Restrict EPF Contribution to Basic Salary, Says FICCI President

New Delhi, 28 May, 2013: The reported proposal to re-notify the definition of 'basic wages' under the Employees Provident Fund & Miscellaneous Provisions Act (EPF and MP Act) 1952, is fraught with huge financial implications both for industry and government and may even be counterproductive to the EPFO, as organizations who are extending coverage to employees receiving salaries above Rs. 6500 may choose to opt out, depriving the employees coverage under a globally renowned social security scheme. Most of the employees today join an organization above this statutory limit and they are voluntarily covered by the industry.

Currently, there are more than 50 million EPF subscribers from both organized and unorganized sectors and assets worth Rs. 5 lakh crores with the EPFO are available for investment. Almost, 40 per cent of these assets go to the Central and State Government securities, said **Ms. Naina Lal Kidwai, President, FICCI.**

The introduction of a triple test- 'Ordinarily, Necessarily and Uniformly'- for the purposes of defining basic wages by notification no. 7(1)2012/RCs Review Meeting/345 dated 30th November, 2012 will arm the field staff of the EPFO with full powers to brand any component of salary, other than those exempted, as part of the wages for deducting EPF contribution, imposing thereby ahuge financial liability on the establishments. The move is ill conceived and if brought into force will dampen business and investment sentiments which are already at a low ebb.

However, FICCI strongly supports PF deduction on full amount of 'minimum wages' where such wages are being paid under the Minimum Wages Act, 1948. For employees who are on a higher salary bracket and receiving allowances as incentives or performance based rewards to promote business, the PF contribution should be restricted to basic salary.

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