

Employee Provident Fund & Miscellaneous Act, 1952

Presented By
Mohammad Kashif



Topic Cover

1. Employee Provident Fund, 1952

- ❖ Introduction, Objective & Definitions
- ❖ Applicability, Wages & Ceiling Point
- ❖ Contribution, Interest, Calculations of PF & Monthly PF Report
- ❖ Central & State Board, Executive Committee

2. Employees' Pension Scheme, 1995 (EPS) (Earlier the Employees' Family Pension Scheme, 1971)

3. Employee Deposit Link Insurance 1976

4. Withdrawal of PF (Online)

5. Penalty

6. Various Form of PF

7. PF Portal and Monthly Challan





Introduction

Employee Provident Fund & Miscellaneous Act, 1952, An Act to provide for the institution of **Provident Funds, Pension Fund** and **Insurance** for employees in factories and other establishments. It extends to the whole of India.

Objective

- ❖ Protecting the **interest of the employees** after their **retirement** and their dependents after **death** of the employee.
- ❖ The Act provides **insurance** to workers and their dependents against risks of **Old Age, Retirement, Discharge, Retrenchment or Death**.



APPLICABILITY OF ACT

- ❖ It extends to whole of India including the state of Jammu & Kashmir and union territory of Ladakh (2019 provisions)
- ❖ It applies on every establishment employing 20 or more persons & engaged in industry specified in Schedule I of the Act or any activity notified by the CG.
- ❖ It applies to **all Departments / Branches** of an establishment wherever situated
- ❖ Any establishment employing even less than 20 persons can be covered by giving notification of At least 2 months in official Gazettee.
- ❖ Establishments to which this Act **“Once Applies”** shall continue to be Governed by this Act
- ❖ that provident fund contribution is now mandatory for all employees whose monthly basic salary is lower than or equal to INR 15,000
- ❖ New entrants whose basic salary is more than INR 15,000 per month have the option to not.





Basic concept and Definations of EPF



Eligibility

Every employee including

- ❖ who gets wages directly or indirectly from the employer.
- ❖ Working in any **Establishment, Factory, Mine, Oilfield, Plantation, Port or Railway Company or Shop.**
- ❖ To do any work (*i.e.*, **Skilled, Unskilled, Manual Supervisory, Technical or Clerical**)
- ❖ Whether the terms of employment are **Expressed** or **Implied**
- ❖ Whether or not he is employed in a **Managerial** or **Administrative** capacity.

Similarly, if an employee is drawing less than 15000 Basic, such employees will be covered. Now present wage ceiling of **Rs.15,000/- per month Basic+DA.**



Non Applicability of EPF

This act does not apply to given below.

- The Co-operative Societies employing **less than 50 persons** & working without aid of power. 16(1)(a).
- The **Establishments under the control of State/Central Government** & Employees who are getting benefits in the nature of contributory P.F. Or Old age pension as per rules framed by the Govt. 16(1)(b).
- The **Establishment set up under any Central, Provincial or State Act** and the Employees who are getting benefits in the nature of contributory **P.F. Or Old age pension** as per rules 16(1)(c)

Definations

- Appropriate Govt.
- Industry
- Superannuation
- Central Board
- Executive Committee
- Occupier & Employer
- Employee
- State Board
- Manufacture Process



WAGES

Wages are calculated on (Basic+DA+ All Allowance) except HRA..

Wages includes-

- ❖ **Basic Wages"** means emoluments which are earned by employee while on duty or on leave or holidays with wages
- ❖ in either case in accordance with the terms of the contract of employment and which are paid or payable in cash,

Does not include-

- ❖ The **cash value** of **any food concession**;
- ❖ Any cash payment, by whatever name called, paid to an employee on account of a rise in the **cost of living, House Rent Allowance, Overtime Allowance, Bonus, Commission** or
- ❖ **Any other allowance** payable to the employee in respect of employment or of work done in such employment



Ceiling Point

The Current Wages Ceiling Limit for coverage is ₹: **15,000/** (Basic + DA+ All Allowance) except HRA p/m month w.e.f: Sep' 2014, (Earlier it was ₹ : 6,500/- w. e. f.: June, 2001, & before that it was ₹ : 5000/-p/m)

CHANGE OF WAGE LIMIT {PARA 2(f) OF EPF SCHEME 1952}	
Period	Wage limit per month
01.11.1952 to 31.05.1957	Rs. 300/-
01.06.1957 to 30.12.1962	Rs. 500/-
31.12.1962 to 10.12.1976	Rs. 1,000/-
11.12.1976 to 31.08.1985	Rs. 1,600/-
01.09.1985 to 31.10.1990	Rs. 2,500/-
01.11.1990 to 30.09.1994	Rs. 3,500/-
01.10.1994 to 31.05.2001	Rs. 5,000/-
01.06.2001 to 31.08.2014	Rs. 6,500/-
01.09.2014 onwards	Rs. 15,000/-

Salary Structure for Gross, CTC & Net Pay understanding

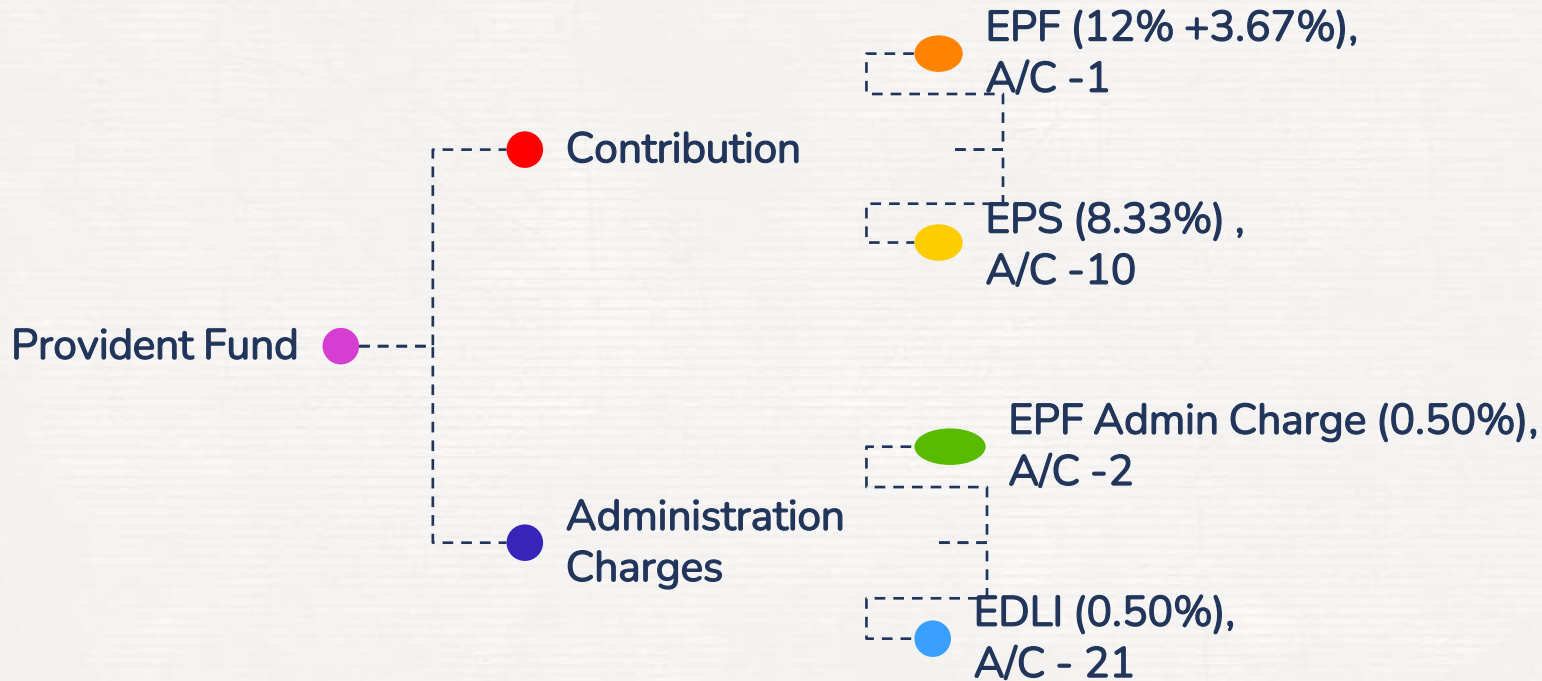
Gross, CTC, Net Pay	
Basic	10000
HRA	4000
Medical All.	1600
Telephone All.	900
Spl. All.	3500
Gross A	20000
Employer PF	1800
Employer ESI	650
Total Er Contribution B	1850
CTC (A+B)	21850
Employee PF	1800
Employee ESI	350
Total Ee Contribution C	1550
Net Pay (A-C)	17850

Contribution of EPF

PF Contribution	EPF	EPS	EPF Admin Charge	EDLI
Employees Contribution	12 %	0%	0%	0%
Employer's Contribution	3.67 %	8.33%	0.50%	0.50%
Total	15.67%	8.33%	0.50%	0.50%



Contribution Of Provident Fund



Benefits

Home Loan Repayment

- ❖ 3 Year Contribution and can withdrawal up to 90% of PF.
- ❖ property must be in the name of self, spouse or jointly with a spouse

Education expenses

- ❖ Minimum of 7 years Job.
- ❖ Withdrawal is 50% of the employee's share.
- ❖ Only 3 times withdrawal, based on the requirement.
- ❖ Only allow for above class 10.

House Construction or Purchase of Plot

- ❖ 5 Year contribution for Purchase & Construct House, Can withdrawal 36 time Monthly Salary in case of plot 24 time monthly salary and withdrawal can be once in lifetime.
- ❖ Property should be in the name of self, spouse or jointly with a spouse

House Renovation or Alteration

- ❖ 10 years from completion of construction of a house and eligible for 12 times the monthly salary.
- ❖ House must have completed at least 5 years and in the name of self, spouse or jointly with a spouse.



Benefits

Medical Treatment

- ❖ Employee's share with interest 6 times monthly salary, any no of time APR.
- Hospitalization for more than 1 month,
- Major surgical operation in a hospital.
- If someone is suffering from T.B., leprosy, paralysis, cancer, mental derangement or heart ailment and having been granted leave by his employer for treatment of the illness.

Death or Permanent Disablement

- ❖ Total Employee's & Employer's share, Pension amount or Pension & EDLI compensation.

Marriage (Children, Sibling or Self)

- ❖ **7 Years** Contribution
- ❖ Withdrawal up to **50%** of Ee's share with interest.
- ❖ withdrawn 3 times, based on the requirement
- ❖ Proof of marriage-marriage invitation card.

WITHDRAWAL OF PF

For example

Let's say Suresh's "Basic Salary + DA" is Rs. 15,000 per month and he has 10+ years of experience in his job and his share in EPF account is Rs.5 Lacs. Now, let's calculate how much money he can withdraw in each of the 6 cases mentioned above:

1. **Marriage:** 50% of your EPF share, that is **Rs.2,50,000**.
2. For **Medical Treatments:** 6 months of wages, that is $6 \times 15,000 = \text{Rs. } 90,000$.
3. For **Education Purpose:** 50% of your EPF share, that is, **Rs.2,50,000**.
4. **Purchase or Construction of House:** 36 months wages, that is, $36 \times 15,000 = 5.40 \text{ Lacs}$.
5. **Purchase of land:** 24 months wages, that is, $24 \times 15,000 = 3.60 \text{ Lacs}$.
6. **Repayment of existing home loan:** 36 months wages, that is, $36 \times 15,000 = 5.40 \text{ Lacs}$.
7. **Repair of existing House:** 12 months wages, that is, $12 \times 15,000 = 1.80 \text{ Lacs}$



WITHDRAWAL OF PF

Latest Changes in PF Withdrawal

- ❖ Employment Provident Fund Organisation (EPFO) recently decided to give its subscribers an option to withdraw **75% of their funds after 1 month** of their unemployment and keep the account active.
- ❖ The members of EPFO will also have an option to withdraw **the remaining 25%** of their funds for final settlement of the account after completion of two months of unemployment.
- ❖ TDS on PF withdrawal will be applicable if:
 - ✓ If the employee has **not completed five years** of his / her continuous service.
 - ✓ If the EPF withdrawal amount is **more than Rs.50,000**. Earlier the limit was **Rs.30,000**.
- ❖ At the time of withdrawal, if your total income (for the financial year) is **less than 5 Lakhs**, then you can submit Form 15G/15H to avoid TDS deduction.
- ❖ Due to the launch of online facilities for PF **withdrawal claim settlement** period for PF withdrawal is now reduced to just **10 days** from earlier 20 days.



Calculation Method of PF

Contribution Towards	PF Contribution as per 10%		PF Contribution as per 12%	
	Calculation	Amount	Calculation	Amount
EPF Employees share	15000 x 10%	1500	15000 x 12%	1800
EPS Employer share (Max-1250)	15000 x 8.33%	1250	15000 x 8.33%	1250
EPF employer share	15000 x 1.67%	250	15000 x 3.67%	550
EDLI charges	15000 x 0.5%	75	15000 x 0.5%	75
EPF Admin charges (Min-Rs.500)	15000 x 0.5%	75	15000 x 0.5%	75
Total		3150		3750

Both employer and employee shares on 15000/- in spite of higher basic salary.			Employee share is calculated on Actual Basic - and employer share is calculated on up limit Rs 15000/-		If your company consider basic salary above the limit fixed 15000.00 for PF calculation	
Method-1			Method-2		Method-3	
Contribution Towards	Calculation	Amount	Calculation	Amount	Calculation	Amount
EPF Employees share	15000 x 12%	1800	18000 x 12%	2160	18000 x 12%	2160
EPS Employer share	15000 x 8.33%	1249.5	15000 x 8.33%	1249.5	15000 x 8.33%	1249.5
EPF employer share	15000 x 3.67%	550.5	15000 x 3.67%	550.5	18000 x 12% (-) 1250	910.5
EDLI charges	15000 x 0.5%	75	15000 x 0.5%	75	15000 x 0.5%	75
EPF Admin charges	15000 x 0.5%	75	15000 x 0.5%	75	15000 x 0.5%	75

Documents to be kept ready at the time of inspection

The following documents are required at the time of Inspection:

- ❖ Inspection/Visit Book
- ❖ Form No.5-A submitted online
- ❖ Bank details - Bank Pass Book, Branch Name, IFSC Code
- ❖ Balance sheet for the period of Inspection
- ❖ Payment position format
- ❖ Specimen signature-Digital
- ❖ Attendance sheet/salary sheet for the period of Inspection



Employees Pension Scheme 1995

Employee's Pension Scheme for the purpose of providing for

- ❖ Pension to dependents; **widow, children, dependent parent, Disablement Pension, Orphan Pension, nominee.**
- ❖ Employer Contribution 8.33% (out of 12% of EPF)
- ❖ Central Govt . Contribution 1.16%
- ❖ Entitlement for pension after 10 years of service & on attaining the age of 50 years.
- ❖ Minimum pension of **Rs 1,000/-** (Monthly Member's Pension Scheme)

$$\text{Pension} = (\text{Pensionable Salary (average of last 60 months)} \times \text{Pensionable Service}) / 70$$

Exp:- A member who joins the Employees' Pension Scheme 1995 at the age of 23 and superannuates at the age of 58, and contributing to the (present) wage ceiling of Rs.15000/- may get about Rs.7500/- as pension if service is 35 years.

$$(\text{Pensionable Salary AND Pensionable Service}) / 70 = (15000 \times 35) / 70 = 7500$$

Wages = 18000; Service = 15 Years

$$\text{Pension} = (15000 \times 15) / 70 = 3214$$

Employee's Deposit Link Insurance

Life Insurance" for all covered employees under EPF Act, 1952, Since **Aug 01, 1976**.
Benefits provided in case of deaths of an employee

Compensation based on deposit in EPF Account. Which will be **Maximum 30 months wages** or **₹: 6.0 Lakh whichever is less**.

{{(capped at 15,000/- p.m.) x 30 } + Bonus Amount (Rs. 1,50,000/-)}

Basic Wages * 30 + Bonus Amount

1) Exp - Wages =10000

EDLI amount = $10,000 \times 30 + 1,50,000 = 3,00,000 + 1,50,000 = 4,50,000$

2.) Exp - Wages =18000

EDLI = $15000 \times 30 + 150000 = 450000 + 150000 = 6 \text{ Lac}$



Authority to decide regarding the disputes:

In case there is a **dispute regarding the applicability of the Act** or the **quantum of money to be deducted** etc. the authority to decide are the

- Central Provident Fund Commissioner,
- Any Additional Provident Fund Commissioner,
- Any Additional Central Provident Fund Commissioner
- Any Deputy Provident Fund Commissioner
- Any Regional Provident Fund Commissioner or
- Any Assistant Provident Fund Commissioner



Employer responsibility

- ❖ Before making payment to contractor, Principal Establishment should verify whether EPF remittances have been made by contractors.
- ❖ Get the Factory / establishment registered within 15 days after the Act becomes applicable.
- ❖ Verify and confirm that new employees have EPS or not in previous employment. Also not deduct EPS for those who have more than 15000 Basic Salary.
- ❖ Update employees UAN No , KYC (Bank A/C, Aadhar & PAN) & Nominee details.
- ❖ If remittance is not made, deduct the amount from payments being made to contractors and pay to EPFO
- ❖ Deduct employee share from employee wages, add matching employer contribution, EDLI contribution and administrative charges and remit to EPF along with prescribed return immediately after disbursement of salary. (last date 15th of the month).
- ❖ Enrolment of all eligible employees on its rolls (regular or contractual) – wages upto Rs 15,000 at the time of joining the establishment.
- ❖ New employee already a member of EPF from his/her previous employment would continue to remain EPF member.
- ❖ Maintain form 11 & 2 for New Employee



PF Forms

- Form 11 - This is a **Declaration** form.
- Form 2– **Nomination** form
- Form 5 –New employees Registering for EPF and EPS. (**Important for Inspection**)
- Form 10 – **Declaration for exit employees** (Important for Inspection)
- Form 13 – **Transfer** old PF to new PF
- Form IW1 –**International Worker**.
- Form 5A –of **Ownership Return**.
- Form 3A – **PF Annual Return** (Online Now).
- Form Joint Declaration Form – **Combine Declaration** of Ee & Er for update information in PF account.
- Composite Claim (Form 19/10C/31)- For **Claim online withdrawal** of PF & Pension.
- Form 15G – **less than 60 Years** - tax rebate.
- Form 15H – **more than 60 Years** - tax rebate.
- Form 10C – **Pension Scheme Certificate**.
- Composite Pension Payment - for Pension withdrawal and Replace **Form 10 D**.
- Combine Claim Death – incase of death and Replace **form 5if, 10D & 20**.
- Form 14 – To pay **LIC Payment form PF**.
- **Life Certificate** –
- **Non Re- Marriage** -



Penalty & Damages

- ❖ **Avoid Payment or Knowingly making false statements/ false representation to avoid payment imprisonment** up to **1 Years**, or with **fine** which may **extend to Rs.5,000/- or both**.
- ❖ **Contravenes, or makes default in complying** with the **payment of inspection charges** and the **payment of administrative charges** – **imprisonment 1 Year** up to **3 Years**, or with **fine** which may **extend to Rs.10,000/- or both**.
- ❖ **Default in payment of employees' contribution** - **imprisonment** not be less than **six months** and fine of **5,000 rupees**.
- ❖ **Contravenes, or makes default in complying** with any provision of **Sec 6c (EDLI) payment of inspection charges** - **imprisonment** upto **1 year but not less than 6 months or with fine**, which may extend upto **Rs. 5,000/-**.
- ❖ **Any Contravenes or Non - Compliance**, if not other penalty is elsewhere provided, Employer shall be punishable with **imprisonment** for a term which shall not be less than **1 months but may extend to 6 months**, fine which may extend to **5,000/-**.

It Can not be exceed 100% of Due amount. (Regulation 14B)

Damages	If Delayed 1 Lac for 1 Year	Amount	Interest 12% /Year
First 2 Months 5%	$1,00,000 \times (5/100) \times (2/12)$	833	1% per month
Next 2 Months 10%	$1,00,000 \times (10/100) \times (2/12)$	1667	1% per month
Next 2 Months 15%	$1,00,000 \times (15/100) \times (2/12)$	2500	1% per month
Next 6 Months 25%	$1,00,000 \times (25/100) \times (2/12)$	12500	1% per month

Formula for Damages :- Amount Due x No Of delayed Days x percentage as per Slab / No of days in a Year

Notice

Interest for late payment: Under Section 7Q an interest of 12% per annum, is levied on the employer every day in case of failure to deposit the EPF contribution before the deadline.

Intrest U/S 7Q			
%	Challan Amount	Annual	Per day
12%	100000	12000	33

Provision of U/S 7A/7B/7C/7D

Reason	Procedure	Authority / Judge	Rights of Judge - Civil Procedure 1908	Opponent	Relief for Employer	Ignorence
PF Applicability	Judicial Proceeding U/S 193 & 228	CENTRAL PROVIDENT FUND COMMISSIONER	Enforcing Attandance or Examining him under Oath	Enforsment Officer	Time to produce Documents Right to be Heard u/s 7A(1) (No order passed before heard)	Summon by officer
Due Amount in Question	Investigation Under IPC 45 of 1960 (If not cooperate JP)	Additional Central Provident Fund Commissioner	Requiring Discovery and Production of Documents		Review u/s 7B - If order passed in 7A	Order Can be passed, Using the available documents U/S 7A (3A)
		REGIONAL PROVIDENT FUND COMMISSIONER	Receiving the Evidence of Affidavit		Defend Case before PF Tribunal u/s 7D	Once Ordre is Passed, Employer has to pay- Recovery VIA bank account or Personal Property
		Assistant Regional Provident Fund Commissioner	Examination of Witness		Appeals in High Court or Supreme Court	Notice for Recovery of Final Amount u/s 7C

CONCLUSION

Provident fund is a very strong investment tool as part of retirement planning. Contribution made to EPF and PPF gets **tax rebate under Section 80C which is maximum 1.5 lac per year**. The interest earned is tax free.

PF is better than PPF in two aspects-

- ❖ In the case of PF, the **employer also contributes** to the fund. There is no such contribution in case of PPF.
- ❖ The **rate of interest on PF is also marginally higher** (currently 8.50%) than interest on PPF (7.1 %).

However, one should not rely totally on the EPF as due to fixed returns, the corpus which one receives at the time of retirement may not be sufficient totally for the post-retirement life, considering medical inflation. Other investment options should be explored to ensure complete fulfillment of the retirement goal.

Limitations of EPF

- ❖ **Less flexibility** due to long lock-in period.
- ❖ The amount is **taxable** if it is withdrawn **before 5 years**.
- ❖ EPF **provides a 100% risk-free interest 8.5%**. But it is **possible to earn higher returns with other investment** options.



Thanks!