scheme only by virtue of the EPF membership(without contributing towards the EPF.

ELIGIBILITY FOR MEMBERSHIP OF EPF

Enrollment for PF membership is mandatory for:

- Any person employed for wages for any work of an establishment either manual or otherwise.
- Any person employed through a contractor or engaged as an apprentice but not being an apprentice under Apprentices Act, 1961.
- Any person under the standing orders of an establishment, earning less than or equal to Rs. 15,000 per month other than the e xcluded and exempted employees under Section 17 of the Act.

WITHDRAWALS FROM EPF ACCOUNT

- The funds from an EPF account can be withdrawn completely in full settlements on attaining 58 years of age or at the time of retirement the employee can claim for a complete settlement or if an employee remains unemployed for a period of 2 months or more or in the case of death while in service before attaining the age of retirement, in which case the nominees or legal heirs are entitled to withdraw the accumulated fund.

- The partial withdrawal of funds from the EPF is available for educational opportunities, medical treatment, repayment of home loan, marriage, purchase of land/house/flat, in case the establishment/factory is closed, natural calamity, a year before retirement and unemployment for a period of more than one month.

- Under the existing Employees' Provident Funds and Miscellaneous Provisions Act, 1952 guidelines, any income received through a withdrawal of the Employee Provident Fund shall be deemed taxable if such a withdrawal is made by the employee before five years of continuous service. Exemptions are provided in case the termination of employment occurs due to ill health or closure of business. Income tax is however not applicable on the accumulated EPF balance transferred to a new employer as it is a continuation of the account.

- There is no minimum requirement of service years rendered in case of withdrawal to avail medical treatment. The same can be availed at any time but it must be availed for self or family only. Hospitalization must be for more than one month, for a major surgery or illness or on account of a physical handicap. A person can withdraw 6 months PF wages or the employees' contribution, whichever is lesser.

WITHDRAWALS FROM EPF ACCOUNT

- If the employee has attained the age of 54 years or above, he/she can withdraw up to 90% of the PF balance with interest, one year before retirement
- An employee should transfer the provident fund balance from his/her old employer to his/her current employer when he/she switches jobs. The balance accumulated from the previous employer will remain as it is, while the new employer will start making new contributions starting from the date of commencement of the new job. But in instances where an employee quits employment, and does not take up any other employment, he/she can withdraw the provident fund balance. For this to happen the employee must declare that they have no intention of working in the next six months.
- The interest rates that EPF account members enjoy, vary from year to year. This always depends on the revenues generated by the Employee Provident Fund Organization in the previous year. Currently, the interest rate is 8.15%.
- According to the Income Tax Act there is a tax deduction applicable which enables total tax-free returns for the employees.

a. Tax on PF withdrawal for an amount > Rs. 50,000 before 5 years of opening the EPF account, with PAN TDS is 10% and without PAN TDS is 34.6%.

b. PF withdrawal for an amount > Rs. 50,000 after 5 years of opening EPF account will not attract tax.

c. PF withdrawal for an amount < Rs. 50,000 anytime during the service does not attract tax.

d. In case an employee is terminated or unemployed as a result of ill-health etc., withdrawals will not attract tax.

UNIVERSAL ACCOUNT NUMBER (UAN)

Universal Account Number (UAN) is a 12-digit number allotted by the EPFO to each of its members to manage their PF accounts. It acts as an umbrella for members to assemble all their PF accounts associated with multiple ids (Member Identification Numbers) in one place. UAN has made it easy for employees to monitor, withdraw and transfer their PF funds. When an employee changes jobs, they need to provide their UAN to the new employer to link the new PF account. Since the UAN provides direct online access to the employees, an employer cannot deduct or hold back their PF.

Members need to visit the UAN-based Member Portal website i.e. https://uanmembers.epfoservices.in/ Initially, member will have to activate his/her UAN by selecting a link given 'Activate your UAN' on the UAN Member Portal. Member should have UAN, Mobile and Member ID readily available to activate his/her UAN on the UAN Member Portal. For further details, please select the hyperlink 'User Manual for Members'.

PROVIDENT FUND FOR INTERNATIONAL WORKER

- An International Worker (IW) is any employee who is a foreign national working in India under an employer registered with the EPFO or an Indian employee who is working in a foreign country with which India has a Social Security Agreement (SSA).
- A Social Security Agreement is a bilateral instrument to protect the social security interests of workers posted in another country. Being a reciprocal arrangement, it generally provides for equality of treatment and avoidance of double coverage.
- Indian employees who are deputed abroad are exempted from contributing towards the Social Security Scheme of that foreign country, if:

a. India has an SSA with that foreign country; and

b. If the IW obtains a Certificate of Coverage (COC) from the EPFO.

- Yes, in the absence of an SSA with that foreign country, the Indian employee is required to contribute towards PF in India as well as that of the foreign country.
- Yes, if an Indian employee does not obtain a COC from the EPFO then he/she is required to make contributions towards PF in India as well as that of the foreign country.

PROVIDENT FUND FOR INTERNATIONAL WORKER

- Foreign nationals who are contributing towards the Social Security Scheme in their home country (country of origin), are exempted from making contributions towards the PF in India, provided that the following conditions are satisfied:

a. India has an SSA with that foreign country; and

b. The IW has submitted the Detachment Certificate issued by the Social Security Office of his/her country of origin.

- A foreign national, contributing to the Social Security Program of the foreign country as per the Social Security Agreement signed between that country and India and exempt from making any contribution towards the Provident Fund in India for the period and terms as set out in such an agreement is a 'Detached Worker' for the purpose of compliance in Host Country (EPFO).
- In case an IW completes his/her assignment and returns to India, he/she will not reacquire the status of an Indian employee upon repatriation to India after completion of their overseas assignment. Upon reacquiring the status of an Indian employee, they must contribute towards the EPF according to the provisions of the Act
- There is no cap on the salary. Contribution towards the EPF and EPS is payable on gross wages
- An Indian employee attains the status of "International Worker" only on account of employment in a country with which India has signed an SSA. He/she shall hold that status till the time he/she avails the benefits under a Social Security Program covered under that SSA.

BENEFITS

The employees covered under the various schemes of the Act are entitled to the following benefits

- Employees can take advances or make withdrawals*.
- PF amount of a deceased member is payable to the nominees or legal heirs.
- The employer not only contributes towards the PF but also makes the necessary contributions towards the employee's pension which can be used by the employee post-retirement
- Under the EDLI Scheme employees are properly insured in order to avail the lump sum benefit at the time of death while in service.
- EEE (Exempt, Exempt, Exempt) tax benefit under the Income Tax Act enables tax-free returns for employees.
- Employees receive special benefits in the form of added income to their savings in the form of interest.
- PF account can be transferrable if any member changes employment from one establishment to another where such Provident Fund scheme is applicable.

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EMPLOYEES' DEPOSIT-LINKED INSURANCE SCHEME

The EDLI scheme was launched in 1976 to provide insurance benefits to members of EPFO. The main objective of EPFO behind this scheme was to ensure that the family of members get financial assistance in case of the death of the member. There is no exclusion under this insurance scheme. The insurance cover depends on the salary drawn in the last 12 months of the employment before death.

SALIENT FEATURES OF EDLI

- The insurance benefits can be availed by the family members, legal heirs or nominees of the member.
- EPFO members are automatically enrolled for EDLI.
- An EPFO member is only covered by the EDLI scheme as long as he/she is an active member of the EPF. His family/heirs/nominees cannot claim it after he leaves service with an EPF-registered company.
- There is no minimum service period for availing of EDLI scheme benefits
- The employer has to make the EDLI contribution and no fee can be deducted from the employee's salary

- The claim amount under ELDI is 35 times the average monthly salary in the past 12 months subject to a maximum of 7 lakh.
- The average monthly salary is calculated as the Basic + Dearness Allowance of the employee
- A bonus of Rs. 1.75 lakh is also applicable under this scheme
- The employer can opt out of the scheme in case he takes a higher-paying life insurance scheme for employees under Section 17 (2A)

EDLI CALCULATION

- The insurance amount that the heirs of a deceased member get is calculated as 35 times the average monthly salary in the last 12 months of employment.
- The maximum average monthly salary of an employee is capped at Rs. 15,000
- So, 35 times the salary comes to be around to be 35 x ₹ 15,000 = Rs. 5,25,000
- A bonus amount of up to Rs. 1,75,000 is also paid to the claimant under this scheme
- Thus, the total amount payable under this scheme to the beneficiary is Rs. 7,00,000

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EDLI FORM 5 IF

- EDLI Form 5 IF is filled by the nominees, heirs, or family members of the member after his death to claim the insurance amount under EDLI Scheme. The EDLI claim form has to be filled out separately by each claimant. In the case of a minor claimant, the guardian has to fill out the form on his behalf. In the case of more than one minor where the guardian is the same, a single form has to be filled by the guardian.

- The form has to be filled offline and the employer has to furnish the certificate mentioning the date of death of the member. The mode of fund transfer has to be mentioned as well.

- The EDLI claim form has to be submitted to the regional EPF Commissioner's office along with the required document proofs. The claim has to be settled in 30 days and if the EPF commissioner is not able to settle the claim within 30 days, he will be liable to pay an interest of 12% per annum from the deadline date to the date of actual disbursal.

HOW TO CLAIM EDLI BENEFITS

- Form 5 IF has to be filled to get the insurance benefits after the death of the member

- The member should have been (at the time of his death), an active contributor to the EPF scheme

- The benefits can be claimed by the nominee of the member
- In case no nominee is declared, the surviving family members will be eligible for claiming the benefits. Family under EPS is defined as spouse, male children (up to 25 years), and unmarried daughters.
- If there are no surviving family members, the insurance benefits can be claimed by the legal heir of the deceased member
- The claim form has to be signed and certified by the employer
- In case there is no employer, the form has to be attested by any one of the following:

a. Gazetted Officer

b. Magistrate

c. President of Village Panchayat

d. Chairman / Secretary / Member of Municipal or District Local Board

e. Postmaster or Sub Postmaster

f. MP or MLA

g. Member of CBT or Regional Committee of EPF

- Form 5 IF can be filled along with Form 20 (EPF withdrawal claim in case of the deceased member) and Form 10C/Form10D to claim benefits of all three schemes (EPF, EPS, and EDLI) in one go.

ELIGIBILITY CRITERIA FOR EDLI

The following persons are eligible to apply for claiming insurance benefits under the EDLI Scheme:

- Members of the family (Nominees) nominated under the EPF Scheme.
- In case of no nomination, all members of the family (except major sons, married daughters with major sons, and married granddaughters).
- In case of no family, and no nomination, legal heir.
- Guardian of a minor nominee/family member/legal heir.

DOCUMENTS REQUIRED FOR EDLI

The claimant has to submit the following documents along with Form 5 IF to get the amount disbursed under the EDLI scheme:

- Death Certificate of the member
- Guardianship certificate if the claim is filed on behalf of a minor family member/nominee/legal heir by a person other than the natural guardian.
- Succession certificate in case of a claim by the legal heir.
- Copy of a canceled cheque of the bank account in which payment is opted.
- In case the member was last employed under an establishment exempted under the EPF Scheme 1952, the employer of such establishment should furnish the PF details of the last 12 months under the Certificate part and also send an attested copy of the Member's Nomination Form.

EMPLOYEE PROVIDENT FUND IN INDIA

CONCLUSION

Employee Provident Fund EPF is one of the popular savings schemes launched under the supervision of the Government of India. The Ministry of Labour regulates EPF schemes in India. It is the main scheme under the Employee Provident Fund and Miscellaneous Provisions Act, of 1952. Employee Provident Fund Organization (EPFO) manages this savings scheme.

The government of India has mandated contributions to this scheme. Thus, as the government manages it, it is a low-risk investment.

PF contributions help build a retirement corpus, providing stability for post-service years and covering expenses like medical bills or leisure activities. It also serves as an emergency fund, allowing partial or full withdrawals under specific circumstances

Both the employers and employees contribute 12% of the employee's salary as a monthly contribution towards EPF. There are innumerable EPFO services and PF benefits offered for the betterment of the retirement of the employees.

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THANK YOU