Draft EPF & MP (Amendment) Bill, 2019

Why in news?

The labour ministry plans to amend the Employees' Provident Fund and Miscellaneous Provident (EPF & MP) Act.

What are the key changes proposed?

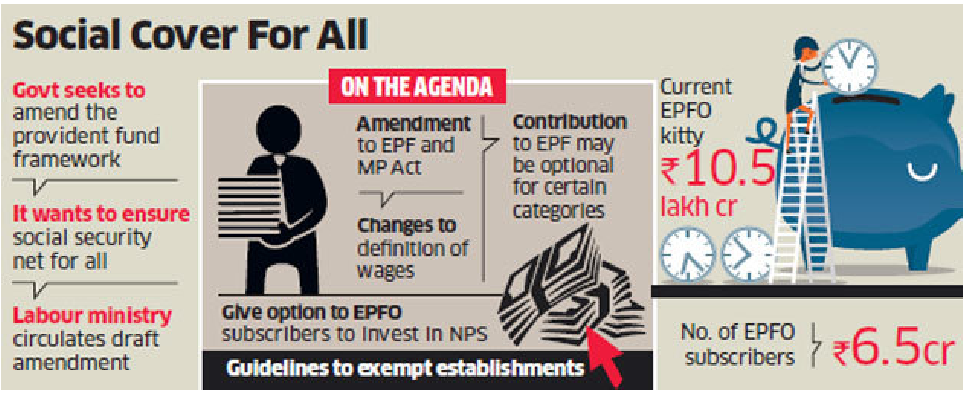
- The EPF & MP Act is applicable to every establishment employing 20 or more people.
- The amendments will empower the government to notify the rate and duration of contributions for any class of employees.
- **Domestic help** - It is proposed to introduce provident fund for domestic help and other self-employed persons such as drivers.
- The government may notify whether in these cases the employer is liable to contribute or not.
- **Rates** - Currently, both employer and employee contribute 12% each to the Employees Provident Fund Organisation.
- However, the rate is 10% for beedi, brick, jute, coir, and guar gum industries, and any establishment declared a sick company.
- It also applies to companies with accumulated loses equal to or in excess of their net worth at the end of a given financial year.
- A significant change proposed now is to allow rates of contribution by certain classes of employees to be lower than the mandatory 12%.
- Reportedly, government may also consider exempting certain classes of employers from the mandatory joint contribution to the EPF.

- **Flexibility** - Subscribers may be given the choice of switching between the EPFO and the National Pension Scheme.
- [However, there is a concern that the National Pension Scheme could not be an option to EPFO as the benefits under the two schemes are different.]
- Besides, those with income below a certain threshold can opt not to contribute to PF without impacting the employers' contribution.
- This flexibility will enable modification of rates of contribution depending on various factors like age, income, gender.

- **Wage** - The government proposes to change the definition of wages under the act to align it with the recently notified wage code.
- At present, the PF contribution is computed on the basis of basic wages, dearness allowance and retaining allowance.
- The amendment seeks to stipulate that allowances paid above 50% or as a notified percentage of all remuneration be included as wages.

What is the rationale?

- The change in the industrial and economic scenario of the country has led to increased mobility of labour and outsourcing of services.
- With this, the need has been felt for introducing some amendments in the provisions of the EPF Act.
- The move is in line with the government's endeavour to reform labour laws that aims at -
    i. bringing all classes of workers in the ambit of social security
    ii. lower the provident fund burden on employers
    iii. increase the take-home salary for employees



What are the advantages?

- The proposed amendments may pave the way to extend provident fund benefits to many workers.
- This would be an effort in line with the government's plan to widen the social security net.
- The move follows the Pradhan Mantri Shram Yogi Maan Dhan pension scheme unveiled for unorganised sector workers.

What is the way forward?

- The government must consider restricting the benefits of the EPF to those who deserve them.
- Now, even employees who earn very high salaries are allowed to contribute 12% of their basic and dearness allowance, without any monetary limit, to the EPF, with an equal contribution from their employers.

- On this sum, they enjoy the benefits of attractive interest rates, fully tax-free.
- Also, employees can contribute extra to the EPF through the voluntary provident fund. On this too, they enjoy high tax-free returns.
- There is little reason why the rich should be given such benefits.
- Budget 2016-17 had proposed a monetary limit, for contribution of employers in recognised provident and superannuation funds, of Rs. 1.5 lakh per annum for tax benefit.
- It is time to seriously consider implementing this provision.

Source: Economic Times, Business Line