PRACTICAL ASPECTS/BENEFITS OF THE EMPLOYEE PROVIDENT FUND ACT 1952

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ABSTRACT

Considering the growth in the labor and industrial sector to comply with the day-to-day needs the government of India brought up the EPF (Employee Provident Fund) Scheme with the Employee Provident Fund Ordinance on the 15th November 1951. In the existing regime with the Digitalization of almost all the areas of the government sectors, the EPF scheme launched its online portal for ease in the transactions of the employees prevailing the benefits of the fund. This paper introduces the benefits of the EPF Scheme and how an employee can practically avail the tax benefits of the EPF scheme, using the EPFO Portal and the UAN database of the beneficiaries, besides the procedure for how an employee can withdraw from his PF account, This paper also includes how an employee can lodge a complaint using this EPFO portal. In addition, the paper discusses Indian Pension Schemes and the Pension Scheme of other countries accompanied by EPFO's new facility on the UMANG app. Consequently, this paper talks about the shortcomings of the scheme in the Indian domain.

BACKGROUND AND HISTORY

It is currently the right time for the provident fund to transition from the aforementioned duties to be more actively involved in the financial markets to benefit from fresh and better prospects. All working classes need to be included in the pension and provident fund program. Previously, a Study from World Bank 1994 says, just 5% of India's GDP is made up of the assets of its pension funds[1]. According to an OECD assessment from 1998, India is home to one-eighth of the world's elderly people, the bulk of who are not protected by any official pension system. According to the Project OASIS-Report from 2000, 89% of our population[2] is not now covered by any official pension schemes.

According to a study on demographic trends conducted by the United Nations (Department of Social and Economic Affairs, UNO, 2012), the average life expectancy would increase from 65

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[1] Economic Outllook - World Bank

[2] The project OASIS Report - Income Security Project

years to 80 years by 2025.[3] The realization of this situation has not yet properly sunk in among our people.

If not enough money is saved, people who are currently above the poverty line run the real risk of falling below it in their later years. On the other side, they would have to pay high medical costs because of age-related illnesses. The lives of elderly individuals could be drastically affected by destitution, poverty, and disease in such situations. As a result, the typical worker will require enough money to cover their needs in retirement for 15 to 20 years.

STATEMENT OF PROBLEM

India is currently going through a time of rapidly changing demographic and economic conditions. Birth rates are falling as life expectancy is rising. The demographics issue in India is a significant source of worry as there is a need to have a social security system in place and a sizable unorganized sector. Hence it is necessary to create a comprehensive and long-lasting pension and provident fund system that covers all economic sectors while keeping equity and efficiency goals in mind. Further, the authors provide legal recommendations for the shortcomings of the scheme in India.

In this paper, the author talks about the solution to the problems faced by employees in the modern computerized era of using the EPFO portal and withdrawal of amount from their PF accounts, vis-a-vis linked with the tax benefits, how a common employee can avail the benefits of the EPF Scheme brought up by the government. In addition, the adoption of several legal schemes as compared to the foreign countries shows how India lacks behind the EPF Legal regime.

RESEARCH METHODOLOGY

This paper follows the deep empirical and doctrinal gateway for its composition. The study includes the highly practical aspects of the recent situation of the EPF Scheme and the Government. Also this methodology, rather than relying completely on theories and pure logic, will be of great help to a present-day employee struggling with the EPF Scheme of the government.

[3] World population Ageing 2019 - United Nations

RESEARCH OBJECTIVE

Prima facie author discusses the benefits of the EPF Scheme and how an employee can practically avail the full-fledged benefits of the EPF scheme, using the EPFO Portal and the UAN database of the beneficiaries also how an employee can complain using this EPFO portal. Further, the author throws light on the Tax benefits of this scheme for the employees, also most importantly the procedure for how an employee can withdraw from his PF account. The differences between the EPF and EPS (Employee Pension Scheme) are discussed with the procedure to transfer an EPF online. Along with the brief comparison with the other fast-evolving countries, and recommended solutions for the same would be one of the main objectives of the author's point of view.

EMPLOYEE PROVIDENT FUND (EPF)

Employees' Provident Fund (EPF) is an Indian social security retirement benefit program that is accessible to all salaried workers. The Employees Provident Fund Organization of India (EPFO) oversees and maintains the EPF program. Any company with more than 20 workers must register with the EPFO to offer EPF services[4].

The Government and the EPFO Board of Trustees have mandated that the entire Employees' Provident Fund pool be invested in a trust that yields an annual interest rate of between 8 and 12%. The current interest rate for the 2023–24 fiscal year is 8.15% per annum[5].

Since EPF is linked to the employee and not the employer, it's crucial to update the employee's EPF information if an employee changes jobs so that contributions can still be made to his EPF Account. After retirement, the employee receives the corpus as a lump sum payment for financial security.

EPF contributions are required of all employees earning more than Rs. 15,000 (basic salary plus dearness allowance). There are no requirements for voluntary EPF contributions from employees making more than Rs. 15,000.[6]

[4] Eligibility Crateria for EPF - BAJAJ FINSERV
[5] Eligibility Creteria for EPF - BAJAJ FINSERV
[6] Category to Know FAQ'S - Employment Provident Fund Organisation

COLLECTION OF EPF

Every month, a small portion of the employee's salary is withheld to fund the corpus and some employer contributions. The monthly salary is reduced by 12% to cover EPF contributions, payable on a maximum wage ceiling of Rs 15,000. Additionally, the employer contributes 12% of your salary, but only 3.67% of that goes towards EPF contributions. Contributions are made to the Employees' Pension Scheme (EPS) with the remaining 8.33%[7].

TAX BENEFIT UNDER EPF

Under Section 80C of the Income Tax Act[8], Employee is eligible for income tax deductions for EPF contributions of up to Rs 1.5 Lakhs annually. Both the employer and employee contributions fall under this. Unless the employee loses his job, interest in the EPF is also tax-free. Further, after a mandatory period of at least 5 years, the lump sum invested in EPF may be completely withdrawn without incurring any income tax. Except for when they are made within five years of opening the EPF account, withdrawals from the EPF are also tax-free. TDS is subtracted from any withdrawals that exceed Rs 50,000 made within five years of the EPF account's opening.

DRAWBACK OF EPF

Only employees of businesses that have registered under the EPF Act are eligible for EPF. This refers to businesses with 20 or more employees. Individuals who are self-employed or retired are not eligible. The EPF contribution is rigid and set at 12% of the employee's and employer's combined salary and DA (Dearness Allowance)[9].

Early withdrawal from an EPF account after five years is taxable. Many people in the contemporary economy are unable to work for an EPF-registered company for five years.

One cannot contribute to the EPF if he changes jobs from big companies to small ones or starts contributions to the EPF if he changes jobs from big companies to small ones or starts working for oneself. Following his departure from the EPF-registered employer in this situation, the EPF will stop earning interest after three years[10]. The money will lie idle in the EPF account.

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[7]Dashbord - Employment Provident Fund Organisation
[8]Income Tax Act, 1961 - Income Tax Department
[9]Contribution Deduction - Times of India
[10]Calculation Rules for Employee Provident Fund and Employee Pension Scheme, 2022 - SHRM

The long-term returns of mutual funds or the National Pension System (NPS) might not be comparable to the EPF rate.

DISTINGUISH FEATURES BETWEEN EPF AND EPS

Under the Employees' Provident Fund and Miscellaneous Provisions Act[11], the Employees' Pension Scheme (EPS) is a sub-scheme. While the Employees' Pension Fund (EPF) pays a lump amount at retirement along with interest, payments under the Employees' Pension Scheme (EPS) are distributed every month and are passed on to widow(er) and children as well.

Direct employee contributions to the EPS are not permitted. 8.33% of the 12% of the pay that the employer will match is applied to the Employee Pension Scheme (EPS), with a maximum contribution of Rs. 1,250. The remaining portion is applied to his EPF Account. The EPS scheme is now mandatory up to a salary of Rs. 15,000 and optional above that[12].

EPFO - EMPLOYEES' PROVIDENT FUND ORGANIZATION

Salient features of the online portal are:

- It is a government organization that manages the provident fund and pension accounts for the workforce engaged in the organized sector in India.
- It implements the Employees' Provident Fund and Miscellaneous Provisions Act, of 1952. The Act provides for the institution of provident funds for employees in factories and other establishments,
- It is administered by the Ministry of Labour and Employment[13].
- It is one of the world's largest social security organizations in terms of clientele and the volume of financial transactions undertaken.

World's largest social security organization is EPFO in terms of clientele and the volume of financial transactions undertaken. EPFO currently maintains 11 million accounts (Annual Report 2021–22) for its members[14]. On 15th November 1951 The Employees' Provident Funds Ordinance was enacted, creating the Employees' Provident Fund. Further replaced by the Employees' Provident Funds Act, of 1952[15]. The Employees' Provident Funds Bill, which established

[11] Dashboards - EPFO
[12] Acts and Mannuals - EPFO
[13] Dashboards - EPFO
[14] Pradhan Mantri Sham Yogi Maandhan - Ministry of Labour & Employment
[15] The Employment Provident Funds and MiscellaneousProvision Act, 1952

provident funds for workers in factories and other establishments, was introduced in Parliament as Bill Number 15 of 1952. The Act is now stated as the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 which extends to India.

The Central Board of Trustees, Employees' Provident Fund, a tripartite board made up of government members (both central and state), employers, and employees, is responsible for overseeing the Act and the Schemes created under it[16].

The Employees' PF Organization (EPFO), which has offices at 127 locations throughout the nation, assists the Central Board of Trustees in administering a contributory provident fund, pension scheme, and insurance scheme for the workforce engaged in the Indian organized sector[17].

The organization has a well-equipped training facility where officers and employees are representatives of the Employers and Employees attend sessions for training and workshops. The Ministry of Labor and Employment (Government of India) has administrative control over EPFO. EPF Scheme 1952, Pension Scheme 1995 (EPS), and Insurance Scheme 1976 (EDLI) are the three schemes that the Board operates[18].

UAN

Universal Account Number (UAN), for each employee who contributes to the Employees Provident Fund, receives a 12-digit UAN. The Employee Provident Fund Organization (EPFO) generates and assigns this special number. Following the instructions of the Government of India, the Ministry of Labor and Employment authenticates UAN. No matter how many times a person joins a new organization throughout their career; this number stays the same for each of them.

Importance of UAN:

- The unique UAN remains the same until the retirement of an employee.
- To examine the credits and debits in the PF account, UAN is necessary.
- Individuals (Employees) can withdraw and transfer money using UAN without depending on their employer.
- Employees can access their PF accounts freely, thanks to online processing.

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[16] The Employment Provident Funds and MiscellaneousProvision Act, 1952
[17] Employment Provident Fund Organisation - Locate an Office.
[18] Locate an Office - Employment Provident Fund Organisation.

- With UAN, employees can track monthly deposits. However, the respective employee has to be registered on the EPFO.

The complete list of documents needed to generate UAN is shown below.

- Identity proof- Driving license, passport, Voter ID, etc.
- Address proof- Recent utility bill rental or lease agreement, Ration card, etc.
- Bank account details- Account number and IFSC Code.
- PAN card,
- Aadhaar card,
- ESIC card.

Some of the benefits of UAN numbers are carpeted below.

- Hassle-free Transfer of Funds,
- Minimal Employer Involvement in PF Withdrawal,
- Streamlined Transactions With Mobile Notifications,
- Benefits of the Employee Pension Scheme (EPS).

Process for Generation of a UAN number:

- Log in to the EPF Employer Portal by using the Establishment ID and password,
- Move on to the 'Member' tab and click on 'Register Individual',
- Provide the employee's details such as Aadhaar, PAN, bank details, etc,
- Click on the 'Approval' button after checking all the details,
- A new UAN will be generated by EPFO.

TRANSFER OF EPF ONLINE

To set up a transfer request online, employees need to follow these steps:

- Log In to their UAN and password to access their EPF account.
- The 'Online Services' section will open, and they should select the 'One Member - One EPF Account (Transfer Request)' option.
- Verify Personal information and the present PF account details.
- To obtain the PF account details for the previous employment, click on 'Get Details'.

- Choose either their previous/present employers for attesting the claim form depending on the availability of an authorized signatory holding DSC. Select an Employer and enter their Member ID or UAN in the appropriate fields.
- Clicking on ‘Get OTP’ and receiving the OTP to their registered mobile number. To authenticate their identity submit the OTP in the space provided.
- The next step is the generation of an online PF transfer request form, which must be self-attested and delivered in PDF format to their chosen Employer. A notification regarding the EPF transfer request will also be sent to the employer online.
- A tracking ID is also generated that can be used to track the application online by the employer.
- The PF transfer request is approved by the employer digitally. After approval, transfer of PF into the new current employer. A tracking ID that can be used to trace the application online is also generated.

WITHDRAWAL OF EPF

The offline EPF withdrawal process is elaborated below.

- Download the Composite Claim Form (Aadhaar or non-Aadhaar).
- Individuals (Employees) applying through the Composite Claim Form (Aadhaar) need to link the Aadhaar number with their primary bank account number and provide the bank account details. Additionally, it needs to be activated via the gateway.
- However, those submitting a Composite Claim Form (Non-Aadhaar) do not have to go through the Aadhaar seeding procedure to withdraw EPF.
- After entering their data, individuals must submit the completed form to the appropriate jurisdictional EPFO office. Here, the employer's attestation is also required.

The online withdrawal process for EPF is described here:

- Visit the Member e-Sewa portal on the EPFO portal.
- Sign in to their account with a password, UAN, and Captcha code.
- Select 'Claim (Form-19, 31, 10C & 10D)' from the ‘Online Services tab.
- A new webpage will open where they need to provide the correct bank account number linked with UAN.
- Click on Verify.

- After verifying bank account details, they need to confirm the terms and conditions mentioned by EPFO.
- Select 'Proceed For Online Claim.'
- Select the reasons for the withdrawal from a drop-down list. Remember, the given listing shows options based on eligibility.
- Individuals must enter their address after choosing the reasons for withdrawal or advancement. Please take notice that, per EPFO instructions, anyone requesting an advance must specify the amount and attach a scanned copy of the necessary paperwork.
- Click on the terms and conditions.
- Select 'Get Aadhaar OTP.'
- An OTP will be sent to their registered mobile number. Insert the OTP in the relevant box.
- After successfully entering OTP, the online claim for EPF withdrawal will be submitted.

Eligibility for EPF Withdrawal:

Retirement: Individuals retiring from employment at the age of 55 are eligible for EPF withdrawal.

Unemployment: Individuals who have remained unemployed for two months can withdraw 75% of the total EPF amount.

Medical Purpose: When EPF withdrawal is made for medical purposes, the claiming process does not require a minimum service year.

Wedding: To withdraw EPF for wedding purposes, individuals must have a minimum of 7 years of service life.

Repayment for Home Loan: Individuals withdrawing EPF to repay a home loan must complete 3 years of service life.

Purchase or Construction of House: The eligibility for EPF withdrawal in case of purchase or construction of a house is that the concerned individual must have completed 5 years of service.

Renovation or Reconstruction of House: Those withdrawing EPF for renovation or reconstructing a house must have 5 years of service life.

LODGING A COMPLAINT WITH EPFO

Employees frequently have issues with their employer when it comes to EPF withdrawals, account transfers in the event of employment changes, pension settlements, and other issues. The good news is that the EPFO responds quickly to complaints and has a dedicated grievance cell. The EPFO recently entirely redesigned the grievance architecture. The grievance portal now includes contemporary features such as -

- Online grievance lodging linked UAN integrated to master database online;
- OTP Verification,
- Lodge multiple grievances for multiple PF accounts linked to one UAN,
- PPO (Pension Payment Order) number validation/integration (for EPS pensioners) with a centralized database of EPFO,
- Reminders for pending grievances,
- Check the current status of the grievance,
- Provide feedback on grievance redressal,
- Upload more than one document for each grievance,
- Comprehensive categorization of grievances.

PFRDA ADVISES THE INDIAN PENSION SCHEME TO BE SIMILAR TO THE UK PENSION SCHEME

According to its chairman, getting nearly 90% of the total workforce into the pension fold would need the federal government of India to implement a pension plan for the nation's gig workers that is similar to the one in the UK. According to Chairman Supratim Bandyopadhyay of the Pension Fund Regulatory and Development Authority (PFRDA), which oversees over $102 billion in assets, employees at food and taxi aggregators should be automatically enrolled in the National Pension Scheme (NPS)[19]. According to Bandyopadhyay, the PFRDA has advised companies to withhold some payments to gig workers and contribute that money to the NPS program. 90% of the workforce in India works in the unorganized or informal sector, which denies them access to social security benefits. According to a report by think tank NITI Aayog published in

[19] National Pension System Trust - NSDL e-Gov

June, the number of gig workers, a substantial portion of whom are delivery and sales professionals, reached 9.9 million in 2022–23, up around 45% from 2019–20[20].

The PFRDA's suggestion that these workers be included in the pension system mirrors the UK's pension system, which requires all employers—even those with just one employee—to enroll their workforce in pension plans and contribute to them. The Employee Provident Fund plan, which involves contributions from both the employer and employees, is currently only required by Indian law for businesses with more than 20 employees.

REPRESENTATION FROM THE GLOBAL SURVEY DATA FOR THE INDIAN PENSION SCHEME

As per the latest survey by The Economic Times, "India has ranked 40th out of 43 pension systems across the world in the 2021[21] Mercer CFS Global Pension Index survey, suggesting the need for strategic reforms in India to revamp the pension system to ensure adequate retirement income. India stood at 34th position out of 39 pension systems rated in 2020[22]." India's total index value was 43.3, lower than the index value of 45.7 for 2020 among the countries assessed, according to the poll. Globally, Thailand had the lowest overall index value at 40.6 while Iceland was placed best with an overall index value of 84.2[23].

EPFO's NEW FACILITY ON UMANG APP

Members of the Employees' Pension Scheme (EPS) 1995 can now apply online for Scheme Certificates according to a feature introduced by the Employees' Provident Fund Organization (EPFO) on the Unified Mobile Application for New-age Governance (UMANG) App.

- It is a mobile application that is integrated, secure, multi-channel, multi-platform, multi-lingual, and multi-service.
- To advance mobile governance as part of Digital India, it was created by the Ministry of Electronics and Information Technology (MeitY) and the National e-Governance Division (NeGD).
- Citizens can access all national e-Government services offered by central and State government entities as well as other citizen-focused services from a single site.

[20] Indian's Bomming Gig and Platform Economy - niti.gov.in
[21] The Economics Times Survey - Global Pension Index 2021
[22] The Economics Times Survey - Global Pension Index 2021
[23] The Global Competition Report 2019 - World Economic Forum

- Services Offered: Aadhar, Pension, ePathshala, e-Land Records, Crop Insurance, Income Tax Filing, EPFO Services, etc.

The prime benefit of this mobile application is that in particular during epidemic periods, members will benefit from not having to go through the trouble of physically applying for it thanks to the online application, which will also reduce paperwork.

SHORTCOMINGS OF THE EPF SCHEME OF THE GOVERNMENT

Regardless of the many benefits and advantages of the scheme, there are many aspects where this scheme falls behind and doesn't compete to the extent. The majority of Employee Provident Fund participants are unable to attain even the Rs 1 crore milestone, despite the benefits and opportunities. In the ET Wealth poll, more than 13% of employees reported withdrawing their Provident Fund balance each time they moved jobs. Withdrawing from the Provident Fund has the potential to be counterproductive in two ways.

- Retirement savings are lost after the member withdraws a sum that is often wiped out by discretionary spending.
- Withdraws the balance of the Fund by any individual amounts taxable if withdrawn before completing five years.

CONCLUSION

In this paper the author briefly describes the new EPF scheme which is a government regime launched by the Ministry of Labor and Employment, solely to introduce the audience to the various aspects of the scheme. Such as the tax benefits that could be availed by the employee and employer. These benefits have their own limitations, explaining which the paper further describes the drawbacks of this scheme in the Indian employment system.

The new provident fund program by the Government of India launches its own online portal for the easement of the beneficiaries of this scheme. The author talks about the procedure and the ways by which the employee or the employer could effectively and efficiently bring this online portal (EPFO) to their own advantage. This includes detailed knowledge about the Universal Account Number (UAN), the transfer of EPF accounts online, and the withdrawals from the account. The author also includes the remedial procedure to lodge a complaint with the EPFO and the claims that could be made by the employee or the employer.

For the new age governance, the Ministry launches a new Application that could be widely used for managing the EPFO Accounts and fulfilling the needs of the beneficiaries in a single placed store for all their requirements. The UMANG APP also simplifies the day-to-day transactions that are to be done in an EPF account by the account holders.

While comparing the Indian Pension Scheme with the Pension Schemes of other countries, the shortcomings of the Indian Pension Scheme gets highlighted. The major shortcoming is that the withdrawal from an EPF account, when the employee switched his job has been made easier enough to create a pool of transactions in a short time period that it could not be recovered by the government, or the Employer's Organization, also the retirement savings gets lost in the due process.