

Item No. 22: Amendment in Section 6 of the Employees' Provident Fund & Miscellaneous Provisions Act, 1952 for providing an enabling provision for reducing women employees' contribution to 8% for first three years of their employment against existing rate of 12% or 10% with no change in employers contribution.

1. Hon'ble Finance Minister in his budget speech 2018-19 has, inter-alia, stated as under:

To incentivize employment of more women in the formal sector and to enable higher take-home wages, I propose to make amendments in the Employees Provident Fund and Miscellaneous Provision Act, 1952 to reduce women employees' contribution to 8% for first three years of their employment against existing rate of 12% or 10% with no change in employers' contribution."

2. Accordingly, Ministry of Labour & Employment vide 35012/05/2017-SS-II dated 05.02.2018 (**Annexure-22A**), requested that proposal relating to amendments of certain provisions of the EPF & MP Act, 1952 be placed before CBT, EPF and a proposal be furnished to the Ministry urgently for taking necessary action at their end.

3. In order to implement the budget announcement amendment shall be required in Section 6 of the EPF & MP Act, 1952. Accordingly, it is proposed that the following proviso may be considered for insertion in Section 6 of the Act after the first proviso.

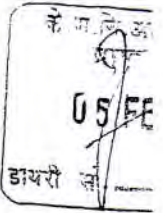
"Provided further that the Central Government, having regard to the circumstances of any establishment or class of establishments or category of employees, may, by notification in the official Gazette, specify a lower contribution rate in respect of employee's contribution for such establishment or class of establishments or category of employees."

4. Further, the provision of para 29 sub-para (2) of the Employees Provident Fund Scheme, 1952 shall also be modified and it is proposed that the following may be considered for insertion in para 29 sub-para (2) of the Scheme.

"or at such rates as the Central Government may specify in the Official notification from time to time in respect of an establishment or class of establishment or category of employees under the second proviso of Section 6 of the Act."

5. Existing provisions of Section 6 and para 29 after proposed changes are enclosed as **Annexure-22B** and **Annexure-22C**.

Proposal: CBT, EPF may consider the proposal and accord approval for proposed changes in the EPF & MP Act and EPF Scheme 1952.



F. No.S-35012/05/2017-SS-II
Government of India
Ministry of Labour and Employment

Shram Shakti Bhawan, New Delhi.
Dated the 05 February, 2018.

To

Dr. V.P.Joy,
Central Provident Fund Commissioner,
Employees' Provident Fund Organization,
Bhavishya Nidhi Bhawan, 14, Bhikaji Cama Place,
R.K. Puram, New Delhi.

**Subject: Implementation of Budget Announcement 2018-19 -
amendments to the EPF and MP Act, 1952 - reg.**

Sir,

I am directed to refer to the subject mentioned above and to say that the Hon'ble FM in his Budget Speech 2018-19 has, inter-alia, stated as under:

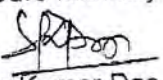
"80. To incentivize employment of more women in the formal sector and to enable higher take-home wages, I propose to make amendments in the Employees Provident Fund and Miscellaneous Provisions Act, 1952 to reduce women employees' contribution to 8% for first three years of their employment against existing rate of 12% or 10% with no change in employers' contribution."

2. Further, the Ministry has already requested to EPFO to place, the proposal relating to amendments of certain provisions of the EPF and MP Act, 1952, as an Agenda item before the CBT in its next meeting for consideration and to furnish the proposal to the Ministry.

3. In view of the recent developments, it is requested that necessary action may be taken to place the proposal relating to amendment of section 6 of the said Act before the CBT as an Agenda item along with other amendment proposals and to furnish the consolidated proposal to this Ministry **urgently by 05.02.2018** for taking necessary action at this end.

4. This issues with the approval of the Secretary(L&E).

Yours faithfully


(Samir Kumar Das

Under Secretary to the Government of India
Tel.: 2347 332

Copy for information to AS & FA(L&E).

Provision of Section 6 of the EPF & MP Act, 1952 after proposed change
(mentioned below in Italic and bold letters)

(6) Contribution and matters which may be provided for in schemes - The contributions which shall be paid by the employer to the fund shall be 10% of the basic wages, dearness allowance and retaining allowance (if any) for the time being payable to each of the employees (whether employed by him directly or by or through a contractor) and the employee's contribution shall be equal to the contribution payable by the employer in respect of him and may, if any employee so desires, be an amount exceeding 10% of his basic wages, dearness allowance and retaining allowance (if any), subject to the condition that the employer shall not be under an obligation to pay any contribution over and above his contribution payable under this section:

Provided that in its application to any establishment or class of establishments which the Central Government, after making such inquiry as it deems fit, may, by notification in the official gazette specify, this section shall be subject to the modification that for the words "10%" at both the places where they occur, the words 12% shall be substituted:

"Provided further that the Central Government, having regard to the circumstances of any establishment or class of establishments or category of employees, may, by notification in the official Gazette, specify a lower contribution rate in respect of employee's contribution for such establishment or class of establishments or category of employees."

Provided further that where the amount of any contribution payable under this Act involves a fraction of a rupee, the scheme may provide for rounding off of such fraction to the nearest rupee, half a rupee, or quarter of a rupee.

[Explanation I.] For the purpose of this section dearness allowance shall be deemed to include also the cash value of any food concession allowed to the employee.

[Explanation II.] For the purpose of this section "retaining allowance" means allowance payable for the time being to an employee of any factory or other establishment during any period in which the establishment is not working, for retaining his services.

**Provision of Para 29 of the EPFS, 1952 after proposed change
(mentioned below in Bold letters)**

- (1) The contributions payable by the employer under the Scheme shall be at the rate of [ten per cent] (if any)] payable to each employee to whom the Scheme applies:

Provided that the above rate of contribution shall be [twelve] per cent in respect of any establishment or class of establishments which the Central Government may specify in the Official Gazette from time to time under the first proviso to sub-section (1) of section 6 of the Act.

- (2) The contribution payable by the employee under the Scheme, shall be equal to the contribution payable by the employer in respect of such employee ***or at such rates as the Central Government may specify in the Official notification from time to time in respect of an establishment or class of establishment or category of employees under the second proviso of Section 6 of the Act.***

Provided that in respect of any employee to whom the Scheme applies, the contribution payable by him may, if he so desires, be an amount exceeding [ten per cent] or [twelve per cent], as the case may be, of his basic wages, dearness allowance and retaining allowance (if any) subject to the condition that the employer shall not be under an obligation to pay any contribution over and above his contribution payable under the Act;

- (3) The contributions shall be calculated on the basis of [basic wages, dearness allowance (including the cash value of any food concession) and retaining allowance (if any)] actually drawn during the whole month whether paid on daily, weekly, fortnightly or monthly basis.
- (4) Each contribution shall be calculated to [the nearest rupee, 50 paise or more to be counted as the next higher rupee and fraction of a rupee less than 50 paise to be ignored.