



BLAZECLAN TECHNOLOGIES PVT. LTD.

VOLUNTARY PROVIDENT FUND (VPF) **Document Number: A**

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Policy Statement

The purpose of offering a VPF to our clanmates is to meet their investment need and providing one more option to save the tax. It is a clanmate's discretion to start the VPF contributions.

Scope

- This policy is applicable to all permanent clanmates of Blazeclan (excluding interns, contractors).
- This is applicable to clanmates in India only.
- Clanmate will have option to **opt in or opt out only once in a financial year**.

Roles & Responsibility

- **Management:** To ensure all support towards People Experience functions in terms of giving suggestion, modification, and approval to the processes.
- **People Experience:** The People Experience team is responsible to update this policy as per organization needs. Review this policy from time to time to make relevant changes as and when need arises and get the policy document reviewed and shared with all concerned.

WHAT IS VPF

Voluntary Provident Fund (VPF) is the contributions made by the employees that are over and above the minimum contribution set by the Employees' Provident Fund Organization (EPFO). However, the employer will not contribute more than 12% of the basic salary or the basic amount as per the option opted for EPF, regardless of how much the employee contributes.

Voluntary Provident Fund (VPF) is an extension of the EPF. Under the EPF Scheme, both the employee and their employer contribute an amount to the employee's account. In a Voluntary Provident Fund system, only the concerned individual will make the contributions.

Therefore, you can simply understand VPF as a scheme where individuals decide to contribute an extra portion of their income. The amount that is over and above the compulsory percentage is the Voluntary Provident Fund.

ELIGIBILITY

All the permanent clanmates are eligible to make the VPF contributions. However, it is not mandatory to contribute as it is a voluntary contribution and it's clanmates discretion to start the VPF contribution.

LOCK-IN PERIOD FOR VPF CONTRIBUTIONS

Since VPF contributions are deposited in the EPF accounts of EPF member, the VPF contributions too will have the same lock-in period as that of the EPF. One can withdraw from own VPF contributions if he or she is unemployed for more than two months or when they retire. However partial withdrawal is available for different reasons, such as:

1. Medical emergency
2. Construction or purchase of new house
3. Renovation of house

4. Repayment of home loan
5. Children's higher education or marriage

Voluntary Provident Fund scheme has gained huge popularity amongst the service class and one of the prime reasons for this is the liquidity factor. VPF member can access the balance in VPF account before maturity. However, if withdrawal is happening within 5 years from the start of contribution then interest earned is subject to taxation.

INTEREST ON VPF CONTRIBUTIONS

The VPF contributions also earn the same returns that the employee's and employer's contributions earn. It is for this reason that VPF is considered a very attractive option to invest in. The current interest offered on VPF contributions is 8.1%, which is much higher than that of the Public Provident Fund (PPF) or other investment options. The notification regarding rate of interest is available on Press Information Bureau (<https://pib.gov.in/PressReleasePage.aspx?PRID=1805345>). *The Government of India, depending on various factors, periodically updates the interest rate offered of EPF.*

BENEFITS OF INVESTMENT IN VPF

- **BENEFITS ON INCOME TAX DEDUCTION**

VPF contributions made towards the EPF accounts are eligible for tax deductions under the provisions of Section 80C of the Income Tax Act, 1951. Hence, you can contribute as much as you want but the tax deductions available to the taxpayers is restricted to Rs 1,50,000 a year and one can save up to Rs 46,800 a year in taxes.

- **SAFE OPTION TO INVEST**

VPF is a scheme that comes under the traditional provident fund savings scheme. It is managed by the government of India. It is safe comparing to other long-term investment options offered by the private organizations.

- **HIGH RATE OF INTEREST**

The current interest offered on VPF contributions is 8.1%. The interest that is generated from the contributions is also exempt from tax.

- **SIMPLE APPLICATION PROCESS**

The process to open a VPF account is very simple. Clanmate can contact finance/HR team and request them to open a VPF account by submitting the joint declaration form.

- **START THE CONTRIBUTION AT ANY TIME**

Clanmate can open a VPF account at any given time during the financial year.

- **TRANSFER OF VPF**

In case clanmates changes their jobs, it is very simple for them to transfer the VPF account of the old company to the new one.

- **Death Benefit**

In case the account holder passes away, their legal heir or nominee will receive the accumulated amount.

PROCESS TO START VPF CONTRIBUTIONS

Making VPF contributions is very simple and straightforward. Like PPF, you don't need to open an account with a registered bank. Clanmates can refer the below process if they want to start VPF deduction from their salary.

- **INFORM TO PEX/PAYROLL TEAM**

If clanmate wants to make the VPF contributions he/she should inform the same to PEX/payroll team in Blazeclan. Clanmate can submit his request using Zoho helpdesk. *Login to Zoho >> go to services >> click on cases >> go to categories >> select compensation>>VPF*

- **PEX/PAYROLL TO SHARE JOINT DECLARATION WITH CLANMATE**

Once clanmate specifies the interest in making VPF contributions, payroll team will share the joint declaration form with clanmate. Then clanmate needs to fill all the details in declaration form, sign it and should share the declaration form with payroll team (payroll-india@blazeclan.com)

- **DECLARATION FORM TO BE SIGNED BY EMPLOYER**

When payroll team receives the declaration form from clanmate, next step will be to affix the company stamp and signature from authorized signatory registered on EPFO. PEX/payroll team will perform this activity.

- **SUBMISSION OF DECLARATION FORM TO PF OFFICE**

Once declaration form is signed by both clanmate and Blazeclan, PEX/payroll team is responsible to ensure the submission to PF office.

- **VPF DEDUCTION FROM SALARY**

Post submitting the declaration form to PF office Payroll team will consider the VPF amount mentioned in declaration form and same will be deducted from clanmate's salary on monthly basis.

- **REMITTANCE OF VPF**

The VPF amount deducted from salary will be deposited to clanmate's EPF account along with statutory PF contribution.

- **VPF BALANCE ACCUMALATION**

Clanmate will be able to check the EPF and VPF contribution in PF passbook.

FAQs

1. **What is the difference between the Employees Provident Fund (EPF) and the Voluntary Provident Fund (VPF)?**
In the case of EPF, it is mandatory for employees and employer to contribute 12% or the basic amount as per the option opted for EPF. However, in case of VPF, the contribution depends on the individual and it can be 100% of basic plus DA. Please note, under VPF employer will not contribute.
2. **In case of a change in job, will there be issues with the VPF account?**

EPF account holder will be able to transfer the old account balance to new PF account.

3. Are there any eligibility criteria to open a VPF account?

Any individual who is a part of an organization's payroll can open a VPF account.

4. What are the different reasons when VPF can be withdrawn?

VPF amount can be withdrawn due to the below-mentioned reasons:

- Financial emergencies
- Medical expenses
- Children's marriage and education
- Construction or purchase of an apartment or house
- Repayment of house loan or any other loans.

In order to withdraw the VPF amount, the account must be active for 5 years to avoid paying tax.

5. How can I Withdraw Money from my VPF Investment?

Once the contribution is made to VPF, it goes into the same fund as the EPF. The EPF withdrawal rules will apply to the VPF contributions as well. One can submit the online request for withdrawal via UAN (Universal Account Number) without the employer's approval. It is complete online process.

6. What are the key differences in VPF, PPF and EPF?

Please refer the below table:

Account Types/Features	VPF	PPF	EPF
Tax Benefit	Up to Rs.1.5 lakh under Section 80C	Up to Rs.1.5 lakh under Sec 80C	Up to Rs.1.5 lakh under Section 80C
Eligibility	Employees in India	All Indians other than NRIs	Employees in India
Employer contribution from Basic+DA	NA	NA	12% (Equivalent to the employee's contribution)
Employee contribution from Basic+DA	Up to 100% of basic and dearness allowance	NA	12%
Tax Returns on Maturity	Tax Free	Tax Free	Tax Free
Investment Period	Till retirement or resignation, whichever is earlier	15 years	Till retirement or resignation, whichever is earlier
Interest rate (subject to change)	8.10%	7.10%	8.10%

Disclaimer:

1. VPF deduction will be considered in payroll only when the joint declaration is submitted to PF office.
2. Admin charges, if any, in connection with contribution towards VPF will be borne by EPF member.
3. The Government of India, depending on various factors, periodically updates the interest rate offered of EPF/VPF.