Relief proposed for late enrolments and delayed contributions under the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952

Background

The Central Board of Trustees (CBT) is a statutory body constituted by the Government of India under the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 (EPF Act).

On 19 December 2016, the CBT in its 215th meeting have made certain proposals to the Government of India.

Key proposals made by the CBT

1. Provident Fund (PF) interest rate

Paragraph 60(1) of Employees’ Provident Funds Scheme 1952, requires EPFO to credit to the account of each member interest at such rate as determined by the Central Government in consultation with the CBT. The CBT decided to recommend 8.65 per cent interest to its subscribers for the year 2016-17. Nearly 17 crore members’ accounts will be credited with this interest rate if the proposal is accepted by the Government of India.

2. Relief for past defaults

The relief is proposed to be available between 01 January 2017 and 31 March 2017. The following recommendation will be made to the Government:

- Nominal damages for payment of past contribution will be levied at the rate of INR1 per annum.

- Employers may declare their employees who were required to become members under the EPF Act from 01 April 2009 to 31 December 2016.

- The employer shall be responsible to pay the contributions and interest payable in accordance with the provisions of the EPF Act read with special provisions notified by the Central Government.

- No administrative charges will be leviable for the past period in respect of the employees enrolled during the campaign i.e. between 01 January 2017 till 31 March 2017.

3. Guidelines for streamlining surrender of exemption

The CBT approved a set of guidelines for streamlining the process of surrender of exemption granted to establishments. Surrender of exemption entails a scenario where an establishment wants to discontinue the exemption granted to its in-house scheme for their employees.

4. Reduction of administrative charges

For meeting the expenses to administer the Schemes framed under the EPF Act, the Central Government in consultation with the CBT, EPF regulates the administrative charges from time to time. The administrative charges were last reduced from 1.10 per cent to 0.85 per cent with effect from 01 January 2015.
The Central Board decided to recommend further reduction of administrative charges to 0.65 per cent. It also recommended to abolish administrative charges for EDLI Scheme.

Our comments

The recommendations made by the Central Board of Trustees will need to be approved by the Government of India for implementation.

Employees who have a PF account with the Employees’ Provident Fund Organisation will earn an interest rate of 8.65 per cent on their PF accumulations for FY2016-17.

The companies that run in-house PF Trusts under the EPF Act are also required to match the rate of interest declared by the Government of India for FY2016-17 on provident fund accumulations of their members.

The relief that is proposed by CBT for past defaults is a welcome step in the direction of ease of doing business in India. The relief measures are likely to increase member enrolments for social security benefits.

These relief measures are likely to be applicable to International Workers as well as non-International Workers under the EPF Act. Employers should review their compliance processes to assess potential cases of non-enrolment of eligible employees (especially Foreign Nationals, Overseas Citizens of India/ Persons of Indian Origin card holders and Contract Workers) to avail the benefits under the proposed relief measures.