

EMPLOYEES PROVIDENT FUND (EPF) ACT OF 1991

- Introduction
- Important Definitions
- Duty to Notify and Register
- Contributions
- Account I, II and III
- Current Schemes of Withdrawal
- Benefits
- Nominations
- Offences

INTRODUCTION

- The main objective of the Employees Provident Fund Act 1991 ("the Act") is to provide financial relief or social security protection for workers through compulsory savings.

INTRODUCTION

continued...

- The EPF is Malaysia's national provident fund that aims to provide financial security for its members' retirement purposes.



- The fund is committed to preserving and growing the savings of its members in a prudent manner in accordance with best practices in investments and corporate conduct.

INTRODUCTION

continued...

- The Employees Provident Fund , which is similar to the scheme in Singapore, is a compulsory government-run saving schemes to which both employers and employees are required to contribute on a monthly basis.

INTRODUCTION

continued...

- The Employees Provident Fund Act 1951 was first introduced in 1951 and has since been amended several times, but, in essence, the scheme has not changed greatly.

INTRODUCTION

continued...

- Its services are also being improved with focus on people skills, processes and procedures.



- The EPF will continue to play a catalytic role in the nation's development, consistent with its position as the largest social security organization in Malaysia.

INTRODUCTION

continued...

An employer who fails to pay such contributions within the prescribed period which he is liable to pay and in respect of his employees commit an offence.



An employee is allowed to withdraw from the EPF the whole/ part of the amount in his accounts, upon fulfilment of certain conditions as stated under the Act.

INTRODUCTION

continued...

The Employees Provident Fund Board acts
as the trustee of the EPF

INTRODUCTION

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- The Fund controls very large amounts of money which need to be carefully invested so as to increase the return to members and yet at the same time remain safe.
- Therefore, an investment panel is appointed, separate from the Board, to formulate investment policies.

APPLICABLE RULES

- The Minister and the EPF Board have the power to make regulations and rules respectively regarding some matters under the Act.
- The applicable regulations and rules;
 - Employees Provident Fund Regulations 1991
 - Employees Provident Fund (Preliminary) Rules 1969
 - Employees Provident Fund Rules 1991

IMPORTANT DEFINITIONS

- Employee

- Any person employed under a contract of service or apprenticeship, whether written or oral, and whether expressed or implied.
- Does not include a person of the description specified in the First Schedule (thus, a nomadic aborigine, domestic servant, out worker, detainee or a member of administration is generally not an employee under the Act).



IMPORTANT DEFINITIONS

- Employer

- The person with whom the employee has entered into a contract of service or apprenticeship and includes:

- A manager, agent or person responsible for the payment of salary or wages;
- Any body or persons whether statutory or incorporated; or
- Any government, department of government, statutory bodies, local authorities or other bodies;

IMPORTANT DEFINITIONS

- Any Embassy, High Commission, Consulate or any other government and any other such office or department as the Minister from time to time by notification in the Gazette specified.



IMPORTANT DEFINITIONS

- **Wages**
 - All remuneration due to an employee under his contract of service or apprenticeship whether agreed to be paid monthly, weekly, daily or otherwise.
 - Includes all bonuses or allowances
 - But does not cover:
 - Service charge;
 - Overtime payment;

IMPORTANT DEFINITIONS

- Gratuity;
- Retirement benefit;
- Retrenchment, lay-off or termination benefits;
- Any travelling allowances or the value of any travelling concession; or
- Any other remuneration or payment as may be exempted by the Minister.

DUTY TO NOTIFY & REGISTER

- Every corporation registered under the Companies Act 1965 must notify the EPF Board of its incorporation within 30 days from such incorporation, using the appropriate proforma.

(Section 40(1) of EPFA 1991)

DUTY TO NOTIFY & REGISTER

WHAT IS THE
CONSEQUENCE IF A
CORPORATION
FAILS TO DO SO?

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ON BEYOND BORDERS

Section 40(2)
provides that it
shall be guilty
of an offence.

DUTY TO NOTIFY & REGISTER

- In addition, Section 41(1) sets out that every employer, unless already registered with the EPF Board, shall before the end of the first week in the first month in which he is paying wages (for which he is required to pay EPF contributions), register with the Board.

DUTY TO NOTIFY & REGISTER

- In other words, every employer must complete and send Form EPF (I) within seven days of his becoming liable to contribute.
- It must be noted that upon registration, a reference number will be allocated. This reference number must be quoted in all future communications with the Board.

DUTY TO NOTIFY & REGISTER

WHAT WILL BE THE CONSEQUENCE IF AN
EMPLOYEE FAILS TO DO SO?

DUTY TO NOTIFY & REGISTER

- Any employee who contravenes this shall be guilty of an offence and shall, on conviction, be liable to imprisonment for a term not exceeding three years or to a fine not exceeding RM10,000.

(Section 41(2))

CONTRIBUTIONS

- Generally, Section 43(1) provides that every employee and every employer within the meaning of this Act are liable to pay monthly contributions.
- The employer shall, in the first instance, be liable to pay both the contributions payable by himself and also on behalf of the employee.

CONTRIBUTIONS

WHAT IS A CONTRIBUTION?

- A contribution is the amount of money paid to the EPF which is calculated based on the monthly wages of an employee and then credited into the employee's EPF account. The EPF contributions for each employee are made up of the employee's and employer's share.

CONTRIBUTIONS



The employee's share is deducted from the employee's wages and contributed to the EPF. The employer's share is the amount of money contributed by the employer to match the employee's share of contribution for the employee's retirement benefit.

CONTRIBUTIONS

AT WHAT
RATE?

- The contributions are in respect of the amount of wages at the rate respectively set out in the Third Schedule (currently employer 12% and employee 11%).



CONTRIBUTIONS

- If the employer fails to pay to EPF the contributions, such employer shall be guilty of an offence, and shall on conviction be liable to imprisonment for a term not exceeding RM10,000 or both.
- It is clearly stated in Section 48 of the Act.

LATE PAYMENT OF CONTRIBUTIONS

- If an employer does not pay contributions within the prescribed period, the employer shall in addition to such contributions be liable to pay:
 - Dividend which would have accrued if the contributions have been paid on time.
 - Interest to the EPF on such amount and on such rate per annum as declared by the EPF Board from time to time.

WITHDRAWAL OF CONTRIBUTIONS

UNDER WHAT CIRCUMSTANCES MAY THE EPF BOARD AUTHORISE THE WITHDRAWAL OF THE SUM OF MONEY STANDING TO THE CREDIT OF A MEMBER FROM THE EPF FUND?

WITHDRAWAL OF CONTRIBUTIONS

- In Section 54, the EPF Board may authorise the withdrawal of the sum of money standing to the credit of a member, if it is satisfied that:
 - The member has died;
 - The member has attained the age of 55 years;
 - The member is physically or mentally incapacitated from engaging in any further employment;

WITHDRAWAL OF CONTRIBUTIONS

- The member not being a Malaysian citizen is about to leave Malaysia with no intention of returning.



WITHDRAWAL OF CONTRIBUTIONS

- Partial withdrawal;
 - The EPF may also authorise application to withdraw partial amount standing to the credit of the member, if it is satisfied that the member:
 - Has attained the age of 50 years;
 - Has purchased or built a house;
 - Has purchased or built a house and has taken a loan made on the security of charge on the house for its purchase or construction;
 - Requires medical financing.



UNCLAIMED CONTRIBUTIONS

- Unclaimed Contribution is the contribution/ savings made by members aged 65 and above, who have not made any contributions for at least 10 years and have not made withdrawals from their savings.

UNCLAIMED CONTRIBUTIONS

- Among the problems faced by the EPF include:
 - Unknown address
 - EPF does not have the member's 7-digit or 12-digit identification card number. Instead, in its record, the EPF only has the member's district identification card number.
 - The member's name in the EPF record does not tally with the one in the Registration Department (JPN) for the same 7-digit IC number.

UNCLAIMED CONTRIBUTIONS

- If the member's name is listed in the tabulated Unclaimed Contribution list, the members or their next-of-kin can apply for withdrawal under the Age 55 Years Scheme or the Death Withdrawal Scheme if the concerned member is deceased. However, if the members are not listed in the list, their particulars should be forwarded to the Members' Service Department (at EPF Headquarters) for further action.

ACCOUNTS I AND II

- For administrative purposes, members' contributions are currently divided into three accounts:



ACCOUNT I

Consists of 70% of all contributions for the purpose of retirement at the age of 55 years

ACCOUNTS I AND II

ACCOUNT II

Consists of 30% of all contributions for housing, education, medical, withdrawal or withdrawal at the age of 50 years

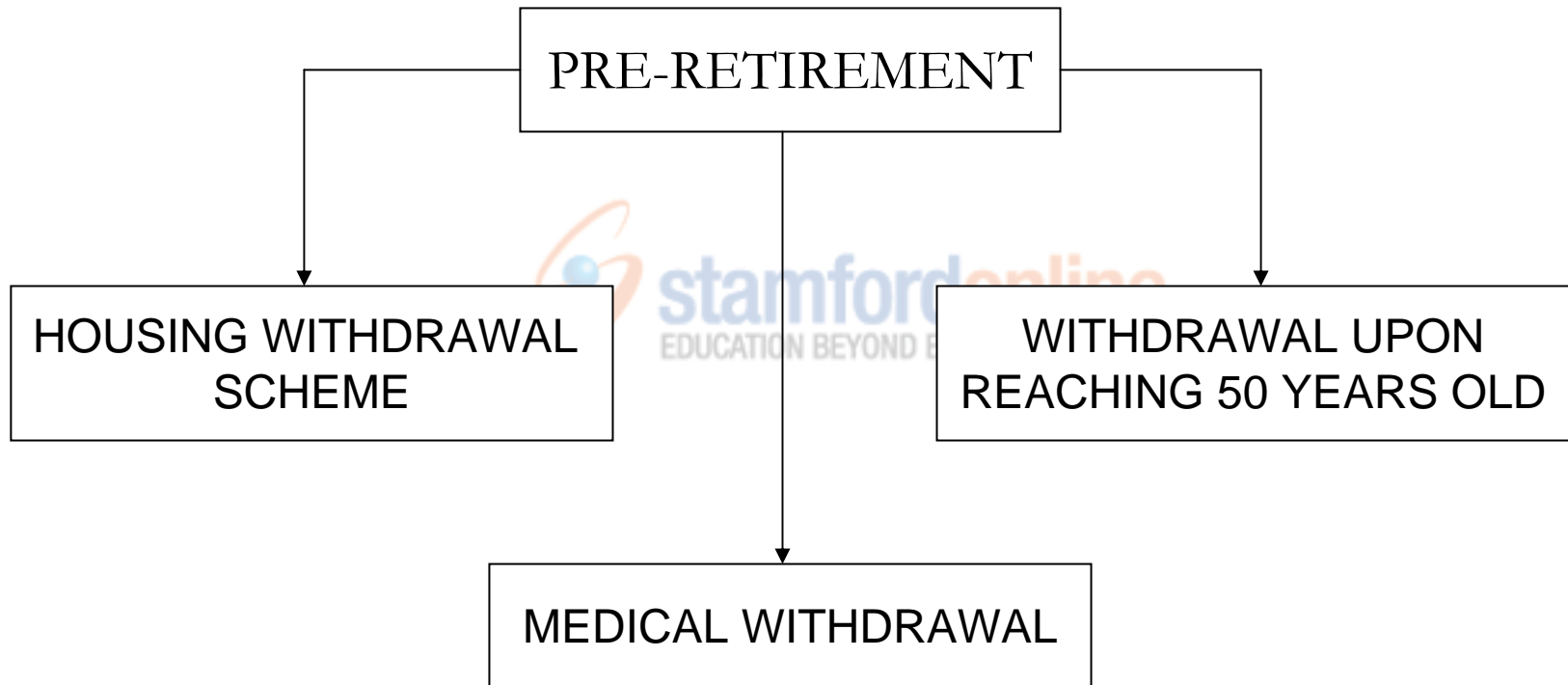
CURRENT SCHEMES OF WITHDRAWAL

WHAT ARE THE CURRENT SCHEMES OF
WITHDRAWAL UNDER THE EPF GUIDELINE?

CURRENT SCHEMES OF WITHDRAWAL

- Generally, schemes of withdrawal could be divided into two categories:
 - Pre-retirement; or
 - Upon retirement (55 years old)

CURRENT SCHEMES OF WITHDRAWAL



Housing Withdrawal Scheme

- Withdrawal to Purchase/ Build a House or a Shophouse with a Dwelling Unit:
 - A qualified member could either withdraw:
 - All his savings in Account II; or
 - The shortfall between the cost of the house and the loan amount, plus an additional 10% of the cost of the house;Whichever is the lesser.

Housing Withdrawal Scheme

- Withdrawal to Settle or Reduce Balance of Housing Loan.
 - A qualified member could either withdraw:
 - All his savings in Account II; or
 - The balance loan sum;Whichever is the lesser.

Housing Withdrawal Scheme

The savings in Account II could be withdrawn once in every five years to reduce the balance loan sum until the member reaches 55 years old or until the balance loan sum is paid, whichever is the earlier.

Withdrawal Upon Reaching 50 Years Old

Upon reaching 50 years old, all savings in Account II could be withdrawn.

Medical Withdrawal

- This scheme is to help members to finance medical treatment for certain critical illness approved by the EPF Board.
- The details are as follows:
 - The maximum amount that can be withdrawn is the amount in Account II or the actual medical expense, whichever is the lesser;



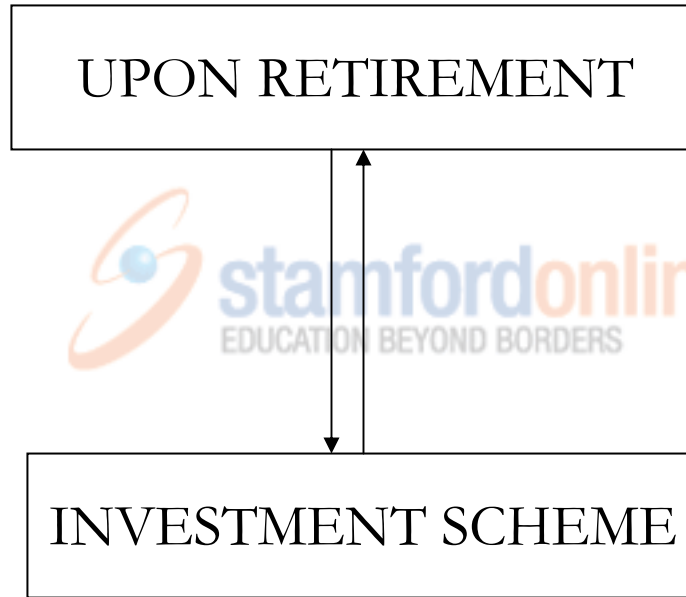
Medical Withdrawal

- Withdrawal is only allowed if the treatment is not financed or only partially financed by the employer;
- Medical treatment concerned is only in respect of critical illness approved by the board as per Appendix IV of the Act;
- The scheme is also extended to the members' spouses, children, and parents, besides the members;

Medical Withdrawal

- Payment(s) for the treatment is paid directly to the Institution concerned, unless outside Malaysia; and
- Withdrawals can be made anytime so long as money is still available in the scheme.

Upon Retirement



Upon Retirement

- Savings in Account I and whatever balance left in Accounts II could be withdrawn, by one of the following methods:
 - Lump sum withdrawal;
 - Periodic withdrawal; and
 - Withdraw a portion of the savings in a lump sum, and the balance periodically (e.g. monthly or annually).



Upon Retirement

Withdrawal of annual dividend only, leaving principal savings behind or withdraw (all) savings periodically

Investment Scheme

- A member who has savings of at least RM55,000 in Account I could invest a portion of that sum in management funds approved by Ministry of Finance.
- The sum that could be invested should not be less than RM1,000 but not more than 20% of the savings amount which is more than RM50,000 in Account I.

BENEFITS

RETIREMENT BENEFIT

- EPF savings are for the retirement. When an employee contributes 11 percent of his income to the EPF, the employer will contribute another 12 percent. The 12 percent contribution by employer is for retirement benefit that is when he is no longer capable of working. Therefore, if an employee does not contribute, he will lose the retirement benefit that is provided by his employer.

BENEFITS

DIVIDEND

- The contributions kept in the EPF will accumulate with dividend every year. Thus, the savings will increase from year to year until the member retires and withdraws all his savings.

BENEFITS

DEATH AND INCAPACITATION BENEFITS

- As an organisation that protects the interests of employees after their retirement, the EPF also provides compensations to its members in the event of certain contingencies.
- In this regard, the EPF provides Incapacitation Benefit to the member and Death Benefit payable to the member's dependent.

BENEFITS

- These benefits are additional payments for Incapacitation Withdrawal Scheme and Death Withdrawal Scheme as a compassionate gesture.



BENEFITS

- Incapacitation Benefit

An amount of RM5,000.00 is payable to him if he is eligible to withdraw all his savings on being incapacitated. It aims to lessen the burden. The payment will be made to the employee after he has received the payment for withdrawal of his savings.

BENEFITS

- Death Benefit

This benefit amounting to RM2,500 is payable to his dependent in the event of his death. This benefit will be paid to his dependent subject to consideration by the EPF.

BENEFITS

TAX INCENTIVE

- The member's share of contributions to the EPF of up to RM5,000 (inclusive of life insurance premiums) is tax deductible. In addition, the savings that he withdraws under the various withdrawal schemes are also exempted from income tax. This means that he does not have to pay income tax on the savings withdrawn under any of the EPF Withdrawal Schemes.

NOMINATION

WHAT ARE THE REGULATIONS AS REGARD
THE MAKING OF NOMINATION?

NOMINATION

- An employee on attaining the age of 18 years and upwards may nominate any person to be his beneficiary in the appropriate form.
- The nomination may be in favour of one or more persons. Where there are several persons, the nominator may specify the amounts to be paid to each nominee.

NOMINATION

- In the absence of any such directions, the Board shall pay equal shares to the nominated persons.
- If there are no nominations or if such nomination(s) is/ are subsequently revoked by the employee, the amount standing to his credit will be paid into the member's estate.

OFFENCES

What will be the penalty imposed on an employer who:

- **Fails to complete the return;**
- **Fails to furnish the required particulars;**
- **Fails to complete or forward the contributors' records;**
- **Fraudulently furnishes any information or particulars;**
- **Fails or refuses to make available any form or other documents?**

OFFENCES

- He shall be guilty of an offence and shall be liable on conviction to a fine not exceeding RM10,000 or imprisonment or both.
- It is clearly provided in Section 59 of the Employees Provident Fund Act 1991.



OFFENCES

**WHAT IS THE GENERAL PENALTY PROVIDED
UNDER THE ACT?**

OFFENCES

- If no special penalty is expressly provided, any person who contravenes the Act or any regulations or rules made there under, shall on conviction, be liable to imprisonment for a term not exceeding six months or to a fine not exceeding RM2,000 or both.

(Section 60)

THE END

