

# TAX FLASH NEWS

15 May 2020



## The Finance Minister announces several measures under Provident Fund regime to revive the economy from the COVID-19 outbreak

The Prime Minister announced INR 20 lakh crore stimulus package, to make the country self-reliant and to revive the stalled economy due to COVID-19. It was stated that the finance minister will unveil the package in detail in coming days.

The Finance Minister announced the first set of package containing several measures<sup>1</sup>. The Provident Fund related announcements are as follows:

- Employees' Provident Fund Support for business and organised workers

The scheme introduced as part of Pradhan Mantri Garib Kalyan Yojana (PMGKY) under which Government of India contributes 12 per cent of salary each on behalf of both employer and employee to EPF will be extended by another 3 months for salary months of June, July and August 2020. This was provided earlier for salary months of March, April and May 2020.

- EPF Contribution to be reduced for Employers and Employees for 3 months

Statutory PF contribution of both employer and employee reduced to 10 per cent each from existing 12 per cent each for all establishments covered by Employees' Provident Fund organisation (EPFO) for next 3 months. CPSEs and State PSUs will however continue to contribute 12 per cent as employer contribution. This scheme will be applicable for workers who are not eligible for 24 per cent EPF support under PMGKY and its extension.

### Our comments

Various measures announced by the Finance Minister will help the employers and employees in this critical time of COVID-19 outbreak.

The decision to extend the benefit of PMGKY benefit would be a big relief for the employees as well as employers.

Further, the reduction of 2 percent of contribution rate will provide liquidity to the employees and will help them manage their cash flows.

However, more clarity/ implementation guidelines from the EPFO in this regard would be welcome.

<sup>1</sup> Press release issued by the Ministry of Finance  
Source - <https://pib.gov.in> - dated 13 May 2020  
Accessed on 15 May 2020

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