

EMPLOYEE PROVIDENT FUND (EPF)

- i. The Employee Provident Fund (EPF) is a form of social security for all employees and is a joint contributory scheme between the employee and the employer.
- ii. Every employee will be eligible to become a member of the Employee Provident Fund (EPF) Scheme administered by the Regional Provident Fund Commissioner's Office (Local Jurisdiction)- from the date of joining, subject to rules of the Company.
- iii. Company pays P.F on either actual or Capped Basic + DA. Capped Basic + DA is decided on company rules and is not restricted. It is applicable to those employees who have Basic + DA exceeding ₹ 6,500/-.
- iv. Upon becoming a member of any PF for the first time, an employee gets a new PF account number. Employees who already have been members of the PF of other companies get a new account number; however, previous balances can get transferred into his account with our Company's PF.
- v. Every member of the Provident Fund will be responsible to file his nomination in the prescribed form. The employee shall change his nomination if there is any change in his family as defined in the Act. This is to avoid legal difficulties later on in case of demise of the member.
- vi. On cessation of employment with the Company, an employee shall fill up necessary forms for transfer of his Provident Fund dues to his new employer.
- vii. In case an employee has not taken up an employment for two months or more after leaving the services of the Company, or is joining an organization to which the PF Act does not apply, or is emigrating on a work visa, he may withdraw the amounts in his PF account. This is done after a minimum of two months from the date of separation. Income-tax would be charged on all such withdrawals, except where the

employee has completed a minimum of 5 years of continuous PF membership as of the date of his withdrawal. For this, he shall fill up the Provident Fund Final Settlement forms and claim his dues from the Regional Provident Fund Commissioner's Office. Even though this facility is available, employees are advised in their own interests not to withdraw their PF balances, since this is a good form of compulsory saving, which also earns tax-free interest.

EMPLOYEE

FAQ – EMPLOYEE PROVIDENT FUND (EPF)

1. Who manages the Employee Provident Fund?

The Fund is managed by the Central Board of Trustees of EPF Organization. The Central Board of Trustees (CBT) has representatives of Employees, Employers and the Government.

2. What do you mean by Capped Basic + DA?

Employers Contribution under PF has a ceiling limit of ₹ 6,500/-. That is, if the Basic + DA per month is up to ₹ 6,500/-, the specified contribution will be on actual Basic + DA. If the Basic + DA is more than ₹ 6,500/-, then the specified contribution amount will be restricted to ₹ 6,500/-. This ceiling limit is known as Capped Basic + DA.

Employer can have a policy where in the PF Contributions for employee drawing Basic + DA exceeding ₹ 6500/- will be on actual Basic + DA and not restricting it to Capped Basic + DA.

3. How much one can contribute as an Employee?

Generally employees contribute @ 12% of their Basic + DA. Though this is the statutory limit, one can contribute more than this rate also. The percentage of 12% of Basic + DA is subject to a ceiling of ₹ 6,500/-. That is, if the Basic + DA per month is up to ₹ 6,500/-, the contribution will be 12% of that amount. If the Basic + DA is more than ₹ 6,500/-, then the contribution amount will be restricted to 12% of ₹ 6,500/-. The Employer also will contribute at a rate of 12% (+ EDLI & Admin Charges). This contribution is also subject to the ceiling of Rs 6,500/- as explained.

4. What is the income tax treatment for the Provident Fund contributions I make?

All employee and employer contributions (up to 12% of Basic +DA) are tax-free. Further, such contributions made by employee are available for deduction from income under Section 80C.

5. What are the benefits from the fund?

There are three benefits to the members of the fund.

- Benefit of Provident Fund saving with interest.
- Benefit of Pension.
- Benefit of Deposit Linked Insurance.

If one becomes the member of EPF he automatically becomes the member of Employees Pension Scheme 1995, as well as the Employees Deposit Linked Insurance Scheme 1976 (EDLIS).

6. What is the breakup of Employee's & Employers Contribution?

Scheme Name	Employee contribution	Employer contribution	Paid to (Govt) A/c No
Employee Provident Fund	12%	3.67%	1
Employees' Pension scheme	0	8.33%	10
Employees Deposit linked insurance	0	0.5%	21
EPF Administrative charges	0	1.1%	2
EDLIS Administrative charges	0	0.01%	22
Total	12%	13.61%	

The balance laying in A/c no 1 fetches annual interest. The rate of interest varies from year to year depending upon the earning of the Fund. The interest for the current financial year i.e. 2011 -12 is 9.5 % pa.

7. What happens to my contributions with this Company if I leave the Company and do not transfer or withdraw it?

Your contribution will continue to earn interest for a limited period, after which it will be transferred to an unclaimed deposit account (without interest).

8. What are the loans / advances available to me under the PF Act?

One can withdraw some amount from his EPF for specific purposes only. The purposes for which such withdrawals and loans can be availed are as follows:

- Marriage / Education
- Medical Treatment
- Purchase or construction of Dwelling house
- Repayment of Housing Loan
- Purchase of Plot
- Addition/Alteration of House
- Repair of House
- Withdrawal Prior to Retirement

Detailed provisions can be obtained from <http://www.epfindia.com/>.

9. Is it better for me to withdraw my PF balances when I leave, or to transfer it to my next employer?

It is never advisable to withdraw contributions – they are a long-term social security provision, they are completely tax-free, and they are a form of compulsory saving. Also, they are completely portable (transferrable between employers, and can never be forfeited).

10. Where can I get the necessary forms etc. required?

With the HR Department as well as on this site. When you join, you will be given an enrolment form by HR, as also forms for transferring in your previous contributions. Other forms are available on request or on this site.

(List of forms appended below)

11. How long does it take for my previous contributions to get credited to my current PF account?

This depends. After you initiate the process for transfer, and if your previous employer had a private trust, it is usually quick. If it is with the Regional PF Commissioner's office, it could take more time, say 2 – 3 months.

EMPLOYEE

FAQ – EMPLOYEE PENSION SCHEME (EPS)

1. What is Employee Pension Scheme?

Employees' Pension Scheme was introduced in 1995. It is funded by diverting 8.3%, or a little more than a third of your PF contribution (employer's contribution). It is administered and managed by the Central Board of Trustees of EPF Organization.

2. How is Pension calculated?

The pension on retirement is linked to the number of years in service and the average salary drawn in the year before retirement.

3. Does Government Contribute any amount to my Pension Fund?

Yes, for salaries up to ₹ 6,500, the government also chips in with a subsidy of 1.16% of Basic + DA subject to maximum of ₹ 75.

4. Can I withdraw the Pension amount as Lump sum along with my PF Balance?

If you don't want a pension from EPF, you can get the EPS money as a lump sum along with your PF balance. The benefit will be linked to the actual contributions made, and not to your last year's average salary and the number of years in service.

5. What if: You retire early, die in harness, change jobs...

(a) If you retire before the age of 58

Even if you stop working before reaching the age of superannuation, you can avail of pension benefits. However, you shouldn't be less than 50 years of age. Also, the pension amount will be reduced by 2% for every year. So, if after working for 25 years, you take retirement at 50, your pension amount should be **say ₹ 2,321 per month**. But as you left service eight years before the age of superannuation, your pension will be reduced by 16%—it will be ₹ 1,950.

(b) If you have worked for more than 10 years but less than 20 years:

In this case, pension will be calculated as if member has rendered 20 years of eligible service. The amount so arrived at shall be reduced at rate of 6% for every year by which the actual eligible service falls short of 20 years, subject to maximum of 25% reduction.

(c) If you have worked for less than 10 years:

If you have completed less than 10 years of service, you can avail of the pension as a lump sum by opting for the withdrawal benefit. This amount will be provided to you on the basis of your annual contribution to the pension fund multiplied by the number of years that you have completed in service. You will also be entitled to a small interest on this amount, again depending on the number of years that you have been in service.

(d) If you die before retiring

If you die while you are employed with an organization, your pension benefit is not lost. Your legal heirs will be entitled to a pension, which is a maximum of Rs 1,000 per month (Rs 750 for spouse and Rs 250 for two children till they turn 25). However, you should have put in a minimum of one month's service to avail of this benefit. Also, the widow will not be entitled to a pension if she marries again, while dependent parents will be if the employee has no eligible family or has made no nomination.

(e) If you change jobs

When you change jobs, and shift you PF account, **your pension doesn't automatically get transferred.** You **need to apply for a scheme certificate** through Form 10C **and route it through the new employer.** The certificate has details of the previous employer and years of pension contribution. "The PF account is linked to an individual, but the EPS scheme is pool-based and can't be started all over again. So when you change jobs, your earlier service is not considered and it reduces the pension amount,"

FAQ – EMPLOYEE PENSION SCHEME (EPS)

1. What do you mean by Assurance Benefit under the EDLIS?

The benefit provided under the Employees' Deposit Linked Insurance Scheme is called Assurance Benefit.

2. What benefits are available under the EDLIS?

The nominee or any other person entitled to receive the Provident Fund benefits, in addition to the Provident Fund, will receive the Assurance Benefit under Employees' Deposit Linked Insurance Scheme.

Scale of Assurance Benefit:

From 1-4-93 onwards the amount of Assurance Benefit payable is an amount equal to the average balance in the amount of deceased in the Fund during the preceding 12 months or during the period of his membership whichever is less, except where the average balance exceeds Rs. 25,000/- amount payable shall be Rs. 25,000/- plus 25% of the amount in excess of Rs.25,000/- subject to a ceiling of Rs. 35,000/-. The Form prescribed for claiming the Assurance Benefits under the Employees' Deposit Linked Insurance Scheme, 1976, is **Form 5(IF)**.

* w.e.f. 24.6.2000 the amount of benefits has been increased to 60,000/-

Illustrations

- **Illustration no 1:**

Calculation of Employees provident fund.

Let us calculate the contribution of an employee who is getting a Basic salary of ₹ 3,500/-

Contribution Towards	Calculation	Amount
EPF Employees share	$3,500 \times 12\%$	420
EPF Employer share	$3,500 \times 3.67\%$	128
EPS Employer share	$3,500 \times 8.33\%$	292
EDLI charges	$3,500 \times 0.5\%$	18
EPF Admin charges	$3,500 \times 1.1\%$	39
EDLI Admin charges	$3,500 \times 0.01\%$	0.35 (round up to Rs 1/-)

- **Illustration no 2:**

Calculation of EPF for employees getting a basic salary over and above the Capped Basic + DA (above 6,500/-)

In such cases companies uses different method for calculation as per their pay roll policy.

- ❖ **Consider an employee getting a basic salary of 7,500/-**

We can calculate it in different ways. The only thing to be taken care of is, EPS is calculated only up to ₹ 6,500/- that means the maximum amount is fixed to ₹ 541.00. The three methods mentioned below are based on the above example.

Method 1

Here both Employer & Employee Contributions are calculated on lower of actual Basic + DA or Capped Basic + DA (ceiling limit of ₹ 6,500/-).

Contribution Towards	Calculation	Amount
EPF Employees share	6,500 x 12%	780
EPF employer share	6,500 x 3.67%	239
EPS Employer share	6,500 x 8.33%	541
EDLI charges	6,500 x 0.5%	33
EPF Admin charges	6,500 x 1.1%	72
EDLI Admin charges	6,500 x 0.01%	0.65 (Round up to Rs 1/-)

Most of the companies follow this method of contribution.

Method 2

Some companies follows the method in which employee share is calculated on actual Basic + DA i.e. in our illustration ₹ 7,500/- and employer share is calculated on Capped Basic + DA (ceiling limit of ₹ 6,500/-).

Contribution Towards	Calculation	Amount
EPF Employees share	7,500 x 12%	900
EPF employer share	6,500 x 3.67%	239
EPS Employer share	6,500 x 8.33%	541
EDLI charges	6,500 x 0.5%	33
EPF Admin charges	6,500 x 1.1%	72
EDLI Admin charges	6,500 x 0.01%	0.65 (Round up to Rs 1/-)

The additional contribution made by the employee in above illustration is known as Voluntary Contribution by employee, which can be done by giving a request to HR in writing.

Method-3

If your company considers the actual Basic + DA for PF Calculation, irrespective of the Capped Basic + DA (ceiling limit fixed ₹ 6,500/-).

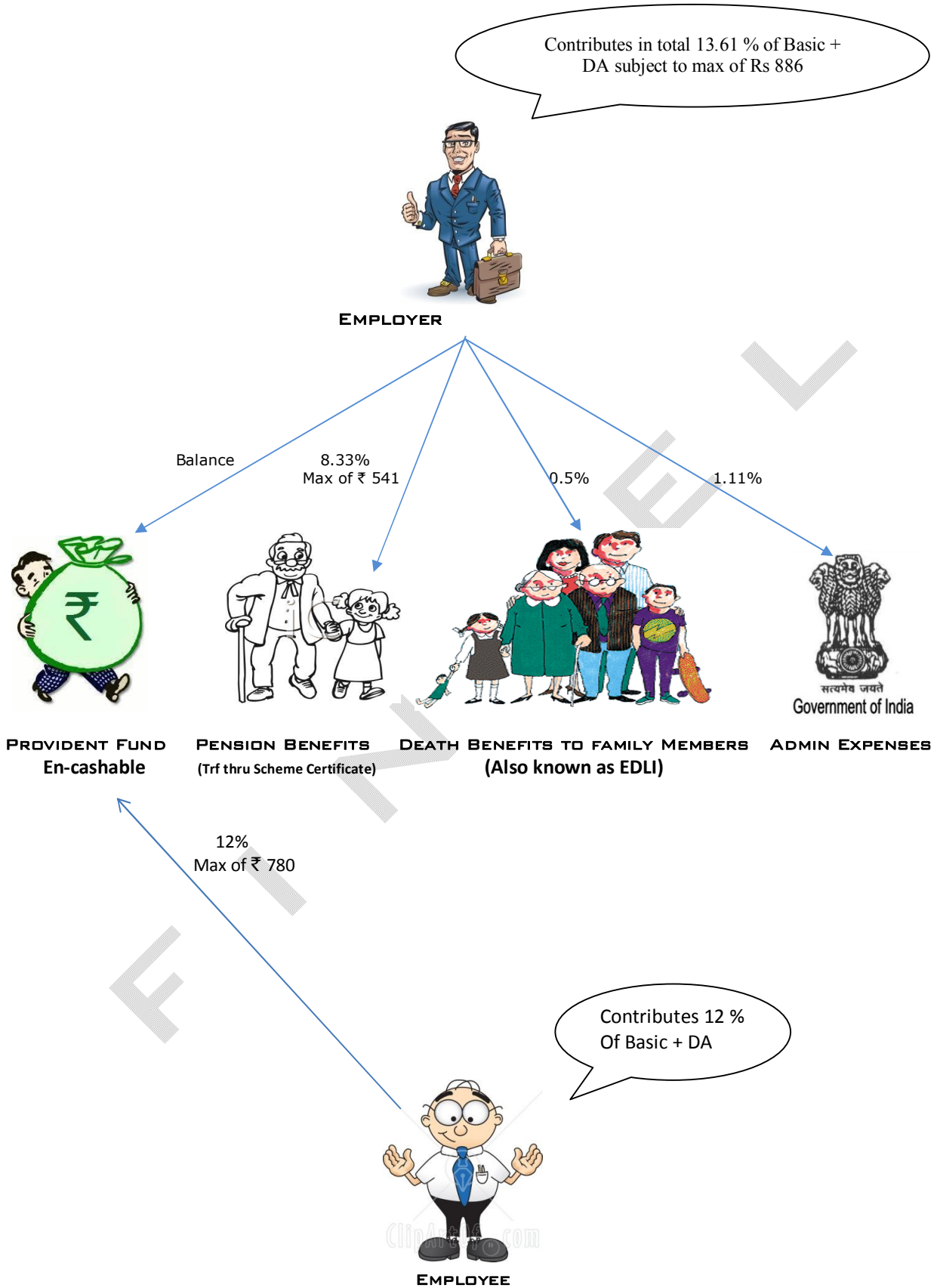
Contribution Towards	Calculation	Amount
EPF Employees share	7,500 x 12%	900
EPF employer share	7,500 x 12% (-) 541	359
EPS Employer share	6,500 x 8.33%	541
EDLI charges	6,500 x 0.5%	32.5
EPF Admin charges	6,500 x 1.1%	71.5
EDLI Admin charges	6,500 x 0.01%	0.65 (Round up to Rs 1/-)

Note:

How Employer contribution of EPS and EPF is calculated in the above illustration (Method 3)?

Employer is decided to contribute on total Basic + DA which is 12 % on ₹ 7,500/- equal to ₹ 900.00.

Out of ₹ 900.00 EPS share is ₹ 541/- which is fixed for a basic salary greater than 6,500/-. The balance amount is 900-541 = ₹ 359/- which will go to EPF account.



LIST OF FORMS

1. PF WITHDRAWAL

- **Form-19** : To be submitted by a member to withdraw his Provident Fund dues on leaving service/retirement/termination.
- **Form-10-C** : To claim withdrawal benefit/scheme certificate under Employees' Pension Scheme '95.

2. PF TRANSFER

- **Form-13 (Revised)**: For transferring the Provident Fund account of a member from one establishment to another establishment covered under the act / scheme.

3. OTHER FORMS

- **Form - 14**: Application for financing a life insurance policy out of Provident Fund account.
- **Form - 20**: In the event of death of member, this form is to be used by a nominee / family member to claim the member's Provident Fund accumulation.
- **Form - 31**: For the use of Provident Fund members to avail advances / withdrawals as provided in the scheme.
- **Form – 10D**: For claim under Employees' Pension Scheme. To be submitted by the first claimant i.e.
 - member or
 - widow/widower or
 - orphan or
 - nominee as the case may be.
- **Form– 5 (I.F)**: To be preferred by the person eligible to receive the Employees' Provident Fund dues of the deceased member who died while in services.