

Employee's Provident Fund- "EPF" - (Part 2 of 2....)



Today's work culture depends on the *welfare of employees*, with employers scrambling to ensure their *employees are entitled to the best care and benefits*. An Employee Provident Fund is an initiative designed to offer *social security benefits to employees* of a particular organization, building stronger employee-employer bonds.

EPF APPLICABLE TO:

1. Companies which grow to strength of 20 employees are expected to register themselves within one month from the time of attaining this strength, with penalties applicable for delays in registration.
2. Co-operative societies are expected to register if their employee strength increases to 50 or more and registered organizations continue to be under the purview of the rules and regulations of the Act even if their employee strength falls below the minimum specified number.

INTEREST RATE OF EPF

As informed in our earlier circulation that the **Employer** and **Employee** contribute 12% each of the **Employee's** salary to the **EPF**. These **contributions** earn a fixed level of interest set by the Employee's Provident Fund Organisation.

Currently, the interest rate is **8.5% which is more than fixed deposit or recurring deposits held with the banks in India (Currently FD interest rates are in the range of 4% - 5.5%)**, and the interest that is earned on EPF **is tax-free**. Since the scheme was launched by the Indian Government it is **safe and secure**. Employees can also transfer EPF amount from one account to another in case they change jobs.

How can one withdraw money from EPF Account?

You can withdraw from your EPF account on the account your children's education, marriage of self, children and siblings, purchase/construction of a house or any medical emergencies.

However, withdrawal is subject to certain conditions, non-compliance of which would result in penal interest:

- ❖ You should have completed minimum 7 years of service;

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- ❖ Withdrawal can be made only 3 times in the period during which you hold the EPF Account;
- ❖ Maximum aggregate withdrawal would be 50% of the total contributions made by you.

For medical emergencies, there is no minimum service period. *However, the maximum amount one can withdraw is 6 times the basic salary and proof of hospitalization is required.*

Withdrawal from EPF Account for purchase/construction of a house is available only once in an individual's entire working life. The minimum service period is 5 years and the maximum withdrawable amount is 36 times your total salary (for construction of property) and 24 times (for purchase of property).

Can you contribute more than 12% of your salary?

Yes, an employee can make "Voluntary Contribution". But an equal contribution is not required to be made by the Employer.

ARE YOU AWARE EMPLOYERS TO LOSE DEDUCTION FOR EMPLOYEES CONTRIBUTION?

- ❖ Budget 2021 has proposed to dis-allow deduction of EPF contribution as an expense, if they do not deposit it in time with effect from 01st April, 2021.
- ❖ Beginning from 01st April, 2021 Employers shall deposit their contribution to EPF on or before 15th of the following month.
- ❖ The intent of the amendment appears to ensure timely deposit of employees' contribution.

Please feel free to reach out to us to know more.

We are Happy to Assist You.

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Thanks and Regards
Team ~ K. Bagla & Associates
Your Compliance Partner!!

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