

10 FACT YOU MAY NOT AWARE OF EPF

We all know what is EPF – Employee Provident Fund. A small part of your salary (12% of your basic salary) is invested in something called EPF and an equal amount is matched by your employer each month. This is what 95% people know about EPF. But there are many things in EPF which a lot of people don't know and this article is going to open some not known secrets of EPF. One should be aware about all the EPF related information. So lets take them one by one in points format.

1: You can also nominate someone for your EPF

Do you know that there is also "nomination" facility in EPF. The nominee will be contacted at the time of death of the person and handed over the EPF money. However if nomination is not present (which you should check), it can raise to all sort of issues while claiming money. There is a form called **Form 2** which has to be filled to change or update the nomination. Please contact your company finance department or directly send the form to EPFO. One very strange rule as per the Act is that you can't nominate your brother for EPF. Not sure why!

2: One can get pension under EPF

Do you know that there are two elements in EPF- one is called EPF and other is EPS. The EPF is actually for your provided fund and EPS is for your pension. The 12% contribution from your side goes to EPF, but the 12% contribution which your employer makes, out of that 8.33% actually goes in EPS (subject to maximum of Rs 541) and the rest goes into EPF. So understand it this way, a part of your employer contribution actually makes up your pension corpus. But there are some caveats to this. PLEASE SEE THE ATTACHMENT.

- One is liable for pension only if one has completed the age of 58.
- One is liable for pension only if he has completed 10 yrs of service (in case of more than one companies, the EPF should have been transferred, not withdrawn)
- The maximum Pension per month is subject to maximum of Rs 3,250 per month.
- Lifelong pension is available to the member and upon his death members of the family are entitled for the pension.

3: No interest is given on EPS (pension part)

You must be thinking that you regularly get compound interest each year on your contribution + employer contribution. But it does not work like that. The compound interest is provided only on EPF part. The EPS part (8.33% out of 12% contribution from your employer or Rs 541 what ever is minimum) does not get any interest. At the time of withdrawal , you get both EPF and EPS.

4: You might not get 100% of your EPF money

Imagine your contribution + employer contribution has been total Rs 3,50,000 till date. Out of this 3,50,000 , suppose 2,50,000 has gone in EPF , and rest 1,00,000 has gone in EPS (for pension) . Now if you quit your job in 6th year of employment and opt for withdrawal of your EPF money (EPF + EPS actually) , then do you think you will get total 3,50,000 . NO !

That's because you always get 100% of your EPF part, but for EPS there is separate rule . There is something called Table 'D' , under which its mentioned how much you get at the time of exit from your job, there is a slab for each completed year and you get n times of your last drawn salary (depending on the completed year of service) subject to maximum to Rs 6,500 per month. So if your salary in this case was Rs 30,000 per month, still you will be given only $6,500 * 6.40 = \text{Rs } 41,600$.

Table 'D' for EPS withdrawal Value under EPF

Years of service	Proportion of wages at exit
1	1.02
2	2.05
3	3.1
4	4.18
5	5.28
6	6.4
7	7.54
8	8.7
9	9.88

Note that the table D is upto 9 yrs only, because if 10 yrs are crossed, then you are liable for pension.

5: You can invest more in EPF, its called VPF

You can always invest more than 12% of your basic salary in EPF which is called VPF. In this case the excess amount will be invested in EPF and you will keep on getting the interest, but the employer is not suppose to match your contribution. He will just invest upto maximum of 12% of your basic, not more than that.

6: Withdrawing of EPF amount at job change is illegal

Almost every one thinks that withdrawing of your EPF amount after a job switch is totally fine and allowed, however as per law, it's illegal. You can only withdraw your EPF money only if you have no job at the time of withdrawing EPF and if 2 months have passed. Only transfer is allowed in case you get a new job and you switch to it. While there are no cases where EPF office tracks these things and takes up this matter, still just for your information you should know that if you got a new job and took it and then you are applying for withdrawal, its illegal as per law. However in

case of EPS, if the service period is less than 10 years, you've option to either withdraw your corpus or get it transferred by obtaining a 'Scheme Certificate'. Once, the service period crosses 10 years, the withdrawal option ceases.

7: One can opt out of EPF if he wants

Yes! It might be a surprising fact for many , but if one's basic salary per month is more than Rs 6,500, he has an option to opt out of EPF and not be part of it. In which case he will get all his salary in hand (without anything deducted every month). But the sad part is that one has to opt out of EPF in the start of his job. If a person has been part of EPF even once in his life, then he cant opt out of it. So if you have already had EPF in your life. This option is not for you, but if you are new to job and your EPF account number still does not exist, you can tell your employer that you don't want to be part of EPF . You will have to fill up form 11 for this.

8: Your EPF gives you some life insurance too

A lot of people might not know that in case a company is not providing group life insurance cover to its employees, in that case the employee is given a small life cover through EPF. This is because there is something called Employees' Deposit Linked Insurance (EDLI) scheme and your organisation has to contribute 0.5% of your monthly basic pay, capped at Rs 6,500, as premium for your life cover. However companies which already have life insurance benefits to employees as part of the company, are exempted from this EDLI scheme. The bad part of this EDLI scheme is that the life cover under this option is very low and that's maximum amount of Rs. 60,000. While this is peanuts for most of the people in big cities. For employees in small scale industries and small cities, this amount of Rs 60,000 will still count something.

9: You can use EPF money can be withdrawn at special occasions

So now you know that EPF withdrawal is not permitted if you are still working. But there are occasions when EPF withdrawal is allowed. While you cannot withdraw it fully, you can withdraw a partial amount. Following is a list of events when you can withdraw the EPF amount and the conditions you need to fulfill:-

1. Marriage or education of self, children or siblings

- You should have completed a minimum of seven years of service.
- The maximum amount you can draw is 50% of your contribution
- You can avail of it three times in your working life.
- You will have to submit the wedding invite or a certified copy of the fee payable.

2. Medical treatment for Self or family (spouse, children, dependent parents)

- For major surgical operations or for TB, leprosy, paralysis, cancer, mental or heart ailments
- The maximum amount you can draw is 6 times your salary
- You must show proof of hospitalization for one month or more with leave certificate for that period from your employer.

3. Repay a housing loan for a house in the name of self, spouse or owned jointly

- You should have completed at least 10 years of service.
- You are eligible to withdraw an amount that is up to 36 times your wages.

4. Alterations/repairs to an existing home for house in the name of self, spouse or jointly

- You need a minimum service of five years (10 years for repairs) after the house was built/bought.
- You can draw up to 12 times the wages, only once.

5. Construction or purchase of house or flat/site or plot for self or spouse or joint ownership

- You should have completed at least five years of service.
- The maximum amount you can avail of is 36 times your wages. To buy a site or plot, the amount is 24 times your salary.
- Can be avail of it just once during the entire service.

10: You can file an RTI application for EPF issues

Did you know that you can file an RTI applicable to get any kind of information regarding your EPF. You can file it if you are facing issues like no clarity about balance in your EPF, no action taken for your EPF withdrawal or transfer. To find out information about other issues on EPF. I have done a detailed post on [how to file an RTI for your EPF issue](#).