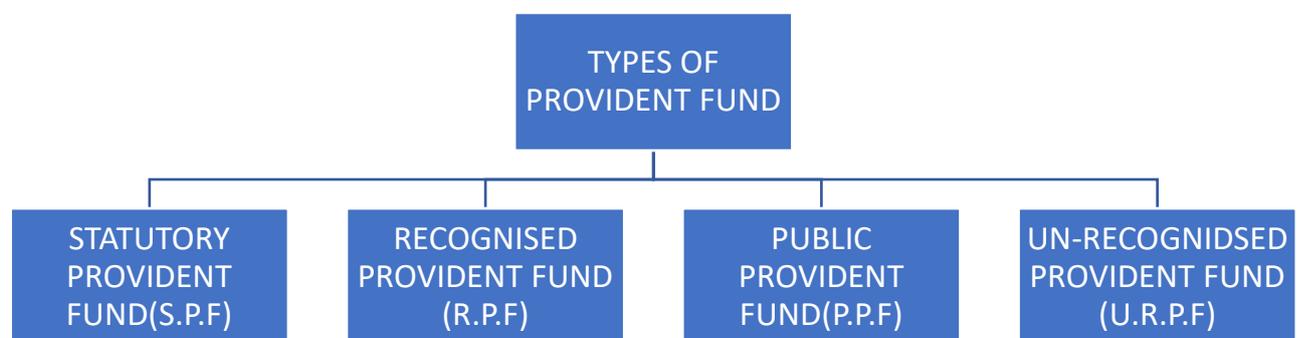


Provident Fund

The Word provident fund means to provide for the future. To provide Security to the employee to encourage small savings there are different type of provident fund. Under this scheme, a fixed amount is deducted from the employees salaries as his contribution towards the fund and an equal amount is contributed by the employer . At the time of retirement or resignation of the employee the accumulated sum is paid to him along with the interest . In case of death the lump-sum amount is paid to the family.



A. Statutory provident fund:

Such fund is maintained by the government semi government, railways, government education institution, local government officer, banks, Insurance co., etc. They are set up under provision of the

provident fund Act 1975. the amount received from the fund at this time of retirement or resignation is fully exempted under Sec. 10(ii)

B. Recognised provident fund:

The fund is recognised and certified by the commissioner of income tax and this is maintained by the scheduled bank, factories and business organisation. On which both employee and employer contribute the amount.

Annual Accretion to provident fund

- I. employer contribution in excess of 12% of employees salary.
- II. Interest in excess of 9.5% is added in the employees salary. This amount received from the employee from the provident fund at the time of his retirement is exempted from tax.

C. Unrecognised provident fund:

The fund which is not recognised by the commissioner of income tax is called unrecognised provident fund. Such fund is maintained by small industrial organization. Deduction under sec.80c on employees contribution is not available. Lump-sum payment received at the time of retirement or termination of the service of employee the portion of employers

contribution and interest there on (if not clarified) 50% in taxable under the head Salaries.

D. Public provident fund: (PPF)

This scheme was started on 1st July 1968, by the Government of India .Any member of the public whether salaried paid or self employed can be the member of this fund, like Doctor, Lawyer, Chartered Accountant etc. Deduction U/S 80 c is available. The lump-sum payment received from the public provident fund(PPF) is exempt from tax.