



सत्यमेव जयते

# MANUAL OF ACCOUNTING PROCEDURE

PART II-A & II-B

EMPLOYEES' PROVIDENT FUND SCHEME, 1952  
&  
EMPLOYEES' DEPOSIT LINKED INSURANCE  
SCHEME, 1976



**EMPLOYEES' PROVIDENT FUND ORGANISATION**

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**MANUAL OF ACCOUNTING PROCEDURE**

**PART - II - A**

**EMPLOYEES' PROVIDENT FUNDS SCHEME, 1952**

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# **MANUAL OF ACCOUNTING PROCEDURE**

## **PART - II**

### **THE EMPLOYEES' PROVIDENT FUNDS SCHEME, 1952**

#### **CHAPTER - 1**

##### **APPLICATION - SYSTEM OF ACCOUNTS**

###### **INTRODUCTION**

1.1. The object of the Employees' Provident Funds Act, 1952 (presently the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (Act of 19 of 1952 dated 14.3.1952) was to constitute a compulsory Contributory Provident Fund for employees, to which both the employees and the employer would contribute. Under the provisions of Section 5 of the said Act, the Central Government has framed the Employees' Provident Funds Scheme, 1952. Schedule II of the Act specifies the matters that may be provided under the Employees' Provident Funds Scheme, 1952.

###### **DATE OF COMMENCEMENT:**

1.2.1 Chapters II and III of the Scheme were brought into force on the date of publication of the Scheme i.e. on the 2nd September, 1952 (Notification No. SRO-1509). The Central Government issued Notification No. SRO-1728 by which the Central Government appointed the 6th Day of October, 1952 as the date on which Paragraphs 26,27, 28, 33, 36 '(1) and 37 of the Scheme shall come into force. On 31st October, 1952, the Central Government issued a further Notification No. SRO-5860 and by which the 1st day of November, 1952 was appointed as the date on which the Chapter V, Paras 34, 35, 36 (2), (3), (4) and (5), 38 to 48 in Chapter VI and Chapters VII, VIII and IX of Scheme have come into force.

1.2.3 The Scheme, therefore, came into force from 1st November, 1952.

###### **APPLICATION:**

1.3.1 The Employees' Provident Funds Scheme, 1952 apply to all factories/establishments to which the Employees' Provident Funds and

Miscellaneous Provisions Act, 1952 applies or is applied under sub-section (3) or sub-section (4) of Section 1 or Section 3 thereof, except to the establishments which are governed by the provisions of Sections 16 and 17 of the Act. It is not applicable to the tea factories/plantations in the State of Assam.

1.3.2 Clause (b) of sub-para (3) of Paragraph 1 of the Scheme lays down the dates on which the Scheme came into force in respect of such industry or class of establishments brought within the scope of the Act.

#### **FUND SET UP UNDER THE EMPLOYEES' PROVIDENT FUNDS SCHEME, 1952**

1.4.1 A Fund viz, 'Provident Fund' was established under the Employees' Provident Funds Scheme, 1952. The aggregate amount received as the employers' and the employees' contributions (after diverting the portion of contributions due towards Employees' Pension Scheme, 1995 (i.e. 8.33% from the employer's share of Provident Fund) is being credited to the 'Provident Fund Account.'

1.4.2 The expenditure to be met from the Provident Fund is only for payment of the sums standing to the credit of individual members of the Fund or to their nominees or heirs or legal representatives in accordance with the provisions of the Employees' Provident Funds Scheme, 1952. The previous sanction of the Central Government is required for incurring any expenditure other than the one mentioned above.

1.4.3 The Fund is vested with the Central Board of Trustees, Employees' Provident Funds and operated by the Officers of the Employees' Provident Fund Organisation, as authorised by the Central Board.

#### **ADMINISTRATION**

1.5.1 This Scheme is administered by the Central Board of Trustees, Employees' Provident Fund. The Regional Committee set up under para 4 of the Employees' Provident Funds Scheme, 1952 shall advise the Central Board, on such matters as the Central Board may refer to it, from time to time and generally on all matters connected with the administration of the scheme in the state and in particular on -

- a) the progress of recovery of contributions and other charges;
- b) expeditious disposal of prosecutions;
- c) speedy settlement of claims;
- d) annual rendering of accounts to members of the Fund; and
- e) speedy sanction of advances.

**ACCOUNTING PROCEDURE UNDER THE EMPLOYEES' PROVIDENT FUNDS SCHEME, 1952**

1.6.1 The System of accounts prescribed under the Employees' Provident Funds Scheme, 1952 provides for the following :-

- a) Maintenance of Establishment and Provident Fund employee's - member's Master files;
- b) Maintenance of data and particulars of employees enrolled as Provident Fund members, their cessation and nominations;
- c) Determination and collection of dues towards contributions, administrative/inspection charges and its accounting;
- d) Maintenance of members' Provident Fund Ledger accounts;
- e) Processing of claims for sanction of withdrawals and advances;
- f) Crediting of interest and accounting thereof;
- g) Transfer of accounts;
- h) Compilation of Annual Statement of accounts and reconciliation of balances;
- i) Operation of Proforma Accounts viz. Interest Suspense Account, Special Reserve Fund and their accounting;
- j) Final Settlement of Provident Fund accounts - accounting;
- k) Preparation of Budget Estimates;
- l) Preparation of Classified Summary of Receipts & Payments and Balance Sheet.

1.6.2 The maintenance of accounts is by manual process as well as through Computer. The compilation and issue of Annual Statement of Accounts to the Provident Fund members, maintenance of Establishment Master File, Employees' - Members' Master File, including the details of their family and their Nomination and cash accounting towards Receipts and Payments, etc. have already been computerised under the computerised system of accounts.

**STATUTORY RETURNS DUE FROM THE ESTABLISHMENTS UNDER  
THE EMPLOYEES' PROVIDENT FUNDS SCHEME, 1952**

1.7.1 The establishments complying with the Employees' Provident Funds Scheme, 1952 are required to submit, periodically, returns relating to the details of employees enrolled as Provident Fund members at the time of its application through Form 9 (revised) and particulars of ownership of the establishment through Form 5A; enrolment of new members through Form 5 and cessation of membership through Form 10 and monthly dues towards Employees' Provident Funds contributions and Administrative charges etc. through Form 12 A (monthly) and the contributions paid in respect of each member through Form 3A and 6A furnished on annual basis. These are considered as vital and source documents for proper maintenance of Provident Fund subscribers' Accounts. These documents are to be relied upon for generating various statistical data on membership, dues and collection under the Employees' Provident Funds Scheme, 1952.

1.7.2 The procedure for prompt receipt of these source documents, its watching, follow-up action, maintenance of related registers, etc. are dealt in detail in Part I of this Manual.

## EMPLOYEES' PROVIDENT FUND - SYSTEM OF ACCOUNTS - FLOW CHART

INCOMING SOURCE DOCUMENT	JOB ELEMENTS IN ACCOUNTS [EPF]	ROLE OF CASH SECTION (with reference to Col.2)
(1)	(2)	(3)
<p>On applicability of the Act/Scheme to an establishment - Form 9(R)/ Form 2(R) - Enrolment of existing member</p> <p>Enrolment of member through Form 5 - Cessation of member through Form 10 (15th every month)</p> <p>Monthly dues through Form 12A (R) (PF/Pension /IF/Admn.)</p> <p>Deposit of monthly dues (Triplicate copy of challans)</p> <p>Annual contribution card of member Form 3A/6A</p> <p>Form 13(R) for transfer of Account [Annexure 'K']</p> <p>Release of Members Insurance premia to LIC - with reference to Form 14 (Recurring)</p> <p>Form 31 (Grant of various withdrawals and advances)</p> <p>Form 19/20 Final settlement of accounts</p>	<p>Audit &amp; acceptance of Form 9(R) - Nomination kept in data base.</p> <p>Registration in Form 9 &amp; opening of Ledger folio, Nomination kept in data base</p> <p>Demand registered in DCB Register Employee/ Subscriber data extracted</p> <p>Collection recorded in DCB Register - Linking DCB Register - Defaulters list generated and sent to Enforcement Section - Belated deposit - Data to Penal Damages Cell - Raising demand for interest - Intimate establishment and link DCB.</p> <p>Reconcile with DCB - Generate Form 24 and Form 23 (Annual Statement of accounts) through Computer and issue of statements to members through establishment . Data to Interest Suspense Account on interest credited.</p> <p>Transfer effected through Ledger folio and transfer certificate issued in Annexure 'K' - entered in Transfer out Register - Transfer - in entered in Ledger folio and transfer - in register with reference to Annexure 'K'.</p> <p>Authorisation of payment - Entry in Ledger folio and withdrawal Register.</p> <p>Authorised payment through Computer</p> <p>Determine eligibility and quantum of withdrawal/advance - Authorisation of payment - Entering in Ledger folio - Withdrawal Register.</p> <p>Authorisation of payment- Entering in ledger folio and withdrawal register. Preparation of payment scroll by PC to AAO/AC</p> <p>Authorisation of Payment Scroll - Forwarding them to Cash</p>	<p>Preparation of Schedule of Receipts with reference to Duplicate challans from Bank through Computer and forward them to Accounts Section.</p> <p>Transfer of funds by cheque</p> <p>Release of cheque to LIC</p> <p>Release of payment by cheque/MO</p> <p>Release of payment by Cheque/MO</p>
<p><b>Monitoring of Receipt and disposal of claims through computerised claims Inward Register Furnishing of data for MIS returns etc.</b></p>		

## **CHAPTER - 2**

### **MEMBERSHIP**

#### **MEMBERSHIP OF THE FUND**

2.1.1 The word 'Member' is defined under the Act as a member of the 'Fund' i.e. Provident Fund established under the Employees' Provident Funds Scheme, 1952 .

#### **EMPLOYEES ENTITLED AND REQUIRED TO JOIN THE FUND (OTHER THAN EMPLOYEES OF NEWSPAPER ESTABLISHMENTS AND CINE WORKERS)**

The word 'Employee' is defined under the Act as under :

'Employee' means any person who is employed for wages in any kind of work, manual or otherwise, in or in connection with the work of an establishment and who gets wages directly or indirectly from the employer, and includes any person -

- (i) employed by or through a contractor in or in connection with the work of the establishment;
- (ii) engaged as an apprentice, not being an apprentice engaged under the Apprentice Act, 1961 (52 of 1961) or under the standing orders of the establishment.

2.1.3 The 'excluded employee' is defined under para 2(f) of the Employees' Provident Funds Scheme, 1952 as under :

'Excluded employee' means -

- i) an employee who, having been a member of the Fund, withdrew the full amount of his accumulations in the Fund under clause (a) or (c) of sub-paragraph (1) of paragraph 69;
- ii) an employee whose pay at the time he is otherwise entitled to become a member of the Fund, exceeds five thousand rupees per month;
- iii) An apprentice as explained under Para 2(f) of the scheme.



2.1.4 The pay ceiling prescribed for the purpose of excluded employee from time to time was as under :

PERIOD	PAY CEILING [Rs.]
Upto 31.5.1957	: 300
1.6.1957 - 30.12.1962	: 500
31.12.1962 - 28.02.1983	: 1000
1.3.1983 - 31.08.1985	: 1600
1.9.1985 - 31.10.1990	: 2500
1.11.1990 - 30.09.1994	: 3500
1.10.1994 - onwards	: 5000

2.1.5 The excluded employees are not required to become a member of the Fund except on voluntary basis.

**ELIGIBILITY FOR ENROLMENT AS A MEMBER OF THE FUND**

2.1.6 Prior to 1.11.1990 an employee was required to possess the prescribed qualifying period of service for becoming eligible for enrolment as member of the Fund as under :

Sl.No	PERIOD	QUALIFYING PERIOD OF SERVICE
i)	Upto 2nd Dec. '71	Completion of one year's continuous service or has actually worked for not less than 240 days within a period of one year or less, whichever is earlier.
ii)	3.12.1971 to 9.8.1974	Completion of one year's continuous service or has actually worked for not less than 240 days within a period of one year or less or has been declared permanent in any such factory or other establishment, whichever is the earliest.

- iii) 10.8.1974 to 30.1.1981 Completion of six months' continuous service or has actually worked for not less than 120 days within a period of six months or less or has been declared permanent in any such factory or other establishment, whichever is the earliest.
- iv) 31.1.1981 to 31.10.1990 Completion of three months' continuous service or has actually worked for not less than 60 days within a period of three months or less or has been declared permanent in any such factory or other establishment, whichever is earliest.
- v) 1.11.1990 onwards From the date of joining an establishment covered under the Act.

**2.1.7 Subject to the above, an 'employee' is required to join the Fund -**

- a) From the date the Employees' Provident Funds Scheme comes into force in a factory/establishment from the date of joining the establishment, subsequent to the date of coverage of establishment;
- b) an employee from the date he ceased to be an excluded employee;
- c) from the date of cancellation of exemption under Section 17 of the Act, if the employee who but for the exemption would have become and continued as a member of the Fund;
- d) from the date of re-election of an employee or class of employee exempted under Para 27/27A to join the Fund, or from the date of cancellation of exemption under that paragraph;
- e) an employee who was a member of the exempted Provident Fund, on joining an establishment wherein the Employee's Provident Funds Scheme, 1952 is in force, he will become a member of the Fund forthwith.
- f) any employee, including an excluded employee who is otherwise not eligible to join the Fund, may also join the Fund on a specific request in writing from the employee as well as from the employer, from the

## **COMPUTATION OF PERIOD OF MEMBERSHIP**

2.1.10 In computing the period of membership of the Fund of a member under paragraph 68B, 68 BB and 68 K, his total service exclusive of period of breaks under the same employer or factory/establishment before this Scheme applied to him, as well as the periods of his membership, whether of the Fund or of Private Provident Fund of Exempted factories/establishments or as an employee exempted under paragraph 27 or 27-A, as the case may be, immediately preceding the current membership of the Fund, shall be included.

## **RETENTION OF MEMBERSHIP**

2.1.11 Under the Employees' Provident Funds Scheme, 1952 the membership continues until the member withdrawn the amount standing to his credit in the Fund or is covered by a notification of exemption under Section 17 of the Act or an order of exemption under Para 27 or 27A of Scheme. Subsequent to the grant of exemption, provisions of the Employees' Provident Funds Scheme, 1952 should not be operated in respect of such establishment/members.

2.1.12 In case of withdrawals the membership of the Fund shall be deemed to have been terminated from the date final payment is authorised to him by Assistant Provident Fund Commissioner/ Assistant Accounts Officer, irrespective of the date of claim.

2.1.13 An employee who is eligible for membership under the Employees' Provident Fund will also qualify himself for membership under Employees' Pension Scheme, 1995 (provided he has not attained the age of 58 years) or he is already a pensioner and Employees' Deposit Linked Insurance Scheme, 1976.

2.1.14 The membership under Employees' Provident Funds Scheme, 1952 shall be retained till the final withdrawal of his Provident Fund accumulations in the Fund, whereas the membership under the Employees' Pension Scheme, 1995 shall cease on attaining the age of 58 years/death and in the case of Employees' Deposit Linked Insurance Scheme, 1976, the membership ceases on the date of leaving service.

2.1.15 A member may cease to be member under Employees' Pension Scheme, 1995 but he may continue as a member of Employees' Provident Fund and vice versa, as the membership is independent under each Scheme.

2.1.16 An employee or class of employees who are member(s) of the Employees' Provident Fund is eligible to seek exemption from the operation of all or any of the provisions of the Employees' Provident Funds Scheme under Para 27/27A. The employee exempted under Para 27/27A is eligible to rejoin the Fund under Employees' Provident Funds Scheme, 1952. Exemption or rejoining shall be allowed only once on each account .

2.1.17 The grant of exemption or rejoining the Fund shall be noted in Form 9 (Revised) under the initial of Assistant Accounts Officer and also in the establishment. Master file, Employee's Master file immediately on receipt of intimation from the Enforcement Branch.

2.1.18 The membership of the employees in an establishment shall be kept recorded in the Accounts Section. For this purpose the employer shall send a consolidated return in Form 9 (Revised) within 15 days of the commencement of the Scheme furnishing the particulars of the employees, who are enrolled as members of the Fund as on the date of commencement of the Scheme. The employees who qualify to become members of the Fund, thereafter, shall be intimated by the employer to the Commissioner through Form 5, within 15 days of the close of each month.

#### **EMPLOYEE - MEMBER'S MASTER FILE**

2.1.19 A member's master file (Employee's master) is created in the computer wherein the particulars of all existing members of the Fund as in Form 9 (revised) should be fed followed by the details of his family and nominee(s). This file is required to be updated with reference to additions, deletions, modifications on the particulars of family and nominations etc. On the basis of Form 5, the particulars of the members joining the Fund will also be added. To enable prompt updating of master file, the Form 5 (along with Form 2) (Revised) received from the Inward Section should be sent to EDP for capturing the particulars of new members. Simultaneously a master ledger card should be generated by the EDP for each member with the data available in the Employee-member's master and forwarded to the concerned Accounts Section.

**ENROLMENT OF EMPLOYEES OF NEWSPAPER ESTABLISHMENTS  
AS MEMBERS OF THE FUND**

2.1.20. The enrolment of members in respect of Newspaper establishments differs from the enrolment of members from other establishments as under :

- 1) There is no pay ceiling for eligibility;
- 2) The employee should process a period of qualifying service as was applicable for the period from 31.1.1981 to 31.10.90. This is still in force i.e. even after 31.10.1990.

**ENROLMENT OF CINE WORKERS :**

2.1.21. The Cine-workers does not include employees employed in Cinemas including Preview theatres, Film Studios, Distribution concerns dealing with exposed film, Film Processing Laboratory.

Cine workers is defined in the Cine Workers and Cinema Theatres Workers (Regulation and Employment Act, 1981, as under :-

"2. **Definition :**

'Cine worker' means an individual - who is employed, directly or through any contractor or other persons, in or in connection with the production of a feature film to work, as an artist (including actor, musician or dancer) or to do any work, skilled, unskilled manual, supervisory, technical, artistic or otherwise; and whose remuneration with respect to such employment in or in connection with the production of such feature film does not exceed, where such remuneration is by way of monthly wages, a sum of one thousand six hundred rupee per month, and where such remuneration is by way of a lump-sum, a sum of fifteen thousand rupees per annum.

- e) 'contractor' means a person who furnishes or undertakes to furnish cine-workers for being employed in or in connection with the production of a feature film and includes a sub-contractor or agent;

2.1.22 Cine-worker is eligible for Provident Fund membership, if he worked in not less than 3 feature films with one or more producers, provided his wages (as defined in Section 2-K of the Cine-workers and Cinema theatre workers (Regulation and Employment) Act, 1981 does not exceed Rs. 1,600/- p.m. or where such remuneration by way of lumpsum, it does not exceed Rs. 15,000/- per annum.

**DEFINITION OF WAGE AS IN SECTION 2(k) OF THE CINE-WORKERS AND CINEMA THEATRE WORKERS (REGULATION AND EMPLOYMENT) ACT, 1981**

2.1.23 'Wages' means all emoluments which are payable to a worker in accordance with the terms of the contract of employment in cash, but does not include -

- i) the cash value of any food concession;
- ii) any Dearness allowance (that is to say, all cash payment, by whatever name called, paid to a worker, on account of a rise in cost of living, on account of being required to work in a place other than the place where he is normally residing), house rent allowance, over-time allowance, bonus, commission or any other similar allowance payable to the worker in respect of his employment or of work done in such employment;
- iii) any contribution paid or payable by the employer to any Pension Fund or Provident Fund or for the benefit of the worker under any law for the time being in force;
- iv) any gratuity payable on the termination of his contract.

2.1.24 The wages given in Section 2-K of the Cine-workers and Cinema Theatre Workers (Regulation and Employment) Act, 1981 is only to

determine the eligibility for membership of the Employees' Provident Fund. For the purpose of recovery of Provident Fund contributions, the wages including cash value of food concession and Dearness Allowance on account of rise in cost of living index should be taken into account.

- 2.1.25 The Para 26 of the Employees' Provident Funds Scheme, 1952 has been amended with effect from 1.11.1990. But the corresponding amendments are yet to be made under Paras 80 & 81 of the Scheme, dealing with the enrolment of employees in Newspaper Establishments and Cine-workers.

#### **ALLOTMENT OF ACCOUNT NUMBERS:**

- 2.1.26 On qualifying to become a member, the employer shall assign an account No. following the Region/Sub-Region Code (in alphabets) and establishment code (in numerals). Account No. once allotted to a member shall not be allotted to any other member under any circumstances. Assigning the same Account No. with a suffixing alphabet is also not permitted.

#### **CONTRIBUTION CARD/PASS BOOK**

- 2.2.1 The employer shall open a contribution card in Form 3A/Pass Book in respect of each member to record the wages of the employee and the Provident Fund contributions recovered as well as the contribution made by the employer for all the months in a financial year, commencing from the wages for March to February of the following year (i.e. due from April to March)
- 2.2.2 The procedure for the audit of Form 3A (Revised) in respect of each member is explained in part I of this Manual.
- 2.2.3 A ledger account should be maintained in Form 21-A in respect of each member of the Fund. The format, maintenance and operation of ledger card is explained in this part of the Manual.
- 2.2.4 The actual No. of employees in an establishment and the No. of employees enrolled as members of the Employees' Provident Fund and

the contributions due and paid for each member will be furnished by the employer before 25th of every month, in Form 12-A (Revised). The procedure for audit of this form is explained in Part I of this Manual.

### **SUPPLY OF PASS BOOKS TO THE MEMBERS**

- 2.3.1 Paragraph 40A of the Scheme provides for supply of Pass-books to the members through the employer. The format of the Pass-book is given in Annexure. The supply of Pass-books has been introduced with effect from 1st November, 1991 in all the Regions. The blank Pass-book format will be supplied by the Regional office/Sub-Regional Office to the employers. The pass-books will be supplied to the employees in the Building and Construction industry in respect of both existing as well as future members. The Pass-book will be serially numbered and stock register should be maintained by each Accounts Group dealing with Building Industry to keep an account of the number of pass-book supplied to each employer.

### **SALIENT FEATURES OF THE PASS-BOOK AND THE PROCEDURE OF ITS MAINTENANCE**

- 2.3.2 The Pass-book has 13 pages. It is divided into the following sections containing relevant information about the subscriber, his employment and about his Provident Fund remittance/payment particulars. The salient features of the Pass book are described as under :

i) **INNER COVER**

This portion contains information giving identity of the subscriber including his pass-port size photograph. The cost of the photograph will be borne either by the employer or by the individual. For the sake of identity, this page will be authenticated by the employer.

ii) **NOMINATION (PAGE 1)**

This page is designed to contain information about the nominee(s) of the subscriber and other particulars thereof, as has been given in Form



No. 2 (Revised) by the subscriber. This page will be filled up by the Regional Office/Sub-Regional Office or by the Secretary, Provident Fund Trust from the information contained in the Nomination Form.

iii) **PARTICULARS OF EMPLOYMENT (FROM PAGE 2 TO 7)**

This contains particulars of employment of subscriber. This portion is to be filled up by the employer of the subscriber every time he enters into a new employment. It may be seen that 6 pages have been provided in the pass book to note the particulars of employment. This means that one pass book can be used by a subscriber upto 6 changes in his employment. Every time he joins a new establishment that employer will fill up the 'Particulars of Employment' as contained in the Pass book.

iv) **STATEMENT OF DEPOSITS AND WITHDRAWALS (FROM PAGE 8 TO 13)**

In this portion the employer will note the name of the subscriber and his account number at the top portion.

He will make entries in this portion at the end of every financial year or as and when the subscriber leaves his establishment either on resignation or retrenchment or retirement etc. Only few items of information have been provided for in this statement and it is not a full statement of accounts in respect of the member's Provident Fund account. It is basically meant to incorporate the information to indicate that the employer has deducted the Provident Fund contribution and have remitted the same to the Provident Fund authorities. It will also contain information regarding withdrawal, if any, made during the year or during the period of his employment in that establishment. This pass book, the subscriber is authorised to produce at any time in the respective Regional Office/Sub-Regional Office and the same would be made upto date by the Provident Fund authorities crediting full interest due immediately. The Public Relation Officer of the respective office should be advised that whenever this pass book is produced by any Provident Fund subscriber, the same should be taken under receipt and has to be delivered back to the subscriber the following day duly

completed. It has to be ensured that these instructions are carried out implicitly to make the scheme a success. The pass book scheme is being introduced to generate confidence in the minds of the migrant workers to accept this social security cover and this category of subscriber will develop confidence in the system once he would get prompt service at the Provident Fund office counter.

It is also to be noted that this pass-book can also be presented by the employer to the Provident Fund office for updation.

**CONTRIBUTIONS**

**3.1 RATE OF CONTRIBUTIONS**

3.1.1 Originally, Section 6 of the Act provided for the payment of Provident Fund contributions on basic wages and Dearness Allowance only. By the amendment Act No. 46 of 1960, this Section was amended so as to provide for the payment of contributions on basic wages, Dearness Allowance and retaining allowance, if any.

3.1.2 Explanation (1) to Section 6 clearly says that Dearness Allowance is also to include, the cash value of food concession allowed to the employees. The effect of the Section and the explanation is that Provident Fund is payable on the amount of basic wages, Dearness Allowance, retaining allowance, if any and the cash value of food concession. 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 service.

3.1.3 Section 6 has been amended by the amendment Act 48 of 1962 thereby the rate of contribution has been raised from 6.1/4% to 8% in respect of certain specified industries/classes of establishments, employing 50 or more persons

3.1.4 By virtue of amendment of Section 6 of the Act by the amended Act 33 of 1988 the rate of contribution has been raised from 6.1/4% to 8.1/3/%. Simultaneously, the first proviso to Section 6 was also amended enabling the Central Government to enhance the rate of contributions from 8.1/3% to 10% in respect of any establishment or class of establishments, as may be notified by the Central Government. Accordingly, the Central Government had notified the enhanced rate of 10% to certain industries/class of establishments, with effect from 1.6.1989 (Para 29 of the Employees' Provident Funds Scheme, 1952 has, however, been amended with effect from 1.7.1989). The Government has exempted the following categories of establishments from the application of enhanced rate of contributions of 10%.

- i) Any establishment employing less than 50 persons except, on its own request.

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- i) Any establishment employing less than 50 persons except, on its own request.

- ii) Any establishment which has made reference to the B.I.F.R. under Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985 for a declaration of the Company as Sick Industrial Companies.
- iii) Any establishment which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth and has also suffered cash losses in such financial year and the financial year immediately preceding such financial year.

3.1.5 The establishments falling under the second category shall be those which have been registered under the Companies Act for not less than 7 years and which have at the end of any financial year accumulated losses equal to or exceeding their entire net worth and have also suffered cash losses in such financial year and in the financial year immediately preceding such financial year. The term 'cash losses' shall mean the losses as computed without providing for depreciation and the term 'net worth' shall mean the sum total of the paid up capital and free reserves. The term 'free reserves' means all reserves credited out of the profits and share premium account but does not include reserve credited out of revaluation of assets, write back of depreciation provisions and amalgamation.

3.1.6 The Industrial companies which fulfil the above conditions are required to make a reference to the B.I.F.R. under Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985 to become eligible for exemption from contributing to the Employees' Provident fund at the rate of 10% of the wages. Such companies shall, however, be free to contribute at the rate of 10% on their own volition. An extract of Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985 is appended below :

**3.1.7 AN EXTRACT OF SECTION 15 OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985**

***CHAPTER III REFERENCES, INQUIRIES AND SCHEMES***

**Reference to Board**

1. Where an industrial company has become a sick industrial company, the Board of Directors of the Company, shall, within sixty days from the date of

finalisation of the duly audited accounts of the company for the financial year as at the end of which the company has become a sick industrial company, make a reference to the Board for determination of the measures which shall be adopted with respect to the company:

Provided that if the Board of Directors had sufficient reasons even before such finalisation to form the opinion that the company had become a sick industrial company, the Board of Directors shall, within sixty days after it has formed such opinion, make a reference to the Board for the determination of the measures which shall be adopted with respect to the Company.

2. Without prejudice to the provisions of sub-section (1), the Central Government or the Reserve Bank or a State Government or a public financial institution or a State level institution or a scheduled bank may, if it has sufficient reasons to believe that any industrial company has become, for the purpose of this Act, a sick industrial company, make a reference in respect of such company to the Board for determination of the measures which may be adopted with respect to such company:

Provided that a reference shall not be made under this sub-section in respect of any industrial company by -

- a) the Government of any State unless all or any of the industrial undertakings belonging to such company are situated in such State ;
- b) a public financial institution or a State level institution or a scheduled bank unless it has, by reason of any financial assistance or obligation rendered by it, or undertaken by it with respect to such company, an interest in such company.

3.1.8 As regards the third category of establishments it may be seen that these establishments should satisfy the necessary ingredients for being exempted from payment of contributions at the rate of 10%. These ingredients are :

- i) The establishment seeking exemption from payment of the enhanced rate of contributions should have at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

- ii) It should have also suffered cash losses in such financial year in which the accumulated losses were equal to or exceeding the net worth of the establishment and that the establishment should have also suffered such losses in the year immediately preceding the financial year referred to above. The term cash losses has already been explained in the preceding paragraph. Therefore, wherever any establishment seeks exemption from payment of contributions at the rate of 10% it should be ensured by the Regional Provident Fund Commissioners that the establishment seeking such exemption fulfils the requirements mentioned above before allowing such exemption to the establishment. For this purpose, it is necessary for the Regional Provident Fund Commissioners to call for the current years audited accounts of the Company and where the audited accounts for the current financial year is not available, they should verify the latest audited accounts available and re-ascertain the position as soon as the final accounts for the financial year becomes available.

3.1.9 It should, however, be kept in view that once an establishment starts paying the contribution at the rate of 10%, 12% it will have the option to revert back to the 8.1/3%/10% contribution, if such company becomes sick at a later stage.

#### **RATE OF CONTRIBUTIONS - 1.5.1997**

3.1.10 The Central Government has notified the application of enhanced rate of contribution at the rate of 10% to all the establishments except the following establishments, with effect from 1.5.1997.

- i) Any establishment in which less than 20 persons are employed (including contract employees);
- ii) Any sick industrial company as defined in clause (c) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986) and which has been declared as such by the Board for Industrial and Financial Reconstruction established under Section 4 of that Act, for the period commencing on and from the date of registration of the reference in the Board and ending either on the date

by which the net worth of the said company becomes positive in terms of the orders passed under sub-section (2) of Section 17 of that Act or on the last date of implementation of the scheme sanctioned under Section 18 of that Act;

- iii) Any establishment which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth that is, the sum total of paid up capital and free reserves and has also suffered cash losses in such financial year and the financial year immediately preceding such financial year.

Explanation for the purpose of clause (iii) 'cash loss' means loss as computed without providing for depreciation.

- iv) Any establishment in the -

- a) Jute Industry;
- b) Beedi Industry;
- c) Brick Industry;
- d) Coir industry other than the spinning sector;
- e) Gaur gum factories.

3.1.11 The payment of enhanced rate of contribution depends upon the employment strength of the establishment in each month. Wherever the employment strength falls below 20 in any month, enhanced rate of contribution will not arise.

3.1.12 Rate of Provident Fund contributions from 1.11.1952 are as under :

Period	Rate of contn. under section 6	Rate of contn. provided under first proviso to Sec. 6
Upto 31.12.1962	6.1/4%	-
1.1.1963 to 31.7.1988	6.1/4%	8% (with employment strength 50 or more)
1.8.1988 to 31.5.1989	8.1/3%	8.1/3% " "
1.6.1989 to 30.4.1997	8.1/3%	10% " "
1.5.1997 to 21.9.1997	8.1.3%	10% (with employment strength of 20 or more)
22.9.97 onwards	10%	12% " "



