

COVID-19: New EPF contribution rates notified for May, June and July 2020 (1/2)

The government recently announced reduction in the statutory monthly contribution of Employee Provident Fund (EPF) for three months. The objective was to provide more cash in the hands of employees and employers who are facing a liquidity crunch due to the ongoing lockdown.

To give effect to the announcement, the Ministry of Labour and Employment has, vide notification dated 18 May 2020, notified the rate at which contribution is required to be made by employees and employers to EPF.

Applicability

The revised rate of contribution shall apply to contributions made for three wage months i.e., May, June and July 2020.

The reduced rates are applicable to all establishments currently covered under the EPF Act except:

- Central public sector enterprises, public sector undertakings or any establishment owned or under the control of state/central government
- Establishments that have availed the relief under the Pradhan Mantri Garib Kalyan Yojana (PMGKY) where the government is contributing 12% of employer and 12% employee contributions into the EPF accounts.

#GTPFUpdates

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Effective contribution rates

Account No.	Original rates	Revised rates
Account 1 - Employee contribution	12%	10%
Account 1 - Employer contribution	3.67%	1.67%
Account 10 - Employer contribution to EPS	8.33%	8.33%
Account 2 - EPF administrative charges	0.5%	0.5%
Account 21 - Employees' Deposit Linked Insurance Scheme, 1976	0.5%	0.5%

Our comments

The revised contribution rates are likely to provide a well-intended respite in the short-term to employees and employers. However, it reduces the total contribution to an employee's EPF corpus for three months.

In case of exempted establishments/private PF trusts, any change notified in the EPF scheme becomes automatically applicable to the extent such changes are more beneficial to the employees. However, this amendment has been notified in the EPF Act without any changes in the scheme per se. At this juncture, it would be helpful if the EPFO clarifies whether the amendments will apply on such exempted establishments/private trusts.