Employees’ Provident Fund Organisation has removed the five days grace period for remitting of monthly provident fund contributions

**Background**

As per the provisions of the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 (EPF Act) the employee and the employer are required to pay 12 per cent of the salary (as defined under the EPF Act) towards Provident Fund (PF). According to the Employees’ Provident Funds Scheme, 1952 (EPFS), employers are required to pay their contributions and administrative charges within 15 days of the close of every month.

Also, as per Para 5.1.3 of the Manual of Accounting Procedure (Part-I General), a five days grace period was allowed to the employers to remit their PF contributions, as it used to be done manually.

**Key changes**

- The Employees’ Provident Fund Organisation (EPFO) recently issued a circular, wherein the grace period of five days has been removed and employers are required to pay their contributions and administrative charges within 15 days of the close of every month.

- Currently, employers compute their PF liabilities electronically and file the Electronic Challan-cum-Return (ECR). The remittances are also made by employers through internet banking. ECR and e-payments have helped reduce the time taken in calculation and remittance to EPFO.

- Accordingly, the EPFO has decided to withdraw the grace period of five days given to employers for remitting PF contributions and other dues.

- This decision of PF authorities shall apply from February 2016 (for contributions of January 2016 that are payable in the month of February 2016).

**Our comments**

It is important for establishments covered under the EPF Act to remit their PF contributions within 15 days of the close of every month in order to avoid interest and damages implication.

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1 Source of Circular:  

Accessed on 15 January 2016