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TAX FLASH NEWS

23 May 2018

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The Government of India issues notification on reducing the administrative charges under Employees' Provident Funds and Miscellaneous Provisions Act, 1952

Background

In March 2017, the Government of India (GOI) made changes in the Employees' Provident Funds Scheme, 1952 (EPFS) by reducing the administrative charges from 0.85 per cent to 0.65 per cent[1] of the monthly pay as defined under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 (EPF Act), with effect from 1 April 2017.

Recently, the Government of India has issued a notification[2] to revise the rate of administrative charges under the EPFS. This notification is effective from 1 June 2018.

Key amendments in the notification

Administrative charges under Employees' Provident Funds Scheme, 1952 (EPFS)

- The administrative charges paid by the employer on monthly pay (as defined under the EPF Act) has been reduced from 0.65 per cent to 0.50 per cent of the monthly pay of the employee

- Minimum administrative charges of INR75 per month for every non-functional establishment having no contributory member and INR500 per month per establishment for other establishments would need to be paid.

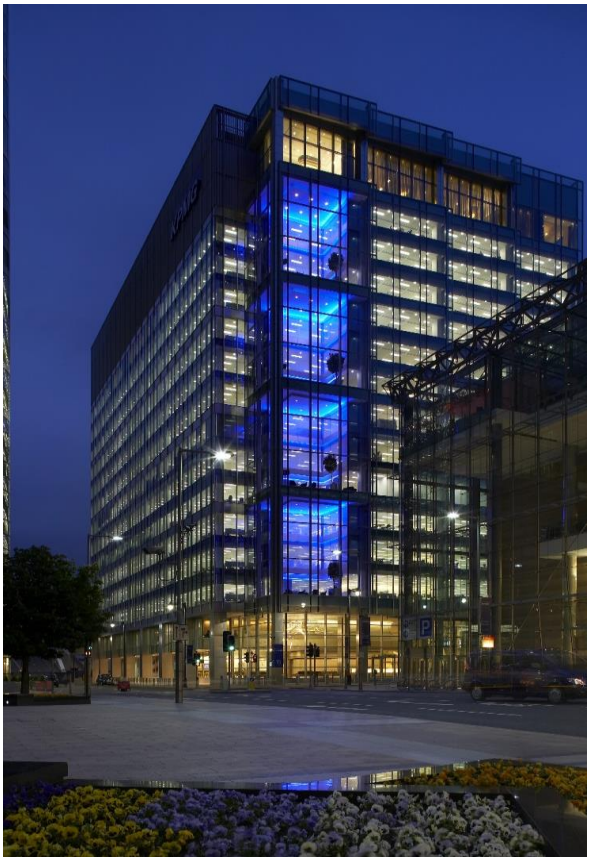
[1] Notified in the official gazette on 15 March 2017
[2] Notified in the official gazette on 21 May 2018

Accessed on 23 May 2018

Our comments

The reduction in administrative charges is a welcome development for the industry which can result in considerable savings in compliance costs for organisations, especially those with a large employee base. Establishments registered under the EPF Act should review and make the necessary changes in their monthly remittances.

These changes can help reduce compliance costs in respect of both domestic and expatriate employees.



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