

INTERPRETATION OF RECENT EPF CIRCULAR

Your attention is drawn to the Gazette Notification issued by the Central Government, Ministry of Labour and Employment vide GSR No: 608 (E) dated 22nd August, 2014 & Circular No.Actural/18(2)2008/Vol.III/7738 Dated: 29th August, 2014 in exercise of the powers conferred Section 5 read with Sub-Section (1) of Section 7 of the EPF & MP Act, 1952 enhancing the wage limit for compliance under the EPF Act, 1952 & EPS, 1995 from Rs. 6500/- to Rs. 15000/- which shall come into force from 1st September 2014.

The core of the Gazette Notification is as follows:

- (i) An amendment to EPF Scheme, 1952 replacing the earlier ceiling with Rs. 15000/- w.e.f. 1st September 2014 by substituting the words "Rupees six thousand five hundred" with "Rupees fifteen thousand" in Para 2 in clause 2 in sub-clause (ii), in Para 26 sub-paragraph (6) and Para 26A sub-paragraph (2);

Henceforth, salaried people earning Basic & Dearness Allowance up to the sum of Rs. 15000/- per month will have to compulsorily maintain an employee provident fund account, with the Government notifying the new norm. Earlier the salary ceiling (limit) was Rs. 6500/- per month.

Illustration –

Old Scenario			
Employee Name	Basic + DA (Rate)	EPF Cont (Emp)	EPF (Employer)
ABC	12000	0	0
New Scenario			
Employee Name	Basic + DA (Rate)	EPF Cont (Emp)	EPF (Employer)
ABC	12000	1440	1440

- (ii) The existing members as on the 1st day of September, 2014 who are at the option of the employer and the employee contributing on salary exceeding six thousand five hundred rupees per month have to exercise fresh option jointly by the employer and the employee to continue to contribute on salary exceeding fifteen thousand rupees per month.

Both Employer & Employee will have to exercise Fresh Joint Declaration & submit to the Asst PF Commissioner in Triplicate

- (iii) The employees who are inclined and opt jointly with the employer to contribute over and above fifteen thousand rupees from 1st September 2014 or as the case may be, are required to pay 1.16 percent on salary exceeding fifteen thousand rupees as an additional contribution from and out of the contributions payable by the employees for each month;

Illustration -

Old Scenario			
Employee Name	Basic + DA (Rate)	EPF Cont (Emp)	EPF (Employer)
ABC	20000	2400	2400
Amount in EPF A/c – 2400 (Employee) + 1859 (Employer) = Rs.4259			
Amount in EPS A/c - 541			
New Scenario			
Employee Name	Basic + DA (Rate)	EPF Cont (Emp)	EPF (Employer)
ABC	20000	2400	2400
Amount in EPF A/c – 2342 (Employee) + 1151 (Employer) = Rs.3493			
Amount in EPS A/c – 58(Employee) + 1249 (Employer) = Rs.1307			

- (iv) For the employees/members who are willing to contribute over and above fifteen thousand rupees and willing to pay 1.16 percent of the employees share of contributions are provided with fresh option to be exercised within six months from 01/09/2014

Both Employer & Employee will have to exercise Fresh Joint Declaration & submit to the Asst PF Commissioner in Triplicate

- (v) In case the employee/member fails to exercise such option provided has been provided with another opportunity by showing sufficient cause to the Regional Provident Fund Commissioner may exercise option to contribute over and above fifteen thousand rupees a further period of six months;

Application in writing stating reason for delay in exercising the option to be submitted to the Asst PF Commissioner in Triplicate

- (vi) In case no option is exercised, it shall be deemed that member has not opted for contribution over wage ceiling and the contributions made to the Pension Fund over and above the wage ceiling of fifteen thousand rupees shall be diverted to the provident fund amount of the member along with interest declared under the Employees' Pension Scheme, 1995

New Scenario			
Employee Name	Basic + DA (Rate)	EPF Cont (Emp)	EPF (Employer)
ABC	20000	2400	2400
Amount in EPF A/c – 2400 (Employee) + 2400 (Employer) = Rs.4800			

- (vii) The employees whose 'pay' at the time of joining the establishment in case is over and above Rs 15000/- are only to join the EPF Scheme, 1952 and EDLI Scheme, 1976 and shall not be eligible for joining the EP Scheme, 1995.
- (viii) There is also an amendment brought to EDLI 1976 shall give an additional benefit of 20% in addition to the benefit already provided for members after 1st Sep, 2014.
- (ix) The pensionable salary shall be the average monthly pay drawn in any manner including on piece rate basis during contributory period of service in the span of sixty months preceding the date of exit from the membership of the Pension Fund and the pensionable salary shall be determined on pro-rata basis for the pensionable service up to the 1st day of September, 2014 subject to a maximum of six thousand five hundred rupees per month and for the period thereafter fifteen thousand rupees per month
- (x) Minimum Pension on retirement/superannuation shall be minimum of Rs.1000/- for all employees retiring on or after 1st of Sep, 2014.

The above interpretation is based purely on our understanding of the circulars issued by EPFO in between 22nd Aug & 20th Sep, 2014 in the subject matter & there still remains GAP for clarity on the above which is expected to be clarified by issuance of another Circular by EPFO shortly.

We do not take any responsibility for acts & omissions arising out of the implementation of the above interpretation without consulting us.

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