Changing Provident Fund Rates

Government of India has made changes in the deduction and contribution rate of Provident fund of the Employees for the wages month May, June and July 2020. Provident fund deduction percentage for Employees and Provident Fund contribution rate for Employer has been **reduced from 12% to 10 %.** Hence for the months of May, June and July, the Provident fund will be deducted at the rate of 10 percent from Employees actual Basic salary or from Rs. 15000 (if you have applied the upper limit of wages). Similarly Employer will also contribute Provident fund at the rate of 10 percent on actual Basic Salary or on Rs. 15,000 i.e. upper limit of wages.

To make the aforesaid changes in BUSY, you need to make following two changes:

1. Update Provident Fund Salary Component
2. Update Employee's Salary Structure

Let us discuss both these steps in details.

1. Update Provident Fund Salary Component

In BUSY, click *Masters* → *Salary Component* → *Modify* → *Provident Fund* option. On selecting the *Provident Fund* option, a *Modify Salary Component Master* window will appear. Given here is a screenshot of *Modify Salary Component Master* window.

In the window, click the *Configuration* button provided in front of *Tag Contribution* button. On clicking the *Configuration* button, a *Configure Value for Provident* Fund window will appear in which you are required to specify the **w.e.f. date as 01-05-2020 and value as 1.67 in the** *Employers Provident Fund* **(EPF) group**.

Note: Employer Contribution rates are picked only from Salary Component master hence we have changed the contribution rate in Salary Component master itself. However, Employee's Provident Fund Deduction rate are picked from Salary Structure of Employee master hence we will change the PF Deduction rate in Employee Salary Structure itself.

2. Update Employees Salary Structure

After making changes in the *Salary Component* master, next you need to open *Employee* master in *Modify* mode by clicking *Masters* → *Employee* → *Modify* option and selecting required Employee master. Next, a *Modify Employee* master window will appear in which you need to click the **Salary Structure** button. On clicking the *Salary Structure* button, Salary Structure of the Employee will appear. In the *Salary Structure* window, current Salary Structure of the Employee will appear and you are required to enter one more salary structure along with the

date from which the new structure will be applicable. For example, as the new salary structure is applicable from 1st May 2020 hence you need to specify the *w.e.f. date* as 01-05-2020, copy and paste the same salary structure as already tagged with the employee and in the **PF Salary Component specify the rate as 10 instead of 12.** Given below is a screenshot of Salary Structure of an employee in which new Provident Fund deduction rates are specified with effect from 1st May 2020.

Employee Salary Structure window

You need to make similar changes for all the Employees Salary Structure. Once you are done with this work, you are ready to generate salaries of the employees with new Provident Fund Deduction rates.

Recommendation: As the Provident Fund deduction and contribution rates are changed for the months of May, June and July only hence in the month of August, you must follow the same process as mentioned in the document again i.e. changes in the Salary Component master and Employees Salary Structure. To reiterate, in the month of August, in the *PF Salary Component* master, you need to again specify *w.e.f date* as 01-08-2020 and value as 3.67 in *Employee Provident Fund* group. Similarly in *Employees Salary structure*, you need to specify new Salary Structure with effect from 1-8-2020 in which PF deduction rate will be 12 instead of 10.

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