

PAS Flash News

Standard Operating Procedure notified for EPF Exempted Establishments

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This is with reference to **Standard Operating Procedure for Management and Regulation of EPF Exempted Establishments (SOP)** issued by the Employees' Provident Fund Organisation (EPFO) on 6 October 2023.

EPF Exempted Establishment means an employer entity that has set up a Private Provident Fund Trust for coverage of its employees and has obtained exemption under Section 17 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (Provident Fund Act).

The SOP covers the following:

1. Responsibilities of establishment/employer, Board of Trustees of the Private Provident Fund Trust, EPFO Regional Office (RO), EPFO Zonal Office (ZO) and EPFO Head Office (HO).
2. Specific procedures and various timelines to be followed by the establishment/employer, RO, ZO and HO.
3. Forms and templates to be used for (a) submission of online return by establishment/employer; (b) compliance audit of exempted establishment by the EPFO; and (c) information to be submitted by RO to ZO and by ZO to HO.

Priority matrix for exemption conditions wherein 18 conditions, violation of any of which could lead to mandatory cancellation of exemption, are categorized as "A" and 13 other conditions, violation of which can be rectified by the establishment, are categorized as "B" and "C".

Responsibilities and specific procedures to be followed by establishment/employer in the SOP reiterate the 31 conditions listed in Appendix A of the Employees' Provident Funds Scheme, 1952 applicable for grant of exemption under Section 17 of the Provident Fund Act.

The SOP also states that the compliance audit team of the EPFO shall be on the lookout for the existence of conditions no. 25 and 29 which have a mandatory connotation as regards cancellation of exemption. Thus, as per said condition no. 25, an establishment suffering consecutive loss for 3 years or an erosion in its capital base shall have its exemption withdrawn from the 1st day of following financial year. Similarly, a change in the legal status of the establishment, which has been granted exemption, as a result of merger, demerger, acquisition, sale, amalgamation, formation of a subsidiary, whether wholly owned or not, shall trigger off a revocation of exemption mandatorily as per said condition no. 29 on the lines laid down in the SOP for cancellation.

On the priority matrix regarding violation of exemption conditions, as per the SOP:

1. For category "A" violations: Immediate actions will be taken for cancellation of exemption by issuance of a Show Cause Notice.
2. For category "B" violations: Establishment may be directed to rectify the deficiency. If the same is not met, cancellation process will be initiated. If violation is being done on 2 consecutive occasions without rectification, then cancellation process will be initiated.
3. For category "C" violations: Establishment may be advised to be vigilant in the matter in future. If violation is being done on 3 consecutive occasions without rectification, then cancellation process will be initiated.

Organisations managing Private Provident Fund Trusts for their employees should assess the impact of these

guidelines and ensure compliance. Our teams will be happy to support you on this process. You may reach out to any member of the EY PAS team or the following contacts:

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