

# Open to reviewing ₹2.5 lakh cap on tax-free EPF contribution: FM

Updated on February 21, 2021

## **Says EPF will remain in its present form, and there's no plan afoot to merge it with NPS**

Finance Minister Nirmala Sitharaman has said there is no intent to discourage higher income earners from saving with the Employees' Provident Fund (EPF), and that she is open to reviewing the contribution limit of ₹2.5 lakh a year for tax-free interest, which was imposed in the recent Union Budget.

Reiterating that the EPF will continue to remain in its present form, she said that there is no plan to merge it with the National Pension Scheme (NPS).

"We want to continue with the EPF. We understand that there is a certain comfort with people — particularly middle income earners — when they are assured of a return," she said in an exclusive interview with BusinessLine.

"We have taken a call not to discourage those earning more than ₹15,000 (per month) from being part of EPF. There can always be a discussion on the ₹2.5 lakh limit. I can go back and review it. But it is a matter of principle. We are only touching those who are putting far more (in EPF) than what an average Indian's earnings is per month," she added.

The Finance Minister had proposed in the Budget to tax interest earned on EPF contribution of more than ₹2,50,000 annually.

## **Realistic numbers**

Sitharaman said the numbers put forth in the Budget are realistic, both in terms of perception and in what can be achieved. "Every number has been repeatedly vetted for being achievable. This is a Budget that has been put through the wringer repeatedly to get it closer to what is achievable," she said.

Asked if the disinvestment target of ₹1,75,000 crore is too modest, she replied that it could appear to be so. "But I would rather be cautious than stand up and say later that I went wrong," she said.

The Finance Minister confirmed that no decision has been made yet on which banks to privatise — the profit-making ones, their smaller peers or the giants.

The idea behind the proposal to launch development financial institutions (DFI), she said, is that long-term infrastructure funding will be handled by these entities. "Banks must focus on the primary business of lending for commercial purposes, rather than getting choked by sourcing short-term deposits and lending to long-term projects. There should be a marked difference between the portfolios of DFIs and commercial banks," she said, adding that the DFI proposal will be implemented "as soon as possible".

## **Making Corporate India Comply**

### **Duty on petrol and diesel**

Asked why the Centre is not reducing the excise duty on petrol and diesel despite the sharp climb in their retail prices, Sitharaman said the Centre and States should sit together and see how best to handle the issue.

“Taking it into the GST net can be an option — that will certainly bring it to one rate all over the country. The GST Council can deliberate on it and take a position on it, but then, the fact is, it is both the Centre and States even then,” she said.

### **‘Jugaad’ ideology**

Answering a question on whether Prime Minister Narendra Modi’s speech in Parliament defending wealth creators represents a shift in the government’s philosophy, Sitharaman said the government is never far removed from the BJP’s economic ideology.

### **Socialist ideology**

“This country had gone too far in reiterating a socialist, and what I would call an imported jugaad ideology, made from tweaking imported ideas and constantly adding to them in the hope that they would somehow fit the country,” she said. “There also needs to be recognition that socialism is not the only ideology that has a copyright on welfare. When the economy does not do well and wealth isn’t generated, social good suffers and so does the welfare state. We are trying to reinforce that lawfully earning money is not wrong. A tax regime that is not oppressive or adversarial can generate sufficient revenues to fund welfare,” she added.