

GMS Flash Alert

2020-229 | May 13, 2020



India - COVID-19: Provident Fund and Pension Relief Announced

India's Ministry of Labour and Employment, Employees' Provident Fund Organisation (EPFO), and Pension Fund Regulatory and Development Authority (PFRDA) have issued notifications and circulars to give effect to the COVID-19-related pension and Provident Fund relief measures announced by the government.

WHY THIS MATTERS

The notifications and circulars issued by the regulators (EPFO and PFRDA) provide much-needed relief to employers and employees, Provident Fund (PF) members, and National Pension Scheme (NPS) subscribers that are currently under stress due to the effects of the COVID-19 situation.

The decision to provide partial withdrawals from PF and NPS should offer welcome relief for employees and subscribers of NPS.

Eligible employers may take the benefits provided by the government via the Pradhan Mantri Garib Kalyan Yojana (PMGKY) Scheme.

Extension in Due Date for Payment of Provident Fund Contributions for Wage Month of March 2020

EPFO has issued a circular¹ dated 15 April 2020, extending the due date for the filing of Electronic Challan cum Return (ECR) for the wage month of March 2020.

Considering the unprecedented situation created by COVID-19 and the lockdown announced by the central government from 24 March 2020 midnight onwards to prevent the spread of COVID-19, the competent authority has decided to

allow a grace period of 30 days from 16 April 2020 to 15 May 2020, for filing of the Electronic Challan cum Return (ECR) to employers that have disbursed wages for March 2020 to their employees.

Thus, employers may deposit PF contributions and file the ECRs for the wage month of March 2020 by the extended due date.

Non-Refundable Advance Provided to the PF Member

The Ministry of Labour and Employment issued a notification² dated 27 March 2020, allowing a non-refundable advance from the PF account of a member not exceeding the basic wages and dearness allowances of that member for three months or up to 75 percent of the amount standing to his credit in the Fund, whichever is less.

Thus, a PF member can claim a non-refundable advance from her PF account to the extent of the lower of the following:

- Three months basic wages and dearness allowance; or
- Up to 75 percent of the accumulation in the member's PF account.

Further, in order to clarify questions on the advance, EPFO has issued Frequently Asked Questions (FAQs) on 31 March 2020 and 4 April 2020, on the provisions relating to the non-refundable advance due to the COVID-19 outbreak.

Some of the key questions which have been addressed by EPFO in the FAQs include:

Q: Who is eligible for the advance from EPF to fight the COVID-19 pandemic?

A: Any member of EPF Scheme, 1952 with UAN (Universal account number) employed in any establishment or factory covered under EPF & MP Act, 1952.

Q: Is the EPF member required to produce any certificate or document for availing of this advance?

A: No certificates or documents are to be submitted by the member or his/her employer for availing of the benefit.

Q: How can I claim this amount? Do I need to submit a claim form to EPFO Office?

A: Like claims for all other types of advances, the claim for this advance also can be filed online if your UAN is validated with Aadhaar and KYC of Bank account and the Mobile number is seeded in UAN.

Q: Can an employee working in an exempted establishment get the advance to fight the COVID-19 pandemic from the PF Trust?

A: The "Terms and conditions of exemption" in Para 27AA of the EPF Scheme, 1952, provide that any amendment to the EPF Scheme, 1952, which is more beneficial to the employees becomes applicable to exempted establishments pending formal amendment of Trust Rules. So, employees of an exempted establishment can withdraw from their PF accounts maintained with the PF Trust of the establishment by making application to the PF Trust.

Q: What is the income tax rate for advance to fight the COVID-19 pandemic?

A: Income Tax is not applicable on any advance availed of under the EPF Scheme.

Q: An employee had availed of an advance recently for illness. Can he avail of the advance to fight the COVID-19 pandemic?

A: Yes. This advance can be availed of irrespective of advances availed of earlier.

New Scheme – Pradhan Mantri Garib Kalyan Yojana

Pursuant to the announcement by the government of India, EPFO has issued scheme guidelines³ pertaining to Pradhan Mantri Garib Kalyan Yojana (PMGKY) for the poor to help them fight the battle against the COVID-19 pandemic.

As part of the package, the central government proposes to pay 24 percent of monthly wages into PF accounts for the next three months for employees with wages below INR 15,000 per month who are employed in establishments having up to 100 employees, with 90 percent or more of such employees earning monthly wages less than INR 15,000.

On 10 April 2020, EPFO also issued FAQs on benefits under this scheme. Some of the key highlights of the scheme and questions which have been addressed by EPFO in the FAQs are as follows:

- For any establishment to be eligible for benefits:
 - the establishment should already be covered under the EPF Act; and
 - the total number of employees employed in the establishment should be up to 100, with 90% or more of such employees drawing monthly wages less than INR 15,000.
- The Scheme will be in operation for the wage months March 2020, April 2020, and May 2020.
- The employer shall continue to pay the EDLI contributions and EPF administrative charges for all employees, as well as the EPF and EPS contributions for ineligible employees.
- The definition of 'employee' as defined in section 2(f) of the EPF Act, as well as other definitions in the EPF Act, are *mutatis mutandis* applicable to this scheme.
- Each eligible establishment has to file only one valid ECR for each of the three months in respect of its total employees – both eligible and ineligible employees.

Partial Withdrawal from National Pension System (NPS) towards Treatment of Specified Illnesses

In view of the government's decision declaring COVID-19 as a pandemic, the Pension Fund Regulatory and Development Authority (PFRDA) has issued a circular⁴ and declared COVID-19 as a critical illness which is life-threatening in nature. Accordingly, partial withdrawals will be permitted from the NPS to fulfill financial needs towards treatment of the COVID-19 illness of a member, his/her spouse, children (including adopted child), or dependent parents.

Thus, partial withdrawals shall be permitted to fulfil any financial needs of the subscriber, if required by him/her in contrast with the request placed for partial withdrawals for purposes of treatment of an illness being experienced by the subscriber, his legally wedded spouse, children, including a legally adopted child, or dependent parents as mentioned in 8(1)(A)(d) of PFRDA (Exits and withdrawals under NPS) Regulations, 2015.

The following documents must be provided to claim a partial withdrawal:

- Medical certificate; and
- Formal request for partial withdrawal.

FOOTNOTES:

- 1 EPFO Circular – Extension of due date for payment of contributions and administrative charges/Inspection charges due for wage month March 2020 from 15 April 2020 to 15 May 2020 to establishments disbursing wages for March 2020.
- 2 Notification – Notified in official gazette on 27 March 2020.
- 3 Scheme Guidelines issued by EPFO.
- 4 PFRDA Circular – Permission of Partial withdrawals towards treatment of specified illnesses dated 9 April 2020 - Accessed on 22 April 2020.

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This article is excerpted, with permission, from “EPFO and PFRDA Notification and Circular Pursuant to Relief Measures Announced by Government of India,” in *Tax Flash News* (22 April 2020), a publication of the KPMG International member firm in India.

INR 1 = EUR 0.0122
INR 1 = USD 0.0133
INR 1 = GBP 0.0108
INR 1 = ZAR 0.246

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