A brief note on VPF (Voluntary Provident Fund)

Voluntary Provident Fund (VPF) is the voluntary fund contribution from the employee towards their provident fund account. This contribution is beyond the 12% of contribution by an employee towards their EPF. The maximum contribution is up to 100% of their Basic Salary and Dearness Allowance. Interest is earned at the same rate as the EPF.

- It is not compulsory for employees to contribute to a VPF account
- Employers are under no obligation to contribute to their employees' VPF portfolio.
- The interest rate of VPF is decided by the Government of India at the start of each financial year.
- VPF withdrawals are tax exempt only if one has been in service for more than 5 years.
- *Contribution to VPF cannot be stopped or amended in-between the Financial year. If needed the change can be done at the start of next financial year. If an employee who is currently enrolled wants to stop contribution to VPF, he/she should inform Finance latest by December of the on-going financial year.*
- *Employee must share the Amount he/she would like to contribute Annually; the amount will be deducted on monthly basis from the employee's salary and deposited in the EPF account.* E.g. If an employee opts to contribute Rs 24,000/ Annually, an amount of Rs 2000/- per month will be deducted from the salary.

Benefits of Voluntary Provident Fund

The VPF falls under the EEE category (EEE – exempt on contribution; exempt from the principal; exempt on interest) making it an excellent tax saving option. It also helps the employee amass a sizeable savings portfolio and help them during big life milestones.

Withdrawal facilities

The fund allows partial withdrawals as loans with also the possibility of complete withdrawals. If the withdrawal happens before the 5-year minimum tenure, *then tax will be applicable on the accumulated maturity amount.* Once the employee resigns or retires from the employment the final maturity amount is paid to them. At the time of the untimely death of the account holder, the nominee can get the possession of the accumulated fund in the VPF account.

The account can be broken for many reasons which include:

a. Payments of medical bills for the individual and their kin

b. Cost-intensive events like higher education and marriage

c. Payments for house construction or purchase of new land/house

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