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Employee Provident Fund and Miscellaneous Provisions Act 1952

India resolved in the Constitution of India to be welfare state and thereby the Indian Parliament to give effect to this spirit enacted various social welfare legislations. Employee Provident Funds Act and Miscellaneous Act, 1952 are some of the act passed to give effect to this social welfare scheme. The Act through its provisions provide for benefits to the salaried class post retirement, old age and for any illness.

The present article aims to briefly describe subject matter covered by the Act and illustrate the benefits and importance of the Act.

Objective of passing EPF Act

The Act was passed to provide institutions for provident funds, pension funds, deposit linked insurance funds for employees of factories and establishments covered by the act.

The Act is a social welfare legislation aimed at providing post-retirement benefits to the employees of establishments covered by the Act. It provides for establishment of an institution called Employee Provident Fund Organization or EPFO which shall collect and distribute the fund especially created for the welfare of employees post retirement or for the old age of employees.

Employee Provident Fund Act 1952

The Act defines it as a fund created by the Act. This fund is collected by the EPFO and is a contribution made by the employee and employer of the establishment covered by the Act on a monthly basis.

This contribution by the employer is required to be 12 per cent of the basic wage, dearness allowance, and retaining allowance if any of the employee salary and equal contribution shall be made by the employee. This contribution made by the employer cannot exceed basic wage of 6500 Indian rupees.

The employer though may voluntary choose to contribute more than this basic ceiling of 6500 Indian rupees and contribute 100 per cent on basic wage or any per cent of the basic wage towards provident fund. The employee also voluntarily may choose to contribute an amount towards this provident fund but the employer shall not be under the obligation to pay amount equal to that of employee.

Eligibility for Employee Provident Fund Act

- The Act is applicable to all industries that are employing 20 persons or more and are mentioned in Schedule I of the Act.
- The Act is applicable all those establishment that are employing 20 or more person and are notified in the official gazette by the Central Government to mandatory register itself with the EPFO and provide provident fund facility to employees.
- The employer and employee may voluntary choose to register with EPFO and provide provident fund facility to employees.

EPF Act is not applicable to establishments:

- Establishment registered under the Co-operative Societies Act 1912 or under any other law for the time being in force in any State relating to co-operative societies employing less than fifty persons and working without the aid of power.
- Any establishment belonging to or under control of Central or State Government and whose employees are entitled to a contributory Fund or pension in accordance to the scheme framed by such governments.
- Any establishment established under a Central or State act and whose employee is enjoying benefit of contributory fund or pension scheme by virtue of the scheme framed under the act.

Benefits of Provident Fund

A member can withdraw the full amount of provident fund upon retirement, migration to abroad, retrenchment, in case of closure of establishment or in case of transfer to an establishment that is not covered by this Act.

A member can withdraw the amount for any personal need like payment of loan, education of children, marriage of children, in case of purchase of house.

A member can take benefit by using this provident fund for financing life insurance policies.

Mandatory requirement to contribute to Provident Fund

The Establishments that are covered under the Act are mandatorily required to contribute to provident fund and in case of any employer indulges in any acts whereby it avoids payment towards this fund or directly or indirectly reduces the wages of the employees for less contribution towards the fund, and then he shall be liable to imprisonment and fine. It is duty of the employer to settle dues of provident fund of employees. In case of any dispute, the employee may make application to any authorities mentioned below and in case of not being satisfied by the orders of Commissioner then may appeal against the order by making an application to the Appellate tribunal.

Authorities established under EPF Scheme

- The Employee Provident Fund Organization.
- The Assistant Provident Fund Commissioner or Regional Provident Fund Commissioners.
- The Deputy Provident Fund Commissioner.
- The Chief Provident Fund Commissioner.
- The Appellate Provident Fund Tribunal.

These institutions or authorities come under control of Ministry of Labour and Employment.

Employee Provident Fund Statement of Account

The Commissioner for Employees Provident Fund shall send every year to each member or employee, through the employer, a statement of his account in the Fund showing the opening

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balance, the amount contributed during the year, withdrawal during the year, the amount of interest and the closing balance. In case the employee finds an error in the statement of the provident fund then, the employee may bring it to notice of the Commissioner within 6 months of receipt of the statement.

Scheme introduced by the EPFO (Employees Provident Fund Organization) recently

The EPFO has introduced an e-passbook facility for members or employees (covered by this Act) which shall enable them to check their provident fund account.

The EPF e-passbook is an online version of the employee's provident fund account whereby members or employees will be able to check their employee provident funds balance online. All the transactions shall be recorded date-wise and these can be tracked easily by the member.

Employee Provident Fund Process

The above mentioned Act is a "social beneficent and welfare" legislation which is clearly demarcating and providing institutions for collection of provident fund. This holds a unique significance as this fund is contributed as deduction from the salary of an employee and is in fact a very important part of employee salary and a benefit bestowed upon the employee for the service rendered by him.

The employer is obligated to make contribution towards the provident fund in case the establishment is covered by the Act and in case the employer voluntarily adopts this policy then thereafter cannot discontinue making contribution towards provident fund.

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