

**PRIVATE PROVIDENT FUND SCHEME GUIDELINES FOR INDIVIDUALS WORKING  
IN PRIVATE SECTOR**

**(RETIREMENT INCOME SECURITY SCHEME), 2021**



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NATIONAL PENSION PROVIDENT FUND

*Securing Future Together*

**TRUSTEE  
NATIONAL PENSION AND PROVIDENT FUND (NPPF)**

## **General Provisions**

### **1. Title**

- 1.1 This guideline shall be cited as the Guidelines for Private Provident Fund Scheme for individuals working in private sector, Kingdom of Bhutan, 2021.

### **2. Commencement**

- 2.1 This Guideline shall come into force on the 30<sup>th</sup> Day of the 9<sup>th</sup> Month of the Female Iron Year, corresponding to the 4<sup>th</sup> Day of the 11<sup>th</sup> Month of the Year 2021.

### **3. Scope**

- 3.1 It shall extend to all the members working in private sector. The members covered under the National Pension and Provident Fund Plan, 2002, the Armed Forces Pension and Provident Fund Scheme, 2002 and Build Bhutan Project shall not be covered under this guidelines.

### **4. Objectives**

- 4.1 The objectives of this Guidelines are to facilitate the management and administration of the provident fund for providing:
- i. post service retirement benefits to the members;
  - ii. income security in the event of loss of employment for prolonged period; due to permanent disability, pandemic and natural disasters;
  - iii. social support to surviving members of family of the deceased member;
  - iv. social support through promotion of home ownership;
  - v. social support towards encouraging entrepreneurship; and
  - vi. financial saving plan for all members.

### **5. Definitions**

- 5.1 In this Guideline, unless the context indicates otherwise, the words, phrases, acronyms and abbreviation are defined as follows:-
- i. "Guidelines" means the Private Provident Fund Scheme Guidelines managed by NPPF.
  - ii. "Rules and Regulations" means the Private Provident Fund Rules and Regulations, approved by the Royal Monetary Authority (RMA) of Bhutan.
  - iii. "PF" means Provident Fund accumulation of the members' accounts.

- iv. “NPPF” means the National Pension and Provident Fund, which manages the scheme
- v. “NPB” means the National Pension Board
- vi. “RICBL” means Royal Insurance Corporation of Bhutan Limited.
- vii. “BIL” means Bhutan Insurance Limited
- viii. “Contribution” means the amount of contribution received in respect of an employee for provident fund scheme.
- ix. “Organization” means the National Pension and Provident Fund, which is the agency responsible for the management and administration of both the Scheme and the Fund.
- x. “Deduction” means the percentage of the salary deducted from the salary of the employee to be contributed for the scheme as defined in this Guidelines.
- xi. “Employer” means an individual or firm that make contribution against deduction from salary/ wage/ income of the employees working for the employer.”
- xii. “Government” means Royal Government of Bhutan which may formulate laws and policies and may decide to make some contribution to encourage retirement savings.
- xiii. “Employee” means any individual working for another individual or any business firm and have joined the provident fund scheme.
- xiv. “Self-Employed” means an individual who earns a living by working for himself/herself and not as an employee of any other person, firm or organization.
- xv. “Entrepreneur” means a person who sets up a business or businesses, taking on financial risks in the hope of earning profit.
- xvi. “ Firm” means a business concern
- xvii. “Owner” means a person who owns the business.
- xviii. “ Partner” means either of the business owners
- xix. “Rollover” means an extension, transfer or carry over of accumulation of contribution made by the individual, employer or any other party in the name of the individual member.
- xx. “Rollover Inheritance” means the accumulation of the individual member that can be transferred or inherited by the nominee of the deceased member and the nominee will have choice to continue making contributions.
- xxi. “Fund” means Private Provident Fund Scheme established under scheme.

- xxii. "Retirement" means separation from employment or work.
- xxiii. "Nominee" means a person or an organization who has been nominated by the provident fund member to avail the right to claim his/her provident fund accumulation in case of his/her death.
- xxiv. "Accumulation" means gradual gathering or collection of the contribution made by the individual member, employers or any other party including Government contribution.
- xxv. "Agency" means a business or an entity that are legally registered in the country to provide a product or services.
- xxvi. "Interest" means the daily product simple interest computed by the employee, employer and/ or contribution made by any other party in favor of the individual member from the date of deposit.
- xxvii. "Member" means any individual who has subscribed for the scheme
- xxviii. "Lump sum benefit" refers to the cash benefits to be received by members/nominee(s) from his/her account upon separation from service.
- xxix. "Salary" means basic pay as per the rules and regulations of the concerned firm for the purpose of the provident fund contribution.
- xxx. "Wage" means a fixed regular payment earned for work or services, typically paid on a daily or weekly basis.
- xxxi. "Scheme" means the Provident Fund Scheme managed by NPPF.
- xxxii. "Reserve" means the fund and aggregate of its liabilities and of all the balances lying to the credit of the members.
- xxxiii. "Transfer Charges" means the cost of transferring the contribution from any sources anywhere to NPPF to be accounted under the provident fund scheme.
- xxxiv. "Year" means the financial year commencing on the first day 1<sup>st</sup> July and ending 30th June.

## **6. Provident Fund Scheme for Private Sector**

- 6.1 The Provident Fund Scheme for private sector is a Defined-Contribution scheme under which a lump-sum benefit equivalent to the accumulated contributions, 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 the member during service, lump-sum benefits shall be paid to the nominee(s) of the deceased member.

## **7. Execution of formal agreement for memberships and enrolment**

7.1. The membership to the Provident Fund Scheme shall be formalized through an agreement executed between the agencies / individual(s) and the NPPF.

## **8. Allotment of account numbers**

8.1 Upon execution of agreement between the member or the employing agency, a member shall be assigned a Provident Fund account number in accordance with the procedure established by NPPF. The members or the employing agency shall make contribution to Private Provident Fund account of the individual member quoting the account number assigned for each member.

## **9. Contributions**

### **9(A). Employee**

9(A).i. The employees of any agency shall contribute at the rate determined by the Provident Fund for Private Sector scheme Guidelines or the service rules and regulations or as specified in the contract document of employing agency but not lower than 5% of employee's basic salary or 5% of the total income of the particular period.

9(A).ii. If employee(s) are on leave without pay, no deduction shall be made for the period during which the employee(s) is/are on such leave.

9(A).iii. In case of reconsideration of leave without pay and subsequent payment later, the deduction shall be made at the appropriate rate at the time of payment.

9(A).iv. In event of change in contribution rate or amount, the member/employer shall intimate NPPF through writing and the change shall be effected in the NPPF system.

9(A).v. The employer shall be responsible for the remittance of the deduction within 10<sup>th</sup> of the following month or before the expiry of the agreed period.

### **9(B). Employer**

9(B).i. The employing agency, on behalf of an employee, shall make matching contribution to the NPPF.

9(B).ii. All employers shall remit both employers' and employees' contribution, indicating the contribution amounts separately and clearly, on or before 10<sup>th</sup> of the following month or at the expiry of the agreed period.

9(B).iii. In event of change in contribution rate or amount, the member/employer shall intimate NPPF through writing and change shall be effected in the NPPF system accordingly.

9(B).iv. Any employer(s) 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 10<sup>th</sup> of the following month or before the expiry of the repayment period, shall be responsible in the event of non-deposit of contribution.

### **9(C). Self Employed/ Entrepreneur/ Owner/ Partner**

9(C).i. If a self-employed individual, owner of the firm, partner or any other individual who are not defined as employee in the clause no. 9 above enrolls as the member of Provident Fund Scheme, such individual member may make contribution of minimum of 10% of the total income of the particular period.

9(C).ii. Those Bhutanese residing outside Bhutan and intends to enroll under the Provident Fund Scheme for private sector can do so. They may open a separate bank account with any bank in Bhutan and accordingly transfer the contribution to individual provident fund account maintained by NPPF at regular period from their bank account before the expiry of the agreed contribution period.

### **9 (D). Government Contribution**

9(D).i. The Government may choose to make contribution to the Provident Fund Scheme of the individual member. If the Government chooses to make such contribution, it will be accounted separately in the Provident Fund Account of the individual member.

## **10. Return on Contribution**

10.1 The members of the Provident Fund Scheme for Private Sector shall be eligible for a return on their contribution. The rate of return would be based on the profit earned after investment and declared by the National Pension Board.

## **11. Refund**

### **Refund will be made:-**

11.1. On retirement from service after completing 56 years of age or completing retirement age as per service rules of the employing agency,

11.2 On retirement due to permanent disability or due to mental infirmity upon submission of certificate by the medical practitioner,

- 11.3 On retrenchment from service by the employer, voluntary retirement under reorganization or closure,
- 11.4 On termination of service by the employer on disciplinary ground,
- 11.5 On resignation by the employee,
- 11.6 On termination of employment on death,
- 11.7. The refund in all the above cases shall be made as per clauses stipulated in the Regulations on Working Conditions issued by Ministry of Labour and Human Resources.
- 11.8. In case of death, the nominee registered with NPPF shall have the first right to claim. In case no nominee has been registered with NPPF, the claimants shall be responsible to produce payment direction from Royal Court of Justice directing NPPF to pay benefits to individual(s) or agency.
- 11.9. 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 and Culture 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.
- 11.10. In case of minor(s) attending the age of 18 years, the declaration made above shall be treated as null and payment shall be made to the nominee(s).
- 11.11. If the legal heir, of the deceased member so desires, he/ she can inherit the accumulations along with the returns on the accumulations in their own account and continue to make contributions thereon.
- 11.12. The 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 7 working days from the date of submission of refund application subject to completion of all the required documents.
- 11.13. In event the contribution to individual Provident Fund account remains dormant for over 10 years, and no claim is made, the total contribution accumulations as on that date in the account shall be surrendered to Royal Monetary Authority as required under the Abandoned Properties Rules and Regulations, 2018. NPPF shall be responsible to make every effort to trace the member or nominee and settle the benefits.

## **12. Rollover**

12.1 In event a member separates from an agency at any point of time for any reason, but still wishes to continue making contribution to the provident fund scheme, he can continue making contribution. The accumulated fund in the individual member accounts shall be rolled-over to any new employer and can continue using the same Provident Fund for Private Sector account number without attracting taxes.

## **13. Early Partial Withdrawal**

Early partial withdrawal shall be allowed under the following conditions:

- 13.1.1 Prolonged unemployment extending beyond 6 (six) months due to disability, pandemic and natural disaster. In such cases, the member shall be eligible to withdraw a maximum of 50% of the total accumulations. However, the member should have made a minimum of 60 monthly contributions.
- 13.1.2 In case if the member ventures to own and operate business and seeks to make investment in the business venture, the member shall be eligible to withdraw a maximum of 50% of the total accumulations. However, the member should have made a minimum of 60 monthly contributions.
- 13.1.3 In case if the member purchases house, residential flat or builds a house for his own residence and requires down payment, the member shall be eligible to withdraw a maximum of 75% of the total accumulations. However, the member should have made a minimum of 180 monthly contributions.

## **14. Nomination**

- 14.1 Every member shall nominate in writing in prescribed form, one or more persons, indicating the percentage of sharing between them for payment of his/her death while continuing as a member.
- 14.2 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.
- 14.3 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 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.
- 14.4 In case of death of the guardian(s) the member shall provide in writing the name of the new guardian(s) in the prescribed form.



## **15. Rollover Inheritance**

- 15.1 If the nominee(s) of the deceased member are over 18 years of age and is also the member of the Provident Fund Scheme, he/ she may transfer the accumulations of the deceased member's accounts to their Provident Fund account and continue to make contributions without attracting taxes.

## **16. Loan Facilities**

- 16.1 The members of the Private Provident Fund Scheme shall be eligible for loan facilities subject to fulfillment of criteria set by NPPF for loan. NPPF will support the flow of credit to members to educate children, upgrade skills and qualifications of the members, build and own house for residence.

## **17. Guarantee of the Benefits**

- 17.1 All funds and benefits accumulated to a member under the Provident Fund Scheme shall not be liable to attachments, garnishments, levy or seizure except to pay any dues of the member to the NPPF and to the Government if any.

## **18. Exemption from Taxes**

- 18.1. The National Pension and Provident Fund shall be exempted from all taxes and assessment on income derived from contributions and investments.
- 18.2. Provident Fund benefits to members shall be exempted from all taxes.

## **19. Administrative Expenses**

- 19.1 The administrative expenses incurred by the NPPF in the administration of the Provident Fund Scheme for private sectors shall be charged in the proportion to be determined by the National Pension Board to the Provident Fund Scheme for private sectors.

## **20. Investment of the Funds**

- 20.1 The funds of the Provident Fund Scheme for private sector shall be invested by the NPPF in accordance with the investment policy prescribed by the National Pension Board. The NPPF shall be responsible for the prudent and effective management of the funds and assets as per the Rules and Regulations as may be prescribed by the National Pension Board.

## **21. Reserve**

- 21.1 NPPF may maintain reserve at the discretion of the National Pension Board to ;
- i. Maintain a steady rate of interest to the member; and
  - ii. absorbing any unforeseen losses.

## **22. Accounts and Audits**

- 22.1 The NPPF shall maintain proper and separate books of accounts giving a true and fair view of the operations of the Provident Fund Scheme for the private sector with respect to:
- all sum of money received and spent, in respect of the Provident Fund Scheme
  - all the assets and liabilities related to of the Provident Fund Scheme
  - Such other particulars as shall be required by the Royal Government from time to time.
  - The books of accounts shall be kept on mercantile system based on generally accepted accounting principles. The financial year of the NPPF shall coincide with the RGOB financial year.
  - The NPPF shall in each year prepare its annual accounts; namely the Revenue and Expenses Account and Fund Statement separately.
  - The books of accounts and other documents shall be made available for inspection to the Royal Government or its authorized agents at any time during business hour on any working day within a reasonable time.
  - The accounts of the NPPF shall be audited once a year and the correctness and fairness of its accounts and annual statements of financial condition and results of operations ascertained by auditor(s) appointed by the National Pension Board from the panel maintained by the Royal Audit Authority.

## **23. Miscellaneous**

- 23.1 All items of benefits and contribution shall be calculated to the nearest Ngultrum, 50 chetrums or more to be counted as the next higher Ngultrum and fraction of Ngultrum less than 50 chetrums shall be ignored.
- 23.2 The NPPF shall have the right to sue before court of law against any employer who contravenes this guidelines in order to enforce recovery of outstanding dues and in order to enforce compliance with the guidelines.

22.3. This Guidelines may be revised from time to time by the NPPF on approval of Board.

#### **24. National Pension and Provident Fund**

24.1 The National Pension and Provident Fund shall administer the Provident Fund Scheme as per the provisions of this Guidelines.

#### **25. The Directors of the National Pension Board**

25.1 The powers of the NPPF shall be vested in a Board of Directors named as the National Pension Board, which shall be responsible for policy decisions and general supervision.

25.2 The National Pension Board shall consist of Directors representing stakeholders and independent members providing neutral position. The Chief Executive Officer of the NPPF appointed by the Royal Government, shall be a Member Secretary of the National Pension Board.

#### **26. Powers and functions of the Board of Directors**

26.1 The Board shall have the power to make, alter and repeal Guidelines for the purpose of giving effect to the provisions of the Guidelines and for the implementation of the Provident Fund Scheme for Private Sector.

26.2 The Board shall be independent and autonomous in the discharge of its functions.

26.3 The Board shall be the final authority for the interpretation of the provisions of this Guidelines.

26.4 The Board shall have the power to appoint and employ at such remuneration and at such terms and conditions, as it shall prescribe such officers, employees and retainers, as the NPB shall consider necessary for the implementation of this Guidelines.

26.5 The Board shall determine sitting fees and allowances to be received by the Directors.

26.6 Any appointed Director may resign from his/her office on giving notice in writing to the Royal Government. Such resignation shall be effective upon its acceptance by the Royal Government.

26.7 Any appointed Director of the NPB may be removed from his/her office only upon a finding of three Directors of the NPB, including the Chairman of:

- (i) Permanent incapacity;

- (ii) Serious misconduct in office substantially prejudicing the interest of the NPB.

## **27. Chief Executive Officer of the NPPF**

- 27.1 The Chief Executive Officer shall be responsible to the Board for implementation of this Guidelines and the day-to-day affairs of the NPPF.
- 27.2 The Chief Executive Officer shall have the power to act, contract, and sign instruments and documents, on behalf of the Directors of the National Pension Board. He/she shall, pursuant to resolution of and to the extent deemed appropriate by the Board, delegate such powers to other officials.
- 27.3 The Chief Executive Officer may resign from his/her office on giving notice in writing to the Royal Government. Such resignation shall be effective upon its acceptance by the Royal Government.
- 27.4 The Chief Executive Officer of the NPPF may be removed from his/her office only upon a finding of three Directors of the NPB, including Chairman of:
  - (i) Permanent incapacity;
  - (ii) Serious misconduct in office substantially prejudicing the interest of the NPB.

## **28. Meetings and procedures**

- 28.1 The National Pension Board shall meet at least once in every quarter. Additional meetings shall be convened as and when necessary. A minimum of two weeks' notice period should be provided to attend the meetings of the Board.
- 28.2 No Director shall be permitted to depute a substitute to any meetings of the National Pension Board.
- 28.3 The quorum of any meeting of the Directors of the NPB shall be at two-third of the total directors.
- 28.4 All matters concerning policies and guidelines shall be decided by a two third majority of the Directors present and voting in a meeting.

## **29. Annual Report**

- 29.1 The NPPF shall submit annually not later than October 31, a report covering the activities undertaken by the NPPF during the preceding year including information and recommendations on the broad policies for the development of the NPPF.

**30. Offices of the NPPF**

30.1 NPPF shall have its Head Office in Thimphu and branches within Bhutan.

**31. Arrangements with other Agencies**

31.1 The NPPF shall enter into arrangement(s) for the collection of contributions and the disbursement of benefits under this Guidelines and other benefits with private agencies, agencies under the Royal Government of Bhutan or banks.

**32. Amendments to the Guidelines**

32.1 The NPB may, at any time add, rescind, alter or clarify to the provisions of the Guidelines provided, however, that such alteration does not adversely affect the benefits already accrued up to the date of such alteration or the object of the Fund.