

EPF ANOMALIES AND ITS SOLUTION

There are following issues in smooth administration of EPF in BSNL viz.

Issue No. 1: Non payment of EPF contribution for training period.

Within the meaning of section 2(f)(i) of EPF Act, the EPF contribution on stipend of Rs. 6895.00 pm paid during Induction training is to be deposited. The employees have never been engaged in BSNL as apprentice either under Apprentice Act 1961 or under any standing orders during the period of said training. It is pertinent to note that the period of said training is counted as qualifying service for the purpose of Payment of Gratuity Act 1972 as well as granting annual increment under FR 26. Moreover, it is decided case of Midland Hospital and Research Centre (P) Ltd vs. Union of India & others that the employees on wage and employees on stipend are immaterial for the purpose of EPF Act. We have already submitted the order of EPFO Chennai in this regard.

Issue No. 2: Non payment of EPF contribution for Diet Allowance.

Within the meaning of section 6 of EPF Act, the EPF contribution on Cash value of food concession is to be deposited. The employees have received diet allowance for the period from 01/01/2005 to 31/12/2007 @ 2% of basic pay or Rs. 225, whichever is higher. Moreover, it is decided case of Gujarat Cypromet Ltd vs. Assistant Provident Fund Commissioner, that that Lunch Allowance is included in the term 'Basic Wages'.

Issue No. 3: Problem in transferring in EPF Account in case of employee's transfer.

BSNL maintains decentralised EPF account either at SSA level or at Circle level. On transfer, the employees face immense problem in getting EPF account transferred from old EPF office to new EPF office. This problem can be overcome by having centralised EPF account at BSNL Corporate Office New Delhi. On centralisation of all EPF accounts the transfer of employee from one station to another will not require transfer of his EPF account.

Issue No. 4: Recovery of EPF contribution in violation of Para 32 of EPF Scheme.

Within the meaning of para 32 of EPF Scheme, the employees' share of EPF contribution in respect of past months cannot be recovered from the salary of subsequent months. Hence, the amount recovered on this account has to be refunded to the employees. The matter has already been resolved and settled in STR Chennai. Moreover, it is decided case of S. K. Nasiruddin Beedi Merchant Ltd vs. Central Provident Fund Commissioner & others that no deduction of employees' share of EPF contribution can be made from the any wages payable but only from the wages for the period in respect of which the contribution is

payable. We have already submitted orders from different EPFO to refund the past contribution recovered from employee's wages.

Issue No. 5: Option has not been exercised for EPS Contribution.

12% Employer contribution is divided in two parts i.e. 8.33% towards EPS and remaining towards EPF account. There are two options for the employees in respect of contribution towards employee's pension scheme i.e. one 8.33% of Rs 6500/- and other 8.33% of full contribution. BSNL has not exercised option from employees and contributing arbitrary somewhere 8.33% of 6500/- and somewhere 8.33% of full contribution.

Issue No. 1: no proper account/statement at some places and short deposit.

There are still some SSAs where no EPF account and statement has been issued. In some SSAs EPF account has been issued but showing short deposit from actual contribution.

In following steps we suggest the removal these anomalies: -

Step No. 1: - EPF Section in Corporate Office New Delhi should be opened, which will take care of all EPF account maintenance, accounting, payment and other ancillary matters w.r.t. EPF compliance, etc. This section should be opened immediately so that it could work with ITPC Pune for designing of HR module (Step No. 2).

Step No. 2: - A module in HR package (*to be operated only by EPF Section in Corporate Office New Delhi*) should be made for: -

- Report generation in respect of: -
 - How much employees' wise pay has been disbursed?
 - How much employees' wise EPF contribution has recovered?
 - How much employer's EPF contribution is due?
- How many withdrawal applications have been received / processed, along with online status?
- Facilitation of accounting and payment of EPF contribution to EPFO.
- Other EPF compliances.

Step No. 3: - In my HR modules, the employees should be given option to: -

- View his EPF contribution i.e. Form 3A
- Apply online for withdrawal/advance.
- Enhance/decrease voluntary EPF contribution.

Step No. 4: - Once the Step 2 and 3 are completed, nomination form should be obtained from each employee to open centralised EPF account at New Delhi. Target date in this regard may be 1st July 2010.

Step No. 5: - Once the centralised EPF accounts are opened, EPF section at New Delhi will start functioning to deal with compilation of data, generation of reports, accounting & payment of EPF contribution and other things with effect from target month.

Step No. 6: - EPF contribution from the target month onwards will not be deposited by any SSA or Circle. After step 5, the anomalies in old EPF accounts at SSA or Circle should be removed by the concerned SSA or Circle in decentralised manner, as per the directions to be given by Corporate Office New Delhi. To resolve the anomalies at SSA level one EPF calculator may be designed considering the contribution for training period and diet allowance and SSA should verify the EPF account in respect of every individual according to the calculator. Any short deposit should be deposited by the SSA in time bound manner.

Step No. 6: - Once the anomalies in old EPF accounts are removed by the concerned SSA or Circle, these accounts shall be transferred to New Delhi.