

**Employee's Provident Fund- "EPF" - (Part 1 of 2....)**

EPF is the main scheme under the Employees' Provident Funds and Miscellaneous Act, 1952. The employee and employer each contribute 12% of the employee's basic salary and dearness allowance towards EPF.

**The Employees' Provident Fund Organisation (EPFO) is a non-constitutional body that promotes EMPLOYEES TO SAVE FUNDS FOR RETIREMENT.**

**APPLICABILITY**

EPF registration is mandatory for all the establishments-

- Which is a factory engaged in any industry having 20 or more persons, and
- To any other establishment employing 20 or more persons or class of such establishments which the Central Government may, by notification specify on this behalf
- Some establishments having less than 20 employees would also be required to obtain PF registration but that is voluntary registration.

**SCHEME COVERS**

Indian Workers

International workers (from countries with whom the EPFO has signed bilateral agreements)

**BENEFITS OF EPF TO EMPLOYEES**

- **Capital appreciation** – The EPF scheme offers a pre-fixed interest of 8.50% on the deposit held with the EPF India, which is way higher than Fixed Deposits (interest of 5.40% approx)/Recurring Deposit(interest of 5% approx) held by the Individual. Thus for the benefits of his employee's, an employer can go for EPF contribution
- **Corpus for Retirement** – In the long run, the sum deposited towards the employee provident fund helps to build a healthy retirement corpus. Such a corpus would extend a sense of financial security and independence to the employee after retirement.
- **Emergency Corpus** – Uncertainties are a part of life. Therefore, being financially prepared to face such unwarranted situations is the best an individual can do deal with exigencies. An EPF fund acts as an emergency corpus when an individual requires emergency funds.
- **Tax-saving** – Under Section 80C of the Indian Income Tax Act, an employee's contribution towards their PF account is deemed eligible for

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tax exemption. Moreover, earnings generated through EPF scheme are exempted from taxes. Such exemption can be availed up to a limit of Rs. 1.5 Lakh. The tax benefits applicable to the Employees Provident Fund scheme ensure higher earnings to the members. It further improves savings and an individual's purchasing power in the long-term.

- **Easy premature withdrawal** – Members of EPF India are entitled to avail benefits of partial withdrawal. Individuals can withdraw funds from their PF account to meet their specific requirements like pursuing higher education, constructing a house, bearing wedding expenses or for availing medical treatment.

**Thus after considering the above benefits, the employer can voluntarily or mandatorily go for EPF contribution as the same can be claimed as Expenses to the Employer under section 36 of Income Tax Act, 1961.**

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

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Thanks and Regards

Team ~ K. Bagla & Associates

**Your Compliance Partner!!**

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