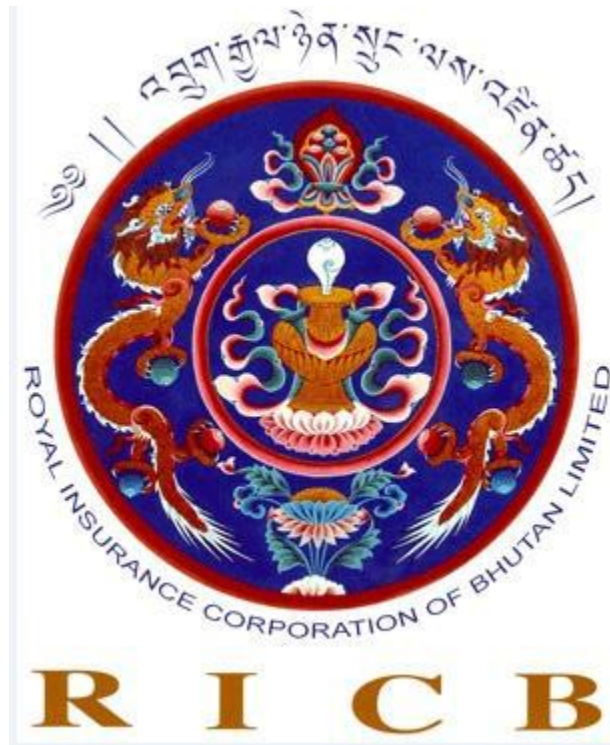


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ROYAL INSURANCE CORPORATION OF BHUTAN LTD

HEAD OFFICE: THIMPHU



GUIDELINES OF THE PRIVATE PROVIDENT FUND SCHEME (PPF)

2011

(SAVE WHILE YOU EARN)

TRUSTEE

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

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CHAPTER I- GENERAL PROVISIONS

Title

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

Commencement

2. These guidelines shall be take effect on the 25th day of 3rd month of Female rabbit year in the Bhutanese calendar corresponding to 27th day of May, month 2011.

Extent of coverage

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

Objectives

4. The objectives of these guidelines are to facilitate the management and administration of the scheme for providing:
 - 4.1 Post retirement lump sum cash benefits to the PPF members;
 - 4.2 Pre retirement assets building benefit to the PPF members;
 - 4.3 Income security in the event of permanent disability of the members;
 - 4.4 Social support to surviving family members of the deceased member; and
 - 4.5 Saving habits while the members earn.

CHAPTER II- DEFINITION

5. In these guidelines, unless the context indicates otherwise, the words, phrases, acronyms and abbreviation are defined as follows:-
 - 5.1 “Guidelines” means PPF Scheme guidelines of RICB of the Kingdom of Bhutan, 2011.
 - 5.2 “PPF” means Private Provident Fund.
 - 5.3 “PF” means Provident Fund accumulation of the members’ accounts.
 - 5.4 “RICB” means Royal Insurance Corporation of Bhutan Limited.
 - 5.5 “Board” means the Board of Directors of the Royal Insurance Corporation of Bhutan Limited.
 - 5.6 “Contribution” means the amount of contribution payable in respect of an employee under a scheme.
 - 5.7 “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.
 - 5.8 “Deduction” means the amount to be contributed by the employees percentage of the salary as defined in clause 8.1 of chapter IV.

- 5.9 “Employer” means Private Organization and other agencies that pay matching contribution against deduction from salary of the employees.
- 5.10 “Employee” means employees of private and other agencies who have joined the PPF scheme.
- 5.11 “FUND” means Private Provident Fund established under scheme.
- 5.12 “Retirement” means exit from regular employment.
- 5.13 “Nominee” means a person organization whose name has been nominated by the PPF member to avail the right to claim his/her PF accumulation incase of his/her death.
- 5.14 “Accumulation” means the cumulative fund contribution by employees-employers and cumulative interest thereon.
- 5.15 “Government” means the Royal Government of Bhutan.
- 5.16 “Agency” means a business or an entity that are legally registered in the country to provide a product or services.
- 5.17 “Interest” means the daily product simple interest computed to the employee’s and employer’s contribution from the date of deposit.
- 5.18 “Member” means all existing and the past employees to whose credit a balance remains outstanding with the scheme.
- 5.19 “Lump sum benefit” refers to the cash benefits to be received by members/nominee(s) from his/her account.
- 5.20 “Salary” means basic pay as per the rules and regulations of the concerned employers for the purpose of the provident fund.
- 5.21 “Scheme” means the Private Provident Fund Scheme.
- 5.22 “Reserve” means the difference between the aggregates assets of the provident Fund and aggregate of its liabilities and of all the balances lying to the credit of the members.
- 5.23 “Year” means the financial year commencing on the first day January and ending St

CHAPTER III – PRIVATE PROVIDENT FUND SCHEME AND MEMBERSHIP

6. PPF Scheme

- 6.1 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 (22) of these guidelines.

7. Execution of formal agreements for memberships

- 7.1. The membership to the PPF Scheme shall be formalized through a Memorandum of Understanding executed between the said agencies/organizations and the RICB.

CHAPTER IV – CONTRIBUTION

8. Employees

- 8.1 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 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 the Labor and Employment Act 2007.
- 8.2 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.
- 8.3 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.
- 8.4 The disbursing officers shall remit the amount so deducted within **15th of the following month** from the payment of salary and recoveries thereafter in respect of employee's contribution.
- 8.5 The disbursing officer shall be responsible for the remittance of the deduction within stipulated time as in clause (8.4) above.

9. Employer

- 9.1 The employer, on behalf of an employee, shall make matching contribution to the RICB.
- 9.2 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 (8.4) in this chapter.
- 9.3 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 (8.4) in this chapter shall hold the total responsibility in the event of non-deposit of contribution.

CHAPTER V – STATEMENT AND REMITTANCE

10. Every employer/employee shall submit the provident fund contribution schedule in the form prescribed (Appendix – 1) to the corporation, along with the remittances.

11. 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.
12. The employer shall be responsible for the correctness of information furnished in the form prescribed under clause (10) 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.

CHAPTER VI – ADMINISTRATION OF THE FUND, ACCOUNTS AND AUDIT

13. Board of Directors

The Board of Directors shall be the final authority to: -

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

14. Investment

RICB shall utilize the Private Provident Fund as long term fund with fixed rate of interest approved by Board from time to time.

15. Reserve

- The reserve shall be used at the discretion of the Board of RICB
- for; 15.1 Maintaining a steady rate of interest to the member; and
 - 15.2 Absorbing any unforeseen losses.

16. Administration Expenses

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

17. Tax exemption

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

18. Allotment of account numbers

18.1 A member shall be assigned an account number in accordance with the procedure established by the RICB. On an annual basis, the RICB shall provide a statement of members' accounts to the members in accordance with the clause (19.4) of this chapter.

19. Accounts & Audit

19.1 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.

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

19.3 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.

19.4 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.

20. Interest

20.1 The RICB shall pay interest to the Provident Fund members annually in accordance with the Memorandum of Understanding executed between RICB and Employer/Agency.

CHAPTER VII – NOMINATION, PAYMENT AND WITHDRAWAL FROM THE FUND

21. Nomination

21.1 Every member shall nominate in writing in prescribed form (Appendix – 3) one or more persons, indicating the percentage of sharing between them for payment of his/her death while continuing as a member.

21.2 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 (Appendix – 4)

21.3 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 (Appendix – 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.

21.4 In case of death of the guardian(s) the member shall forthwith give in writing the name of the new guardian(s) in the prescribed form (Appendix – 5)

22. Payment

22.1 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 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.

22.2. In case of minor(s) attending the age of majority, as may be fixed by the Government, the declaration made in clause (21.3) and (21.4) above shall be treated as null and payment shall be made to the nominees.

22.3 Any assignment or lien 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.

22.4 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.

22.5 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 and Cultural Affairs or the Royal Court of Justice, Kingdom of Bhutan.

22.6 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.

23. Withdrawal

Members 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 on their PF accumulation.

CHAPTER VIII – REFUNDS

24. Refund will be made:-

- 24.1 On retirement from service after attaining the retirement age as per service rules of the company/agency,
 - 24.2 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,
 - 24.3 On retrenchment from service by the employer, voluntary retirement under reorganization or closure,
 - 24.4 On termination of service by the employer on disciplinary ground,
 - 24.5 On resignation by the employee, and
 - 24.6 On termination of employment by the death, irrespective of death arises from work or not.
25. In the event of payment under clauses (24.1), (24.2), (24.3) and (24.5) of this chapter, the member's and employer's contributions with interest accrued thereon, subjects to priority of claims under clauses (22.3) and (22.4) of chapter VII, shall be paid in full.
26. In the events of payment under clause (24.4) above, the employee shall be paid only the member's contribution and interest accrued thereon subjects to priority of claims under clauses (22.3) and (22.4) of chapter VII shall be paid in full.
27. Intercompany 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.
28. In the event of employer's contribution not being paid as stated in the clause 26 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.
29. 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 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.

30. In the event of payment under clause (24.6) 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 (22.3) and (22.4) of chapter VII shall be paid in full.
31. 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.
32. All the refunds as mentioned in clause (25) 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 **Appendix-6** duly attested and countersigned by Chief Executive Officer of the company/agency.

CHAPTER IX- MISCELLANEOUS

33. 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.
34. 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.
35. These Guidelines may be revised from time to time by the Corporation on approval of Board.