Case Study 2: PF Deductions for workmen engaged or employed through a Contractor

Mr. Skillful, was engaged through Skyline Contractors by DreamBuilt Developers, an establishment with expertise in construction of commercial complexes and flyovers.

(i) Is Mr. Skillful eligible for Provident fund under Employees' Provident Fund and Miscellaneous Provisions Act, 1952?
(ii) Who among the two entities - Skyline Contractors or DreamBuilt Developers is liable for provident fund compliance w.r.t Mr. Skillful?

When a person is engaged through a contractor:

1. The contractor shall recover both provident fund and pension contributions, payable by the persons so engaged (Mr. Skillful in this case) from their wages/salary. This is known as member's contribution.
2. The contractor shall make an equal amount of contribution known as the employer's contribution.
3. The contractor shall pay the above two amounts (member's and employer's contributions) along with the Administrative charges to the Principal employer. (DreamBuilt Developers in the given case).
4. The Principal employer shall deposit the amount with the EPFO.

OR

DreamBuilt Developers (principal employer) can deduct the Provident Fund contributions along with the Administrative charges in respect of persons engaged through the contractor from the payments made against the bills raised by the contractors i.e. Skyline contractors. The Contractor in turn would deduct the employee's contributions from their wages.

OR

When a contractor has a valid registration with EPFO then both the member's and employer's contribution can be deposited directly by the contractor with the EPFO.

In the given case, the principal employer, DreamBuilt Developers is **responsible** for,

- The PF contributions for the employees directly employed by the establishment i.e. DreamBuilt Developers and

- The contributions in respect of the employees engaged/employed by or through a contractor and
- The administrative charges.

Ans. (i) Based on the above discussion it is obvious that Mr. Skillful is eligible for Provident fund under Employees' Provident Fund and Miscellaneous Act, 1952

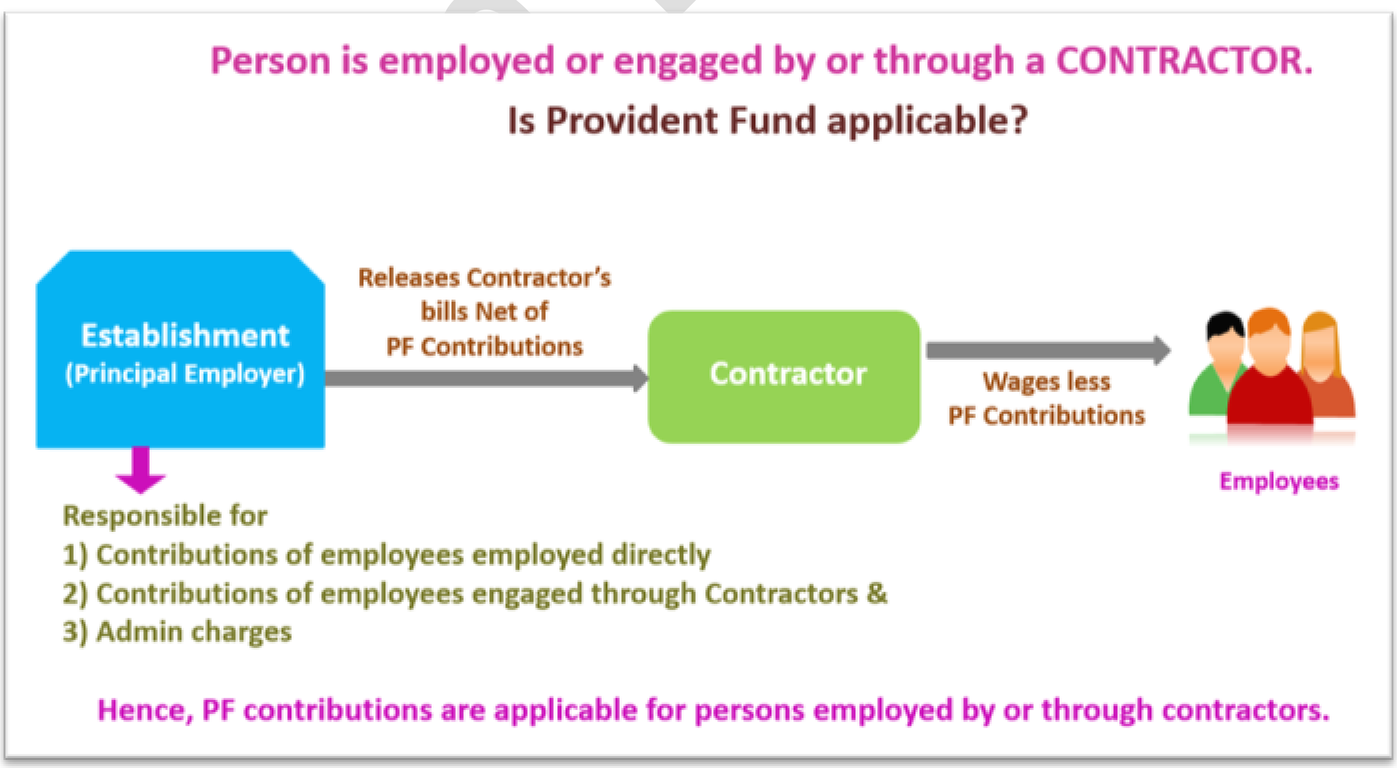
Ans. (ii) Skyline Contractors can recover PF contributions from the wages of Mr. Skillful and deposit the same either with EPFO or with DreamBuilt Developers who in turn shall remit to EPFO. Alternatively, DreamBuilt Developers can deduct PF contributions of Mr. Skillful from the payments made to Skyline Contractors and deposit the same with EPFO.

Either way it is the responsibility of the principal employer i.e. DreamBuilt to ensure Provident fund deductions are made on behalf of Mr. Skillful and deposited with EPFO by due dates.

Hence, compliance under EPF & MP Act, 1952 for persons engaged/employed through a contractor is the responsibility of the principal employer.

Takeaways:

1. Employees engaged/employed through a contractor are eligible for Provident fund under EPF & MP Act, 1952.
2. Principal employer is responsible for deduction and timely deposit of Provident fund for employees engaged through a contractor.
3. PF Contributions can be remitted by Contractors directly or via their Principal Employers



Provident Fund

The course explains the relevant concepts in PF law, practical aspects in PF calculations and typical cases in Provident Fund. Covers topics such as, Understanding the meaning of Payroll, Various stages in Payroll Process, Pay Cycle, Applicability and Coverage of the Act, Employees' Pension Scheme (EPS), Monthly workings under PF and Pension, PF & EDLI Administrative charges and so on

Employees' State Insurance

The course teaches the relevant portions in ESI Act (India), Practical aspects in ESI workings & Typical Cases in ESI. Covers topics such as Understanding the meaning of Payroll, Various stages in Payroll Process, Pay Cycle, Applicability and Coverage of the ESI Act, Contribution & Benefits Periods, Code & Sub Code Numbers, Meaning of "Wages" under ESI Act, Monthly workings under ESI and Calculations for Interest and Damages and so on

Bonus-Calculations/Compliances

The course on Bonus covers relevant portions in The Payment of Bonus Act, 1965, Practical aspects in Bonus workings & Typical Cases in Bonus. Covers topics such as Eligibility for Bonus, Persons entitled for bonus, Applicability and coverage of the Act, Bonus Calculations (using simulated data), General Practices followed by organizations while processing bonus, Minimum & Maximum bonus payable, Meaning and Calculations related to key terms such as Available Surplus, Allocable Surplus, Set On, Set Off, Mode & time limit for payment of bonus and so on.