

NDA Update – Important clarification from Provident Fund Authorities

A circular dated 28-08-2019 has been issued by Employees' Provident Fund Organisation clarifying on the notices for inspection in the wake of judgment by Hon'ble Supreme Court dated 28-02-2019 treating certain allowances as part of basic wages.

On the notices being issued for inspection of records citing the aforesaid judgment to ascertain whether any allowance which should have been part of basic wages has been missed out from calculating the PF Contribution, **it has been clarified that such notices are in the nature of roving inquiries and should not be pursued further unless there is prima facie evidence of splitting of wages by the employer to avoid PF liability.**

It has been further clarified that inspection / investigation should only be initiated after obtaining necessary approval only in those cases where there is some evidence or credible basis of splitting the wages by the employer to avoid PF liability.

Link to the circular - https://www.epfindia.gov.in/site_docs/PDFs/Circulars/Y2019-2020/Vivekanand_Vidyamandir_717.pdf