

# GRC BULLETIN

NOVEMBER - 2024, VOLUME: I

## EPFO

Circular Regarding utilization of Reserves and Surplus for crediting interests to the existing Trust beneficiaries

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# LABOUR LAWS

## Authority

Employee Provident  
Fund Organization

## Circular Date

Oct 07, 2024

## Circular Number

E.III/10(122)/2024/Circ  
ular/Exemption/5435

## Effective Date

Oct 7, 2024

# EPFO - CIRCULAR REGARDING UTILIZATION OF RESERVES AND SURPLUS FOR CREDITING INTERESTS TO THE EXISTING TRUST BENEFICIARIES

## *Applicability:*

*Applicable to all exempted establishments, Regional Provident Fund Commissioners (RPFCS) / Officers-in-Charge (Regions), Additional Central Provident Fund Commissioners (Zones), and trustees of exempted provident funds.*

The Employees' Provident Fund Organisation (EPFO) has issued a new circular (No. E.III/10(122)/2024/Circular/Exemption/435) addressing the utilization of reserves and surplus by exempted establishments. This circular responds to recent practices where some exempted trusts proposed distributing surplus funds as higher interest to existing beneficiaries—often during or prior to the surrender of their exemption status.

## Key Highlights

- **Higher Interest than EPFO Rate Not Permitted:**

Exempted establishments cannot use trust reserves and surplus to credit interest at rates higher than those declared by the Employees' Provident Fund Organisation (EPFO).

Such actions are often proposed during or just before the surrender of exemption.

- **Fair Distribution of Earnings Required:**

An inflated surplus indicates that earnings from previous years were not proportionately distributed to beneficiaries.

Trusts must ensure past beneficiaries receive interest aligned with the fund's performance over time.

- **Interest Calculation Guidelines:**

Interest is to be credited annually on a monthly running balance basis.

Interest for partial periods (broken periods) of a year is not allowed.

- **Prohibition on Overdrawing Reserves:**

Overutilization or depletion of reserves to benefit a subset of beneficiaries is illegal.

Trusts must align interest payments with actual fund earnings to avoid unjust enrichment.



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- **Violation of Trust Law:**

Trustees must act impartially under Section 17 of the Indian Trusts Act.

Mismanagement of reserves contravenes Para 60 of the EPF Scheme.

- **Compliance Audits and Transfer of Funds:**

Instances of improper interest payments will be flagged during compliance audits.

Upon cancellation or surrender of exemption, all trust accumulations (including undistributed interest) must be transferred to the Central Board of Trustees (CBT), EPFO.

**SOURCE:** [Click here for more details](#)



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