Employee’s Provident Funds and Miscellaneous Provisions Act, 1952

About EPFO

The Employees' Provident Fund Organization (abbreviated to EPFO), is an Organization tasked to assist the Central Board of Trustees, a statutory body formed by the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 and is under the administrative control of the Ministry of Labour and Employment, Government of India.

EPFO assists the Central Board in administering a compulsory contributory Provident Fund Scheme, a Pension Scheme and an Insurance Scheme for the workforce engaged in the organized sector in India. It is also the nodal agency for implementing Bilateral Social Security Agreements with other countries on a reciprocal basis.

The schemes cover Indian workers as well as International workers (for countries with which bilateral agreements have been signed. As of now 19 Social Security Agreements are operational). It is one of the largest social security organizations in India in terms of the number of covered beneficiaries and the volume of financial transactions undertaken. The EPFO's apex decision making body is the Central Board of Trustees (CBT).

The Employees' Provident Fund (EPF) is a savings tool for the workforce. It is a scheme managed under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, by the Employees' Provident Fund Organization (EPFO).

Presently, the following three schemes are in operation under the Act:

- Employees’ Provident Fund Scheme, 1952
- Employees' Deposit Linked Insurance Scheme, 1976
- Employees' Pension Scheme, 1995

Insurance Scheme: All members contributing to Provident Fund are automatically insured for their life during the Service. Employer’s Contribution to the Insurance Scheme is 0.5%. The max. Amount payable to the nominee in case of death of employee is Rs.6,00,000. Benefit

Pension Fund: All employees covered under Provident Fund become members of Pension Scheme. 8.33% of Basic Salary upto Rs.15,000/- is contributed to Pension Scheme from employers share of contribution. A minimum period of ten years of contributory service is required to be eligible to receive monthly Pension. Full pension is payable on completion of 20 years of contributory service.

Eligibility

Any person who is employed for work of an establishment or employed through contractor in or in connection with the work of an establishment and drawing salary upto Rs.15,000/- p.m.

Rates of Contribution under EPF

- Employer‘s share - 12%
- Employee’s share - 12%
- Govt. share - 1%

Applicability

• Every establishment which is factory engaged in any industry specified in Schedule 1 and in which 20 or more persons are employed.

• Any other establishment employing 20 or more persons which Central Government may, by notification, specify in this behalf.

• Any establishment employing even less than 20 persons can be covered voluntarily u/s 1(4) of the Act.

Payment of Contribution

Under EPF scheme, an employee has to pay a certain contribution towards the scheme and an equal contribution is paid by the employer. The employee gets a lump sum amount including self and employer's contribution with interest on both, on retirement.

As per the rules, in EPF, employee whose 'pay' is more than Rs. 15,000 per month at the time of joining, is not eligible and is called non-eligible employee. Employees drawing less than Rs 15000 per month have to mandatorily become members of the EPF. However, an employee who is drawing 'pay' above prescribed limit (at present Rs 15,000) can become a member with permission of Assistant PF Commissioner, if he and his employer agree.

Contribution by employer and employee

The contribution paid by the employer is 12% of basic wages plus dearness allowance plus retaining allowance. An equal contribution is payable by the employee also. In the case of establishments which employ less than 20 employees or meet certain other conditions, as per the EPFO rules, the contribution rate for both employee and the employer is limited to 10 percent.

For most employees of the private sector, it's the basic salary on which the contribution is calculated. For example, if the monthly basic salary is Rs 30,000, the employee contribution towards his or her EPF would be Rs 3,600 a month (12 percent of basic pay) while the equal amount is contributed by the employer each month.

Diversion out of employer's share

It should, however, be noted that not all of the employer's share moves into the EPF kitty. Out of employer's contribution, 8.33% will be diverted to Employees' Pension Scheme, but it is calculated on Rs 15,000. So, for every employee with basic pay equal to Rs 15,000 or more, the diversion is Rs 1,250 each month into EPS. If the basic pay is less than Rs 15000 then 8.33% of that full amount will go into EPS. The balance will be retained in the EPF scheme. On retirement, the employee will get his full share plus the balance of Employer's share retained to his credit in EPF account

SCHEME	EMPLOYEE'S	EMPLOYER'S	CENTRAL
Provident Fund Scheme	12%	3.67% (12% - 8.33%)	Nil
Insurance Scheme	Nil	0.5%	Nil
Pension Fund	Nil	8.33%(diverted out of Provident fund's 12%)	1%

Damages and Interest

If an employer makes default in payment of any contribution to the fund, or in transfer of accumulations required to be transferred, the Central PF commissioner or such officer as may be authorized by CG, by notification in official gazette in this behalf, may recover from the employer by way of penalty, damages at the rates given below:

Less than 2 months	@ 17% per annum
Two months and above but less than upto four months	@22% per annum
Four months and above but less than upto six months	@ 27% per annum
Six months and above	@37% p.a. on total due contribution

Higher voluntary contribution by employee or Voluntary Provident Fund

The employee can voluntarily pay higher contribution above the statutory rate of 12 percent of basic pay. This is called contribution towards Voluntary Provident Fund (VPF) which is accounted for separately. This VPF also earns tax-free interest. However, the employer does not have to match such voluntary contribution.

Withdrawals from the EPF account

According to the EPF Act, for claiming final PF settlement, one has to retire from service after attaining 55 years of age. The total EPF balance includes the employee's contribution and that of the employer, along with the accrued interest.

There is, however, a window to partially withdraw the amount for those nearing retirement. Anyone over 54 can withdraw up to 90 percent of the accumulated balance with interest. But what if someone decides to quit his job before reaching 55? Under the existing rule, the employees, in such cases, can withdraw the full PF balance if he is out of employment for 60 straight days or more.

There was a proposal which restricted employee access to a part of the funds, allowing for the withdrawal of the employer contribution only after attaining the age of 58 years, which stands in abeyance as of now.

To withdraw money online via https://unifiedportal.epfindia.gov.in/, one may now use 'UAN based Form 19' and in effect bypass the employer signature requirement. This facility will be available to all those subscribers whose UAN is activated and seeded with the KYC details like bank account and Aadhaar number. The present employer should have approved/verified the e-KYC.

Interest on account

The Interest in EPF is calculated on the basis of monthly running balance. The rate of interest on Employment Provident Fund (EPF) has been slashed to 8.55% for the year 2017-18 from 8.65% in the previous fiscal.

Universal Account Number

On 1 October 2014, Prime Minister of India, Mr. Narendra Modi launched Universal Account Number for Employees covered by EPFO to enable PF number portability.

UAN stands for Universal Account Number to be allotted by EPFO. The UAN will act as an umbrella for the multiple Member IDs allotted to an individual by different establishments. The idea is to link multiple Member Identification Numbers (Member Id) allotted to a single member under single Universal Account Number.

UAN will help the member to view details of all the Member Identification Numbers (Member Id) linked to it. If a member is already allotted (UAN then he/she is required to provide the same on joining new establishment to enable the employer to in-turn mark the new allotted Member Identification Number (Member Id) to the already allotted Universal Identification Number (UAN).

UAN has been made mandatory for all employees and will help in managing the EPF account and even PF transfer and withdrawals will become much easier than before. Remember, in most cases, the employer provides the UAN and the employee just has to get it activated by providing relevant KYC documents to the employer.

So if you are changing jobs and already have a UAN, you need not get a new UAN from your new employer. It is a one-time permanent number which will remain the same throughout one's career.

When you join a new organization, the first thing you should do is ask your employer for the 'New Form No. 11-Declaration Form' to furnish the existing UAN. If you don't have one, then just give your previous PF number along with the date of exit from your previous job.

UAN is a must for smooth transfer of Provident Fund

For consolidation of a subscriber's multiple PF accounts, currently EPFO subscribers are required to file separate transfer claims online using UAN. Under the new facility, employees can merge as many as 10 previous accounts with their UAN at one go.

EPFO or Employees' Provident Fund Organization has smoothened the process for allotment of UAN. "Now, the citizen on going for an employment can submit generated UAN to the employer so that the same UAN will be linked to the member ID allotted to member in that establishment

EPFO to receive your PF contributions only if UAN is linked to current employer.

The importance of five years of continuous service

Typically, in early and mid-years of their careers, employees tend to switch jobs. After leaving, they have two options with regard to their EPF. Either they can withdraw it after waiting for 60 days (if unemployed) or transfer the balance to the new employer.

The EPF withdrawal is not taxable if one has completed at least five years of continuous service. If one has switched jobs in less than five years but transferred the EPF to the new employer, it will be counted as continuous service. Someone, for instance, works for 1.5 years and then joins another organization. He transfers his PF balance on to the new employer where he continues to work for 3.5 years. Taken together, it will be five continuous years of service for the employee. It is, therefore, better to transfer your existing PF to your new employer.

Tax on early withdrawals

Withdrawing the PF balance without completing five continuous years of service has tax implications. The total employer's contribution amount along with the interest earned will get taxable in the year of withdrawal. Also, the amount of deduction claimed under Section 80C on one's own contribution will be added to one's income in the year of withdrawal. In addition, the interest earned on one's own contribution will also be subject to tax.

The government had introduced Tax Deducted at Source (TDS) on PF withdrawals in order to discourage premature withdrawals and promote long-term savings. No tax is deducted if the employee withdraws PF after five years. Also, TDS shall not be applicable in case of PF transfer from one account to another. From June 1, 2016, for TDS, the threshold limit of PF withdrawal has been raised from Rs 30,000 to Rs 50,000. TDS will be applicable at the rate of 10 per cent provided PAN card is submitted.

Employees' Provident Fund Advances

Contributions towards Employees' Provident Fund (EPF) are meant to take care of one's post-retirement needs. But you don't have to wait till you retire to lay your hands on it. The EPFO allows one to access one's EPF even during the course of employment. Such withdrawals are treated as 'advances' and not loans.

Such advances are allowed only under specific situations – buying a house, repaying a home loan, medical needs, education or marriage of children, etc. Also, the amount that you can take as an advance will depend on the specific situation, the number of years of service, etc. As it's not a loan, one need not pay any interest on such advances. Unlike a loan, it is not necessary to repay the advance.

Availing advances

If you have your Know Your Customer (KYC) compliant Universal Account Number (UAN), which is activated and seeded to your bank account, you don't have to even go through your employer to get hold of your EPF. The UAN Based Form 31 (New) can be directly submitted to the EPFO. Else, you may fill in Form 31 and submit it to the EPFO through your employer.

The employee can take the advance for buying or building a house or buying a plot of land and even for construction of a house on a plot owned by the member. The advance can also be taken for repayment of the outstanding home loan, for self or family member's medical treatment, for the marriage of self/daughter/son/brother/sister or for post matriculation education of son/daughter.

Special advance scheme for housing

EPFO has recently allowed members i.e. the contributory employees of the provident fund (PF) scheme to use 90 percent of EPF accumulations to make down payments to buy houses and use their accounts for paying EMIs of home loans.

Under the new rules, an essential requirement for a PF member to withdraw one's PF money to buy a real estate property is that he or she has to be a member of a registered housing society having at least 10 members.

As a member, one can use the PF funds for an outright purchase, as a down payment for a home loan, for buying plots, for the construction of a house. The transactions can be made through central government, state government and even from a private builder, promoters or developers. Only those members who have completed 3 years as a PF member will be eligible for this scheme.

Compliance Checklist under EPF Act

S.No.	Provision	Compliance	Form
1.	Return of ownership of establishment	Within 15 days on coverage and whenever there is a change in ownership	Form 5A
2.	Detail of employees	Detail of employees enrolled as members PF fund, within 1 month of coverage	Form 9
3.	Nomination Form	Every employee must file Declaration and Nomination Form as given in Form 2	Form 2
4.	Declaration Form	When you join a new organization, the first thing you Should do is ask your employer for the 'New Form No. 11-Declaration Form' to furnish the existing UAN. If you don't have one, then just give your previous PF number along with the date of exit from your previous job.	Form 11
5.	Employer and Employee's PF dues Pension Fund.	15th of the following month	EPF Challan (Online) With ECR
6.	Transfer Claims of PF	Application for transfer of EPF Account from Exit Previous Organization and Join New Origination.	Form 13
7.	PF withdrawal claims	Application for exit Employee	Form No. 19 , Form 10C
8.	Advances Benefit	The employee can take the advance for buying or building a house or buying a plot of land and even for construction of a house on a plot owned by the member	Form 31
9.	On the Death of the Member	If a Valid Nomination Subsists – By the Nominee (S) is/are Minor (S) Guardian of the minor (S)	Form 20, Form 10D and 5(IF)

Website links

https://epfindia.gov.in/site_en/index.php