Unclaimed Employees' Provident Fund Accounts an Appraisal

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***Abstract* - In May 2016, the Government of India stated that about ₹43,000 Crores was lying in inoperative EPF (Employees' Provident Fund) accounts although the definition of inactive account changed post the November 2016 notification. Earlier, if a person stopped contributing towards PF for three years or more, the account became inactive. But now an account is termed inoperative three years after a person's retirement if he/she is at least 55 years old.**

***Index Terms* - Employees' Provident Fund- Inoperative accounts- Senior Citizens' Welfare Fund -Unclaimed EPF Accounts- - Universal Account Numbers (UAN).**

INTRODUCTION

The Employees' Provident Fund (EPF) Act, 1952 mandates the employees and employers to contribute a prescribed percentage of their salaries to the EPF. The EPF can be withdrawn by the employees in case of retirement, resignation or by the nominee in the case of death. While many organizations ensure that contributions are made to the EPF, employees face problems when they change jobs. Some of them do not transfer their existing EPF money and open an entirely new EPF account with the new employer. As a result, the old EPF account lies ***inoperative*.**

EMPLOYEES' PROVIDENT FUND ORGANIZATION (EPFO)

operates three retirement benefit schemes
1. Employees' provident fund (EPF),
2. Employees' pension scheme (EPS),
3. Employees' deposit linked insurance (EDLI).

The account holders of all three schemes, who have not claimed their dues are called Unclaimed Accounts.

STATUTORY POSITION OF EPF INOPERATIVE ACCOUNTS

According to para 72(6) of the Employees' Provident Funds (EPF) Scheme, 1952, any amount becoming due to an EPF member as a result of:

1. supplementary contribution from the employer in respect of leave wages/arrears of pay, installment of arrear contribution received in respect of a member whose claim has been settled on account but which could not be remitted for want of latest address, or
2. accumulation in respect of any member who has either [retired from service after attaining age fifty-five years or migrated abroad permanently] or died, [but no application for withdrawal under paragraph 69 or 70 has been preferred within a period of thirty six months from the date it becomes payable, or if any amount remitted to a person, is received back undelivered, and it is not claimed within a period of thirty six months from the date it becomes payable, shall be transferred to an account to be called the Inoperative Account[1].

Provided that, in the case of a claim for the payment of the said balance, the amount shall be paid by debiting to the *Inoperative Account***.**

Provided further that if any amount becoming due to a member, as a result of supplementary contributions on account of litigation or default by the establishment or a claim which has been settled but is received back undelivered not attributable the member, shall not be transferred to the Inoperative Account [2]

State/UT-wise details of Inoperative Accounts in Employees' Provident Fund (EPF) as on 31.03.2016[3]

Sl. No.	State/UT	Amount (in Crore)
1	Andhra Pradesh (includes Telangana)	3,493.95
2	Bihar	238.90
3	Chhattisgarh	358.62

4	Delhi	5,045.03
5	Goa	225.54
6	Gujarat(Includes Daman & Diu and Dadra & Nagar Haveli)	2,597.94
7	Haryana	2,270.78
8	Himachal Pradesh	245.99
9	Jharkhand	416.87
10	Karnataka	6,067.27
11	Kerala includes Lakshadweep)	411.93
12	Madhya Pradesh	989.45
13	Maharashtra	8,349.02
14	States of Assam, Arunachal Pradesh, Tripura, Meghalaya, Nagaland, Manipur & Mizoram (North Eastern Region)	231.91
15	Odisha	687.03
16	Punjab (includes Chandigarh)	1,275.17
17	Rajasthan	848.94
18	Tamil Nadu (Includes Puducherry)	2,995.80
19	Uttarakhand	175.11
20	Uttar Pradesh	2,079.81
21	West Bengal (includes Sikkim and Andaman & Nicobar Islands)	1,860.09
	Total	40,865.14

Amount paid to beneficiaries from inoperative accounts in the year 2011-12 is 956 Crores, in the year 2012-13 is 2,890 Crores, and in the year 2013-14 is 4Crores according to the EPF sources information.

UNCLAIMED EPF AMOUNT

According to the then Finance Minister Arun Jaitley's budget speech in 2015, ₹6,000 Crores remained unclaimed in EPF accounts

In May 2016, the Government of India stated that about ₹43,000 Crores was lying in inoperative EPF (Employees' Provident Fund) accounts although the definition of inactive account changed post the November 2016 notification. Earlier, if a person stopped contributing towards PF for three years or more, the account became inactive. But now an account is termed inoperative three years after a person's retirement if he/she is at least 55 years old.

An article in *The Economic Times (ET)* in July 2021 states that all regulators put together, collectively hold over Rs82,000 Crore or more that legitimately belongs to Indian savers. It points out that the interest on this, even at 6%pa (per annum) would be nearly Rs.5,000 Crores. Of these, *ET* estimates that unclaimed amounts with Employee Provident Fund Organization (EPFO) alone had Rs26,497 Crore of unclaimed funds at the end of March 2019 transferred to SCWF. However, *Zee Business* reported another study which put the number at a whopping Rs58,000 Crore at the end of June 2021[4].

REASONS FOR NOT CLAIMING MONEY FROM INOPERATIVE EPF ACCOUNTS

(i)A company/financial institution might have failed to locate the beneficiaries for payment as contact details changed over the years but are not updated on a regular basis.

(ii)The nominees and legal heirs might have failed to stake a claim as they were not aware of such assets. It often happens if one dies without making a will.

(iii)Many people have discontinued their accounts long ago, but their deposits are still earning interest. On the other hand, any unclaimed pension money is also transferred to EPFO accounts, further adding to the cash pile-up.

(iv)An EPFO official said unclaimed money has grown over the years due to inoperative accounts of subscribers, who have either forgotten to withdraw their PF, or are deliberately accumulating interest on their savings

(v) Getting the PF money transferred to one's bank account tends to get complicated, and at times people just leave it although the amount is growing over the years.

(vi) In most cases, there is no way to ascertain the identity of the rightful owner. In case there is any unclaimed amount in PF, the employee has the option to either withdraw or transfer the amount to the current employer. The entire process for withdrawal of unclaimed amount was tedious and cumbersome. The government had, however, started looking at the issue and measures are being taken to transfer it to legal owners or use it for the benefit of the society. Accordingly the Government had launched a Senior Citizen Welfare Fund in 2016.

UNCLAIMED AMOUNT UNDER PF TO BE TRANSFERRED TO SENIOR CITIZEN WELFARE FUND

Senior Citizen Welfare Fund (SCWF) [5] was established by the then Government of India to help senior citizens who do not have any means of livelihood. The SCWF is an apex-level fund which is managed by the Central Government. Senior citizens can make use of the SCWF by availing of the various schemes launched under the fund.

The unclaimed money from EPF accounts, as well as from small saving schemes, insurance companies, etc. was supposed to be transferred to SCWF. As per the SCWF regulations, after an account has been classified as inoperative for seven years, the amount remaining in it is to be transferred to SCWF.

Rule 7(2) and 3(6) of the Senior Citizen Welfare Fund mandates that all such *Unclaimed Provident Fund* amount for a period of from the date it becomes shall be transferred to Senior Citizen Welfare Fund. Such accounts shall be identified by 30th September every year and funds shall be transferred by 1st day of March every year.

The money lying unclaimed was invested just like it would have been for any active EPF account, which means it was not lying idle and earning interest. But the mandate to transfer all unclaimed and unpaid money from inactive accounts to Senior Citizens' Welfare Fund (SCWF) came in November 2016. As of now, the unclaimed money from these accounts gets transferred to SCWF after 10 years, but it can be claimed back.

All exempted establishments should keep the accounts and full employee wise details of each member whose amounts have been transferred to Senior Citizen Welfare Fund. Also the total year wise amount transferred to Senior Citizen Welfare Fund and fund lying unclaimed with the Government for less than 25 years should be reflected in Audited Balance Sheet

UNCLAIMED PF ACCOUNTS TO FUND MEDICAL BENEFITS TO PENSIONERS

Savings remaining unclaimed in dormant Employees' Provident Fund accounts for seven years will be used to fund a new scheme for providing medical benefits to pensioners under the EPF scheme, according to Labour Ministry sources.

According to the rules of scheme the EPF pensioners will be able to avail medical facilities from a network of more than 1,400 dispensaries and 150 hospitals under ESIC [6] across the country.

The 'Ministry of Social Justice and Empowerment' (MSJ) is responsible for administering the SCWF.

In 2017, the MSJ introduced a scheme known as *Rashtriya Vayoshri Yojana* to help senior citizens. The scheme was funded from the SCWF. On 04.12.2019, the MSJ announced the introduction of three additional schemes. The new schemes will be funded entirely from the SCWF [7].

HOW TO RECOVER THE UNCLAIMED MONEY BACK FROM SCWF

Members can claim the money within 25 years from the date of credit of fund to the account of Senior Citizen Welfare Fund from the Office of EPFO or Exempted Trust. If no claim is made with in a period of 25 years than the amount shall escheat (*transfers the property of a person who died without heirs to the crown or state)* to the Central Government

Ministry of Labour and Employment, Government of India brought Section 142 of the Code on Social Security, 2020 into effect from May 03, 2021, whereby an employee or any other beneficiary in order to obtain any benefit under the Social Security Code, is required to establish his/her identity (or the identity of her/his family members or dependents, as the case may be) through Aadhaar number.

All claim submissions and fund transfers can be done online. For people whose Universal Account Numbers or UANs are Aadhaar-linked and have been cross-checked by the Unique Identification Authority of India, there is no need to provide any further proof. If one's Aadhaar Card number is not linked to the EPF account, one needs to fill in the composite claim form available in all PF offices and also on the EPFO website. After it is certified by his\her employer, submit the form to the PF office. If the EPF account is linked to Aadhaar, the entire process can be done online. Nominees can claim the money by providing proper certifications and proof of ownership.

CONCLUDING REMARKS

Accumulation in respect of any member of EPF who has either retired from service after attaining the age fifty-five years; migrated abroad permanently; or died, but no application for withdrawal has been made within 36 months from the date it becomes payable, is transferred to an inoperative account.

Under Provident Fund rules, if the amount was not withdrawn within three years of the last contribution to the account, it becomes dormant and seize to earn interest. After seven years of remaining dormant, the money is transferred to the Senior Citizen Welfare Fund by EPFO. It can be claimed from the Senior Citizen Welfare Fund by the investor or his legal heirs within 25 years by furnishing the required proof and documents.

Money in an EPF account is hard earned and meant to fund important goals like retirement, so it's important to ensure that it can be accessed by EPF account holder or his legal heir. Individuals must always update the administrative aspects of all financial assets. The events that impact legal heirs include marriage, divorce and death of beneficiaries.

Updating enables smooth transmission or transfer of assets. Whenever a person leaves an organization, he has to transfer the EPF amount to his current account and keep a record of all his investments.

REFERENCE

[1] www.epfindia.gov.in accessed on 2022.02.18

[2] Provident fund Amendment-Gazette Notification Amended Para 72 (6)

[3] Government of India, Ministry of Labour and Employment, RajyaSabha Unstarred Question No. 4567.

[4] https://www.theleaflet.in/shouldnt-regulators-be-accountable-for-returning-rs82000-crore-of-unclaimed-money-to-savers/ accessed on 2022.02.18

[5] The SCWF was instituted by the Finance Act, 2015 which came into effect on 18.03.201

[6] Employees State Insurance Corporation established under the Employees State Insurance Act, 1946

[7] Press Information Bureau, Government of India, Ministry of Social Justice & Empowerment 04 DEC2019 by PIB Delhi