EMPLOYEES' PROVIDENT FUND ORGANISATION

32nd Meeting of the Sub- Committee of Central Board of Trustees, (EPF) on Exempted Establishments.

Date	:	13.03.2012 (Tuesday)
Time	:	02:00 pm
Venue	:	EPFO, Hqrs., Conference Room, 3rd Floor, New Delhi.

Agenda Paper

For the 32nd Meeting of the Sub-Committee of Central Board of Trustees (Employees' Provident Fund) On Exempted Establishments

32nd MEETING OF THE SUB COMMITTEE ON EXEMPTED ESTABLISHMENTS

Date: 13.03.2012 **Venue : Head Office**

Time: 02:00 P.M.

INDEX OF ITEMS

Item. No: 1 : Action Taken statement in respect of 31st meeting of the sub- committee of CBT, EPF on <u>Exempted establishments</u>

Sl No.	Decision / Recommendations of the committee	Action Taken/ Status
1.	Procedure for transfer of past accumulation in the event of cancellation of exemption.	Procedure for transfer of past accumulation in the event of cancellation of exemption is placed as Item No.4.
2.	Report of the committee constituted for developing the formats of the balance sheet for reporting the accounts of the exempted PF trusts.	The Agenda Item was deferred and the same is placed again as Item No. 3.

PREFACE:-

The Central Board of Trustees, EPFO has constituted a sub-committee on exempted establishments to deliberate and make recommendations on all policy matters relating to the exempted sector. The committee consists of two employers' and two employees' representatives besides the Joint Secretary (Social Security) Ministry of Labour and Employment as its members.

The main functions of the committee are to:-

- Oversee the working of the exempted establishments and make suggestions for consideration of the board in order to improve the working of the exempted establishments.
- Consider and suggest additional guidelines for grant of exemption/relaxation

During the year 2011-12 the 31st meeting of the sub- committee on exempted establishments was held in Kochi on 29.4.11. The committee reviewed the working of the exempted establishments in respect of Chennai, Tambaram, Coimbatore, Madurai and Kerala regions.

The agenda for the 32nd meeting is submitted for the perusal and deliberations of the members.

Item No 2: Status Report on the Exempted establishments

Clause 56 of the Finance Bill, 2006 amended the rules 3 & 4 of Part A of the Fourth Schedule to the Income tax Act, relating to recognized provident funds. Subsequent to the said amendment it become mandatory for the provident fund of any establishment to which the provisions of section 1(3) or 1(4) of the EPF & MP Act ,1952 applies to obtain exemption of the said Act in order to obtain Income Tax recognition. As per the Finance Bill 2011 the last date of obtaining exemptions has been extended till 31.03.12.

The process of grant of exemption begins with the field offices where the proposal is received. After scrutiny of the proposal with regards to the essential documents and certificates as per instant instructions the proposal is forwarded by the field offices to the Head Office. The proposal is examined with regards to its suitability to the provisions for grant of exemption as mentioned under section 17 of the EPF & MP Act and on being found fit, is approved by the CPFC for placing before the CBT, EPF, as per the directions of the Ministry of Labour & Employment vide its letter dated 1.4.08.

The views of the CBT alongwith the proposal is then forwarded to the Appropriate Government for consideration

EPFO has issued comprehensive directions to the field functionaries vide Head Office circular dated 28.12.07 rationalizing the process of grant of exemption and stressing the need for a thorough scrutiny of all proposals at the level of the field offices and forwarding the same in a time bound manner to Head office. The circular dated 28.12.07 which is also place on the EPFO website prescribes 15 specific documents

Government of India, Trust rules, Relaxation order, Undertakings, Consent of employees etc which are required to be submitted by the RPFC.

EPFO has also prescribed model PF trust rules for establishments seeking exemption. Establishments may adopt the model trust rules or amend it suitably in order to meet the requirements of their trusts.

As is clear from the above, the entire process of grant of exemption involves a number of stages and levels besides documentation. Scrutiny is done at multiple levels and a number of approvals are required. Inherently because of the process, the time involved from the beginning to the issue of notification is also long.

In order to expedite the processing of the proposals, CPFC vide circular his dated 27.04.09 has also issued directions for expeditious processing and forwarding of all applications for grant of exemption. It has been directed that within 15 days of receipt of a complete proposal, the same should be forwarded to the Head Office.

As per information available the Appropriate Governments have granted exemption in 282 cases since 2006 and proposals of 230 establishments are under process for grant of exemption (Annexure A-I).

Cancellation of Exemption

Presently Head office has received 185 cases of cancellation out of which exemption of 65 establishments are cancelled by Appropriate Government and 62 cases are pending with Appropriate Government and 58 cases are referred to Regional Offices (Annexure A-II).

The item is placed for information.

ANNEXURE A-I

STATUS OF EXEMPTION

No. of estts. exempted u/s. 17 where notification by appropriate govt. issued since 2006	No. of estts. where notification for exemption not issued		
	No. of exemption proposal received in Head Office and referred to Regional Offices	No. of exemption proposal pending with Head Office	No. of exemption proposal referred to appropriate government (Central / State) for notification
282	230	9	15

ANNEXURE A-II

SUMMARY OF CANCELLATION OF EXEMPTION CASES

1.	Total proposals received in Head Office	185
2.	Proposals referred to RPFCs	58
3.	Proposals forwarded to Central Government	04
4.	Proposals forwarded to State Government	54
5.	Proposals pending with CPFC as appropriate Govt.	04
6.	Exemption cancelled by appropriate authority :	
	(a) Central Government	32
	(b) State Government	24
	(c) CPFC	09

Item No: 3 **FORMAT OF A BALANCE SHEET FOR EXEMPTED PF TRUSTS**

The revised conditions for grant of exemption were notified by the Ministry of labour and Employment, Government of India on 22.09.03 under para 27AA of the EPF scheme 1952. Condition number 24(b) of para 27AA prescribes that "A copy of the auditor's report alongwith the audited balance sheet should be submitted to the RPFC concerned by the auditors directly within 6 months of the closing of the financial year from 1st April to 31st March. The format of the balance sheet and the information to be furnished in the report shall be as prescribed by the EPFO and made available with the RPFC office in electronic format as well as signed hard copy"

In view of the above provisions a committee of officers of EPFO was constituted by the Chairman of the Sub-Committee of the CBT on Exempted establishments for formulating a format for the balance sheet as well as schedules for exempted PF trusts. The committee of officers submitted its report which was placed before the sub-committee of the CBT on Exempted establishments and the said committee approved the report in its 26th meeting held on 06.04.04.

Subsequently a reference was made to M/s Institute of Chartered Accountants of India (ICAI) to examine the requirements and feasibility of developing Accounting Standards for auditing the trusts funds as well as company's accounts.

The institute has informed that the Accounting Standard 36 on retirement benefit plans developed by the study group constituted by them for the purpose has been finalized.

Para 2 of the said draft mentions that " Retirement benefit plans are sometimes referred to by various other names such as pension schemes, superannuation schemes or retirement benefit schemes. Further para 3 specifies that "this standard deals with accounting and reporting by the plan to all participants as a group. It does not deal with reports to individual participants about their retirement benefit rights.

The draft report makes clear that "This standard does not deal with other forms of employment benefits such as employment termination indemnities, deferred compensation arrangements, long service leave benefits, special early retirement or redundancy plans, health & welfare plans or bonus plans. Government social security type arrangements are also excluded from the scope of this standard"

It appears that the proposed accounting standard 36 is primarily focused towards pension schemes and does not prescribe any format of the balance sheet and the information to be provided by the auditors in respect of PF trusts exempted by EPFO, and hence may not really be relevant and useful with regards to our requirement as mentioned under condition 24(b) of para 27AA of the EPF scheme and therefore the format of the balance sheet and schedules already approved by this committee are being recommended for implementation. (Annexure-A)

The item is place for information.

ANNEXURE 'A'

DRAFT FORMAT FOR DISCUSSION

..Provident Fund

Balance Sheet as on ....

As at 31st March (Previous year)	Liabilities	As at 31st March (Current year)	As at 31st March (Previous year)	Assets	As at 31st March (Current year)
	Member's Provident Fund (Schedule-I)			**Investments (Schedule-II)**	
	(a)Employees' Share			**Interest Receivable on Investment (Schedule-III)**	
	(b) Employer's Share			**Interest accrued / due on investments classified as NPA (Schedule-IV)**	
	(c) Non-contributory members balance			**Refundable Loans to members (Schedule-V)**	
	Income & Expenditure A/c			**Dues recoverable from employer (Schedule-VI)**	
	Balance as on 1.04......			**Income Tax recoverable**	
	Add/Less: Amount Transferred from Income & Expenditure Account /			**Sundry Debtors (if any)**	
	Deficit Transferred from Income & Expenditure Account			**Bank Balances (specify bank wise)**	
	Closing Balance			**Gilt NAV Fluctuation A/c (if any)**	
	Provision for interest due on Non-Performing Assets (intt. not received for more than one year from the due date)				
	Gilt NAV Fluctuation A/c (if any)				
	Interest equalization / Other Reserves (if any)				
	Provision for Bad Investments				
	Provision for Doubtful Investments				
	Forfeiture Account (if any)				
	Other Liabilities				
	Total			**Total**	

DRAFT FORMAT FOR DISCUSSION

....Provident Fund

Income & Expenditure A/c for the year ended..............................

Year ended 31st March	Expenditure	Year Ended 31st March	Year Ended 31st March	Income	Year Ended 31st March
	Interest paid on:- (a) Employees share			Interest on Investments (Schedule VII)	
	(b) Employer's share			Interest on Savings Bank	
	(c) Non-contributory members balance			Interest on loans/advances to members	
	Provision for Doubtful Investments			Misc. Income (please specify, if any)	
	Provision for Bad Investments			Interest U/s 7Q of EPF Act from Employer	
	Loss on valuation of tradable investment			Amortization of discount on purchase of securities.	
	Misc. Expenditure (please specify, if any)			Provision for doubtful Investments-(reversed only after actual recovery)	
	Amortization of premium on purchase of securities			Amount transferred from Interest Equalization Reserve	
	Loss on sale of securities (After setting off losses from profit on sale of securities, if any)			Profit on sale of securities (After setting off losses from profit on sale of securities, if any)	
				Provision on bad investments-written back	
	Excess of income over expenditure carried over			Losses recouped from employer / estt (Schedule-VIII)	
				Excess of exp. Over income	
	Total			**Total**	

Income & Expenditure Appropriation A/c for the year ended..............................

Year ended 31st March	Expenditure	Year Ended 31st March	Year Ended 31st March	Income	Year Ended 31st March
	Interest equalization / other reserves			Balance b/f	
	Balance c/f to Balance Sheet			Excess of income over expenditure carried over	
	Total			**Total**	

Member's Provident Fund

Schedule-I

	Employee's Share	Employer's share	Non-contributory members balance
Opening Balance			
Add: Contribution during the year	-------------	-------------	-------------
Voluntary Contribution (if any)	-------------	-------------	-------------
Transfer from other funds	-------------	-------------	-------------
Interest for the year	-------------	-------------	-------------
Sub-Total 'A'			
Less: Settlement/ Loan to Members			
Transfer to other funds	-------------	-------------	-------------
Non-Refundable Loans	-------------	-------------	-------------
Interest Free Refundable Loans	-------------	-------------	-------------
Amount paid to Outgoing members	-------------	-------------	-------------
Sub Total 'B'			
Total (A-B)			

Note-For each participating unit this schedule be prepared separately alongwith a consolidated schedule for all the units put together.

Details of Non-contributory members balance at the end of the year

Non-contributed for less than 5 years	-------------
Non-contributed since 5 years or more	-------------

Category wise detail of claims settled	No. of claims	Amount (Rs.)
Final/Part Settlement to outgoing members		
House Building advance		
Advance for Marriage / higher education		
Life Insurance Premium		
Others (Specify)		

Schedule-II

Investments

	Previous year ended 31.03. ... Carried over value			Investments		Year ended 31.03........... Carried over value		
Total Face Value	Tradable	Non-Tradable	Total		Total Face Value	Tradable	Non-Tradable	Total
				Central Govt. Securities (CTG)				
				Gilt Funds (GILT) (individual Gilt Fund-wise				
				State Development Loans (SDL)				
				State Govt. Guaranteed Securities (STG)				
				Central Government Guaranteed Securities (Central Govt. Guaranteed)				
				Public Sector Undertakings (PSU)				
				Public Sector Financial Institutions (PSFI)				
				Fixed Deposits with Public Sector Banks (FDRs)				
				Corporate Sector Bonds/Debentures (Corp)				
				Special Deposit Scheme (SDS)				
				Others (Specify) (ORS)				
				Total				

Details of Investments

Type of Investment	Opening balance	Invested during the year	Matured during the year	Closing Balance
Central Govt. Securities (CTG)				
Gilt Funds (GILT) (individual Gilt Fund-wise				
State Development Loans (SDL)				
State Govt. Guaranteed Securities (STG)				
Central Government Guaranteed Securities (Central Govt. Guaranteed)				
Public Sector Undertakings (PSU)				
Public Sector Financial Institutions (PSFI)				
Fixed Deposits with Public Sector Banks (FDRs)				
Corporate Sector Bonds/Debentures (Corp)				
Special Deposit Scheme (SDS)				
Others (Specify) (ORS)				
Total				

Quality analysis of Investments

Category	Details about quality of Investments	Amount	% to total investment
A	Investments for which interest and maturity proceeds are received within 30 days from the due date		
B	Investments for which interest and maturity proceeds are received within a period of 30-90 days from the due date		
C	Investments for which interest and maturity proceeds are received within a period of 90-180 days from the due date		
D	Investments for which interest and maturity proceeds are received within 365 days from the due date		
E	Investments for which interest and maturity proceeds are outstanding for more than one year from the due date and recovery is not doubtful		
F	Non-performing assets for more than one year and recovery is doubtful		
G	Non-performing assets on which principle/interest has not been received for more than 3 years		

(For category D, E, F & G above individual borrowing establishment wise details should be given)

Name of the borrower **Category** **Amount** **Default Category**

Schedule-III

Interest Receivable on Investments

	Year ended 31.03.....	Previous Year ended 31.03.....
Interest accrued but not due.		
Interest due but not received up to one year from due date		
Total		

Schedule-IV

Interest accrued / due on investments classified as NPA- Borrowing establishment-wise details

Name of borrower	Category	Amount
Total		

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Schedule-V

Refundable Loans to members

Particulars	Year ended 31.03......	Previous Year ended 31.03............
Opening balance Add:- Amount paid during the year Add:- Interest charged during the year		
Sub –Total Less:- Amount recovered during the year a) towards principle b) towards interest		
Total		

Schedule-VI

Dues recoverable from employer

Particulars	Year ended 31.03......					Previous Year ended 31.03.........				
	Contribution	7Q Intt	Over payments /frauds etc.	Other	Total	Contribution	7Q Intt	Over payments/frauds	Other	Total
Opening balance Add:-Amount become due during the year										
Total Less:-Amount recovered during the year										
Total										

Schedule-VII

Interest on Investment

S. No.	Type of Investment	Interest / Dividend Due/received-Current Year	Interest / Dividend Due/ received-Previous Year
1	Central Govt. Securities (CTG)		
2	Gilt Funds (GILT)		
3	State Development Loans (SDL)		
4	State Govt. Guaranteed Securities (STG)		
5	Central Government Guaranteed Securities (Cent Guaranteed)		
6	Public Sector Undertakings (PSU)		
7	Public Sector Financial Institutions (PSFI)		
8	Fixed Deposits with Public Sector Banks (FDRs)		
9	Corporate Sector Bonds/Debentures (Corp)		
10	Special Deposit Scheme (SDS)		
11	Others (Specify) (ORS)		
12	Interest Accrued but not due		
13	Interest received on NPA not recognized as Income in earlier years		
	Total		
	Less:- Interest Paid to Vendors for purchase of cum interest securities –(If gross Interest receipts are shown above)		
	Total		

Schedule-VIII

Losses recouped from employer / establishment

Particulars	Year ended 31.03......	Previous Year ended 31.03......
Capital loss due to sale of securities		
Capital loss due to valuation of securities		
To declare the interest rate equivalent to statutory fund		
Frauds & embezzlement		
Others (Please specify)		
Total		

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Notes to accounts:-

1. Non-contributory members are those who have not contributed in last three financial years.
2. Interest, dividend and rental on investments from tradable and non tradable investments should be shown separately. Gross income should be stated as interest on investment includes Income Tax deducted at source. Amount of income tax deducted at source be shown as Income tax recoverable.
3. Profits and losses on disposal of tradable / non-tradable investments and changes in carrying amount of such investment should also be disclosed.
4. Significant restrictions on the right of ownership, realisability, of investment or the remittance of income and proceeds of disposal should also be disclosed.
5. Profit/loss arising out of switch deals should be recognized in Income & expenditure A/c.
6. Interest receipts include interest on application money pertaining to respective categories.
7. Premium/discount on purchase of securities may be written off during the life of securities or in the year of acquisition itself. Option exercised must be disclosed specifically and must be followed consistently.
8. Interest on investments classified as NPA during the year should not be treated as income of the current year. Interest due/ accrued for the whole year should be transferred to Provision for Interest due on NPA. Investment be treated as NPA if interest on the security is not received for more than one from the due date.
9. Cost of investment includes purchase price and direct costs attributable to investment such as brokerage, commission, service tax etc. reduced by incentives etc. received/receivable on purchase of securities.
10. Income from Gilt Funds be recognized only after realization.
11. Only interest due but not received for less than one year from due date needs to be included in the interest income under respective categories.
12. Tradable investments are the investments identified as such in accordance with investment pattern by the trustees during the year subject to a maximum limit notified in this regard. However at the time of transfer of any investment from Non tradable category to Tradable category, it will transferred at book value whereas in case of transfer from Tradable to Non tradable it will be transferred at Market Value or cost which ever is lower and any loss (if any) resulted due to this would be transferred in account "Loss on Valuation of securities".
13. Non-tradable investments held till maturity will be carried in the books after amortizing premium / discount (Difference between face value and cost price)
14. Tradable investments will be carried at cost or market value which ever is lower.
15. Gilt funds will be carried at NAV. Difference between the NAV and book value will be debited or credited to the "NAV Fluctuation A/c" pending realization of income. Similarly increase or decrease in NAV will also be adjusted in this account. In case there is no credit balance in NAV Fluctuation A/c at the end of the financial year, loss in the NAV of Mutual Fund Investment shall be recouped or reimbursed by the employer to the trust provided that if loss in NAV in any individual scrip is less than 10% of its cost than loss may be carried forward up to next financial year only and in case loss in NAV still exists than it shall be recouped or reimbursed by the employer to the trust
16. Regarding accounting of expenditure / income / assets / liabilities of the trust, if any thing is not specified in this format, than treatment specified in the relevant accounting standards issued by Institute Chartered Accountants of India should be followed consistently and the accounting policy adopted be disclosed in the Notes on accounts.

Item No. 4: <u>Procedure for transfer of past accumulation on account of cancellation of exemption.</u>

Section 17(5) of the EPF & MP Act,1952 reads as under :-

"(5) Where any exemption granted under sub-section 1, sub-section 1C, sub-section 2, sub-section 2A or sub-section 2B is cancelled, the amount of accumulations to the credit of every employee to whom such exemption applied, in the provident fund, the Pension Fund or the Insurance Fund of the establishment in which he is employed together with any amount forfeited from the employer's share of contribution to the credit of the employee who leaves the employment before the completion of the full period of service shall be transferred within such time and in such manner as may be specified in the Scheme or the Pension Scheme or the Insurance Scheme to the credit of his account in the Fund or the Pension Fund or the Insurance Fund, as the case may be."

As per the Scheme provisions under Para 28 of the EPF Scheme, 1952, the employer shall submit a statement showing the amount standing to the credit of each subscriber on the date of transfers, the total accumulations to the credit of the subscribers generally on that date and the advances, if any, taken by the subscribers within 25 days of the application of the scheme, or cancellation of exemption, as the case may be. The employer shall also transfer to the Fund the total accumulations standing to the credit of the subscribers in relation to each factory within 10 days of the application of the scheme, or cancellation of exemption, as the case may be, in case of liquid cash in bank and within 30 days, in the case of securities.

Manual of Accounting Procedure (Part I) has prescribed a detailed procedure in regard to acceptance of past accumulation dues.

The Head Office vide its letter no. Invst.II/6/MR/RO/103/03/KN/4591-98 dated 24.4.2006 (Annexure A) has issued instructions to all the field offices for transfer of securities in favour of CBT, EPF.

The guidelines in regard to transfer of past accumulations on cancellation of exemption as given in the Manual of Accounting Procedure (Part I) and the Head Office instructions vide letter dated 24.4.06 may be reiterated to all the field offices.

ANNEXURE 'A'

EMPLOYEES' PROVIDENT FUND ORGANISATION
(Ministry of Labour, Govt. of India)
(Head Office)
Bhavishya Nidh14, Bhikaiji Cama Place,
New Delhi – 110 066.

No. Invst.II/6/MR/RO/103/03/KN 4591 – 4698

Dated: 10.04.2006

24 APR 2006

To,

All Regional Provident Fund Commissioner
Officers-in-charge
Regional Office,
Sub-Regional-Office..

Sub: Transfer of securities in favour of CBT, EPF- Regarding.

Sir,

The Past Accumulation dues of an exempted PF trust are required to be. transferred to the account of CBT, EPF, upon every cancellation of exemption or extension of coverage to an establishment. The said transfer may take place in the form of cash or securities permissible under the prescribed pattern of Investments. The procedure for effecting transfer of securities of different types is provided in the MAP-I.

As per the said procedure and in accordance with the instructions in vogue, the securities are accepted by RPFCs in the field offices, on behalf of CBT EPF, from the establishments upon cancellation of exemption or upon extension of coverage to them. The said securitires are required to be forwarded to Securities Services Branch, SBI, Mumbai, for acceptance and safe custody thereof. The said forwardal should be through a letter in the standard format prescribed in the MAP-I, Chapter 8, Annexure -7, Part-III (Proforma) It provides that a copy of each letter should be endorsed to the Central Provident Fund Commissioner in Head Office alongwith the list of securities and other related details. Thus, each security forwarded to SSB, SBI should be with the knowledge of Head Office.

Similarly, SSB, SBI is required to convey confirmation regarding acceptance of securities forwarded to it by the RPFCs. Upon every acceptance and credit of securities to the account of CBT EPF, it is conveyed through a letter of confirmation addressed to concerned RPFCs, containing details of all the securites. A copy of each of these letters is endorsed to Investment Wing in EPFO Head Office. At the end of each month a statement upon all the securities received from different field offices and accepted and credited to the account of CBT EPF, are furnished by SBI to the Investment Wing of EPFO. The statement contains details about the name of the field office from which the securities were received, name of the

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establishment's PF trust, etc. To verify, its correctness, it is essential that Head Office is aware of all the securities forwaded by different regions to the SBI.

However, it is noticed that in many cases the copies of the forwarding letters are not endorsed to the Head Office. In the absence of this information, it becomes difficult for Head Office to verify and ensure that the statements prepared by SBI correctly reflect the position with regard to different field offices. In the absence of required input discrepancies may go unnoticed, securities pertaining to one region may be shown under different regional records and it may lead to confusion, chaos and distortion of facts.

In view of the above, it is requested that all the communications done by field offices with the SBI. Mumbai may be under intimation to the Head Office. It will help in proper reconciliation and record and save from avoidable confusion and anomalics.

Yours faithfully,

(S.C.GOYAL)
REGIONAL P.F.COMMISSIONER (INVESTMENT)

Copy to:

Securities Services Branch, State Bank of India, Mumbai - to follow the prescribed procedures in endorsing a copy of each confirmation letter to Investment Wing in Head Office of EPFO.

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DRAFT MINUTES OF THE 32nd MEETING OF THE SUB COMMITTEE OF CENTRAL BOARD OF TRUSTEES (EPF) ON EXEMPTED ESTABLISHMENTS

Date : 13th March, 2012 Time: 11.00 A.M.

Venue: Conference Hall, Head Office

The 32nd Meeting of the Sub Committee of Central Board of Trustees, EPF on Exempted Establishments was held under the Chairmanship of Sri Sankar Saha, Hon'ble Member, Central Board of Trustees, EPF.

The following members of the Sub Committee were present at the meeting.

Chairman	:	Sh. Sankar Sana
Member	:	Sh. M.J. Rao
Member	:	Sh. B.P. Pant
Member	:	Sh. Subhash Kumar (Govt. Representative)
Convener	:	Sh. K.C. Pandey, ACC (C)

Besides following officers representing EPFO were also present there

Sh. V.N. Sharma ACC (DL & UK)

Sh. R.K. Kukreja, Director, NATRSS

Sh. A.K. Gupta, RPFC-I, Delhi (N)

Sh. Gautam Dixit, RPFC-I, Delhi (S)

Dr. A.K. Dubey, RPFC-I, Head Office

Sh. R.K. Pal, RPFC-II

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Sh. B.L. Todi, Member of the Sub-Committee could not attend due to some unavoidable circumstances as per message received. Sh. Subhhash Kumar, Under Secretary, MOL&E attended on behalf of Joint Secretary, MOL&E as government Representative.

ACC (Compliance) Head Office, Sh. K.C. Pandey welcomed the Chairman & Members present in 32nd meeting of Sub-Committee on exempted establishments and apprised the Committee about the work of exemption and progress made thereof and sought valuable guidance and valued suggestion and opinion from the members for recommending the same to the government.

ACC (DL & UTT) presented the status of Delhi State comprising of Delhi (North) & Delhi (South). ACC(DL & UTT) submitted that due to computerization in both the offices claim settlement ratio is running well and the Delhi region presently is having the topmost per capita settlement of claim and second topmost in issuance of accounts at national level which was appreciated by all the members. ACC (DL & UTT) further submitted that in compliance of exempted establishment there are some difficulty in processing the proposal and ensuring monitoring at the level of trust / establishment as well as at the field office level depositing contributions in time. Some of the establishments are not submitting returns in time and also fail to report compliance in respect of contractor workers where contractors are independently covered. Chairman invited suggestions and comments from all.

Sh. M. J. Rao, Member raised the issue about contract workers and said that issue of independent code number to the contractors is not objectionable. What is relevant is, as to how compliance in respect of such contractors is to be secured. He pointed out that the following are noticed in contract workers compliance:-

(a) It is generally seen that contract workers are getting much lower salary on the same work as their regular counterparts

(b) In many cases, these contract workers are not getting social security benefits.

(c) It has also come to the notice that these contract workers who have been working for years because at many times contractors are changed due to change in contract and in that event, names of the existing workers are changed.

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(d) There is also problem of attestation of their PF claims as their tenure of working is very short and generally contractors are not attesting their PF claims.

(e) In NTPC, Sheshadri, the contractors who are covered independently do not submit returns after deducting PF contribution from the salary of workers

(f) In NTPC Vizag, where strength of contract workers is more than regular workers, are engaged ~~both~~ in casual nature of works and in specialized technical work at par with their counterpart enrolled as regular,

The Chairman of the Sub-Committee Sh. Sankar Saha, said that he also came across the same situation in NTPC, Vizag, a navratna company and they employed 75% of their employees through outsourcing and in Telchar there are 2600 workers out of which only 600 workers are regular and these contractors are changed but workers remain unchanged. Instead they are re-employed under fake name.

The Addl. CPFC (Compliance) requested to the member to give details of employees where names were changed for specific verification.

Sh. B.P. Pant, Member also opined that contract employees should be treated in the same manner and conditions in exempted as well as unexempted establishments. He also drawn attention of the members towards some conditions of the exemption which was technical in nature, such as merger-demerger, minor variation in investment which leads to cancellation of exemption and suggested for liberal view.

Chairman suggested that getting exemption of establishment is a very intensive process and required strict scrutiny to ensure welfare of poor workers. Cancellation of exemption is equally very lengthy process. He invited suggestions from the Officers & Members present.

The ACC (Compliance) requested the Chairman and the Members that the trust of the company should be covered where they are situated to sort out such problems. For example M/s. NTPC is centrally covered somewhere but their plants are all over India, which creates difficulty for monitoring of compliance. The Chairman agreed with the suggestion of ACC (Compliance)

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Thereafter deliberation was made on the other agenda items as elucidated hereunder:-

Item No.1 – Action Taken Statement in respect of 31st meeting of the Sub-Committee on Exempted establishment.

ACC (Compliance) has placed the agenda item regarding action taken on suggestions and submitted that in last meeting of the sub-committee members desired to put up a brief note regarding procedure for transfer of past accumulation in the event of cancellation of exemption which is placed as Item No.4.

Further in the 31st Meeting the agenda item regarding report of the committee constituted for developing formats of the balance sheet for reporting the accounts of the exempted PF Trusts, was deferred which was again placed in present meeting as Item No. 3. With this deliberation members have approved the minutes of the 31st Meeting.

Item No.2 – Status Report on exempted establishment.

The ACC (Compliance) introduced the item and submitted status report on exempted establishment

Sh. B.P. Pant, Member of the Sub-Committee suggested the examination of the reasons for default. If there is a default in remittance, serious concern should be taken. But when there is a lapse of procedure, like submission of return, and facility to member to see their account electronically, then department should guide and shall not resort to cancellation. Similarly, if company is suffering losses for three years but complying otherwise then exemption should not be cancelled. Sh. B.P. Pant has also raised the issue of election and nomination of trustee. He opined that employee representative should be elected in open election among all the member employees irrespective of number of unions otherwise it will lead to internal politics which is not conducive to harmonial industrial relations.

Sh. M.J. Rao did not agree with Sh. B.P. pant's views on trust election and employee selected from the employees union in the trust as per provision and trust rules. He submitted that the election of the employees' representative should be as per

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the statutory rule. On cancellation of exemption he opined that Provident Fund is for the welfare of the employees. Company may suffer from losses due to poor response to the trust by the employer. If the establishment is maintaining records on computer then there should not be default in submission of returns and the employees of the said establishment may have access to their outstanding P.F money in the trust electronically. He further submitted that exemption should be granted only if the prescribed check points are in order and payments are made in time.

Sh. B.P. Pant emphasized the strategy of the EPFO to extend deadline of Finance Act, which ends on 31.3.12. All the members are agreed on this point.

Sh. M.J. Rao requested the details of total number of exempted establishments and their present status and rate of outgoing member vs. incoming member. He also submitted that instances came to the notice that establishments are charging higher rate of interest on refundable loans and it is also noticed that some of the exempted establishments are providing interest less than the prescribed statutory interest rate to their members. ACC (Compliance) submitted that they can charge at permissible limit if trust rules permit. Regarding provisioning of less then statutory interest rate, appropriate action will be taken against such establishment.

The Chairman suggested that these advances should be discouraged.

Item No: 3 Format Of a Balance Sheet for Exempted PF Trusts

Chairman introduced the Item No.3 regarding format of the balance sheet for exempted PF Trust and explained the salient features of this particular item. Proposal was agreed for recommendation.

Item No.4 – Procedure for transfer of past accumulation on account of cancellation of exemption.

The Chairman explained that in 31st Meeting Sh. B.L. Todi, Member, Sub-Committee has suggested that when the exemption granted to the establishment is cancelled there is considerable time lag towards acceptance of past accumulation by the EPFO. This creates hardship to the members who retired/resigned during the interregnum period to get their accounts settled and as desired a brief note on the exact procedure to be followed is placed before the members. ACC (Compliance) has

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manual of accounting procedure (Part-I) has prescribed a detailed procedure in regard to acceptance of past accumulation due and the guidelines has already been issued to the field offices and Head Office has issued instructions vide letter dated 24.04.06. The Chairman suggested that these guidelines may again be issued.

ACC (Compliance) has extended heartiest thanks to the Chairman and the members of the Committee for their valuable guidance.

The meeting ended with vote of thanks to the Chair.

approved.

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MINUTES OF THE 32nd MEETING OF THE SUB COMMITTEE OF CENTRAL BOARD OF TRUSTEES (EPF) ON EXEMPTED ESTABLISHMENTS

CORRIGENDUM

"**Item no. 2 – Status Report on exempted establishment**

Para 3 of above said item may be read as "Sh. M.J. Rao agree with Sh. B.P. Pant's point of view on Trust election and he explained that in view of multiplicity of trade unions in the establishments, nomination of members may not meet the norms of democracy and therefore, the election should be made mandatory".

In place of earlier written and read

"Sh. M.J. Rao did not agree with Sh. B.P. Pant's views on Trust election and employee selected from the employees union in the Trust as per provision and Trust Rules".

Chairman
(Sub-Committee on exempted establishment)