

What is the Employees' Provident Fund?

EPF stands for Employees' Provident Fund. It is a retirement benefits scheme where both an employer and employee contribute equally to this scheme. Both must contribute around 12% of the basic salary to this fund.

At the time of retirement, the employee gets a lump sum and interest on it.

How does EPF Work?

In this Employees' Provident Fund, both employee and employer contribute to this fund. The contribution is to the tune of 12% of basic salary, with dearness allowance taken into account if paid.

However, not all of an employer's contribution goes to EPF. An employer contributes around 3.67% of the 12% to this fund. The remaining 8.33% goes to this Employees' Pension Scheme.

What are the Benefits of EPF?

There are plenty of benefits for investing in this Employees' Provident Fund. They are as listed below:

Capital Appreciation

There is a fixed rate of interest available in this EPF India scheme. Moreover, the EPF also earns an interest even when lying dormant.

Corpus for Emergencies

Because of specific premature withdrawal rules, the EPF can act as an emergency corpus.

Corpus for Retirement

The main reason people invest in the EPF is to get a retirement corpus. The corpus gives investors a sense of security.

Tax Saving Scheme

Employees' Provident Fund comes under Section 80C of the Income Tax Act. Therefore, even the earnings from this EPF scheme are exempt from taxes.

Therefore, there are many benefits of making an EPF contribution.

What is the Eligibility Criteria for EPF?

The EPF eligibility criteria are as follows:

- Any company with more than 20 employees must register with the Employees' Provident Fund Organisation of India compulsorily.
- Companies with less than 20 employees can also register for the Employees' Provident Fund voluntarily.
- All employees drawing a salary are eligible for EPF.

- Moreover, it is compulsory for all employees earning less than ₹15,000 to register for the EPF.
- However, employees earning more than ₹15,000 can also voluntarily stay in the EPF scheme.

Hence, these were the EPF pension eligibility rules.

What is the Interest Rate on EPF 2020-21?

EPF interest rate 2020-21 is 8.5%, as per the EPFO's (Employee Provident Fund Organisation) norms. A current EPF interest rate was fixed at 8.50% despite the financial losses because of COVID-19.

How is Interest Calculated on EPF?

Here's how to calculate EPF interest. Contributions to this Employees' Provident Fund are made monthly. However, the interest is calculated at the end of a year.

An interest rate of 8.50% is divided monthly, and that amount is paid to the employee. Therefore, monthly interest is $8.50\%/12 = 0.7083\%$.

For a running balance of ₹6000, the interest calculated per month is shown below:

EPF Interest=Running balance for the month*0.7083/100%

Above was the EPF calculation for the years 2020-21.

How to Calculate Employees' Provident Fund?

https://www.epfindia.gov.in/site_docs/PDFs/MiscPDFs/ContributionRate.pdf

Here's how to calculate the EPF amount.

EPF Contribution

Employee's Contribution

No matter the employee's income, the contribution to PF is 12% of the Basic Pay + DA.

Employee Contribution to **EPF**= $12/100*(\text{Basic}+\text{DA})$

Employer's Contribution

The employer's contribution to PF is as follows:

Employer's Contribution to **EPF**= $3.67/100*\text{Basic}+\text{DA}$

8.33% goes to the Employee Pension Scheme.

Employees' Provident Fund Contribution Example

- Suppose an employee earns ₹15,000 per month.
- Then an employee's contribution is ₹1800 a month according to the calculation shown below.
- Employee Contribution to EPF= $12/100*₹15000=₹1800$
- An employer's contribution is ₹ 550 a month, as shown below:

- Employer's Contribution to EPF= $3.67/100 \times ₹15000 = ₹550.5$