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Royal Insurance Corporation of Bhutan Limited



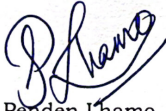
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Guidelines of the Private Provident Fund Scheme (PPF)

2024

PRIVATE PROVIDENT FUND GUIDELINES 2024

The Private Provident Fund Guidelines was approved by the RICB's Board of Directors on the 24th of August 2024, during the 236th Board Meeting. The Private Provident Fund Guidelines aims to facilitate effective management and administration of the Private Provident Fund (PPF) Scheme.



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Company Secretary
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Document Details	
Type of Information	Document Policy
Document Description	Guidelines of the Private Provident Fund Scheme (PPF)
Document Name	Guidelines of the Private Provident Fund Scheme (PPF)
Release Date	1st September 2024
Document Version No	2.0
Document Development Owner	GM, LID
Document Implementation Owner	GM, LID
Document Reviewer	RICB Management Committee
Document Approval	RICB Board
Document Classification	External
Document Status	Approved

Document revision details					
Version	Affected changes	Description/Reason	Change Author	Change Approver	Change date
1.0	No changes	No changes	Board	Board	27-05-2022
1.0	No changes	No changes	Board	Board	27-05-2023
2.0	All	Review and inclusion of new chapter.	GM, LID	Board	01-09-2024

Document distribution list			
Sl No	Name	Organization	Purpose
1	Employees of FSS	RICB	Compliance and reference
2	Branch Manager	RICB	Compliance and reference
3	Agencies	RICB	Compliance and reference

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1. GENERAL PROVISIONS

1.1. TITLE

These guidelines shall be cited as the Private Provident Fund Scheme (PPF) of Royal Insurance of Bhutan Limited, of the Kingdom of Bhutan, 2011.

1.2. COMMENCEMENT

This revised guideline shall come into effect from 1st of September, 2024.

1.3. EXTENT OF COVERAGE

It shall extent to the whole of the PPF members of RICB in Kingdom of Bhutan.

2. OBJECTIVES

The objectives of these guidelines are to facilitate the management and administration of the scheme for providing:

- 2.1. Post retirement lump sum cash benefits to the PPF members;
- 2.2. Pre-retirement assets building benefit to the PPF members;
- 2.3. Income security in the event of permanent disability of the members;
- 2.4. Social support to surviving family members of the deceased member;
and
- 2.5. Saving habits while the members earn.

3. DEFINITION

In these guidelines, unless the context indicates otherwise, the words, phrases, acronyms and abbreviation are defined as follows:

- a) **Guidelines** means PPF Scheme guidelines of RICB of the Kingdom of Bhutan 2011.
- b) **PPF** means Private Provident Fund.
- c) **PF** means Provident Fund accumulation of the members' accounts.
- d) **RICB** means Royal Insurance Corporation of Bhutan Limited.
- e) **Board** means the Board of Directors of the Royal Insurance Corporation of Bhutan Limited.

- f) Contribution** means the amount of contribution payable in respect of an employee under a scheme.
- g) Corporation** means the Royal Insurance Corporation of Bhutan Limited, which is the agency responsible for the management and administration of both the Scheme and the Fund.
- h) Deduction** means the amount to be contributed by the employee's percentage of the salary as defined in clause (4.3.1) of chapter IV.
- i) Employer** means Private Organization and other agencies that pay contribution against deduction from salary of the employees.
- j) Employee** means employees of private and other agencies who have joined the PPF scheme.
- k) Fund** means Private Provident Fund established under scheme.
- l) Retirement** means exit from regular employment.
- m) Nominee** means a person organization whose name has been nominated by the PPF member to avail the right to claim his/her PF accumulation in case of his/her death.
- n) Accumulation** means the cumulative fund contribution by employees-employers and cumulative interest thereon.
- o) Government** means the Royal Government of Bhutan.
- p) Agency** means a business or an entity that are legally registered in the country to provide a product or services.
- q) Interest** means annual compound interest provided on the employee's and employer's PF contribution from the date of deposit.
- r) Member** means all existing and the past employees to whose credit a balance remains outstanding with the scheme.
- s) Lump sum benefit** refers to the cash benefits to be received by members/nominee(s) from his/her account.
- t) Salary** means basic pay as per the rules and regulations of the concerned employers for the purpose of the provident fund.
- u) Scheme** means the Private Provident Fund Scheme.
- v) Reserve** means the difference between the aggregate's assets of the provident Fund and aggregate of its liabilities and of all the balances lying to the credit of the members.
- w) Year** means the financial year commencing on the first day January and ending 31st December.

4. PRIVATE PROVIDENT FUND SCHEME AND MEMBERSHIP

4.1. PPF SCHEME

4.1.1. The Private Provident Fund Scheme is a defined- contribution scheme under which a lump-sum benefit equivalent to the accumulated contributions to a member's account, together with returns thereon, shall be paid on the date of his/her retirement or upon his/her disability or death while in service. Upon death of member, lump-sum benefits shall be paid to the nominee(s) in accordance with clause (6.2) of these guidelines.

4.2. EXECUTION OF FORMAL AGREEMENTS FOR MEMBERSHIPS

4.2.1 The membership to the PPF Scheme shall be formalized through a Memorandum of Understanding submitted and accepted by the agency and RICB respectively.

4.3. EMPLOYEES

4.3.1. The employees of the private companies and agencies shall contribute at the rate determined by the scheme rules and regulations or the service rules and regulations or the contract of employment of the concerned companies and agencies but not lower than 5% of employee's basic salary as required under Regulations on working conditions 2022.

4.3.2. In the case of employee(s) on leave without pay, no deduction shall be made for the period during which the employee(s) is/are on such leave.

4.3.3. In case of reconsideration of leave without pay and subsequent payment thereof, the deduction shall be made at the appropriate rate at the time of payment.

4.3.4. The disbursing officers shall remit the amount so deducted within **the 15th of the following month** from the payment of salary and recoveries thereafter in respect of employee's contribution.

4.3.5. The disbursing officer shall be responsible for the remittance of the deduction within the stipulated time as in clause (4.3.4) above.

4.4. EMPLOYER

- 4.4.1. The employer, on behalf of an employee, shall make contributions not less than 5% of employee's basic salary as required under Regulations on working conditions 2022.
- 4.4.2. All employers shall remit both employers' and employees' contribution, indicating the contribution amounts separately and clearly, before the last permitted day as specified in clause (4.3.4) in this chapter.
- 4.4.3. Any employers, who have not remitted his contributions, irrespective of whether he has deducted or failed to deduct or remit the deduction from his employees within the specified date under clause (4.3.4) in this chapter shall hold the total responsibility in the event of non-deposit of contribution.
- 4.4.4. Every employer/employee shall submit the provident fund contribution schedule in the form prescribed (**Annexure-1**) to the corporation, along with the remittances.
- 4.4.5. In case of non- submission of provident contribution schedule, the Corporation shall not give the credit to the concerned member's accounts till the remittance schedule is received.
- 4.4.6. The employer shall be responsible for the correctness of information furnished in the form prescribed under clause (4.4.4) above and shall be liable to indemnify the fund and its members, the loss suffered by either on account of incorrect of inadequate or untimely information and remittance.

5. ADMINISTRATION OF THE FUND, ACCOUNTS AND AUDIT

5.1. BOARD OF DIRECTORS

The Board of Directors shall be the final authority to:

- 5.1.1. Administer and manage both the scheme and the fund by RICB as trustee of the fund under the superintendence of Chief Executive Officer;
- 5.1.2. Alter, amend and repeal the guidelines for the interest of the members; and
- 5.1.3. Interpret the provisions of these guidelines.

5.2. INVESTMENT

5.2.1. RICB shall utilize the Private Provident Fund as per the internal investment guideline/policy.

5.3. RESERVE

The reserve shall be used at the discretion of the Board of RICB for;

5.3.1. Maintaining a steady rate of interest to the member; and

5.3.2. Absorbing any unforeseen losses.

5.4. ADMINISTRATION EXPENSES

5.4.1. The Corporation shall not charge management expenses to the account of PPF.

5.5. TAX EXEMPTION

5.5.1. The provident fund benefits to members shall be exempted from PIT as per Income Tax Act 2001.

5.6. ALLOTMENT OF ACCOUNT NUMBERS

5.6.1. A member shall be assigned an account number in accordance with the procedure established by the RICB, RICB shall make individual PF statements available online to the members in accordance with the clause (5.7.4) of this chapter.

5.7. ACCOUNTS & AUDIT

5.7.1. The accounts shall be rendered as at 31st December every year and shall be audited by a reputed Audit firm from within or outside the country as approved by the Board.

5.7.2. The audited accounts shall be duly placed before the Board for approval.

5.7.3. The audited accounts shall not be deemed as document and the copies of the account shall be submitted to the concerned authorities and agencies not later than six months from the date of closing accounts.

5.7.4. The corporation shall furnish every member with a memo of his/her account statement through his/her employer giving details of

his/her opening balances, contribution during the year, interest credited during the year, closing balances, not later than six months from the closing of accounts every year.

6. NOMINATION, PAYMENT AND WITHDRAWAL FROM THE FUND

6.1. NOMINATION

- 6.1.1. Every member shall nominate in writing in prescribed form (**Annexure-3**) one or more persons, indicating the percentage of sharing between them for payment of his/her death while continuing as a member.
- 6.1.2. Every member shall have the right to cancel previous and existing nominations and may from time-to-time change/substitute the nominee in writing, in the prescribed form (**Annexure-4**)
- 6.1.3. If the nominee(s) is/are minor(s) at the time of nomination, the member shall declare the age of the minor(s) as required in prescribed form (**Annexure-3**) and also the name and address of the guardian(s) of the minor(s) to whom his/her dues are to be paid in full settlement.
- 6.1.4. In case of death of the guardian(s) the member shall give in writing the name of the new guardian(s) in the prescribed form (**Annexure-5**)

6.2. PAYMENT

- 6.2.1. If the member fails to notify the death of the declared guardian(s) and not appointed any other guardian(s) upon death of the previous guardian(s), payment shall be made to any other person(s) in full settlement on the production of valid declaration or certificate from the Ministry of Home Affairs or Royal Court of Justice of the Kingdom of Bhutan who is legally entitled to issue a certificate of succession under the Laws of Bhutan.
- 6.2.2. In case of minor(s) attending the age of majority, as may be fixed by the Government, the declaration made in clause (6.1.3) and (6.1.4) above shall be treated as null and payment shall be made to the nominees.
- 6.2.3. Any assignment or line over his/her balance made by the member in favor of a Government department or Financial Institutions shall be given priority in preference to claims of nominees while settling the dues.

- 6.2.4. If the employer(s) suffered a loss through theft, misappropriation or any other acts of moral turpitude on the part of member and is proved in the court of law, then the employer(s) may have the right to claim the balance in preference to a member or his/her nominee(s) or guardian(s) to the extent of the loss not recovered otherwise.
- 6.2.5. In the event of the death of an employee whose nominee(s) has/have pre-deceased him/her, and who had failed to nominate any other person(s) as nominee(s), the amount shall be paid to the legal heirs/executors or administrators of the employee upon the production of certificate from the Ministry of Home Affairs or Royal Court of Justice, Kingdom of Bhutan.
- 6.2.6. Provident fund payments to entitled member/nominee(s) or company/agency shall be made in cash/cheque or by transfer to member/nominee(s) or company/agency bank account within 15 working days from the date of submission of refund application subject to completion of all the required documents.

6.7. WITHDRAWAL

- 6.7.1. Members as well as employers shall not be allowed to withdraw their PF contributions other than during the exit from employment or closure of the organization. However, members can avail loan from their PF accumulation as per the terms and conditions subject to endorsement by the employer(s) of the Credit & Investment Division. Further, after every 5 years of contribution, a member can withdraw up to 50% of the accumulation upon the written consent of the employer subject to liquidation of loan, if any, availed earlier. Withdrawal of 50% shall be considered as sole refund of employee's contribution should there be any administrative issues in future.

7. REFUND

7.1. REFUND WILL BE MADE:

- 7.1.1. On retirement from service after attaining the retirement age as per service rules of the company/agency,
- 7.1.2. On retirement on account of permanent and total incapacity for work due to bodily or mental infirmity, duly certified by the medical officer of the employers or, where the employer has no medical officer, by a registered medical practitioner designed by the employer.

- 7.1.3. On retrenchment from service by the employer, voluntary retirement under re-organization or closure,
- 7.1.4. On termination of service by the employer on disciplinary ground.
- 7.1.5. On resignation by the employee, and
- 7.1.6. On termination of employment by the death, irrespective of death arises from work or not.
- 7.1.7. In the event of payment under clauses (7.1.1), (7.1.2), (7.1.3) and (7.1.5) of this chapter, the member's and employer's contributions with interest accrued thereon, subjects to priority of claims under clauses (6.2.3) and (6.2.4) of chapter VI, shall be paid in full.
- 7.1.8. In the events of payment under clause (7.1.4) above, the employee shall be paid only the member's contribution and interest accrued thereon subjects to priority of claims under clauses (6.2.3) and (6.2.4) of chapter VI shall be paid in full.
- 7.1.9. Inter-company transfer shall not be considered as discontinuation of service for the purpose of considering active service, provided there is no break save joining time or sick leave and provided the employee does not resign from previous service.
- 7.1.10. In the event of employer's contribution not being paid as stated in the clause (7.1.8) above, the employer's contribution together with interest thereon shall be refunded to one or more employer, proportionate to their contributions to the credit of the concerned member's accounts or credited to the other liabilities of PFF account.
- 7.1.11. After paying PF contributions for 5 years, in case a member or his/her nominee(s) fails to claim his/her benefits of provident fund amount to his/her account upon the exit from the employment and the whereabouts of the members or his/her nominee(s) is not known to the employer and RICB, on expiry of 5 years from the date of discontinuance of the contributions by the member, RICB shall transfer both the employers' and employees' contributions with accumulated interest to the other liabilities of PFF account subject to minimum of 3 times notification and announcement in the media.
- 7.1.12. In the event of payment under clause (7.1.6) above, the nominee(s) shall be entitled to receive the full amount standing credit of the deceased member's PF account, subject to priority of claims under clauses (6.2.3) and (6.2.4) of chapter VI shall be paid in full.

- 7.1.13. In case of any dispute on the payment of dues to the members or his/her nominee(s) or guardian or legal heirs, the same shall be referred to the Royal Court of Justice of the Kingdom of Bhutan.
- 7.1.14. Employer concerned to produce the undertaking letter to the insurance companies to claim their portion of PF based on the condition that any complication or obligation arising in the future to be under his full liability.
- 7.1.15. All the refunds as mentioned in clause (7.1.7) of this chapter shall be made by the Corporation to the member or his/her nominee(s) on receipt of application in the form prescribed in **(Annexure-6)** duly signed by Chief Executive Officer or Authorized Official of the company/agency.
- 7.1.16. The corporation shall facilitate the transfer of contributory deposits, benefits and associated rights from the Corporation to another authorized financial institute or vice-versa in accordance with relevant provisions of Regulations on Working Conditions issued by Department of Labour, MoICE.
- 7.1.17. In event the contribution to individual Provident Fund account remains dormant for over 10 years, and no claim is made, the total PF contribution along with accumulated interest shall be transferred to Royal Monetary Authority as required under the Abandoned Properties Rules and Regulations, 2018.

8. MISCELLANEOUS

- 8.1. All items of benefits and contribution shall be calculated to the nearest Ngultrum, 50 chhetrums or more to be counted as the next higher Ngultrum and fraction of Ngultrum less than 50 chhetrums shall be ignored.
- 8.2. The corporation shall have the right to sue before court of law against any employer who contravenes these guidelines in order to enforce recovery of outstanding dues and in order to enforce compliance with the guidelines.
- 8.3. These Guidelines may be revised from time to time by the Corporation on approval of Board.

9. DOCUMENT CHECKLISTS

9.1. CHECKLIST DURING REGISTRATION OF PF COMPANY/ MEMBER

1. Valid Trade License of Business entities
2. Article of incorporation/article of association, if available

3. Memorandum of Understanding (MOU)
4. PPF Contribution Schedule
5. Individual PF Registration Form
 - a. PPF Nomination Form
 - b. Proof of identity (CID/Work permit/Driving License/Passport)

9.2. CHECKLIST DURING REFUND

1. Forwarding letter from the employer
2. Relieving Order
3. Member PF Refund Form
4. Proof of identity (CID/Work permit/Driver's License/Passport)

9.3. CHECKLIST FOR PPF TRANSFER FROM RICBL TO OTHER PF FUND MANAGEMENT FIRM

1. Forwarding letter from the Head or authorized official of the current Employer.
2. PPF Transfer Request Form along with list of employees.
3. Acceptance Letter from other financial institute authorized to manage provident fund for transfer of PPF from RICBL with Bank account details.

9.4. CHECKLIST DURING REFUND OF EMPLOYER'S PORTION

1. PPF Employer Refund Form
2. List of employees as per the provided format duly sealed and signed by the employer.
3. Employee Separation Order.

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