Employees Provident Fund & its Applicability

Introduction

While the government provides social security to its employees during old age via pension, non-government employees are covered under the Employees Provident Fund and Miscellaneous Provisions Act, 1952.

The Employees Provident Fund Organization, which has been mandated by the Act to ensure coverage for the organized sector, operates three schemes — the Employees Provident Fund (EPF), the Employees Pension Scheme (EPS) and the Employees Deposit Linked Insurance Scheme (EDLIS).

The EPF scheme is a provident fund which provides to its subscribers, a lump sum retirement corpus built out of monthly contributions and the accumulated earnings, the EPS provides a modest pension to the members of this scheme and the EDLIS offers insurance coverage.

Applicability

- Any establishment which is a factory, engaged in any industry specified in Schedule 1, and in which 20 or more persons are employed.
- Any other establishment, which Central Government may, by notification, specify in this regard and employing 20 or more people.
- Any establishment employing less than 20 persons can also be covered voluntarily under section 1(4) of the Act.

Note: An establishment to which this Act applies, shall continue to be governed by this Act regardless of whether the number of persons employed therein at any time, falls below 20.

Eligibility

Any person employed for work in an establishment or employed through a contractor in or in connection with the work of an establishment.

Rate of Contribution

Employer's Contribution:

Account No.1 EPF Contribution - 3.67%

Account No.2 Administration Charges - 1.1%

Account No.10 Employees Pension Fund - 8.33%

Account No.21 Linked Insurance Fund - 0.5%

Account No.22 Insurance Fund Admin Charges - 0.01%

So Total 13.61%

Employees Contribution

Account No.1 EPF Contribution - 12%

So Total is 12%

Forms to be submitted to respective offices are as follows:-

1. Form 2: Nomination and declaration form to be submitted for every one before joining.
2. Form 5-A: Any change in ownership
3. Form 3-A: Employees yearly statement
4. Form 6-A: Yearly return with form 3A within 30 days of close of financial year.
5. Form 12-A: To be submitted every month with contribution challan duly signed within the 20th day of . the following month.
6. Form 5 & 10: New members join and old members left statement to be submitted in every month.

Penal Provisions and Damages

- Delay in deposit of Provident Fund dues attracts penal damages. Damages are levied at the following FLAT RATES:
    - For 0-2 months delay – @ 5 % p.a.
    - For 2-4 months delay – @10 % p.a.
    - For 4-6 months delay – @ 15 % p.a.
    - For delay above 6 months – @ 25 % p.a. (subject to a maximum of 100%)
- If any person, for the purpose of avoiding any payment to be made under the Act or the Schemes, knowingly makes a false statement or false representation, he/she will be punished with imprisonment up to one year, or a fine up to Rs. 5000.00 or both.
- If any employer defaults in payment of the employer's contribution or the employee's contribution payable under the Employees' Provident Funds Scheme or the payment of inspection charges, he will be punished with imprisonment up to 3 years but not less than 1 year. It will also attract a fine of Rs. 10,000/- in case of default in payment of the employee's contribution which has been deducted by the employer from the employees' wages for six months and a fine of a Rs. 5,000/- in any other case.
- If any employer defaults in payment of the employer's contribution or the administrative charges payable under the Deposit Linked Insurance Scheme under section 6-C or contravenes the provisions of section 17(3)(a) relating to the payment of inspection charges, the employer is liable to be punished with imprisonment up to 1 year, but not be less than 6 months, plus a fine up to Rs. 5,000/-.

- If any person contravenes or defaults in complying with any other provision of the Act or any condition for exemption from any scheme, he/she will be punished with imprisonment up to six months but not be less than 1 month and a fine up to Rs. 5,000/- or both.

- If any person convicted of an offence under the Act or the Schemes commits it again, he/she will be punished with imprisonment up to five years but not be less than two years, plus a fine up to Rs. 25,000/- {Section 14 & 14(AA)}

Calculations

It is to be noted that even an excluded employee i.e. drawing wages more than Rs.6500 can also become member of the Fund and the Schemes on joint request and if, for instance, such an employee is getting Rs.10, 000 per month, his share towards the provident fund contribution will be Rs.1200 e.g. 12% and the employer’s share towards provident fund contribution will be Rs.659 (1200-541) and Rs.541 (6500*8.33%) towards the Employees’ Pension Fund.