EMPLOYEES PROVIDENT FUND (PF) AND MISCELLANEOUS PROVISIONS ACT, 1952

The Employee Provident Fund (PF) and Miscellaneous Provisions Act, 1952 is created for the social welfare of an employee. When one begins the employment, they are expected to contribute monthly to their PF funds. The employer is also expected to contribute to its employee retirement fund.

Any factory or establishment having 20 or more employees directly or through contract is liable to be covered under this act.

The PF contribution is calculated on the basic wages and the dearness allowance. It doesn't include food allowance, House Rent allowance, overtime allowance, bonus, commission, etc.

The wage limit to be covered under this Act is Rs.15,000/- per month.

Contribution	**Employee**	**Employer**
Provident Fund	12%	3.67%
Employee Pension Fund	-	8.33%
Exemptions	-No tax exempt -Eligible for deduction under 80C	-Tax exempt

The employer contribution is calculated at 3.67% of wages in general prescribed by the Central government. Just like the employer, the employee should also pay an equal contribution.

EPF Admin Charges	**EDLI Admin Charges**
1. 0.85% of total employee PF wages	1. 0.01% of total EDLI salary

2. Minimum of Rs. 75 per month in the case of a non-functional establishment having no contributory member	2. Minimum of Rs. 25 per month in the case of a non-functional establishment having no contributory member
3. Minimum of Rs. 500 per month for contributory members	3. Minimum of Rs. 200 per month for contributory members

The employer is liable to fines for being a defaulter. However, this can extend up to imprisonment of 3 years and a fine of Rs.10,000/-

The voluntary contribution is also covered under the Employee Provident Fund and Miscellaneous Provision Act, 1952 for an establishment having less than 20 employees.

The admin charges are highlighted below:

Background:

PF is the retirement saving scheme available to all the salaried employees, backed by the government on which fixed interest is paid.

The employee provident fund is administered by the Employees Provident Fund Organization (EPFO), a statutory body developed by the government of India under the Ministry of Labour and Employment. It is formed to administer the mandatory contribution towards the PF scheme by both the employees and employers.

Applicability & registration:

An establishment with less than 20 employees can voluntarily opt for PF registration to protect employee's benefits. However, Companies with more than 20 employees compulsorily have to register under EPFS.

Once a company is covered under the EPF Act, even if its employee strength drops below 20, it will still be covered.

Three Important Components of EPF Act:

1. Employee Provident Fund, 1952 (EPF): This scheme aims to promote retirement savings.

2. Employee Pension Scheme, 1995 (EPS): This scheme aims to provide post-retirement pension.

3. Employee Deposit Linked Insurance Scheme, 1976 (EDLI): This scheme gives life insurance to family members in case of sudden death.

Some Important Key Points:

1. For every employee, it is mandatory to contribute towards EPF and EPS if his/her wages (Basic + DA) are under Rs. 15,000. If an employee is drawing wages over 15,000 per month, then he can ask for PF deductions from his salary.

2. Both the employees and employers contribute 12%of the basic wages and dearness allowance to the provident fund (PF) account. Thus, the total contribution to the PF is 24% per month.

3. In the EPF account, the entire 12%is contributed by the employee, while 67% is contributed by the employer. The employer's remaining contribution of 8.33% is diverted to the Employee's Pension Scheme. It is important to note that if the employee's salary exceeds Rs. 15000, the employer's contribution towards EPS is restricted to 8.33% of Rs 15000 per month.

4. Currently, the Employee provident fund interest rate is 55% per annum (w.e.f. Feb 2018). The interest is decided by the Government with the consultation of the Central Board of Trustees of the EPFO.

5. The EPF also offers the nomination facility. An employee can nominate his mother, father, spouse or children who are entitled to receive EPS money in the event of the death of an employee. However, an employee cannot nominate his brother and sister for EPF.

6. The employer also makes 0.50% of contribution towards the EDLI (Employees' Deposit Linked Insurance) account of the employee.

7. The employer has to pay an additional charge for administrative accounts at a rate of 0.50% with effect from 1st June 2018. The minimum administrative charge is ₹ 500 and if there is no contribution for a specific month, the employer must pay a fee of ₹ 75 for that month.

EPF withdrawals Rules:

1. EPF can be completely withdrawn under any of the following circumstances:

a. When an individual retires from employment

b. When an individual remains unemployed for a period of 2 months or more

Note:

1. Individual is unemployed for more than 2 months must be certified by a gazetted officer.

2. Complete withdrawal of EPF while switching over from one job to another without remaining unemployed for 2 months or more (i.e. During the interim period between changing jobs), will be against the PF rules and regulations and therefore illegal.

2. Partial withdrawal of EPF can be done under certain circumstances and subject to certain prescribed conditions which have been discussed in brief below:

Sr. No	**Particulars of reason for withdrawal**	**Limit for withdrawal**	**No of years of service criteria**	**Conditions**
1	Marriage	Up to 50% of employee's share of contribution to EPF	7 years	For the marriage of self, son/daughter, brother/sister
2	Education	Upto 50% of employee's share of contribution to EPF	7 years	For the education of either himself or his children after class 10
3	Purchase of land / purchase or construction of a house	For land – upto 24 times of monthly wages plus Dearness allowance For house – up to 36 times of monthly wages plus Dearness allowance	5 years	The asset i.e. land or the house should be in the name of the employee or spouse or Jointly.
4	Home loan repayment	Upto a maximum of 90 %, from both employee's contribution and employer contribution in Employee Provident Fund.	10 years	i. The property should be registered in the name of the employee or spouse or jointly ii. Withdrawal permitted subject to furnishing of requisite documents as called for by the EPFO relating to the housing loan availed, iii. The accumulation in the member's PF account (or

				together with the spouse), including the interest, has to be more than Rs 20,000.
5	Renovation of house	Up to 12 times the monthly wages	5 years	The property should be registered in the name of the employee or spouse or jointly.
6	A little before retirement	Upto 90% of accumulated balance with interest	Once he reaches 57 years (as per recent amendment)	For himself

Returns

- The company needs to file Monthly Returns and Annual Returns. The company must submit every month duly paid P.F Challan, Form 12A, Form 5 (additions) and Form 10 (deletions) and Nomination form 2 (newly joined employee details).
- In annual Return, we need file Form 3A and 6A along with the details of Annual PF Challan payment details.
- The employer needs to collect, certify and submit the Nomination and Declaration Form in Form-2 of every new joinee to the scheme along with the monthly report.
- F. The monthly payment due date is 15th and Annual Return due date is 30th April of every Year as per P.F authorities treated one year is from 1st March to 28th February.
  Tax Benefits:

1. The employer contribution to employee EPF is tax-free,
2. Employee contribution is tax-deductible under Section 80Cof the Income Tax Act.
3. The money invested by the employee in EPF, the interest earned, and the money eventually withdrawn by employee after the mandatory specified period (5 years) are exempt from Income Tax.

Post retirement benefits of EPF:

– Upon retirement, the employee receives the full amount in his EPF account.

– The employee also receives his/her pension from the EPS account provided that the employee has completed over 10 years of service.