

TAX FLASH NEWS

11 June 2021



EPFO makes Aadhaar seeding mandatory for filing ECR with effect from 1 June 2021

Background

All employers who are covered under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 are required to file an Electronic Challan cum Return (ECR) for making remittances of Provident Fund Contributions of their eligible employees.

The Ministry of Labour & Employment had issued a notification¹ to enforce Section 142 of the Social Security Code, 2020 w.e.f. 3 May 2021. This was in respect of Application of Aadhaar as identification for the employees.

Recently, the Employees' Provident Fund Organization (EPFO) has directed the employers through a message flashing on the Employer's PF portal (as seen on 11 June 2021) that with the coming into force of Section 142 of the Code on Social Security, 2020, the ECR shall be allowed to be filed only for those members, whose Aadhaar numbers are seeded and verified with the Universal Account Number (UAN), w.e.f. 1 June 2021.

EPFO also said in its recent tweet² that after 1 June 2021, the employer will be able to file an ECR in respect of only those members whose Aadhaar are seeded and verified with the UANs. Employers will be required to file a separate ECR in respect of non-aadhaar seeded UAN post completion of Aadhaar seeding process.

Separately, in a circular³ dated 4 August 2017, EPFO had clarified that Aadhaar Number would not be mandatory for International Workers (IWs) as well as workers from Nepal and Bhutan.

Our comments

The recent amendment in ECR filing is a continuation of EPFO's effort to tighten its enforcement machinery and to mitigate non-compliance in relation to KYC of the active members.

The Companies should diligently review the KYC of their employees and update the Aadhaar details in respect of all such members (other than IWs) whose Aadhaar seeding is pending, to ensure remittances in a timely manner and avoid late payment of due PF contributions and other non-compliances/ adverse reporting.

¹ Notification S.O. 1730(E) - <https://egazette.nic.in/WriteReadData/2021/226823.pdf> - dated 30 April 2021 - Notified in official gazette on 3 May 2021

² EPFO Twitter - <https://twitter.com/socialepfo/status/1402626605634048009?s=20> dated 9 June 2021

Accessed on 11 June 2021

³ EPFO Circular - Submission of Aadhaar as identity document by members of EPS, 1995 - Regarding - dated 4 August 2017

Accessed on 11 June 2021

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