

**GOVERNMENT OF INDIA
MINISTRY OF LABOUR AND EMPLOYMENT
LOK SABHA
UNSTARRED QUESTION NO. 185
TO BE ANSWERED ON 22.07.2024**

REDUCTION OF PENALTY

185. SHRI S VENKATESAN:

Will the Minister of **LABOUR AND EMPLOYMENT** be pleased to state:

- (a) whether there is reduction of penalty for any default in the payment of an employees' contribution to the Employees Provident Fund, 1952, Employees Deposit Linked Insurance Scheme, 1976 or Employee Provident Scheme, 1995;
- (b) if so, the rates of penalty was vogue previously and now;
- (c) whether there is any demand from employer organisations and what is the rationale behind such reductions;
- (d) whether the Government has done any study on above defaults and findings of the same, if any;
- (e) the details of the penalty has been collected in the last 3 financial years and revenue loss for the exchequer expected consequent to this reduction; and
- (f) whether this reduction is not detrimental to the interests of labourer and Labour unions are consulted on this?

ANSWER

**MINISTER OF STATE FOR LABOUR AND EMPLOYMENT
(SUSHRI SHOBHA KARANDLAJE)**

(a): Yes, Sir. The Government on 14.06.2024 has rationalized the rate of damages to 1% for each month of delay for delayed payment of contributions under the three schemes i.e. Employees' Provident Fund Scheme, 1952, Employees' Deposit Linked Insurance Scheme, 1976 and Employees' Pension Scheme, 1995.

(b): The desired information is given below:

Damages period	Previous rates (%) (annual)	Previous rates (%) (monthly)
< 2 months	5	.42 (5/12)
2- >4 Months	10	.83 (10/12)
4-6 Months	15	1.25 (15/12)
> 6 Months	25	2.08 (25/12)

Contd..2/-

The present rate of damages notified w.e.f. from 14.06.2024 is 1% per month for each month of default.

(c) & (d): The Central Board for EPF is a tri-partite body of representatives of employees, employers, and Government (Centre & State). An ad-hoc Committee of the Central Board on Coverage & related Litigation had inter-alia considered the rationalization of rates of damages.

The ad-hoc Committee noted that the quantum of penalties in the Income Tax Act in respect of belated payment of Tax is approximately 1% per month and the interest is also @1%/ p.m. The interest on belated payment of EPF dues is governed under section 7Q of the Employees' Provident Fund & Miscellaneous Provisions Act, 1952 (EPF & MP Act) which is 12% per annum. The ad-hoc Committee recommended that the rate of damages as prescribed in the Schemes may be modified at the rate of 1% per month.

(e) & (f): The penalty/damages collected in previous 3 years is as under:

Sl No.	Year	Damages collected (Rs. In crore)
1.	2023-24	858.01
2.	2022-23	456.83
3.	2021-22	494.61

The percentage of damages is a nominal percentage of total annual EPF collections.

The Central Board (EPF) and the ad-hoc Committee of the Board had employee and employer representatives. The recommendation of the ad-hoc Committee for rationalizing the rate of damages to uniform 1% per month, was endorsed by the Central Board.

The interests of labourers are not adversely affected as the rates of damages have been rationalized and loss of interest to EPF account on belated remittances are assessed and recovered under Section 7Q of the EPF & MP Act 1952, which continues to be at 12% per annum.