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EMPLOYEES PROVIDENT FUND AND MISCELLANEOUS PROVISIONS ACT, 1952

- Removal of grace period of 5 days for payment of contribution by employers

Employees Provident Fund Organization (EPFO) has issued a circular bearing No. WSU/9 (1) 2013 / Settlement/ 35631 dated 8 January 2016, stating that the grace period of 5 days for the payment of Contribution has been removed with effect from February 2016 and hence the Contribution for the month of January 2016 shall be made within 15 days of end of month of January, i.e. by 15 February 2016 without any grace period.

Earlier, as per Para 38(1) of the EPF Scheme 1952, Para 3 of EPS, 1995 and Para 8(1) of EDLI Scheme, 1976, the employers were required to pay the contributions towards Provident Fund, Pension and Insurance scheme and the administrative charges within 15 days of close of every month. However, as per Para 5.1.3 of Manual of Accounting Procedure (Part-I General), the employer was allowed a grace period of 5 days to remit such contribution. Hence in totality the employers were given period of 20 days (including grace period of 5 days) from the end of every month to make payment of contributions.

The aforesaid grace period of 5 days has been allowed to employers to make payment of contribution as the system of calculation of wages of employees and their corresponding dues under EPF Scheme, EPS Scheme and EDLI Scheme were done manually and its remittances in the bank required additional time in the manual set up.

Now, since the employers compute the wages and EPF liabilities electronically and file the returns online i.e. Electronic Challan Cum Return (ECR) and the remittances are also deposited through Internet Banking, it has significantly reduced the process and time taken in computation of PF dues and its remittances in the bank. Hence, it has been decided by EPFO to remove the grace period of 5 days for depositing the Contribution and other dues by employers.

This decision of EPFO shall be effective from the month of February 2016. (Contribution for the month of January 2016 and payable in the month of February 2016).

Now, the employers must ensure that the contribution under Employees Provident Fund and Miscellaneous Provisions Act, 1952 and schemes framed thereunder must be made within 15 days from the end of every month ***without grace period of 5 days***.



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This newsflash is general in nature. In this newsflash, we have summarised the contents of EPFO circular bearing No. WSU/9 (1) 2013/ Settlement/ 35631 dated 8 January 2016. It may be noted that nothing contained in this newsflash should be regarded as our opinion and facts of each case will need to be analyzed to ascertain applicability or otherwise of the respective circulars and notifications and appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this newsflash.

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