

Tax-Saving Option for Employees: VPF (Voluntary Provident Scheme)

Dear All,

We wish to share with all employees that we have VPF (Voluntary Provident Scheme) in our Organization.

- This is an additional Tax-Saving scheme for the benefit of employees.
- Primarily it **provides option to contribute higher amount to one's EPF account.**
- If you interested or need clarifications, you can send in your request to HR.
- The process to enroll under VPF scheme is very easy and requires just an email from the interested employee to HR mentioning the monthly contribution s/he would like to make.



What is Voluntary Provident Fund

If you are looking for a long-term investment option with good returns and low risk factor, you can opt for the Voluntary Provident Fund or VPF. Managed by the Government of India, this scheme offers tax benefits to the applicants.

Salient Features of the Scheme:

- Voluntary Provident Fund (VPF) is a scheme that comes under the traditional provident fund savings scheme. (EPF)
- **Under the VPF scheme, employees are allowed to make contributions towards their provident fund (EPF) account on a voluntary basis.** The scheme is also called the Voluntary Retirement Fund scheme.
- The scheme does not include the mandatory contribution (upto Rs 1800/pm as per our salary structure) that the employee makes towards the Employees' Provident Fund (EPF).
- Employees can contribute up to 100% of their basic salary towards the scheme.
- The VPF interest rate is similar to the EPF scheme.
- The scheme has a lock-in period of 5 years.
- The rate of interest of VPF is decided by the Government of India on a yearly basis

Benefits of VPF

- **Tax benefits available under VPF**

When it comes to various investment options in India, the VPF account is considered among the best. Under Section 80C of the Income Tax Act, 1961, employees are eligible for tax benefits of up to Rs.1.5 lakh. The interest that is generated from these contributions is also exempt from tax.

- **Safe Investment Option**

The scheme is managed by the Govt of India with fixed interest accrual. Hence, it is considered as a risk-free investment compared to the long-term investment ones offered by other private players.

- **Easy to Apply**

To open a VPF account, an employee has to approach his HR team raise a request for an additional contribution in the VPF through a mail. The existing EPF account will serve as the additional VPF

account.

- **High returns**

Currently, the interest is accrued at 8.5% per annum under this scheme. Contributions up to 1.5 lakhs PA and interest accrued is exempt from tax under Section 80C, resulting in higher returns in a long-term perspective

- **Easy transfer**

The account can be transferred from one employer to another upon changing jobs.

TABLE 1: EPF Interest Rates for the Last 15 Years (subject to change each year)

Financial Year	Rate of Interest p.a.
2020-2021	8.50%
2019-2020	8.50%
2018-2019	8.65%
2017-2018	8.55%
2016-2017	8.65%
2015-2016	8.80%
2013-2015	8.75%
2012-2013	8.50%
2011-2012	8.25%
2010-2011	9.50%
2005-2006 to 2009-2010	8.50%