

## Employees' Provident Fund and Miscellaneous Provisions Act, 1952.

In the previous issue we looked at some of the issues related to the applicability of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 to NGOs. In this issue we deal with the rate of contribution, duties of the employer and the important dates under the above Act. There are following three schemes under the Act, namely

a) **Employees' Provident Fund Scheme, 1952**

b) **Employees' Pension Scheme, 1995**

c) **Employees' Deposit Linked Insurance Scheme, 1976**

Let us now look into the three schemes in little more detail:

(a) and (b) : Contribution under the above Employees Provident Fund

# The Rate of Contribution , Duties of the Employers and the Important Dates

The rate of contribution under Different Schemes at a Glance

Scheme Name	Rate of contribution as a percentage of basic pay DA , Cash value of food concession and retaining allowance , if any
a. <b>Employees' Provident Fund Scheme, 1952</b>	<ul style="list-style-type: none"><li>◆ Employer: 1.67% (10% less 8.33% in case where the employee's contribution is 10%) and 3.67% (12% less 8.33% in case is 12% the employee's contribution</li><li>◆ Employee: 10% to 12%</li><li>◆ Government: None</li></ul>
b. <b>Employees' Pension Scheme (EPS), 1995</b>	<ul style="list-style-type: none"><li>◆ Employer: 8.33%</li><li>◆ Employee: None</li><li>◆ Government: 1.16%</li></ul>
c. <b>Employees' Deposit Linked Insurance Scheme (EDLI), 1976</b>	<ul style="list-style-type: none"><li>◆ Employer: 0.5%</li><li>◆ Employees: None</li><li>◆ Government: None</li></ul>

## **Scheme, 1952 and Employees Pension Scheme, 1995**

Contribution is payable monthly by the employer and the employee both at the equal rates. The employer is required to deposit both the share of contribution. The employer is authorized to recover the employees share from the salary of the employee.

There are two rates of **Provident fund** contribution by an employee, one is @10% and the other is @12%. 10% rate is only applicable to five industries, namely bidis, bricks, jute, coir and guar gum industries. This rate is also applicable to establishments covered prior to Sept.22, 1997 in which less than 20 persons are employed.

An important point to note is that there is no upper limit of the rate of contribution to the **Provident Fund** by an employee. The Act provides the lower limit of 10% or 12% as the case may be and enables the employee to contribute at such higher rate as he may desire. But it does not mean that the employer should also contribute at the higher rate. The contribution of the employer shall remain limited to the statutory rate of contribution i.e 10% or 12% as is applicable under the Act.

**The whole of the employee's share goes to the Provident fund account**

**The employer's share (either 12% or 10% whichever applicable) is bifurcated into two parts:**

- One part of 8.33% is diverted to the **Pension fund account** and
- The remaining part of employer's share out of the total of 12% or 10%, whichever applicable i.e 3.67% (12% less 8.33% diverted to pension fund account) or 1.67% (10% less 8.33% diverted to the pension fund account) along with the employee's share is credited to **Provident fund account**.

The Central Government also would contribute at the rate of 1.16% of total wages to the **Employee's Pension Scheme, 1995**.

### **A clarification about the contribution:**

The amount of wage ceiling for the purpose of compulsorily becoming the member under the above mentioned schemes has been revised up from Rs.5,000 p.m to Rs.6,500 p.m with effect from 1.6.2001. Further for the purpose of computing the contribution, the actual wage amount will be limited to Rs.6,500 only.

**A comprehensive example to understand the above provisions relating to the determination of the amount of the provident fund contribution and the pension fund contribution is given below:**

For example an employee drawing wages more than Rs.6,500 can also become the member of the fund and the scheme on the joint request of the employee and the employer and if ,for instance such an employee is drawing wages of Rs.10,000 per month, his own share towards **Provident fund** contribution will be Rs.1,200 i.e 12% of Rs.10,000 and the total amount of the employer's contribution will also be for an equal amount of Rs.1,200.The total amount of the employer's contribution will be bifurcated into two parts. One part goes to the Provident fund and the remaining part goes to the Pension. The calculation is shown below in two steps:

**Step 1: Calculation of the employers' contribution towards Employees' Pension fund.**

The Rupee equivalent of 8.33% of Rs.6,500 i.e an amount of Rs.541 in case of the above example will be credited to the employees' **Pension fund** out of the employers contribution.

**Step 2: Calculation of the employers' contribution towards the Provident Fund Scheme.**

The remaining part of the total amount of the employers contribution of Rs.1,200 after diverting an amount of Rs.541 to pension fund account will be credited to the **Provident fund account**,which works out to Rs.659 (Rs.1200 less Rs.541).

**c) Employees' Deposit Linked Insurance Scheme,1976**

No amount is recovered from employee's wages. Under the Employees deposit linked insurance scheme only the employer contributes @ 0.5% based on the actual basic wage/salary not exceeding Rs.6,500 per month(w.e.f 01-06-2001).In other words, when the actual basic wage/salary exceeds Rs.6,500 p.m the contribution payable by the employer will be calculated by applying the rate of 0.5% on the amount of Rs.6,500.

**Other financial obligations of the employer under the above said Act**

**Administrative Charges:**

- ◆ An employer is required to pay administrative charges at 1.10% of emoluments towards provident fund and 0.01% towards Employees Deposit Linked Insurance Scheme 1976.
- ◆ No separate administrative charges for pension scheme

**Interest Liability:**

- ◆ For belated remittances of contributions, administrative / inspection charges interest at the rate of 12% on such remittances for the period of delay is to be remitted.

### Damages:-

- ♦ For all the belated remittances of contribution and administration/ inspection charges damages are also payable as penalty ranging from 17% to 37% p.a. depending upon the period of delay.

Duties of Employer in terms of administrative matters

- ♦ Enroll **all categories of employees** including the employees engaged by or through contractors. Piece rated, hourly rated employees are also included.
- ♦ Remit the contributions and administrative charges **before the 15<sup>th</sup> of the following month.**
- ♦ File **the initial returns of Form 9, Form 3, form 5A** as soon as the Act becomes applicable to the organisation.
- ♦ File the **monthly returns in Form 12A, Form 5, Form 10 and Challans for remitting the dues.**

- ♦ **Maintain the contribution card** in respect of each employee in Form 3A and submit the annual returns in Form 3A and 6A after reconciliation with Challans and form 12A.

- ♦ The employer has to ensure **that statutory dues in respect of contractors employees are remitted and returns filed.**

- ♦ **Employer should attest the form No.2 and** the claims forms submitted by the member/ legal heirs/ nominees.

- ♦ **Make available all relevant records** for inspection of visiting officials with due authorisation.

### Important dates to remember:

Some of the important dates to remember under the Employee's Provident Funds & Misc. Provisions Act, 1952 are given in the following table:

Only one challan is used for all the

### Important dates to remember:

S.No.	Purpose	Due Date
1.	Deposit of both Shares of EPF contribution	15 <sup>th</sup> of the following month
2.	Deposit of Administration/Inspection Charge	15 <sup>th</sup> of the following month
3.	Deposit of Insurance fund	15 <sup>th</sup> of the following month
4.	Deposit of the Administration/Inspection Charge	15 <sup>th</sup> of the following month

deposits. When deposits are made by cheque, the proof of date of deposit of cheque with SBI Bank is important. As per the law the date of the deposit of

cheque with SBI will be treated as the date of deposits for the purposes of the Act and Scheme.

(.....to be continued)

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