

26th September, 2014

Circular No - E/260

Impact on employees of Enhancement of wage ceiling from Rs. 6500/- to Rs. 15000/-

Vide notification dated 22.08.2014 Ministry of Labour and employment has enhanced the ceiling of wage from Rs. 6500/- to Rs. 15000/- for the computation of contribution to Provident fund for both employer and employee contribution.

Extract of the Notification

608(E)- In exercise of powers conferred by section 6A read with sub section (1) of section 7 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952), the central government hereby makes the following, further to amend the Employees' Provident Funds Scheme, 1952, namely:-

1. (1) This Scheme may be called the Employees' Provident Funds (Amendment) Scheme, 2014.

(2) It shall come into force on and from the 1st day of September, 2014.

2. In the Employees' Provident Funds Scheme, 1952,-

(a) In paragraph 2, in clause (f), in sub-clause (ii), for the words "six thousand and five hundred rupees", the words "fifteen thousand rupees" shall be substituted;

(b) In paragraph 26, in sub-paragraph (6), for the word "six thousand and five hundred rupees" the words "fifteen thousand rupees" shall be substituted;

(c) In paragraph 26A, in sub-paragraph (2), in the proviso, for the words "six thousand and five hundred rupees" wherever they occur, the words "fifteen thousand rupees" shall be substituted.

[F No.- S-35012/1/2012-SSII]

609(E)- In exercise of powers conferred by section 6A read with sub section (1) of section 7 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952), the central government hereby makes the following, further to amend the Employees' Pension Scheme, 1995, namely:-

1. (1) This Scheme may be called the Employees' Pension (Amendment) Scheme, 2014.

(2) It shall come into force on and from the 1st day of September, 2014.

2. In the Employees' Pension Scheme, 1995 (hereinafter referred to as the principal Scheme), in paragraph 3, in sub- paragraph 2, in the proviso, for the words "rupees six thousand and five hundred", whenever occur, the words "fifteen thousand rupees" shall be substituted.

3. In the principal scheme, in paragraph 6, in clause (a), after the words, figures and letter “or 27A of the Employees’ Provident Fund Scheme, 1952”, the words “and whose pay on such date is less than or equal to fifteen thousand rupees” shall be inserted.

Impact on Employees

On Take Home

As a result of the above notification every employee whose salary is less than Rs. 15000 is comes under the mandatory requirement of contribution to the Provident fund.

Earlier the limit was Rs. 6500/- PM and employee was required to pay Rs. 780/- as contribution through his employer, and employees whose salary was in excess of Rs. 6500/- was not required to contribute to the fund. The same provision is continued in the above notification.

Through this notification, the department has widened the scope Provident Fund by enhancing the salary limit. As a result of the notification employees getting salary more than Rs. 6500/- and up to Rs. 15000/- also comes the umbrella of Provident fund. The above enhancement will reduce their take home ranging from Rs. 781/- to Rs. 1800/- depending upon the salary bracket in which falls.

However, this step will encourage saving and investment in the economy. Therefore, this will positively impact employee in terms of enhances capital receipt at the time of retirement.

Impact on Computation of Taxable Income

The above contribution will be eligible for deduction u/s 80C under the income tax Act 1961.

Impact on Employers Cost:

As a result of the above amendment in the provisions of Employees’ Provident Fund and Miscellaneous Provisions Act, 1952, employer cost will increase from 780 to 1800 depending upon the slab of the employees.

The above information can be explained in the following example:-

Basis of Diff	Particulars	Calculation	Before						
			Salary 6500	Salary 10900	Salary 12000	Salary 15000	Salary 25000	Salary 30000	Salary 50000
A/c 01	EPF Employee Share	12%	780	1,308	1,440	1,800	3,000	3,600	6,000
A/c 01	EPF Employer Share	3.67%	239	767	899	1,259	2,459	3,059	5,459
A/c 02	EPF Admin Charges	1.10%	72	120	132	165	275	330	550
A/c 22	EDLI Admin Charges	0.01%	1	2	2	2	3	3	5
A/c 10	EPS Employer Share	8.33%	541	541	541	541	541	541	541
A/c 21	EDLI	0.50%	33	55	60	75	125	150	250
			Mandatory	(Optional)	(Optional)	(Optional)	(Optional)	(Optional)	(Optional)

		After							
Basis of Diff	Particulars	Calculation	Salary	Salary	Salary	Salary	Salary	Salary	Salary
			6500	10900	12000	15000	25000	30000	50000
A/c 01	EPF Employee Share	12%	780	1,308	1,440	1,800	3,000	3,600	6,000
A/c 01	EPF Employer Share	3.67%	239	400	440	551	1,751	2,351	4,751
A/c 02	EPF Admin Charges	1.10%	72	120	132	165	275	330	550
A/c 22	EDLI Admin Charges	0.01%	1	2	2	2	3	3	5
A/c 10	EPS Employer Share	8.33%	541	908	1,000	1,250	1,250	1,250	1,250
A/c 21	Employer Share_ EDLI	0.50%	33	55	60	75	125	150	250
			Mandatory	Mandatory	Mandatory	Mandatory	(Optional)	(Optional)	(Optional)