Employees' Provident Fund Organisation has issued guidelines for monitoring the Provident Fund Trusts of exempted establishments

Background

In 1952, the Government of India introduced a mandatory savings scheme, for non-government employees, known as the Employees' Provident Funds Scheme, 1952 (EPFS). In this scheme, both the employee and the employer are required to make a contribution to the Employees' Provident Fund (EPF).

The government also permitted employers to establish and manage their own in-house PF trusts, subject to the conditions prescribed under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPF Act) and the Income Tax Act, 1961 (IT Act). Such establishments are known as exempted establishments under the EPF Act.

In the above context, the Employees' Provident Fund Organisation (EPFO) has issued two circulars1 with regard to monitoring of the management of the trusts of the exempted establishments.

Key highlights of the circulars

- All the exempted establishments/employers are required to file the statutory online returns in time i.e. by 25th of the month following that to which it relates.

- It has been noticed that some of the Provident Fund (PF) exempted establishments are still not filing the statutory online returns.

The Regional Provident Fund Commissioner (RPFC)/Officer in-charge of field offices have been directed to initiate action against such defaulting establishments including process for cancellation of exemption as per the EPF Act.

- The circular has also laid down the procedure for online performance evaluation of the exempted establishments on the basis of following six parameters:
  a) Transfer of fund before due date
  b) Investment
  c) Remittance to the trust
  d) Interest declared
  e) Claims settlement
  f) Audit of accounts

- On the basis of the above parameters, a ranking of PF exempted establishments will be prepared for the preceding month and it shall be published on the EPFO website on the first day of the succeeding month.

- Further, the field officers have been directed to also monitor other performance parameters of the exempted establishments during compliance audit or otherwise and issue show cause notice to all the defaulting establishments which have not filed the online return on or before 5 October 2017.

Accessed on 17 October 2017
• The EPFO has directed that every trust of exempted establishments will communicate to their members through SMS on mobile phones, emails or mobile e-passbook about the receipt of contribution in the account of the member every month, within two days of receipt of remittance from the exempted establishment.

• Some trusts are not able to declare the rate of interest at par with EPFO. As per the EPF Scheme, any deficiency in the interest declared by the Board of Trustees is to be made good by the employer to bring it up to the statutory limit.

**Our comments**

The online performance check of exempted establishments by EPFO is a welcome step as the exempted establishments can assess their performance on a monthly basis and regulate their compliance accordingly.

Establishments running in-house PF trusts should be more vigilant on their returns filing, investments and other governance issues as the PF office is now monitoring the functioning of private PF trusts vigorously.

It is imperative for establishments who are running private PF trusts to make proper compliances on a monthly basis to enjoy continued exemption.
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