

Lower PF contribution may be allowed for select class of workers

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A senior government official told ET that lower contribution rule under PF will not apply to all.

New Delhi: If you are a working woman, a professional with disabilities or a young working male in the age bracket of 25-35 years, you may be allowed to lower your contribution towards the provident fund kitty by 2-3%.

A senior government official told ET that lower contribution rule under PF will not apply to all.

"It will not be universal... This will be permitted for certain class of workers," the officials said, adding that these class of workers will be decided based on a certain criteria.

Working women and professionals with disabilities could be included in the class of workers as per the criteria being discussed.

The labour ministry has begun discussions on the proposed criteria to be adopted to classify the category of workers who can be given an exemption of up to 2-3% in their share of contribution, and a decision is expected shortly.

"Government is seized of the fact that social security is needed at the time of retirement. However, young employees need enough funds at disposal for wedding, housing and other needs in the initial years of their careers and hence the proposal," the official quoted above said.

Currently, all employees are mandated to contribute 12% of their basic wage under the Employees Provident Fund Organisation and a matching contribution is made by the employer.

As part of the Code on Social Security, 2019, the labour ministry has proposed flexibility in the Employee Provident Fund & Miscellaneous Provisions Act, allowing for different rates of contribution. No change has been proposed in employer's contribution. The bill, tabled in Parliament, is now before the standing committee on labour.

The rule defining the criterion for applicability will be notified by the ministry once the Code is approved by the Parliament. The idea is to allow some flexibility to a certain category of workers in a fixed age bracket to reduce their contribution to PF and thus allow them to increase their take home salary.

As per the current EPF & MP Act, 12% of basic salary (capped at Rs.15,000) is contributed to an employee's EPF account, with a matching contribution from the employer. Of the employer's contribution, 8.33% goes to Employee Pension Scheme (EPS). Also, the EPS

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Resource: The Economic Times, 22 Jan 2020

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contribution is calculated on a basic pay of Rs.15,000 or actual basic pay, whichever is less. If the basic exceeds Rs.15,000 then EPS contribution is calculated as 8.33% of Rs.15,000, which is Rs.1,250 per month.