Difference between EPF and PPF

EPF and PPF are two types of provident funds that help individuals save for their retirement. However, there are some key differences between them in terms of eligibility, contribution, tenure, interest rate and tax benefits. Here is a comparison of EPF and PPF based on various parameters.

Parameter	EPF	PPF
Eligibility	Only salaried employees of a company registered under EPF Act.	Any Indian citizen, except for NRIs.
Contribution	Compulsory 12% of salary and DA by both employer and employee. Can be increased voluntarily.	Voluntary, minimum Rs 500 and maximum Rs 1.5 lakh per year.
Tenure	No fixed tenure, can be closed or transferred when changing jobs or retiring	Fixed tenure of 15 years, extendable in blocks of 5 years.
Interest rate	8.15% for FY 2022-23, declared by EPFO every year.	7.1% for Q3 FY 2022-23, revised by government every quarter.
Tax benefit	Contribution deductible under Sec 80C up to limit 1.5L. Maturity amount tax-free after 5 years of service.	Contribution deductible under Sec 80C up to limit 1.5L. Maturity amount tax-free.

EPF

EPF stands for Employees' Provident Fund. It is a compulsory savings-cum-retirement scheme for employees of the organised sector. It is governed by the "Employees' Provident Fund and Miscellaneous Provisions Act, 1952". The EPFO (Employees' Provident Fund Organisation) is a statutory body that administers the scheme.

Under EPF, both the employer and the employee have to contribute 12% of the employee's basic salary and dearness allowance every month to the EPF account. Out of the 12% of the employer's contribution, 8.33% goes to the Employees' Pension Scheme (EPS) and the rest 3.67% goes to the EPF account. The employee can also opt to contribute more than 12% through the Voluntary Provident Fund (VPF).

The EPF account earns interest at a rate declared by the EPFO every year. For FY 2022-23, the interest rate is 8.15%. The interest is compounded annually and credited to the account at the end of the financial year.

The EPF account can be closed or transferred when the employee changes jobs or retires. The employee can also withdraw partially from the account for specific purposes such as marriage, education, medical emergency, house purchase or construction etc., subject to certain conditions and limits.

The contribution to EPF is eligible for tax deduction under Section 80C of the Income Tax Act, up to Rs 1.5 lakh per year. The interest earned on EPF is also exempt from tax. The maturity amount is tax-free if the employee has completed five years of continuous service. If the employee withdraws before completing five years of service, the amount is taxable as per his/her income tax slab.

PPF

PPF stands for Public Provident Fund. It is a voluntary savings scheme open to all Indian citizens, except for NRIs. It is governed by the Government Savings Banks Act, 1873 (earlier Public Provident Fund Act, 1968). The scheme is supported by the government and offers guaranteed returns.

A PPF account can be opened with a post office or a designated bank branch. The minimum amount required to open a PPF account is Rs 100. The minimum annual contribution is Rs 500 and the maximum is Rs 1.5 lakh. The contribution can be made in lump sum or in instalments, not exceeding 12 in a year.

The PPF account earns interest at a rate revised by the government every quarter. For Q3 FY 2022-23, the interest rate is 7.1%. The interest is compounded annually and credited to the account on March 31 every year.

The PPF account has a fixed tenure of 15 years, which can be extended for another five years at a time by submitting an application form within one year of maturity. The account holder can also make partial withdrawals from the seventh year onwards, subject to certain conditions and limits.

The contribution to PPF is eligible for tax deduction under Section 80C of the Income Tax Act, up to Rs 1.5 lakh per year. The interest earned on PPF is also exempt from tax. The maturity amount is completely tax-free.

Conclusion

EPF and PPF are both beneficial schemes that help individuals save for their retirement and enjoy tax benefits. However, they differ in terms of eligibility, contribution, tenure, interest rate and tax implications. Depending on one's income, risk profile, liquidity needs and financial goals, one can choose to invest in either or both of these schemes.