

THE COMPLIANCE WATCH

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IN THIS ISSUE

- ▶ UCS POV | Contract Labour Compliance: Why Principal Employers Must Stay Vigilant and Ensuring Compliance to Mitigate Legal and Financial Risks
- ▶ EPFO withdrawal through ATMs, integration with UPI for payment up to Rs 1 lakh soon
- ▶ No more long queues! 5 reasons why EPFO 3.0 will transform your retirement plans
- ▶ Will not implement new labour law of Centre in state: Bengal minister
- ▶ Gig workers to be covered under Ayushman Bharat, preparations for scheme rollout almost complete: Labour Secretary
- ▶ Trade unions to stage strike on May 20 against labour codes



Andhra Pradesh IT Exemption Notification

The Karnataka Tax On Profession, Trades, Callings And Employments(Amendment) Bill, 2025



Haryana – LWF Rate Revision Effective 1st January 2025



UCS POV | CONTRACT LABOUR COMPLIANCE: WHY PRINCIPAL EMPLOYERS MUST STAY VIGILANT AND ENSURING COMPLIANCE TO MITIGATE LEGAL AND FINANCIAL RISKS

- Ram Ganesh, Vice President



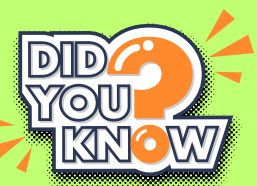
The engagement of contract labour is a common practice for operational flexibility. However, Principal Employers must actively monitor compliance with the Contract Labour (Regulation and Abolition) Act, 1970 and other labour laws, including the Employees' Provident Fund, Employees' State Insurance, the Payment of Wages Act, National Festival holidays, Minimum Wages, Overtime, Weekly off, etc., to mitigate legal and financial risks.

WHY COMPLIANCE MONITORING IS CRUCIAL?

- **Liability for Contractor's Non-Compliance:** Under Section 21 of the CLRA Act, if a contractor fails to pay wages or provide statutory benefits, the principal employer is legally obligated to ensure payment.
- **Legal Repercussions:** Non-compliance with licensing and registration requirements under Sections 7 & 12 of the CLRA Act can lead to penalties, prosecution, or cancellation of registration.
- **Reputation Risks:** Labour disputes, government actions, and negative publicity can damage the organization's brand and credibility.
- **Risk of Deemed Employment:** If contract labour is mismanaged, authorities may reclassify workers as direct employees, leading to liabilities such as gratuity and bonus payments under the Industrial Disputes Act, 1947.

INSTANCES WHERE THE GOVERNMENT MAY ABOLISH CONTRACT LABOUR

Under Section 10 of the CLRA Act, the appropriate government can prohibit contract labour in specific establishments or industries after consulting the Central or State Advisory Board. The decision is based on the following factors:



Historical Roots:

"The earliest labor laws in India were enacted during the British colonial era, primarily to protect the interests of employers and manufacturers."

- **Nature of Work:** If the work is of a perennial nature and required continuously for the establishment (Section 10(2)(a)).
- **Regular Workforce Requirement:** If the work is typically performed by regular employees in similar establishments (Section 10(2)(b)).
- **Work Conditions:** If contract labour is engaged under unsatisfactory conditions, such as low wages, lack of social security, or inadequate facilities (Section 10(2)(c)).
- **Public Interest Considerations:** Any other factors that justify the prohibition of contract labour to protect worker welfare or broader social and economic interests (Section 10(2)(d)).
- **Contractor Due Diligence:** Engage only licensed contractors who comply with legal requirements (Section 12 of the CLRA Act).
- **Joint Compliance Mechanisms:** Establish agreements with contractors that include compliance obligations, indemnity clauses, and periodic reporting.
- **Grievance & Oversight Mechanisms:** Implement robust grievance redressal systems for contract workers to address concerns and prevent compliance gaps.
- **Digital Compliance Solutions:** Implementing technology-driven compliance monitoring tools can help track contractor adherence to labour laws in real time



Principal Employers must take a proactive approach to contract labour compliance. Ensuring strict monitoring and enforcement of contractor compliance safeguards businesses from legal disputes, financial penalties, and reputational damage. A structured compliance framework today can prevent costly legal battles tomorrow.

POTENTIAL EXPOSURE FOR PRINCIPAL EMPLOYER

- **Under CLRA:** Engaging unlicensed contractors or violating work conditions can result in penalties and cancellation of registration (Sections 23 & 25 of the CLRA Act).
- **Under EPF & ESI:** If the contractor fails to deposit contributions, the principal employer must cover unpaid amounts, along with interest and penalties, as per the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, and the Employees' State Insurance Act, 1948.
- **Under Payment of Wages & Minimum Wages Act:** Non-payment of wages as per the Minimum Wages Act, 1948, can lead to penalties and back payments with interest.
- **Under Industrial Disputes Act:** Misclassified contract workers may claim permanent employment rights, leading to legal battles and additional financial liabilities under the Industrial Disputes Act, 1947.

MITIGATION STRATEGIES FOR PRINCIPAL EMPLOYERS

- **Regular Compliance Audits:** Conduct periodic audits to ensure contractors adhere to statutory obligations under CLRA, EPF, and ESI.

EPFO WITHDRAWAL THROUGH ATMS, INTEGRATION WITH UPI FOR PAYMENT UP TO RS 1 LAKH SOON

The Employees' Provident Fund Organisation or EPFO aims to streamline further its claim settlement procedures and plans to incorporate UPI payments for amounts up to Rs 1 lakh. In a conversation with TOI, Labour Secretary Sumita Dawra confirmed that NPCI has provided the UPI framework, with EPFO expected to implement it within the coming months to facilitate easier access to funds for subscribers.

"This will benefit all members, as they will be able to view their EPFO accounts directly in the UPI interface and make auto-claims. If the subscriber is eligible, the approval process will be instant, ensuring quick credit to their accounts," she said. The auto settlement feature, capped at Rs 1 lakh, enables subscribers to access funds for various purposes including medical expenses, housing advances, education and marriage. EPFO has streamlined its validation process, reducing checks from 27 to 18, with recommendations to further decrease them to six. According to Dawra, auto settlements are now completed in three days, compared to several weeks previously,

with the number of settlements increasing from approximately 90 lakh last year to nearly 1.9 crore in the current fiscal year. Sumita Dawra, whilst speaking to ANI, revealed that by the end of May or June this year, EPFO subscribers will gain the capability to access their provident fund using UPI and ATM facilities. At present, EPFO participants do not have the option to withdraw PF via UPI. The implementation of this new system is anticipated to drastically reduce the processing time from the current 2-3 days to mere minutes or hours.



This enhancement in PF withdrawal functionality aims to provide EPFO members with a streamlined experience, similar to how UPI has transformed digital payment methods.

Dawra emphasised that EPFO has now created a centralised database, marking a significant first. "Our next step is to incorporate UPI into the system. We have received suggestions from the National Payments Corporation of India regarding this integration and have submitted a proposal to EPFO for consideration. After conducting the necessary testing, we expect to roll out the UPI frontend for EPFO claims by the end of May. This will benefit all members, as they will be able to view their EPFO accounts directly in the UPI interface and make auto-claims. The approval process will be instant if the consumer is eligible, ensuring quick credit to their accounts," she told ANI.

Source | Times Of India

NO MORE LONG QUEUES! 5 REASONS WHY EPFO 3.0 WILL TRANSFORM YOUR RETIREMENT PLANS

Long queues, time-consuming documentation, rejections in requests, and constant delays, these are typically the images that come to mind when one considers taking advantage of your Employees' Provident Fund (EPFO) corpus in India. All of this could be a thing of the past soon. Union Labour Minister Mansukh Mandaviya made the announcement of the imminent arrival of EPFO 3.0, a revolutionary overhaul that will introduce banking-like convenience to EPFO subscribers in millions.



WHAT'S THE BIG DEAL ABOUT EPFO 3.0?

The big buzz around EPFO 3.0 is the assurance to withdraw money from ATMs, a facility which would bring a much needed change. Union labour minister Mansukh Mandaviya made the announcement recently that EPFO will soon launch the EPFO 3.0 version. This will allow subscribers to withdraw funds from ATMs along with several other glaring features. He made the comments after inaugurating EPFO's office complex of Telangana Zonal Office.

This development will provide convenience in withdrawing EPFO members' money. The present process normally includes visits to EPFO offices, submission of physical forms, and waiting in queue. It takes a lot of effort and is a time consuming process currently.

FROM PASSBOOKS TO ATMs: A RETIREMENT REVOLUTION ON THE CARDS?

The government's aspiration, according to Mandaviya, is that the EPFO operates as hassle free as an ordinary banking account. Members, armed with the Universal Account Number (UAN), may be in a position to manage their money directly, not having to look to employers or jump through lengthy bureaucratic loops. The details are still to be revealed and more information on the same is awaited.

HOW DOES THIS IMPACT YOU? A SIMPLE GUIDE

- **ATM withdrawals:** A major advantage will be the facility of taking cash from ATMs.
- **Direct access:** This will facilitate direct management of your account. It will also help in effectively turning the entire process digital by using documents as such Aadhaar Card, PAN etc.
- **Reduced dependence on employer:** This will result in reduced dependence on employers for withdrawals and other requests.
- **Digital transformation:** More streamlined processes for authorising payments, paying out claims, and changing personal data.
- **Increased efficiency:** This will act as an alternative to avoid paperwork and delays in processing and provide quicker resolution with regards to your EPFO related financial issues.

IMPORTANT TO REMEMBER RETIREMENT SAVINGS ARE FOR THE LONG-TERM

While ease of access to EPFO money will certainly be welcomed, it is still important to be careful. Keep in mind that your EPFO savings are to ensure financial independence in retirement. Regular or unplanned withdrawals will significantly drain your long-term savings and compromise your future finances.



You should hence always focus on saving and investing in your EPFO funds with a long term vision and prudence. Lastly, if in doubt always reach out to your financial adviser and clearly discuss your financial goals, aspirations and post the same take informed financial decisions.

Source | Live Mint

WILL NOT IMPLEMENT NEW LABOUR LAW OF CENTRE IN STATE: BENGAL MINISTER

The new labour law introduced by the BJP-led central government was “befooling” workers, West Bengal Labour minister Moloy Ghatak recently told the Assembly that the state government would not comply with them. Ghatak alleged that if the law was implemented, numerous workers would be deprived of social security like Provident Fund and benefits of the Employees’ State Insurance (ESI). The minister called on everyone to fight together against the new labour law of the Centre. He claimed that the new labour rules of the central government state that if someone was earning more than Rs 15,000 per month, then he could no longer be called a worker. Ghatak also briefed the Assembly about the various steps taken by the state government for the development of the working class.

He said that the state government would continue raising the salary of the tea garden workers as long as the minimum wage approved by the Labour Board was implemented. He alleged that the erstwhile Left government had never thought for the benefit of the tea garden workers. The Trinamool Congress government, he claimed has adopted several steps for their welfare.

“Currently, tea workers in the state are getting a daily wage of Rs 250, which is higher than those working in the tea gardens in BJP-ruled Assam or Tripura,” he said.

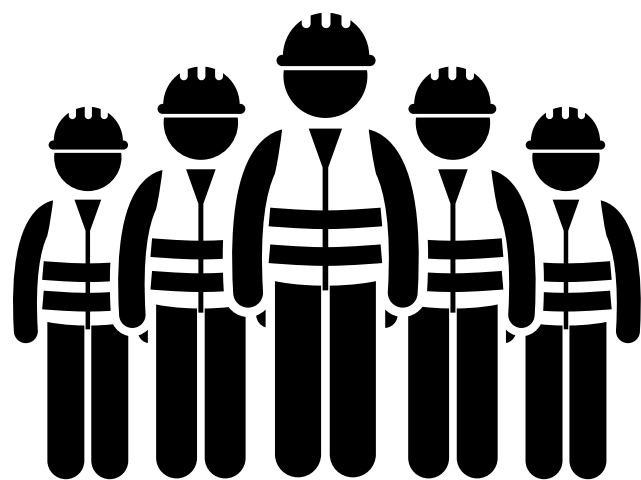


Besides, tea garden workers were getting 35 kg of rice free of cost, while those in Assam were getting 20 kg at a rate of Rs 9 per kg, Ghatak claimed in the absence of the Opposition BJP, as the saffron party staged a walkout in the first session of the proceedings.

Workers of closed tea gardens were getting financial assistance of Rs 1,500 per month, the minister said, adding that the same was not available in other states. Similarly, the daily wage of Jute mill workers has been raised from Rs 157 during the Left Front government to Rs 720 (CTC) with all the benefits.

Ruling party MLAs Nirmal Ghosh, Asit Majumdar, Sameer Jana, and Sukanta Pal spoke in support of this expenditure allocation.

Source | The Print



GIG WORKERS TO BE COVERED UNDER AYUSHMAN BHARAT, PREPARATIONS FOR SCHEME ROLLOUT ALMOST COMPLETE: LABOUR SECRETARY

Gig workers and their families will be covered under Ayushman Bharat and will get health coverage of Rs 5 lakh. Preparations to provide the benefits of Ayushman Bharat to gig and platform workers are almost complete, Sumita Dawra, Secretary, Labour and Employment Ministry, told in an exclusive interview.

India's gig and platform economy is expanding, offering new jobs in sectors like ridesharing, delivery, logistics, and professional services. NITI Aayog has projected that the gig economy in India will employ over one crore workers in 2024-25, subsequently reaching 2.35 crore by 2029-30.



Recognizing the contribution of the gig and platform workers to the nation's economy, Union Budget 2025-26 announcements had provision for registration of online platform workers on e-Shram portal, issue of identity cards, and and healthcare coverage under Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY).

Dawra said schemes for gig and platform workers will be started soon. "We have to cover them in health insurance. The government will bear the entire expense for the gig workers under the Pradhan Mantri Jan Arogya Yojana (PM-JAY)," she said, adding that the scheme is expected to be implemented soon.

She said the government is working on options for providing social security benefits to platform workers across the country and work on evolving a comprehensive framework is almost complete.

Finance Minister Nirmala Sitharaman, had in the Union Budget, announced a social security scheme for one crore gig workers engaged with online platforms. Government will provide them identity cards and facilitate their registration on the e-Shram portal. The move will help these platform workers get benefits of social welfare schemes run by various government agencies.

As per the Social Security Code 2020, a gig worker means a person who performs work or participates in a work arrangement and earns from such activities outside of the traditional employer-employee relationship. These include persons engaged with online platforms like Uber, Ola, Swiggy, and Zomato, among others.

Source | *Economic Times*



TRADE UNIONS TO STAGE STRIKE ON MAY 20 AGAINST LABOUR CODES

A convention of various Central Trade Unions (CTUs) and federations of workers in the Opposition camp has decided to observe a general strike on May 20 against the Centre's move to implement the four Labour Codes. The convention has also decided to work together with farmers' organisations to organise joint protests against the Narendra Modi government's agriculture and labour policies.



A declaration adopted at the convention said that in its third term, the Narendra Modi-led NDA government has become atrociously desperate to push through “corporate servile policy machinations” on the toiling populace. “This has resulted in the continuing phenomenon of deepening and widening impoverishment, the spread of hunger and malnutrition below destitution level, skyrocketing unemployment and joblessness together with drastic degeneration of the quality of jobs to inhumane levels. Simultaneously, corporate and big-business profits multiplied to an all time high,” the declaration said. It said the Centre is furiously overactive in implementing the Labour Codes. “These codes would snatch from workers almost all their workplace rights and entitlements.

The CTUs/Federations take it as a serious challenge to the basic rights of workers relating to defined working conditions, including working hours, minimum wages, social security, etc., and also their collective rights to unionisation, recognition, collective bargaining, agitation, and any form of collective expression of protest, including the right to strike, together with atrocious and vindictive punitive measures against any collective dissent by workers,” it said, adding that the general strike on May 20 is to defeat the implementation of the four Labour Codes.

Source | *The Hindu*



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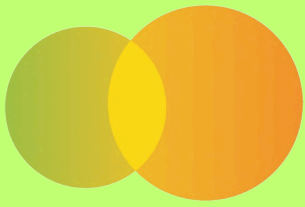
Streamline Compliance & Risk

UCSCompliTool is a technology to ease the complexities of navigating through the changing Labour laws. With our past experiences and feedbacks, we have developed an in-house Software solution and have created this robust mechanism which represents our motto – Compliance simplified. It provides a real time and 360-degree view of compliance status for the Principal employer (CompliTool - Compliance) and with risk matrix to monitor the contractors (CompliTool - Audit). We have developed a Role Based Access Control model and being a cloud-based system, we are offering an absolute security and protection of data.

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- Ease of Monitoring
- Highlighting of Critical Points
- Security and Data Confidentiality
- Centralization of Data
- Readily Available Documents
- Data Integrity
- Extensive Reporting
- User friendly Dash Boards
- Overall compliance review from front end maneuver

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CONTACT US

✉ enquiry@ucsdel.com

📍 Unit No. 852 - 856, 8th Floor, JMD Megapolis, Tikri, Sector- 48, Sohna Road, Gurugram, Haryana-122018.

🌐 unitedconsultancy.com

☎ 0124 2656864

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