

# NO NEST EGG, EPF IS GOOSE THAT LAYS GOLDEN EGGS

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

EPF accounts are mandatory for employees earning up to Rs. 15,000 a month in firms with over 20 workers, with 12% of the basic pay and dearness allowance deducted as employees' contribution and another 12% remitted by the employer.

The government had capped the contributions by employers into employee welfare schemes like the EPF or the National Pension Scheme or a superannuation plan, at Rs. 7.5 lakh a year, in last year's Budget. However, government as well as private sector employees are allowed to make voluntary contributions over and above the statutory deductions into the general provident fund (GPF) or EPF, respectively.

On Monday, Finance Minister Nirmala Sitharaman had said that some people went to the extent of contributing Rs. 1 crore each month into such PF accounts. "What would be his salary? For him to get both tax concession and an assured income is not comparable with an employee who earns Rs. 2 lakh and gets 8% return," she had pointed out.

The top 20 HNIs have about Rs. 825 crore in their EPF accounts and the top 100 have over Rs. 2,000 crore, said the Revenue Department official quoted earlier. The largest EPF account has over Rs. 103 crore, followed by two accounts that have over Rs. 86 crore each. "The average normal EPF or GPF contributor would not be affected by the removal of this anomaly in the system prevailing over a long period of time," the official said.

While some tax experts have said this amendment may be applicable retrospectively for interest earned after April 1, 2021 on past contributions over Rs. 2.5 lakh, Revenue Department sources said it will apply prospectively.

Central Board of Direct Taxes Chairperson P.C. Mody has told *The Hindu* that taxpayers will be required to include the annual income from contributions beyond Rs. 2.5 lakh into their PF accounts while filing their returns.

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