

FREQUENTLY ASKED QUESTIONS

Reduction in statutory rate of EPF contribution from 12% to 10%

Q.1: What is revised rate of EPF contribution announced by the Central Govt. under Atmanirbhar Bharat package?

Ans. Under this package the statutory rate of EPF contribution of both employer and employee has been reduced to 10 percent of basic wages and dearness allowances from existing rate of 12 percent for all class of establishments covered under the EPF & MP Act, 1952.

Q 2: What is the objective of reduction in rate of contributions?

Ans: Reduction in rate of EPF contributions from 12% to 10% of basic wages and Dearness allowances is intended to benefit both 4.3 crore employees/members and employers of 6.5 lakhs establishments to tide over the immediate liquidity crisis to some extent during Pandemic situation.

Q 3: Whether any notification has been issued under the EPF & MP Act, 1952 for reducing the rate of contributions? If so, how can I access the notification?

Ans. The reduction in statutory rate of contributions from 12% to 10% for wage months May, 2020, June, 2020 and July, 2020 has been notified vide SO 1513 (E) dated 18.05.2020 published in the Gazette of India. The notification is available under the TAB- COVID-19 on the home page of EPFO website.

Q.4: What is the period for which reduced rate of contribution is applicable?

Ans. The statutory rate of contribution will be 10% for wage months- May, 2020, June, 2020 and July, 2020.

Q 5. Who are eligible for the reduced rate of contributions?

Ans. It is applicable to all class of establishments covered under the EPF & MP Act, 1952, except the establishments like Central and State Public Sector enterprises or any other establishment owned or controlled by or under control of the Central Govt. or State Govt.

The reduced rate is also not applicable to establishments eligible for PMGKY benefits, since the entire employees EPF contributions (12% of wages) and employers' EPF & EPS contribution (12% of wages), totalling 24% of the monthly wages is being contributed by the Central Govt.

Q6. Are exempted establishments eligible for reduced rate of contribution?

Ans. Yes. The reduced rate is applicable to exempted establishments also.

Q 7: How does the reduced rate of contributions help the employees and employer?

Ans: As a result of reduction in statutory rate of contributions from 12% to 10%, the employee shall have a higher take home pay due to reduction in deduction from his pay on account of EPF contributions and employer shall also have his liability reduced by 2% of wages of his employees. If Rs.10000/- is monthly EPF wages, only Rs.1000/- instead of Rs.1200/- is deducted from employee's wages and employer pays Rs.1000/- instead of Rs.1200/- towards EPF contributions.

Q 8: I get salary under Cost to Company (CTC) model, will the reduced rate of contributions from 12% to 10% still benefit me?

Ans: In Cost to Company (CTC) model, if Rs.10000/- is monthly EPF wages, in CTC Model the employee gets Rs.200/- more directly from employer as employer's EPF/EPF contribution is reduced and Rs.200/- less is deducted from his/her wages.

Q 9. Is the 10% rate of contribution applicable to establishments which get registered with EPFO during wage months May, 2020, June 2020 and July, 2020?

Ans. Yes. Establishments covered during wage months of May-July, 2020 will be eligible for reduced rate for eligible remaining period from date of coverage.

Q 10. What will be rate of contribution for administrative charges and insurance?

Ans. There is no change in the EPF administrative charges (0.5% of EPF wages subject to minimum prescribed) and EDLI contributions (0.5% of wages) both payable by employers.

Q 11. How is benefit availed? One has to pay at full rate and claim reimbursement later or direct payment at reduced rate can be made.

Ans: Establishment has to remit dues at reduced rate through the Electronic-Challan cum Return (ECR) itself.

Q 12. Can the employer or employee pay at higher rate or the contribution rate of 10% is mandatory?

Ans: The reduced rate of contribution (10%) is minimum rate of contribution during period of the package. The employer, employee or both can contribute at higher rate also.

Q 13. How the reduced rate of contribution will impact amount of pension in longer run?

Ans: The EPS contributions 8.33% of wages (subject to ceiling of Rs.15000/-) is diverted from employer's share of EPF contributions. The reduced rate of EPF contributions to 10% will not reduce the pension contributions or benefits.

Q. 14. My establishment will not be able to remit dues timely during the scheme period. Is it still eligible for reduced rate of contribution?

Ans. Yes, the rate of contributions is 10% for the three wage months- May, 2020, June, 2020 and July, 2020 irrespective of date of payment.

Q. 15. Is the option to contribute at reduced rate available to establishments availing PMRPY benefits?

Ans. Yes. The establishment availing PMRPY benefits can remit contribution at reduced rate.

Q. 16. The rate of contribution for my establishment is 10% as it is engaged in manufacturing of gaur gum. Will the rate of contribution be further reduced for my establishment?

Ans. The establishments, which were already entitled to reduced rate of contribution (10%) through the SO 320 (E) dated 09.04.1997 are not eligible for any further reduction in rate of contribution.