

**GOVERNMENT OF INDIA
LABOUR
LOK SABHA**

UNSTARRED QUESTION NO:2838

ANSWERED ON:09.08.2000

EPF RATE OF INTEREST

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Will the Minister of LABOUR be pleased to state:

- (a) the estimated saving likely to accrue to the Government every year as a result of one percent cut in the rate of interest on Employees Provident Fund;
- (b) whether Government propose to invest this saving in the share market;
- (c) if so, the reasons therefor;
- (d) whether the trustees of the fund had not been consulted before reducing the rate of interest on EPF;
- (e) if so, how it reflects on the validity of the decision;
- (f) whether any request has been received to withdraw this cut; and
- (g) if so, the reaction of the Government thereto?

Answer

MINISTER OF STATE FOR LABOUR AND EMPLOYMENT (SHRI MUNI LALL)

(a) to (c); Interest earned on the EPF is required to be credited in accounts of the EPF subscribers. As such the question of gain to the Government by way of saving and its investment in the share market does not arise.

(d) to (g): Under item 8 of Schedule II of the EPF & MP Act, 1952 read with paragraph 60(1) of the EPF Scheme, rate of interest on EPF is required to be determined by the Central Government in consultation with the Central Board of Trustees, EPF. Accordingly, the CBT in its meeting held on 25.4.2000 made a recommendation to the Central Government for crediting interest in accounts of the EPF subscribers @ 12% for 2000-2001. The recommendations of the Central Board were considered and as average earning of the EPF from April 2000 onward is around 11%, it has been decided to credit interest in accounts of the EPF subscribers @ 11% interest for the year 2000-2001. In determining the rate of interest on EPF the Central Government has also been guided by the provisions of paragraph 60(4) of the EPF Scheme under which the Central Government is required to ensure that there is no overdrawal on the interest suspense account as a result of giving interest to the EPF subscribers. As such there is no violation of the Act/Scheme.