

# EMPLOYEES' PROVIDENT FUNDS AND MISCELLANEOUS PROVISIONS ACT, 1952

## 1.1 INTRODUCTION

The Employees' Provident Fund is a social welfare legislation intended to protect the interest of the workers employed in factories and other establishments. It is implemented by the Employees' Provident Fund Organisation (EPFO) of India. The Employees' Provident Fund Bill was passed by both the Houses of the Parliament and it received the assent of the President on 4th March, 1952. The nomenclature of the Act was changed as "The Employees' Provident Funds and Miscellaneous Provisions Act, 1952" (w.e.f 1st August, 1976). Now it stands as THE EMPLOYEES' PROVIDENT FUNDS AND MISCELLANEOUS PROVISIONS ACT, 1952 [EPF AND MP ACT, 1952]

## 1.2 OBJECTIVE OF THE EPF AND MP ACT, 1952

- ◆ The Employees' Provident Fund and Miscellaneous Provisions Act, 1952 aims to provide a kind of social security to the industrial workers. The Act mainly provides retirement or old age benefits, such as Provident Fund, Superannuation Pension, Invalidation Pension, Family Pension and Deposit-Linked Insurance.
- ◆ The Act provides for payment of terminal benefits on the happening of various contingencies such as retirement, closure, retirement on attainment of the age of superannuation, voluntary retirement and

retirement due to factors which result in incapacity of the employee to work.

### 1.3 KEY AMENDMENTS TO THE EPF ACT, 1952

The Ministry of Labour and Employment, Government of India, has brought into force the following significant amendments w.e.f 1st September, 2014 under the existing 3 schemes of EPF Act, 1952. These are as follows :

#### **The Employees' Provident Fund Scheme, 1952**

**Excluded Employee.** The definition of excluded employee has been revised whereby the members drawing wages above ₹15,000 per month are excluded from the provision of the PF scheme. Consequently, the wage ceiling for an employee has been **raised from ₹6,500 to ₹15,000 per month.**

#### **The Employees' Deposit-linked Insurance Scheme, 1976**

**Contribution.** The contribution payable for the purpose of Insurance Scheme shall now be calculated on a **monthly wage of ₹15,000 instead of ₹6,500.**

**Assurance benefits.** Where a member dies on or before 1st September, 2014, the assurance benefits available under the Insurance Scheme have been raised by 20% in addition to the already admissible benefits.

#### **The Employees' Pension Scheme, 1995**

**New Members.** The new entrants joining the factory or establishment on or after 1st September 2014, drawing wages above ₹15,000 per month shall not be eligible to contribute to the Pension Scheme if they so desire.

**Maximum Pensionable Salary.** It has been enhanced **from ₹6,500 to ₹15,000** for the purpose of determining the monthly pension.

**Contribution Period.** The pensionable salary shall be calculated on the average monthly wage for the **contribution period of the last 60 months (earlier it was 12 months)** prior to the date of exit from the membership.

**Minimum Amount of Monthly Pension.** Any existing or future member shall not get monthly pension less than **₹1,000** for the financial year 2014-15.

The above mentioned amendments to the 3 schemes by the GOI for the financial year 2014-15 have enhanced the scope, applicability and benefits provided to the employees under the EPF Act. Further, it has also enhanced the liability of the employers. Now the employers are required to enroll

additional eligible employees and to contribute on the increased wage ceiling.

All these amendments have been incorporated at the relevant place in the chapter.

### **AMENDMENTS TO EMPLOYEE PROVIDENT FUND ACT, 1952 IN 2016-17**

#### **1. New PF Withdrawal Rules.**

The Ministry of Labour and Employment, Government of India, has recently made a few amendments in the Employees' Provident Fund Scheme, 1952. These guidelines are mainly related to '**Early Withdrawals**' from Provident Fund & provisions related to PF withdrawals. These Amendments are related to;

- ◆ Full EPF balance cannot be withdrawn before attaining Retirement Age.
- ◆ Continuity of EPF membership.
- ◆ Increase in Age limit to withdraw 90% of PF balance.
- ◆ Partial withdrawal of EPF amount on Resignation
- ◆ Increase of retirement age.

These new PF withdrawal rules were made effective from **10th February, 2016**.

**“Govt. rolls back new EPF withdrawal norms and old system will continue. The notification which was issued on 10th Feb, 2016 has been cancelled.” So, the existing rules will be continued. [GSR. 158(E) dated 10<sup>th</sup> February]**

#### **2. Interest to be paid on Inoperative Employee Provident Fund Account**

As per the terms of this Amendment, if an EPF Account lies **idle for 36 (Thirty Six) months or more**, it will not be automatically treated as inoperative, but will continue to accrue interest.

**[GSR 1065 (E) dated 11<sup>th</sup> November, 2016 vide EPF (Sixth Amendment) Scheme, 2016]**

#### **3. Electronic Challan cum Return (ECR) gets a process-upgrade (Version 2)**

The Employees' Provident Fund Organization (EPFO) has moved towards the next phase in digitalization of processes. Earlier, the EPFO had released a new digitalized process for **Pradhan Mantri Rojgar Protsahan Yojana (PMRPY)** and **Universal Account Number (UAN) 2.0**.

On the 20<sup>th</sup> December, 2016, the Employees' Provident Fund Organization (EPFO) launched the next version of the Electronic Challan cum Returns (ECR). Consequently, to carry out the migration to the newer version of ECR under unified portal, the portal was made inactive from **17<sup>th</sup> Dec to 20<sup>th</sup> Dec, 2016**.

The EPFO has reduced the complexity of the existing process by revising the existing ECR file format and the ECR filing portal.

**Previously, around 25 fields were required to be filled in order to file an ECR. The new ECR file format contains only 11 fields.** It consolidates the existing 'ECR filling portal', 'claim-status' portal and 'challan payment portal' into one unified filing and payment portal.

The ECR (Version 2) will be a completely UAN based format so only the contribution of UAN registered employees can be uploaded.

**In ECR (Version 2) the following fields have been omitted:**

1. Member ID
2. Employee contribution due
3. Employer contribution due
4. Employee Pension Scheme contribution due
5. All arrear fields and other employee information fields

**All 'arrear related fields' will now be a part of the new arrear file and all 'employee information fields' would be captured at the time of UAN generation. Furthermore, 'UAN' and 'gross wages' columns have been added to the ECR.**

### **What is UAN?**

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. This will help the member to view details of all the Member Identification Numbers (Member Id) linked to it. If a member is already allotted Universal Account Number (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).

#### 4. Provident Fund - Enrolment Campaign 2017

The Ministry of Labour and Employment, Government of India has pursuant to its notification bearing **ref. No. G.S.R.1190 (E) dated 30th December, 2016 notified the Employees' Provident Funds (Seventh Amendment) Scheme, 2016 ("Enrolment Campaign 2017")** giving an opportunity to defaulting companies to register their employees as members under the Employees' Provident Funds Scheme.

**The Central Board (EPF) in its 215th meeting held on 19 December, 2016, decided to launch a special campaign from 1-1-2017 to 31-3-2017 to enroll left out eligible workers** for bringing them under the social security umbrella of EPFO. The campaign seeks to enroll new establishments and employees with or without past service. **This Campaign was further extended till 30<sup>th</sup> June, 2017.**

#### 5. Withdrawal from Provident Fund to facilitate housing needs of PF members (Head Office circular dated 21-4-2017)

1. As per this Amendment, **paragraph 68-BD** has been inserted in the EPF Scheme, 1952 for withdrawal of, and financing from, the provident fund for purchase of dwelling house or flat or the construction of a dwelling house.

In paragraph (1) of the said circular, all the field offices were requested to give wide publicity through electronic as well as print media about this amendment to the employers and the subscribers.

2. Bulk mails may be sent to the employers, trade unions and the PF subscribers. Awareness campaign may also be launched by organizing seminars, workshops, press releases etc. so that willing and eligible PF members can avail this facility.

3. An action taken report alongwith clipping of newspaper/media may be forwarded to Head Office immediately.

#### 6. New Scheme for PF Defaulters

Employees Provident Fund Organisation has introduced a new scheme, in which special drive was to be initiated from 1st January, 2017 by the EPFO for coverage of the establishment which are not yet covered but which are liable for EPF coverage.

The Establishment which is legally liable for coverage will be covered under the Employees Provident Fund Act.

According to the Scheme, following benefits will be provided to the defaulters:

1. Only Employer Share will be levied, No Employees share.
2. Interest as applicable on Employer's Share.
3. Damages @ ₹ 1/- Per Annum.

The above will be with a condition that, the Establishment is not legally liable **before 01.04.2009**.

### **7. Online PF Withdrawal Application Launched**

Under Aadhaar based Online Claim Submission scheme, all EPF Members who have activated their UAN and seeded their KYC (Aadhaar) with EPFO will be able to apply for **PF final settlement (form19), Pension withdrawal benefit (Form10-C) and PF part withdrawal (Form 31) from the their UAN Interface directly.**

**The three forms collectively form more than 80% of EPFO's claim workload.** Members can complete the whole process online and they neither need to interact with the employer nor with the EPFO field office to submit online claim. They are not required to give any supporting document while preferring online PF part withdrawal case. Member's applying online will be taken as his self-declaration for preferring the advance claim.

### **8. Submission of Self Declaration for Advance for Medical Treatment**

Ministry of Labour & Employment has **amended Paragraph 68-J and Paragraph 68-N of Employees' Provident Fund Scheme, 1952** and it will come into force from the date of its publication in the official Gazette. According to it, a member would only be required to submit a self-declaration, which has already been included in the composite claim form, to avail advance under the EPF Scheme in case of illness of members/dependent and also in case of differently abled members.

This is in continuation of initiatives taken by EPFO as part of next phase of its e-governance reforms with a view to make the services of EPFO available to its stakeholder in an efficient and transparent manner. **An administrative order was issued on 20.02.2017 in the matter of Introduction of Composite Claim Forms (Aadhaar and Non-Aadhaar) to replace existing Claim Form Nos. 19, 10C & 31 and Form Nos. 19 (UAN), 10C (UAN) & 31 (UAN).** EPFO has since implemented Universal Account Number (UAN) for its subscribers. It is now possible for subscribers, who have seeded their UAN with Aadhaar Number and Bank account details, to submit claim forms directly to EPFO without the attestation of employers.