

EPF v/s ESI

Basis	EPF	ESI
Applicability	<ul style="list-style-type: none"> - For every factory engaged in industry employing 20 or more employees. - For every other establishment having 20 or more employees during previous year. <p>For every employee who is getting less than INR 15000/- per month.</p>	<p>All units that are covered under Factory Act and Shops and Establishment act are eligible for ESI.</p> <ul style="list-style-type: none"> - Where 10 or more people are employed irrespective of their monthly earnings. Note: Some states (such as Gujarat and Punjab) have upper limits on the number of employees for eligibility of the ESI scheme. - Units which are located in the scheme-implemented areas. The government plans to implement ESI across the entire country by 2022 so all units will be considered as Covered Units.
Contribution	<ul style="list-style-type: none"> - Employer's rate of contribution: Employer has to share his contribution at the rate of 12% of Employee's basic salary plus dearness allowance. - Employee's rate of contribution: Employee has to share his contribution at the rate of 12% of his basic salary plus dearness allowance. <p>Note: The employer's monthly contribution is restricted to a maximum amount of Rs 1,800. Even if the employee's salary exceeds Rs 15,000, the employer is liable to contribute only Rs 1,800 (12% of Rs 15,000).</p> <p>As per the EPFO rules, following establishment has to contribute at the rate of 10% of basic salary plus dearness Allowance:</p> <ul style="list-style-type: none"> - Establishment with 10 or less than 10 employees. 	<ul style="list-style-type: none"> - Employer's rate of contribution: Employer has to share his contribution at the rate of 3.25% of Employee's Gross salary. - Employee's rate of contribution: Employee has to share his contribution at the rate of 0.75% of his Gross salary. <p>Note: In case, the gross salary of the employee exceeds Rs. 21,000 during the contribution period, the ESI contributions would be calculated on the new salary and not Rs 21,000. For example, if the salary of an employee increases to Rs. 25,000 per month, then the ESI would be calculated on Rs. 25,000 instead of Rs. 21,000 during the contribution period. There are two contribution periods each of six months</p>

	<ul style="list-style-type: none"> - An establishment which has incurred losses during the end of financial year. - Such other establishments such as: Brick Factory Jute factory Beedi factory Guar Gum Factory 	<p>duration and two corresponding benefit periods also of six months duration.</p> <p>After the commencement of a contribution period, even if the gross salary of an employee exceeds Rs. 21,000 monthly, the employee continues to be covered under ESI scheme till the end of that contribution period. After that, if the employee salary is more than the ESI limit, no further deductions and contributions are required.</p>
Meaning of Salary	<p>The salary comprises of fewer components:</p> <ul style="list-style-type: none"> - Basic wages, - Conveyance allowance and - Special allowance. 	<p>The salary comprises of all the monthly payable amounts such as:</p> <ul style="list-style-type: none"> - Basic pay, - Dearness allowance, - City compensatory allowance, - House Rent Allowance (HRA), - Incentives (including sales commissions), - Attendance and overtime payments, - Meal allowance, - Uniform allowance and - Any other special allowances. <p>The gross monthly salary, however, does not include Annual bonus (such as Diwali bonus), Retrenchment compensation, and Encashment of leave and gratuity.</p>
Limit	<p>As per the rules, in EPF, employee whose 'pay' is more than Rs 15,000 a month at the time of joining, is not eligible and is called non-eligible employee. Employees drawing less than Rs 15000 per month have to mandatorily become members of the EPF.</p>	<p>All employees of a covered unit, whose monthly incomes (excluding overtime, bonus, leave encashment) does not exceed Rs. 21,000 per month, are eligible to avail benefits under the Scheme.</p> <p>Employees earning daily average wage up to Rs.176 are exempted from ESIC contribution. However,</p>

		employers will contribute their share for these employees.
Withdrawal	<p>Allowed partially or full:</p> <ul style="list-style-type: none"> - Full allowed when employee retired or unemployed more than 2 months. - Partially allowed if withdrawal before retirement for Medical purpose, marriage, education, house loan repayment, purchase of land or purchase/ construction of house, house renovation. <p>Application can be file online as well as offline mode.</p>	ESI withdrawal not allowed Because it is like a premium for mediclaim and when situation arises you can get medical benefits like sickness benefits, speciality treatment etc.
Taxability	<p>Withdraw after 5 years of continuous service then No TDS will be deducted (i.e. Fully exempt). Before completion of 5 years of continuous service:</p> <ul style="list-style-type: none"> - If amount < 50,000 No TDS but employee include this income in his total income. - If amount > 50,000 than 10% TDS deducted and if PAN not furnish than 30% (15G/15H can be filled for non-deduction). - If employment is terminated due to employee's ill health, the business of the employer is discontinued or the reasons for withdrawal are beyond the control of employee then also NO TDS will be deducted. 	N.A.