



Tax alert: EPFO directs employers to ensure UAN Activation and seeding of Aadhaar with bank accounts

27 November 2024

The Union Ministry of Labour and Employment (MoLE) has directed the Employees Provident Fund Organisation (EPFO) to ensure that UAN activation via Aadhaar based (One-Time Password) OTP is carried out for new joinees who joined in the Financial Year 2024-25 (April 2024) so that the benefits of Employment Linked Incentive (ELI) Scheme can be seamlessly passed. EPFO has in turn released a circular on 22 November 2024 to operationalise the same.

In a nutshell



With a view to bolster employment generation, the Employment-Linked Incentive (ELI) Schemes were announced in Union Budget 2024-25.

Three broad schemes have been announced which will entail benefits for new joining employees. The tracking of such scheme would be via the EPFO records.



While more details of the scheme are awaited, it is understood that the scheme intends to provide benefits to both employers and employees.

MoLE has directed EPFO to work in a campaign mode with employers to ensure activation of Universal Account Number (UAN) of employees using Aadhaar based OTP so that benefits can be passed on to the beneficiary.



Aadhaar based documentation and identity verification is a simplified and transparent mechanism to ensure wide reach and also ensure biometric basis of authentication.

EPFO released a notification on 22 November 2024 and made an outreach to the employers.



As a first step, the employers need to complete the process of UAN activation through Aadhaar-based OTP and the seeding of Aadhaar with bank account for all their employees who have joined in the current financial year, by 30th November 2024, starting with latest joinees.

Government's plan is to enhance the biometric activation of UAN via face-recognition technology, going forward.



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Background:

- Employment Linked Incentive (ELI) Scheme, a recently launched initiative in the Union Budget 2024-25 aims at employment generation which consists of three schemes.
- The enrolment in the Employees' Provident Fund Organisation (EPFO) will be the tracking mechanism for entitlement to the beneficiaries.
- As a preparatory step, MoLE has issued a press release directing EPFO to urge the employers to ensure UAN activation using Aadhaar OTP method.
- EPFO has in turn has issued a circular to this effect on 22 November 2024.

Salient features of the Circular:

In view of the direction from MoLE, EPFO has issued a circular to the employers.

As per the said circular, employers are urged by EPFO to ensure completion of the process of UAN activation through Aadhaar-based OTP and Aadhaar seeding in bank account for all their employees who have joined in the current financial year, by 30th November 2024. This is to ensure that benefits of ELI scheme can be directly credited to the beneficiary's bank account.

Activation of UAN will enable employees to avail various facilities such as ability to view and download PF passbook, submit online claims for withdrawals, advances, or transfers, update personal details and track claims in real time - all through a single window.

The activation process can be completed using an Aadhaar-based OTP. Employers should ensure that their employees activate the UAN by using the Activate UAN link on the EPFO member portal.

It is a simple process which can be completed using Aadhaar based OTP method (which can be easily completed once the mobile number is linked to Aadhaar)

The same process would need to be completed by the employer for the remaining employees working with them.

Comments:

Government is focused on creating employment opportunities and hence the ELI schemes are at the forefront of this agenda. The directions from MoLE to EPFO and EPFO's communication to employers, demonstrates the commitment of the government to ensure that benefits of the ELI schemes once implemented, reach the beneficiaries.

Employers need to abide by the EPFO circular and ensure that necessary steps are taken to complete the UAN activation and that Aadhaar seeding in bank account is carried out by 30 November 2024, for new employees who have joined in the current financial year, starting with latest joiners.

Given the short period of time, effective planning and communication is required at the employer's end to achieve UAN activation and Aadhaar seeding in bank accounts. Additionally, employers may have to review their processes to ensure that UAN activation and Aadhaar seeding is completed on real time basis in the future.

Source : Press release by Ministry of Labour & Employment on 21 November 2024 and EPFO's notification No. ELI/UAN Activation/2024 issued on 22 November 2024



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