

**THE EMPLOYEE'S DEPOSIT  
LINKED INSURANCE**

**SCHEME, 1976**

**ARRANGEMENT OF PARAGRAPHS**

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**THE EMPLOYEE'S DEPOSIT-LINKED INSURANCE SCHEME, 1976 G.S.R. 488(E). – In exercise of the powers conferred by Section 6C of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952), the Central Government hereby makes the following Scheme, namely:**

**1. Short title, commencement and application. –**

(1) The Scheme may be called the Employees' Deposit-Linked Insurance Scheme, 1976.

(2) The provisions of this Scheme shall come into force on the 1<sup>st</sup> day of August, 1976.

(3) Subject to the provisions of sub-section (2) of section 16 and section 17(2A) of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, this Scheme shall apply to the employees of all factories and other establishments to which the said Act applies:

Provided that the provisions of this Scheme shall not apply to tea factories in the State of Assam.

**2. Definitions. –** In this Scheme, unless the context otherwise requires, –

(a) "Act" means the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952).

(b) "Assurance benefit" means a payment linked to the average balance in the Provident Fund Account of an employee, payable to a person belonging to his family or otherwise entitled to it in the event of death of the employee while being a member of the Fund.

(c) All other words and expressions used herein but not defined shall have the meaning respectively assigned to them in the Act or Employees' Provident Funds Scheme, 1952.

**3. Administration of the Scheme. –** This Scheme shall be administered by the Central Board constituted under section 5A of the Act.

**4. Regional Committee. –** The Regional Committee set up under paragraph 4 of the Employees' Provident Funds Scheme, 1952 shall advise the Central Board on such matters, in relation to the administration of this Scheme, as the Central Board may refer to it from time to time and in particular, on: -

(a) Progress of recovery of contributions, under this Scheme, both from factories and establishments exempted under Section 17 of the Act and other factories and establishments covered under the Act; and

(b) Expeditious disposal of prosecutions.

**5. Delegation of power by the Central Board –** (1) The Central Board may, by a resolution, empower its Chairman or the Commissioner or both, to sanction expenditure, subject to such limits as may be specified in the resolution, on contingencies, supplies and purchases of articles required for administering the Insurance Fund subject to financial provision in the budget, where such expenditure is beyond the limits upto which the Chairman or the Commissioner is authorized to sanction expenditure on any single item.

(2) The Central Board may also by a resolution empower its Chairman or the Commissioner or both, to appoint such officers and employees other than those mentioned in sub-sections (2) and (3) of section 5D of the Act, as the Chairman or the Commissioner may consider necessary for the efficient administration of this Scheme.

**6. Administrative and financial powers of the Commissioner. –** The Commissioner may, without reference to the Central Board, sanction expenditure on contingencies, supplies and services and purchase of articles required for administering the Insurance Fund, subject to financial provision in the budget and subject to the limits upto which he may be authorized to sanction expenditure on any single item from time to time by the Central Board.

**7. Contribution. –** (1) The contribution payable by the employer and the Central Government under sub-section(2) and sub-section(3) of section 6C of the Act, shall be calculated on the basis of the 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:

Provided that where the monthly pay of an employee exceeds five thousand rupees, the contribution payable in respect of him by the employer and the Central Government shall be limited to the amounts payable on a monthly pay of five thousand rupees including dearness allowance, retaining allowance if any and cash value of food concession.

(2) Each contribution shall be calculated to the 3 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.

**8. Mode of payment of contribution. –** (1) The contribution by the employer shall be remitted by him together with administrative charges at such rate as the Central Government may fix from time to time under sub-section 4 of Section 6C of the Act, to the Insurance Fund within fifteen days of the close of every month by a separate bank draft or cheque or by remittance in cash in such manner as may be specified in this behalf by the Commissioner. The cost of remittance if any, shall be borne by the employer.

(2) It shall be the responsibility of the employer to pay the contribution payable by himself in respect of the employees directly employed by him and also in respect of the employees employed by or through a contractor.

(3) The Central Government shall credit its contribution to the Insurance Fund as soon as possible after the close of every financial year.

(4) The Commissioner shall deposit the bank draft or cheque received from the employers in the State Bank of India or any Bank specified in the First Schedule to the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970).

**8-A. Recovery of damages for default in payment of any contribution:** - (1) Where an employer makes default in the payment of any contribution to the Insurance Fund, or in the payment of any charges payable under any other provision of the Act or of the Scheme, the Central Provident Fund Commissioner or such officer as may be authorized by the Central Government, by notification in the Official Gazette, in this behalf, may recover from the employer by way of penalty, damages at the rates given below: -

Period of default	Rate of damages (Percentage of arrears per annum).
(a) Less than two months.	Seventeen.
(b) Two months and above but less than four months.	Twenty-two.
(c) Four months and above but less than six months.	Twenty-seven.
(d) Six months and above.	Thirty-seven.

(2) The damages shall be calculated to the nearest rupee, 50 paise or more to be counted as the nearest higher rupee and fraction of a rupee less than 50 paise to be ignored.

**8-B. Terms and conditions for reduction or waiver of damages.** – The Central Board may reduce or waive the damages levied under section 14B of the Act in relation to an establishment specified in the second proviso to section 14B, subject to the following terms and conditions, namely: -

(a) in case of a change of management including transfer of the undertaking to workers' co-operative and in case of merger or amalgamation of the sick industrial company with any other industrial company, complete waiver of damages may be allowed;

(b) in cases, where the Board for Industrial and Financial Reconstruction, for reasons to be recorded in its scheme, in this behalf recommends, waiver of damages upto 100 per cent may be allowed;

(c) in other cases, depending on merits, reduction of damages upto 50 per cent may be allowed.

**9. Employer's contribution not to be deducted from the wages of the employees.** – Notwithstanding any contract to the contrary, the employer shall not be entitled to deduct the employer's contribution payable by him under this Scheme from the wages of the employees or to recover it from them in any other manner.

**10. Duties of employers.** – (1) Every employer shall send to the Commissioner, within fifteen days of the commencement of the Scheme, a consolidated return in such form as he may specify, of the employees who are entitled and required to become members of the Insurance Scheme showing inter-alia, the Insurance Scheme Number, name, accumulations in the Insurance Scheme as at the end of the financial or accounting year preceding the date on which this Scheme comes into force together with certified copies of nomination executed by each employee under the rules of the Provident Fund of the establishment.

(1A). Every employer shall send to the Commissioner within fifteen days of the close of each month, a return in Form 5 of the Employees' Provident Fund Scheme of the employees,

(a) qualifying to become members of the Insurance Fund, for the first time during the preceding month together with the certified copies of nomination made by each such qualifying employee, and

(b) leaving service of the employer during the preceding month

Provided that if there is no employee qualifying to become a member of the Insurance Fund for the first time or there is no employee leaving the service of the employer, during the preceding month, the employer shall send a 'NIL' return;

(1B) Every employer shall send to the Commissioner, within twenty-five days of the close of the month, in such form as he may specify, a monthly abstract showing, inter-alia, the aggregate amount of wages of all the members on which contributions are payable and the employer's contribution in respect of all such members for the month.

(2) Every employer shall maintain such accounts in relation to the amounts contributed to the Insurance Fund by him as the Central Board may, from time to time, direct, and it shall be the duty of every employer to assist the Central Board in making such payment from the Insurance Fund as are sanctioned by or under the authority of the Central Board.

**11. Inspection of records and registers by the Commissioner or Inspector.** – Every employer shall, whenever the Commissioner or any other officer authorized by him in this behalf or an inspector so requires, produce before him the records and other registers then in his possession, for inspection.

**12. Supply of forms to employers.** – The Commissioner shall supply to employers free of charge, on demand, forms referred to in this Scheme to the extent absolutely necessary.

**13. Administration Account** – The contributions received from the employers and the Central Government under sub-section 4 of section 6C of the Act shall be credited to a separate account called "The Insurance Fund Central Administration Account" and all expenses in connection with the administration of this Scheme, other than the cost of benefits provided by or under this Scheme, shall be met out of this account.

**14. Deposit-Linked Insurance Fund Account.** – The amount received as the employer's contribution and also the Central Government's contribution to the Insurance Fund under sub-section 2 and 3 of section 6C shall be credited to an account called the "Deposit-Linked Insurance Fund Account", and all expenses towards the cost of any benefits provided by or under the Scheme shall be met out of this account.

15. Investment of moneys belonging to the Insurance Fund. – (1) All moneys standing to the credit of the Insurance Fund as on 31<sup>st</sup> March, 1997 shall be kept in deposit with the Central Government in the Public Account, and the Central Government shall allow interest at a rate not less than 8-1/2 per cent per annum.

(2) The moneys credited as contributions to the Insurance Fund on and from the 1<sup>st</sup> day of April, 1997 shall be invested as per the investment pattern notified under paragraph 52 of the Employees' Provident Funds Scheme, 1952.

**16. Interest.** – All interest, rent and other income realized and net profits or losses, if any, from the sale of investments, not including therein the transaction of Insurance Fund Central Administration Account, shall be credited or debited as the case may be to the Insurance Fund.

**17. Disposal of the Insurance Fund.** – (1) Subject to the provisions of the Act and of this Scheme, the Insurance Fund, not including therein the Insurance Fund Central Administration Account, shall not, except with the previous sanction of the Central Board, be expended for any purpose other than the payment of the benefits in accordance with the provisions of this Scheme.

(2) The Insurance Fund shall be operated upon by such officers as may be authorized in this behalf by the Central Board.

**18. Expenses of Administration.** – All expenses relating to the administration of this Scheme including the expenses incurred on Regional Committee shall be met from the "Insurance Fund Central Administration Account".

**19. Forms and manner of maintenance of accounts.** – The Central Board shall maintain the accounts of its income and expenditure including its administrative account in Form 1 and Form 2 and the balance sheet in Form 3. The accounts shall be prepared for the financial year and the books shall be balanced on the thirty-first March each year.

**20. Audit.** – (1) The accounts of the Insurance Fund, including the Insurance Fund Central Administration Account, shall be audited in accordance with the instructions issued by the Central Government in consultation with the Comptroller and Auditor General of India.

(2) The charges on account of audit shall be paid out of the Insurance Fund Central Administration Account.

**21. Budget.** – (1) The Commissioner shall place before the Central Board each year before the first fortnight of February a budget showing separately the probable receipts from the contributions and from the levy of administrative charges and the expenditure which is proposed to be incurred during the following financial year. The budget as approved by the Central Board shall be submitted for sanction to the Central Government within a month of its being placed before the Central Board.

(2) The Central Government may make such modification the budget as it considers desirable before sanctioning it.

(3) The Commissioner may at any time during the year, make budgetary reappropriation of funds sanctioned in the budget, by the Central Government provided that.

(i) the total amount sanctioned in the budget by the Central Government is not exceeded;

(ii) it is made only for meeting such expenses of administration as are to be met from the Insurance Fund Central Administration Account in accordance with paragraph 18; and

(iii) every reappropriation so made shall be reported by him to the Central Board at its next meeting.

(4) The Commissioner shall place before the Central Board a supplementary budget for a financial year, giving detailed estimates and reasons of inescapable expenditure which is likely to be incurred during the year for which no provision has been made in the sanctioned budget and which cannot be covered under the provisions of sub-paragraph 3. The supplementary budget as approved by the Central Board shall be submitted for sanction to the Central Government within a month of its being placed before the Central Board.

(5) Any expenditure incurred by the Commissioner over and above the sanctioned budget of the financial year and not covered under the provisions of sub-paragraphs 3 and 4, shall be reported to the Central Board at the earliest practicable moment after the excess is established for its consideration and for obtaining sanction of the Central Government.

**22. Scales of assurance benefit and the minimum average balance to be maintained by an employee.** – (1) On the death of an employee, who is a member of the Fund or of a provident fund exempted under section 17 of the Act, as the case may be, the persons entitled to receive the provident fund accumulations of the deceased shall, in addition to such accumulations be paid an amount, equal to the average balance in the account of the deceased in the Fund or of a Provident Fund exempted under Section 17 of the Act, as the case may be, during preceding twelve months or during the period of his membership, whichever is less, except where the average balance exceeds rupees twenty-five thousand, the amount payable shall be rupees twenty-five thousand plus 25% of the amount in excess of rupees twenty-five thousand subject to a ceiling of rupees thirty-five thousand.

*Explanation 1.* – For the purpose of determining the average balance in the Fund or in the provident fund exempted under section 17 of the Act, as the case may be, in relation to any employee, the sum total of contributions by the employee and the employer, due for and upto the relevant period, whether paid or unpaid in the Fund or in the provident fund exempted under section 17 of the Act, as the case may be, together with interest thereon, shall be included.

*Explanation 2.* – The period of twelve months for calculation of benefits under this Scheme shall be computed backwards from the month preceding the month in which death of the member occurs.

(2) In the case of a part-time employee who was a member of the Fund or of a provident fund exempted under section 17 of the Act, as the case may be, while serving in more than one factory or establishment the quantum of benefit under this Scheme shall be determined with reference to the average of the aggregate balance in all his accounts in the Fund or of a provident fund exempted under section 17 of the Act, as the case may be, during the preceding twelve months.

**23. Assurance benefit to whom payable.** – (1) The nomination made by an employee under Employees' Provident Funds Scheme, 1952, or under the provident fund exempted under section 17 of the Act, as the case may be, shall be treated as nominations under this Scheme and the assurance amount shall become payable to such nominee or nominees.

(2) If no nomination subsists or if the nomination relates only to part of the amount standing to his credit in the Fund or of a provident fund exempted under section 17 of the Act, as the case may be, the whole amount or the part thereof to which the nomination does not relate, as the case may be, shall become payable to the members of his family in equal shares:

Provided that no share shall be payable to –

- (a) sons who have attained majority;
- (b) sons of a deceased son who have attained majority;
- (c) married daughters whose husbands are alive;
- (d) married daughters of a deceased son whose husbands are alive;

if there is any member of the family other than those specified in clauses (a), (b), (c) and (d):

Provided further that the widow or widows, and the child or children of a deceased son shall receive between them in equal parts only the share which that son would have received if he had survived the employee and had not attained the age of majority at the time of his death.

(3) In any case to which the provisions of sub-paragraphs 1 and 2 do not apply the whole amount shall be payable to the person legally entitled to it.

(4) If a person who is eligible to receive assurance Scheme benefit of the deceased member in terms of sub-paragraph 1,2 or 3 is charged with the offence of murdering the member or for abetting in the commission of such an offence, his claim to receive assurance benefit shall remain suspended till the conclusion of the criminal proceedings instituted against him. If on the conclusion of the criminal proceedings, the person concerned is :-

(a) convicted for the murder or abetting the murder of the member, he shall be debarred from receiving his share of deposit linked assurance benefit which shall be payable to other eligible members of any of the family; or

(b) acquitted of the charge of murdering or abetting in the murder of the member, his share shall be payable to him.

*Explanation.* – For the purpose of this paragraph an employee's posthumous child, if born alive, shall be treated in the same way as a surviving child born before his death.

**24. Assurance amount – how to be paid.** – (1) The nominee or nominees or other claimants shall send a written application to the Commissioner through the employer in such form as the Commissioner may specify, to claim payment under this Scheme.

(2) If the person to whom any amount is to be paid under this Scheme is a minor or a lunatic, the payment shall be made in accordance with the provisions in the Employees' Provident Funds Scheme, 1952 relating to payment to such persons.

(3) The payment may be made, at the option of the person to whom payment is to be made,

(i) by postal money order, or

(ii) by deposit in the payee's bank account in any Scheduled Bank or any Co-operative Bank (including the Urban Co-operative Bank) or any post office, or;

(iii) by deposit in the payee's name (the whole or part of the amount) in the form of annuity term deposits scheme in any Nationalised Bank, or

(iv) through the employer.

(4) The claims, complete in all respects submitted along with the requisite documents shall be settled and benefit amount paid to the beneficiaries within thirty days from the date of its receipt by the Commissioner. If there is any deficiency in the claim, the same shall be recorded in writing and communicated to the applicant within thirty days from the date of receipt of such application. In case the Commissioner fails without sufficient cause to settle a claim complete in all respect within thirty days, the Commissioner shall be liable for the delay beyond the set period and penal interest 12% per annum may be charged on the benefit amount and the same may be deducted from the salary of the Commissioner.

**25. Registers, Records etc.** – The Commissioner may with the approval of the Central Board specify the registers and records to be maintained in respect of the employees, the form or design of any identity card, token or disc for the purpose of identifying any employee or his nominee or nominees or a member of his family entitled to receive the benefit under this Scheme and such other formalities as have to be completed in connection with the payment of the said benefit, subject to such periodical verification as may be considered necessary.

**26. Annual Report on the working of this scheme.** – The Central Board shall approve before the 10<sup>th</sup> of December and submit to the Central Government before the 20<sup>th</sup> of December each year, a report on the working of this Scheme during the previous financial year.

27. [\*\*\*]

**28. Special provisions relating to establishments in respect of which applications are received for exemption from the provisions of this Scheme.** – (1) (i) A Commissioner may be order and subject to such conditions as may be specified in this order exempt from the operation of all or any of the provisions of this Scheme an employee to whom this Scheme applies on receipt of application from such an employee:

Provided that such an employee is without making any separate contribution or payment of premium, in enjoyment of benefits in the nature of life assurance, whether linked to their deposits in provident funds or not, according to the rules of the factory or other establishment and such benefits are more favourable than the benefits provided under this Scheme.

(ii) Where an employee is exempted, as aforesaid, the employer shall in respect of such employee maintain such accounts, submit such returns, provide such facilities for inspection as the Commissioner may direct and pay such inspection charges and make such investments as the Central Government may direct.

(2) An employee exempted under sub-paragraph 1 may, by an application to the Commissioner, make a request that the benefits of this Scheme be extended to him.

(3) No employee shall be granted exemption or permitted to apply out of exemption more than once on each account.

(4) (i) The Central Provident Fund Commissioner may by order and subject to such conditions as may be specified in the order exempt from the operation of all or any of the provisions of this Scheme any class of employees to whom this Scheme applies, on receipt of an application therefore, in such form as the Commissioner may specify:

Provided that such class of employees is, without making any separate contribution on payment of premium, in enjoyment of benefits in the nature of life assurance, whether linked to their deposits in provident fund or not, according to the rules of the factory or other establishment and such benefits are more favourable than the benefits provided under this Scheme.

(ii) Where any class of employees is exempted as aforesaid, the employer shall in respect of such class of employees maintain such accounts, submit such returns, provide such facilities for inspection, pay such inspection charges and make investments in such manner as the Central Government may direct.

(5) A class of employees exempted under sub-paragraph 4 or the majority of employees constituting such class may, by an application to the Commissioner, make a request that the benefits of this Scheme be extended to them.

(6) No class of employees or the majority of employees constituting such class shall be granted exemption or permitted to apply out of exemption more than once on each account.

(7) Notwithstanding anything contained in this Scheme the Commissioner may in relation to a factory or other establishment in respect of which an application for exemption under section 17 (2A) of the Act has been received, relax pending the disposal of the application, the provisions of this Scheme in such manner as he may direct.

**29. Punishment for failure to submit returns etc.** – If any person, --

(a) deducts or attempts to deduct from the wages or other remuneration of a member the whole or any part of the employer's contribution, or,

(b) fails or refuses to submit any return, statement or other documents required by this Scheme or submits a false return, statement or other documents, or makes a false declaration, or

(c) obstructs any Inspector or other official appointed under the Act or this Scheme in the discharge of his duties or fails to produce any record for inspection by such Inspector or other official, or

(d) is guilty of contravention of or non-compliance with any other requirements of this Scheme,

(e) he shall be punishable with imprisonment which may extend to one year or with fine which may extend to four thousand rupees, or with both.