

EPFO likely to credit 8.5 percent interest on EPF for 2019-20 by December

Last Updated: Dec 13, 2020, 11:32 AM IST

NEW DELHI: Retirement fund body EPFO is likely to credit 8.5 per cent rate of interest for 2019-0 in the employees' provident fund (EPF) accounts of around six crore subscribers in one go by the end of December.

Earlier in September this year, the Employees Provident Fund Organisation had decided to split 8.5 per cent interest into two installments of 8.15 per cent and 0.35 per cent in its trustees meet headed by Labour Minister Santosh Gangwar.

A highly placed source told PTI that the Labour Ministry has sent a proposal to the Finance Ministry to give concurrence to credit 8.5 per cent rate of interest on EPF for 2019-20 earlier this month. "The Ministry of Finance ratification is likely in few days. Thus the interest is likely to be credited by this month only."

The source further said that earlier the Ministry of Finance had sought some clarifications on the rate of interest for the last fiscal, which were duly addressed.

In March this year, the EPFO's apex decision making body Central Board of Trustees headed by Labour Minister Santosh Gangwar had approved 8.5 per cent interest rate on EPF for 2019-20.

In a virtual CBT meeting in September, the EPFO had decided to honour its commitment to provide 8.5 per cent rate of interest for the last fiscal. But the CBT had also decided to split the rate of interest into two installments of 8.15 per cent and 0.35 per cent in view of the pandemic.

The labour ministry had then explained that "in view of exceptional circumstances arising out of COVID-19, the agenda regarding interest rate was reviewed by the CBT and it recommended the same rate of 8.50 per cent to the Central Government. "It (8.5 per cent interest) would comprise of 8.15 per cent from debt income and balance 0.35 per cent (capital gain) from the sale of ETFs (exchange traded funds) subject to their redemption by 31st December, 2020," it had said. The CBT had recommended accounting such capital gains (from sale of ETFs) in the income of the financial year 2019-20 as being an exceptional case.

As planned earlier, the EPFO had to provide 8.15 per cent interest on EPF soon after seeking Ministry of Finance nod. It has planned to credit the remaining 0.35 per cent rate by December 31, after proposed liquidation of ETFs. The EPFO had earlier planned to liquidate some of its investment in ETFs to provide 8.5 per cent interest for the last fiscal. However, it could not do so because of the choppy market conditions amid the lockdown, induced by COVID-19.

The source also told that since the market conditions are more than favourable as bench mark indices are at record high, there should not be an issue to credit entire 8.5 per cent in one go.