Employees' Provident Fund and Miscellaneous Act, 1952

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Introduction

The Employees' Provident Fund came into existence with the enactment of the Employees' Provident Funds (EPF) Ordinance in 1951. EPF Ordinance was later replaced by the EPF Funds Act, 1952. The EPF Bill was introduced in the parliament in 1952 to provide for provident funds for employees in factories and other establishments. Law that governs employees' provident fund is now referred as the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 (also called The Act).

Structure

The Act and all its Schemes are administered by a tri-partite Board called Central Board of Trustees (EPF). It has representatives of Government (both Central and State), Employers and Employees. The Board is chaired by the Ministry of Labour and Employment, Government of India. The Central Board of Trustees (EPF) operates 3 schemes:

a. The Employees' Provident Funds Scheme 1952 (EPF)

b. The Employees' Pension Scheme 1995 (EPS)

c. The Employees' Deposit Linked Insurance Scheme 1976 (EDLI)

Employee provident fund scheme, 1952 (EPF)

- This scheme is meant to promote retirement savings for employees.
- The scheme is managed under the aegis of Employees' Provident Fund Organisation (EPFO).

Employees pension scheme, 1995 (EPS)

- Along with EPF, EPS is a part of the EPF organisation.
- Providing post-retirement benefits to the employees
- Out of employer's share 8.33% is diverted towards EPS with a cap of 1,250 per month.
- The employee's basic salary should be a minimum 6500/- to be eligible for this scheme.

Employees deposit linked insurance scheme, 1976 (EDLI)

- EDLI scheme is applicable to all the factories and establishment to which the EPF & MP Act, 1952 applies.

- This scheme is meant to provide relief to the family members of the employee in case of untimely or sudden death.

Applicability of EPF Registration

Which industries and businesses are covered under the EPF act, 1952?

- All such industries that are covered under the schedule I of the EPF Act, 1952 are liable to get registered in the EPF scheme if their employee strength is 20 or more, even for one month of a financial year.
- For cinemas, the employee strength threshold is 5 or more.

Which employees are covered under the EPF act?

- Employees drawing less than Rs. 15000 per month have to mandatorily become members of the EPF.
- 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

The EPF contribution goes into the following accounts

- EPF (employee provident fund account)
- EPS (employee pension account)
- EDLI (employee deposit linked insurance scheme)
- ELDI Administration charges (employee deposit linked insurance scheme administration charges)

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.
- 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.

(**Note:** 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 per cent.)

Benefits

Benefits of Registration under ESI

- Tax free savings under section 80 of Income tax act if you withdraw your EPF amount after 5 years
- Lucrative interest rate of 8.55%* per annum
- Post retirement benefits: FULL EPF and EPS amount can be withdrawn at retirement if you have completed 10 years of service.
- Your EPF amount can be used towards marriage expenses, death, home loan, construction, etc.
- You will get unemployment benefits if you stay jobless for more than 2 months.
- Life Insurance: EDLI is an insurance scheme meant to provide financial relief to the family members of an employee who died a sudden death.
- The ease of using and tracking the EPF contribution through UAN (Universal account number).

(* Fluctuating)

What is the EPF registration process?

Mandatory EPF registration

- If the employee strength of any eligible organization hits the threshold of 20 even for one month in a financial year, then that organization is liable to apply for EPF registration to avoid several penalties in near future.

Voluntary Registration

- If employer wishes to provide the benefits of EPF to the employees even if the employee strength is less than 20, then he/she can apply for voluntary EPF registration under the EPF act after taking consent from all the employees.

Documents Required For EPF Registration

Employers need to give the following details to successfully register themselves

- Name and address of the company
- Head office and branch details
- Mention date of incorporation/registration of company
- Fill up details of employees – total employee strength
- Activities the business/enterprise is involved in – i.e. manufacturing, production, service, etc.
- Legal details – This is related to legal status of a company, i.e. whether it is a private firm/public company, partnership or society, etc.
- Owner details, including designation and address of Directors and partners
- Particulars related to wages of employees, i.e. total wages paid out during a month
- Details of bank with whom company have banking relationship
- Basic information of employee (name, date of joining, salary, etc.)
- Digital Signature Certificate (DSC) Class II
- PAN details

EPF registration process for employers

- Be ready with all the mentioned required documents
- Go to the E-Sewa portal – www.epfindia.gov.in
- Go to Establishment Registration tab
- Register the organization with EPFO
- Read the User Manual
- Register DSC
- Fill in the required details and submit the form online.

Thank You !!