RANKS 67 ON TRANSITION INDEX

EXPLAINER

WHEN EMPLOYERS DEFAULT ON EPFO DUES

Some former employees of ed-tech giant Byjus have alleged that the company had defaulted on their Provident Fund contributions (EPFO) for months. Against this backdrop, Sakti Nagi explains why it is critical for EPFO to check default by employer and what the recourse is available to employees.

Checking for default

An employer is required to contribute to the Provident Fund (PF) account of the employee, and the EPF Act requires the employer to pay at least 12% of the basic salary of the employee. If an employer defaults in making contributions, the EPFO can check for default by employing various methods such as

1. Checking the employer’s contribution details through its online portal
2. Checking the contribution history of the employee’s PF account
3. Taking a look at the EPF statement

The EPFO will investigate the employer’s contribute history and send a notice to the employer. If the employer fails to respond, the EPFO can initiate legal proceedings against the employer.

What happens on default

When the EPFO finds that the employer is defaulting on the PF contributions, it will

1. Send a notice to the employer
2. If the employer fails to respond, the EPFO can initiate legal proceedings
3. The EPFO can also freeze the employer’s bank account

The employee will be entitled to the amount that is due to them, along with interest and penalties.

Non-payment of PF dues by employer

The EPFO will pay the PF amount only if the employee’s contribution is paid for the period for which the employer has defaulted. However, in case of late deposit of dues, the EPFO may, at its discretion, allow the employer to pay the dues within a certain period, subject to the payment of interest and penalties.

The EPFO may also initiate legal proceedings against the employer for non-payment of PF dues.

If the employer goes bankrupt...

If the employer goes bankrupt, the EPFO’s financial position may be compromised and the employees may not be able to receive their PF contributions. In such a scenario, the employees may have to rely on other sources of income or seek assistance from the government.

The EPFO may also negotiate with other parties to recover the dues and provide relief to the employees.

If the EPFO is unable to recover the dues, the employees may have to file a complaint with the regulatory bodies to seek redress.

The EPFO may also seek assistance from the government to recover the dues and provide relief to the employees.

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