The Government of India issues notification on enhancing wage ceiling from existing INR6,500 to INR15,000 for schemes framed under the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952

1 September 2014

Background

Under the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 (EPF Act) the statutory wage ceiling for enrolling employees, as well as for making contributions, is INR6,500 per month (except for some special classes of employees).

In the Union Budget 2014, the statutory wage ceiling was proposed to be revised to INR15,000 per month. After the announcement of the Union Budget 2014, the Employees’ Provident Fund Organisation (EPFO) issued a circular dated, 14 August 2014 to its field officials for undertaking preparatory activities to implement the proposed changes. (For details please refer to our earlier flash news dated 22 July 2014; to access click on the below link)


In the above context, the Ministry of Labour and Employment, Government of India, has now issued a notification which has made the following amendments in the respective schemes framed under the EPF Act, 1952. The amendments shall be effective from 1 September, 2014.

Key amendments in the notification

Under Employees’ Provident Funds Scheme, 1952 (EPFS)

- The wage ceiling for mandatory PF contribution has been revised from INR6,500 to INR15,000 per month
- If the monthly pay (as defined under the EPF Act) exceeds INR15,000, employees can be enrolled voluntarily and contributions can be made on higher salaries, as well.
Under Employees’ Pension Scheme, 1995 (EPS)

- Wage ceiling for the purpose of employer and central government contribution has been revised from INR6,500 to INR15,000 per month.
- In case of new members under EPFS, the EPS shall apply to employees whose pay is less than or equal to INR15,000 per month.
- The maximum pensionable salary for the purpose of calculating monthly pension, which was limited to wages of INR6,500, has also been increased to INR15,000.
- The pensionable salary will be calculated on the average monthly pay for the contribution period of the last 60 months preceding the date of exit from the membership.
- The monthly member’s pension to any existing or future member shall not be less than INR1,000 for the financial year 2014-2015.
- Further, the monthly widow pension shall be a minimum of INR1,000 per month for the financial year 2014-2015.

Under Employees’ Deposit Linked Insurance Scheme, 1976 (EDLIS)

- The contribution which was calculated on a monthly pay of INR6,500 shall now be calculated on a monthly pay of INR15,000.
- In the event of death of an employee, the assurance benefits available under the scheme will be increased by twenty per cent.

Our comments

The proposed enhancement of the statutory wage ceiling is expected to have significant implications for the industry. All establishments covered under the EPF Act will have to review and make necessary changes in the monthly contributions. Employers will have to enrol additional eligible employees who fall within the ambit of the enhanced statutory wage ceiling.

Further, the enhanced statutory wage ceiling will increase the employers’ contribution as they will have to mandatorily contribute up to the monthly pay of INR15,000 for all the eligible employees. This is expected to result in an increase in the employers’ cost of compliance under the EPF Act.

Since the wage base for provident fund contributions has been a debated area, the enhancement of wage ceiling may witness an increase in litigation.

Employees may face a reduction in the net take home salary, but they can be eligible for corresponding higher benefits. Further, the introduction of a minimum floor for monthly member pension and enhancement in the monthly widow pension limit may benefit substantial number of pensioners and workers across the country.

In the case of international workers, the concept of wage ceiling is not applicable for contributions to the provident fund scheme and pension scheme.


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