

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25, an establishment suffering consecutive loss for 3 years or an erosion in its capital base shall have its exemption withdrawn from the 1st day of following financial year.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:

Sonu Iyer
People Advisory Services
Partner & Leader - India Region
Email: Sonu.Iyer@in.ey.com

Puneet Gupta
People Advisory Services
Partner
Email: Puneet1.Gupta@in.ey.com

Our offices

Ahmedabad

22nd Floor, B Wing, Privilon
Ambli BRT Road, Behind Iskcon
Temple, Off SG Highway
Ahmedabad - 380 059
Tel: + 91 79 6608 3800

Bengaluru

12th & 13th floor
"UB City", Canberra Block
No. 24, Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 6727 5000

Ground Floor, 'A' wing

Divyasree Chambers
11, O'Shaughnessy Road
Langford Gardens
Bengaluru - 560 025
Tel: + 91 80 6727 5000

Chandigarh

Elante offices, Unit No. B-613 & 614
6th Floor, Plot No- 178-178A
Industrial & Business Park, Phase-I
Chandigarh - 160 002
Tel: + 91 172 6717800

Chennai

Tidel Park, 6th & 7th Floor
A Block, No.4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100

Delhi NCR

Ground Floor
67, Institutional Area
Sector 44, Gurugram - 122 003
Haryana
Tel: +91 124 443 4000

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
Gautam Budh Nagar, U.P.
Noida - 201 304
Tel: + 91 120 671 7000

Hyderabad

THE SKYVIEW 10
18th Floor, "SOUTH LOBBY"
Survey No 83/1, Raidurgam
Hyderabad - 500 032
Tel: + 91 40 6736 2000

Jamshedpur

1st Floor, Fairdeal Complex
Holding No. 7, SB Shop Area
Bistupur, Jamshedpur - 831 001
East Singhbhum Jharkhand
Tel: + 91 657 663 1000

Kochi

9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 433 4000

Kolkata

22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: + 91 33 6615 3400

Mumbai

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2

Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000

Pune

C-401, 4th floor
Panchshil Tech Park, Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000

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