

Lower rate of EPF subscription 10% with EPFO notified placing higher liquidity in the hands of employees and employers during COVID -19 pandemic

Government Sector, their PSEs and establishment whose subscription is being borne by Union Government under PMGKY continue to have subscription at old rates of 12%

Lower rates to be applicable for salary months of May, June and July 2020

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Various measures have been announced from time to time to provide relief to the employers and employees of the establishments covered under the EPF & MP Act, 1952 distressed by Lockdown to prevent spread of COVID-19 and other disruptions due to Pandemic.

The reduction in statutory rate of contributions from 12% to 10% for wage months May, 2020, June, 2020 and July, 2020 for all class of establishments covered under the EPF & MP Act, 1952 announced on 13.05.2020 by the Central Govt. as part of Atma-Nirbhar Bharat package 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

The above reduction of rate of contribution is not applicable to 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. These establishments shall continue to contribute 12% of basic wages and dearness allowances.

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

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.

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.

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/EPS contribution is reduced and Rs.200/- less is deducted from his/her wages.

Under the EPF Scheme, 1952 any member has the option to contribute at a rate higher than statutory rate (10%) and employer can restrict his contributions 10% (statutory rate) in respect of such employee.
