



EMPLOYEES' PROVIDENT FUND OFFICERS' ASSOCIATION
EMPLOYEES' PROVIDENT FUND ORGANISATION
MINISTRY OF LABOUR AND EMPLOYMENT, GOVT. OF INDIA
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July 8th, 2022

To,

Ms. Neelam Shami Rao, IAS,
Central P.F. Commissioner,
Employees' Provident Fund Organisation
NEW DELHI 110 066

Subject: Urgent requirement of provision/facility in Application Software to implement the Income Tax Act amendment vide Gazette Notification date 31.08.2021 with respect to TDS deduction of EPF contributions above specified limit – regarding

Reference: WSU Section's Email to ZOs dated 22.6.2022

Ma'am,

Please refer to above cited subject and reference.

2. The Central Govt. amended the I-T Act in the Budget 2021 to provide for taxation of interest earned on employee's contribution to provident fund, exceeding specified limit. The Income Tax department notified rules for the above provision on 31.08.2021. The said provision basically requires EPFO & other notified provident funds to maintain separate taxable accounts for such employees who are contributing to PF beyond specified limit.

3. The reason behind detailing the statutory requirement in above manner is to highlight the time that was available to EPFO to operationalize the new tax provision. As tax is to be calculated for financial year 2021-2022, we had seven months till 31.03.2022, to study the new law and implement it. Then on 06.04.2022, EPFO issued a detailed 48-pages circular with illustrations, FAQs, flowchart and annexures on the issue. Although a somewhat delayed exercise, but the effort that must have gone into the formulation of the circular is indeed appreciable. Unfortunately, thereafter we completely lost the plot.

4. The above mentioned 06.04.2022 WSU circular required IS Division to work-in the new provisions into the application software so that double accounts are maintained for the members and tax is deducted at source for settlement / transfer cases in the same manner as tax is presently being deducted for members with PF amount higher than Rs.50,000 and service of less than 5 years.

5. Therefore, it is very surprising and alarming to note that instead of providing proper system-facilitated provision for complying with statutory requirement, WSU Division issued an email dated 22.06.2022 to ZOs which simply shifted the responsibility for deducting TDS to concerned claim approving authority and made no reference to the issue of providing software solution to implement the new provision. The WSU email does not even provide an SOP indicating how the TDS is to be deducted by field offices while settling claims. Thus all 138 ROs have been left to fend for themselves, to develop their own home-grown SOPs and manual mechanisms to deduct TDS, maintain tax records, issue Form-16 and deposit the tax with I-T authorities. In fact if this is how we had to proceed then why take the trouble to issue such detailed circular on 06.04.2022 on this matter and might as well simply forward the I-T Gazette Notification to all for due compliance as they individually see fit.

6. Ma'am, it should not be the EPFOA's task to point out that it is HO's duty to develop and implement mechanisms for ensuring compliance with statutory requirements. However, the above referred WSU email seems to be an exercise in abdication of responsibility by the Finance Division after procrastinating for over more than one & a half years. Therefore, the EPFOA sincerely requests you to kindly look into the issue and ensure that field offices are duly empowered with the required software facilities so as to implement the new TDS provisions uniformly across the country. This will not only ensure that unnecessary member grievances are not raised due to non-uniform implementations, but also ensure that no EPFO officer falls foul of the new law due to flawed understanding or application.

Thanking you.

Yours sincerely,



[Saurabh Swami]
Secretary-General