



## Tax alert: Significant amendments proposed by Central Board of Trustees, EPFO

24 December 2024

As per the press release dated 30 November 2024 issued by the Ministry of Labour & Employment ('MoLE'), Central Board of Trustees ('CBT'), Employees' Provident Fund Organization ('EPFO') conducted its 236<sup>th</sup> meeting which witnessed major decisions being taken by the Board such as interest calculations and timely processing of withdrawal claim, recommendation of amnesty scheme, etc. Major initiatives taken so far by EPFO were also discussed at the meeting.

### In a nutshell



#### Benefits for members:

##### Simplified interest calculations:

Interest will now be paid till claim settlement date instead of being paid only up to the end of the preceding month

##### Timely processing of claims:

Claims will also be processed between the 25th and the end of each month unlike the prevailing practice where no claims are processed during the above-mentioned period.

##### Centralized Pension Payment System (CPPS):

Implementation of CPPS from 01 Jan 2025 will streamline pension disbursement across India

##### EDLI benefits:

Ratified retrospective extension of enhanced EDLI benefits



#### Benefits for employers:

##### EPFO Amnesty Scheme:

CBT recommended EPFO Amnesty Scheme 2024 to Central Government for voluntary compliance which will also support smooth implementation of Employment Linked Incentive Scheme ('ELI')

##### Empanelment of Banks:

Simplification of the criteria for empanelment of banks for centralised collection of EPF contributions



#### Other initiatives:

##### Extension of limit for auto claims settlement facility and advances:

Highlighted extension of limit from Rs. 50,000 to Rs. 1 lakh for auto claims settlement facility and advances for housing, marriage and education

##### CITES 2.01 project:

Implementation of CITES 2.01 project resulting in simplification of claim settlement process



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## Highlights of 236th CBT, EPFO meeting

CBT, EPFO 236th meeting was chaired by Dr. Mansukh Mandaviya, Union Minister for Labour & Employment and Youth Affairs & Sports and attended by other key dignitaries.

Below are the key decisions taken and initiatives discussed during the CBT meeting:

### Benefits for members:

#### Simplified interest calculations:

- As per existing provisions, for the claim settled till 24th of the month, interest is paid only up to the end of the preceding month
- In order to extend financial benefit to the members and reduce grievances, the CBT has approved a significant amendment to paragraph 60(2)(b) of the Employees' Provident Funds Scheme, 1952 whereby the interest will now be paid to the members up to the date of settlement of the claim.

#### Timely processing of claims:

- Further, the EPFO is not processing interest-bearing claims between 25<sup>th</sup> and end of each month to avoid loss of interest to members. However this was leading to pendency of the claim settlement process.
- Post this amendment, claims will be processed for the entire month resulting in reduction of pendency, timely settlement, and optimization of resources.

### CPPS:

- The EPFO is set to implement CPPS as a part of its IT modernization project with a target operational date of 1 January 2025.
- As per the press release issued in this regard by MoLE dated 4 September 2024, CPPS is a paradigm shift from the existing pension disbursement system that is decentralized, with each Zonal/Regional Office of EPFO maintaining separate agreements with only 3-4 banks.
- It will benefit more than 78 lakh EPS pensioners of EPFO which includes streamlined pension disbursement across India, allowing pensioners to access their pension from any bank or branch nationwide, expediting claim processing and eliminating the need for bank visits for verifications or undertaking submissions.
- While the first pilot on this initiative has been successfully completed, the second one was taken up in November 2024 with a wider target coverage.

### EDLI benefits:

- CBT has also ratified the extension of the enhanced benefit under Employees' Deposit Linked Insurance Scheme, 1976 with retrospective effect i.e. with effect from 28 April 2024.
- This will provide a minimum benefit of INR 2.5 lakhs and maximum benefit of up to INR 7 lakhs.
- The detailed analysis on the same has been covered in our earlier Tax alert – "Retrospective extension of enhanced EDLI benefit" dated 28 November 2024.

### Benefits for employers:

#### EPFO Amnesty Scheme:

- Further, as a major step, the CBT has recommended 'EPFO Amnesty Scheme 2024' to the Central Government, encouraging the employers to voluntarily disclose and rectify their past non-compliance or under-compliance without facing penalties/ legal repercussions.

- This will be facilitated through a simple online declaration process from the employers to avail the scheme benefits.
- Further, this amnesty scheme will support the implementation of ELI, announced in Union Budget 2024-25, to foster employment generation and incentivize formalization of jobs in the economy.
- Through this scheme, CBT intends to address the concerns of several small establishments (under MSME sector or otherwise) who may wish to avail of the benefits under the ELI Scheme but would be worried in enrolling under the EPFO.
- The amnesty scheme would provide the confidence to such employers to enrol without any fear or additional financial burden.

#### **Empanelment of Banks:**

- The CBT has simplified the empanelment criteria for banks handling EPF contributions by including all agency banks listed with Reserve Bank of India ('RBI') and other Scheduled Commercial Banks that are not RBI Agency Banks but have a minimum of 0.2% of total EPFO collection, relaxed from earlier 0.5%.
- This initiative aims to enhance both the ease of doing business and the ease of providing service.
- This simplification of the criteria for empanelment will result in hassle-free service to establishments and simplify the name validation exercise of the bank accounts of the PF members.

#### **Other initiatives:**

##### **Extension of limit for auto claims settlement facility and advances:**

- It was highlighted that the limit for auto claims settlement facility was extended to INR 1 lakh from INR 50,000, which has also been extended to advances for housing, marriage, and education.
- It was also informed that the rejection ratio has reduced to 14% in November 2024.

##### **CITES 2.01 project:**

- EPFO is upgrading both its hardware and software processes under the implementation of CITES 2.01 project.
- The deployment of the newer version of the operating system aims to simplify the claim settlement process .
- The newer software module will enable UAN based accounting resulting in one member, one account system thereby reducing hassles for members in claim settlement.

#### **Other matters:**

##### **Prudent investment of corpus for enhanced returns to members:**

- The CBT has approved a Redemption Policy for ETF investments in CPSE and Bharat 22 to generate income for the EPF Scheme's 'Interest Account.'
- Further, CBT also approved the guidelines for investment as regulated by the Securities and Exchange Board of India and falling under Category V(b) and V(d) of the pattern of investment.

#### **Our comments:**

- Changing the methodology to calculate interest on settlement is a welcome move which will provide enhanced financial benefits to all members. However, one will have to wait for the notification which may provide clarity on the effective date since this may also require the EPFO to make some technological updates for implementation
- The EPFO's ongoing reforms such as the bank empanelment process, Amnesty Scheme etc. demonstrate a clear

focus on improving service efficiency and transparency, benefiting both members and employers.

- Additionally, the integration of new technology and policy updates, like the CITES 2.01 project, CPPS, auto claim settlement facility reflects EPFO's commitment to modernizing operations and supporting its workforce. These measures will likely streamline operations and build trust with stakeholders. Considering there would be various steps involved in implementing any updates and processes including internal approvals, it would be important to see how EPFO manages the lead time involved and still meet the committed deadlines.



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