

NOTE ON DEFINITION OF BASIC WAGES ON EPF

This is to bring to your notice under the EPF & MP Act 1952, the definitions to various nomenclatures used in the Act are provided in Section 2 of the Act and out of the definitions Sec. 2 (b) has attracted much attention during the past decade due to the varied opinions offered by the various High Courts of different States on the definition against "basic wages". It appears that the EPFO has preferred afresh a SLP before the Hon'ble Apex Court on the nagging issue of definition "basic wages", though the same was offered by the Hon'ble Supreme Court earlier in the matter of Bridge & Roof case.

Keeping in view the interest of the industry and that of the corporate business it is to advice that, till the dust is settled fully on the issue of basic wages, and the components i.e., allowances that are to be included as basic wages finally, you are advised to be cautious while framing the CTC, and naming the allowances to the employees employed by you except for House rent Allowance. It may be noted that an allowance which is paid across the industry or the establishment in totally to its employees may become the part of "Basic Wages" and accordingly liable to become part of the basic wages for computing the PF contributions.

Hence it is afresh reiterated and suggested that an allowance be paid only to a class of employees and another allowance is paid across the establishment, it is apprehended that, the same may become part of the "basic wages" ultimately resulting in attracting the PF contribution on such allowance.

You are hereby advised to be cautious in future while designing the CTC for the fresh hiring and also redesign for the existing at the earliest possible.