UNITED CONSULTANCY SERVICES
compliance simplified

May 2025,
Newsletter Edition

THE COMPLIANCE WATCH

In This Issue

UCS POV| EPFO 3.0 – Redefining Retirement Security in India

-Bala Harish
Vice President

For decades, the Provident Fund has been the backbone of financial security for millions of organised sector employees, offering a safety net for their post-retirement lives.

However, the newly proposed 'EPFO 3.0' scheme by the central government, expected to roll out by mid-year, has sparked concerns.

This scheme aims to introduce ATM-like withdrawal access, allowing employees to withdraw up to 50% of their PF savings at any time. While this move promises convenience and flexibility, it also raises serious questions about the long-term financial well-being of employees.

Currently, PF withdrawals are permitted under specific conditions such as marriage, higher education, medical emergencies, or housing purchases. Although the structured process can be cumbersome, it ensures that savings are utilized for essential needs. The introduction of ATM-style withdrawals, while addressing procedural inefficiencies, also exposes employees to the risk of depleting their retirement funds prematurely.

India has long been recognized as a nation that values savings, but this tradition is slowly eroding. The recent removal of tax incentives for savings and investments in the Union Budget has already diminished enthusiasm for long-term financial planning. If the shift from a 'future deposit fund' to a 'present celebration fund' continues, workers may find themselves without adequate savings when they need them the most.

Furthermore, the implications extend beyond individual financial health. Frequent withdrawals could strain the EPFO's fund management, potentially disrupting cash flow and investment strategies, which could ultimately impact returns for all members. While PF withdrawals after five years of service currently enjoy tax-exempt status, the ease of partial or frequent withdrawals under EPFO 3.0 could inadvertently trigger tax liabilities in certain scenarios if not carefully managed. A lack of awareness regarding these tax implications could lead to unexpected deductions for members. Perhaps most significantly, early and frequent withdrawals severely undermine the power of compounding – a seemingly small withdrawal today can translate into a substantially smaller retirement corpus due to the loss of potential interest earnings over decades.

While streamlining PF withdrawals is a welcome step, it must be balanced with safeguards to prevent reckless spending. EPFO 3.0 introduces positive changes, including digital claim settlements, online self-correction of personal details, and potentially more flexible pension contribution options. These enhancements collectively aim to provide EPFO subscribers with greater flexibility, autonomy, and convenience in managing their retirement savings, aligning the EPFO's services more closely with modern banking experiences. While these innovations simplify processes, the government must ensure that ease of access does not compromise the core purpose of the PF—"**A financial safety net for employees, particularly upon retirement**".

States push labour reforms amid delay in notifying codes

Source: Times Of India

As the long-awaited labour codes remain pending for official notification, several states have proactively amended their labour regulations to align with key industry demands - part of a broader strategy to position themselves as investment-friendly destinations.

At least 19 states and UTs have increased the retrenchment threshold from 100 to 300 without govt approval - a demand that industry has been making for two decades. An equal number of states and UTs have also doubled the threshold for workers for applicability of Factories Act to 20 (for units with power) and 40 (for those without power). Ditto for the Contract Labour Act, where the threshold for number of workers for applicability of the law has been raised from 20 to 50.

While several of the amendments may be limited to NDA-governed states, when it comes to allowing women to work night shifts, 31 have gone ahead with the change, while all states and UTs have notified reforms related to compliance notice before prosecution.This indicates that irrespective of party line, there are some issues on which economics trumps politics as state leadership scouts for investments, especially in the manufacturing sector to create jobs. Similarly, fixed-term employment has been permitted in 25 states, enabling easier hiring to deal with seasonal requirements. In fact, after amending the regulations, states such as Madhya Pradesh have introduced safeguards to prevent misuse of the provisions, following some complaints. Twenty-five states have also moved ahead and allowed for compounding of offences.

Besides, sources told TOI that close to two dozen states and UTs were considering mandating issue of notice for strikes and lockouts across industrial establishments, a provision that applied to public sector companies. Several of the issues on which the states and UTs have moved forward are also included in the four labour codes that were enacted with much fanfare five years ago, but are yet to be notified. Consultations with the states are currently underway, with Bengal holding it up, said sources.

But Centre's nudge to the states, including during a national workshop conducted by the labour ministry, has got states moving within the current legal framework.

A task force led by cabinet secretary T V Somanathan is putting together a set of best practices that states can follow, and the revised labour regulations are a crucial element.

Minimum wage hike: Industrialists fear closure of 20% units in Peenya

Source: Deccan Herald

The proposed hike in minimum wages in Karnataka could result in the closure of at least 20% industries in the Peenya industrial area in Bengaluru and shifting of at least 30% industries to other states, industrialists have warned.

In a recent draft notification, the state government stated that highly skilled labourers would earn around Rs 30,000 and unskilled labourers around Rs 20,000. However, representatives of the Peenya Industries Association (PIA) say industrialists in the area, one of the biggest in the country, have approached them over the past week, airing concerns over the increase in minimum wages.

"Many small industries which run on a 5%-8% profit will not be able to sustain with such a raise in the minimum wages," said Shiva Kumar R, president, Peenya Industries Association. Explaining how the increase could impact the industries, Suresh Sagar, honorary general secretary of the Karnataka Small Scale Industries Association (KASSIA), said local industries would not be able to compete with those from neighbouring states, which would be able to offer cheaper rates due to lower labour costs. "Karnataka already has the second-highest minimum wages (in the country), and will have the highest minimum wages with this revision. This would mean that our production costs would be way higher, making it difficult to offer a competitive pricing. Eventually, our industries will lose business," Sagar said.

The impact is expected to be felt across industrial areas. Industrialists fear it could result in job losses on a large scale. "Just 40 km away from Bengaluru, the minimum wage in Hosur (Tamil Nadu) is lower. Similar is the case with Hindupur (Andhra Pradesh), which is about 100 km away. When such is the situation, if the minimum wage is revised, industries will definitely move out and this will result in large-scale job losses," said M G Balakrishna, president of the Federation of Karnataka Chambers of Commerce and Industry (FKCCI).

FKCCI representatives said that they would file objections to the draft notification because the minimum wages would affect nearly 90% of the industries in the state. The micro and small scale industries will be the worst-affected, Balakrishna added.

"In Karnataka, close to 90% of industries are either micro- or small-scale industries, which will be the worst-hit. The impact could be severe for the sector," he said.

Big relief for EPS pensioners: Kerala High Court says EPFO cannot deny higher pension to members

Source: Financial Express

In a landmark judgement, the Kerala High Court has said that the Employees' Provident Fund Organisation (EPFO) cannot deny higher pension to employees solely on the ground that the contributions were made in bulk and not on a monthly basis. Ruling in favour of four retired employees of a co-operative society named Thiruvananthapuram Regional Co-operative Milk Producers Union, Justice Murali Purushothaman said that the EPFO must pay higher pension to people who contributed on their full salary during service, even if the payments were made in bulk or delayed. These four retired employees had filed writ petitions before the High Court

Hearing the joint appeal of the employees, the Single Bench of Justice Murali Purushothaman ruled that the EPFO has received contributions from both employees and employer "under Para 26(6) of the EPF Scheme, 1952, for the period 2004– 2005 to 2007–2008. Paragraph 26 (6) deals with instances where employees and employers opt to contribute to the Employees' Provident Fund on wages exceeding the statutory limit.

The petitioners and the 4th respondent having complied with the requirements under the said paragraph, and the Employees Provident Fund Organisation accepted the contributions, the 2nd respondent cannot deny the petitioners the benefit of higher pension."

These employees had made contributions under the Employees Pension Scheme (EPS) based on their full salary for most of their career and their employer made an equal contribution. However, the retirement fund body denied these employees higher pension, stating that during some months between 2004 and 2008, the contributions were made in lump sum and not on a monthly basis.

Pooja Ramchandani, Partner, Shardul Amarchand Mangaldas & Co., said, "In the latest judgment of the Kerala High Court (Gopinathan Pillai. M. & Ors. v. Union of India & Ors., 2025 KER 15578) the Court held that where both employees and employer have contributed on actual salary and complied with all requirements under Para 26(6) of the EPF Scheme, 1952 and the EPFO accepted such contribution, EPFO cannot deny the benefit of higher pension."

Judgement to help EPFO members pursuing joint applications for higher pension

She further said that this judgment will help those EPFO members who are pursuing joint applications made for higher pension contribution to receive higher pension benefits. Echoing similar views, Tarun Garg, Director, Deloitte India, said that the judgment is a landmark ruling as it directly addresses a common ground on which EPFO has previously denied higher pension claims of the employees – namely that the pension contributions were either delayed or made in lump sum.

The judgment would certainly prove to be a win-win for employees as it sets a strong precedent that could help thousands of pensioners facing similar issue and influence other High Courts to adopt a more employee – centric approach and interpretation in such cases, Garg noted.

High Court reinforces principle that procedural ambiguities should not override the rights

"Further, it can be said that the Kerala High Court has reinforced the principle that procedural ambiguities should not override the rights, especially when both employer and employee have fulfilled their obligations in good faith. This recent Kerala HC ruling does strengthen employees' rights under Para 26(6) of the EPF Scheme, which allows employees to contribute based on their actual salary – beyond the statutory wage ceiling if both the employer and employee agree," he added.

"Further, it may be noted that post the ruling, the EPFO may have to adopt a more consistent and employee- friendly approach regardless of how and when the contributions were made – to reduce rejections and ensure that the administrative inefficiencies/ time lags should not create hindrance while extending benefits to its members," he further said.

Minimum wages in Karnataka goes up to ₹19,319.36 for unskilled workers

Source: The Hindu

In what is expected to bring cheer to a large workforce in scheduled employment across the State, the Karnataka government recently notified minimum wages, proposing the monthly range from ₹19,319.36 for unskilled labourers in zone 3 to a maximum of ₹34,225.42 for highly skilled employees in thermal stations. Across industries in zone 1, the proposed monthly minimum wage for a highly skilled worker is ₹31,114.02. The proposed hike in the draft notification from the Labour Department is a huge 70% increase from the existing wages, including variable dearness wages, and it comes at a time when price rise has affected lakhs of families.

The notification covers an estimated two crore workers across 100 scheduled employment, including 18 added in recent years, and is based on the Supreme Court's directive in the Rapticos Brett case.

The wage revision is mandated at least once in five years under the Minimum Wages Act. The last wage revision was carried out by the BJP government in 2022, which implemented a wage increase of 5% to 10% across 34 scheduled employment.

The draft notification issued recently has withdrawn the 2022 notification and proposed a fresh draft. The draft has been published seeking objections if any, and will later be placed before the Minimum Wages Advisory Board – a tripartite platform bringing employers, representatives of employees and government officials together- before a final notification is issued. The whole process is expected to take at least three months before the wage rise is finally notified.

Back to three zones

The new notification reverts to three zones from the existing four zones classification for wage calculations. The fourth zone added in the last revision had brought anomalies, in some cases bringing down the wages. While zone 1 covers the BBMP area, zone 2 will cover the district headquarters and other city corporations, and zone 3 will cover the rest of the areas in the State. For the first time, the minimum wage revision across all scheduled employment has been done in a single notification, as sought by trade unions. Welcoming the notification, the AITUC Karnataka unit secretary M. Satyanand said that the Congress government had implemented a long-standing demand to scientifically calculate minimum wages based on the Rapticos Brett case. "This comes at a time when the labour force has been under stress for the past five to six inflation years."

To be challenged

Meanwhile, the president of the Karnataka Employers' Association B.C. Prabhakar said that they will file an objection to the draft notification and legally challenge it later. "The proposed steep hike makes Karnataka's minimum wages the highest in the country, beating Delhi. This may be counterproductive, increasing the cost of production. Some industries could migrate to neighbouring States, where the minimum wages are far lower. The small-scale industries cannot pay high minimum wages. It's a big hit to labour-intensive industries," he said.

For those in religious institutions

For the first time, minimum wages have been extended to those working in religious institutions, including temples, Mutts, mosques, churches, gurudwaras, basadis, viharas, Arya Samaj, Theosophical Society, and ISKCON, among others. These are among the 18 new scheduled employment that have been introduced. The others include non-teaching staff in private schools, colleges, and training institutions. The staff in e-commerce companies and courier companies have also been included.

Karnataka Cabinet clears Platform-based Gig Workers' Bill

Source: The Hindu

The Karnataka Cabinet has cleared the Karnataka Platform-based Gig Workers (Social Security and Welfare) Bill, 2024, which aims to create a welfare fund for platform-based gig workers in the State and place obligations on aggregators. The government is expected to take the Ordinance route to implement the welfare provisions.

The Bill, which emphasises the rights of gig workers, proposes a welfare fee of 1%-5% of the payout to the worker during each transaction. All such sums received will go to the welfare fund for the workers.

A gig workers' welfare board will be established to ensure registration of workers by the platforms, welfare fee collection and implementation of social security schemes. Aggregators have been mandated to furnish their database of all gig workers to the board within 45 days from the commencement of the Act.

Monitoring mechanism

The Bill also seeks to introduce a Payment and Welfare Fee Verification System (PWFVS) in a bid to introduce transparency to the collection of welfare fee. Every payment made to the workers and the welfare fee deducted by the aggregators shall be sent to the system.
"The details of the welfare fee collected and spent at the gig workers' level shall be disclosed and made available on the Welfare Fee Verification System," reads the Bill.

Fair contract, 14 days' notice

As per the Bill, no worker can be terminated without a valid written reason and prior notice of 14 days, except in instances where they have caused bodily harm.

The Bill also places on the platforms the obligation to enter into transparent and fair contracts with the workers and stresses on the need for transparency with respect to the automated monitoring and decision-making system.

Working conditions

The platforms are required to provide a work environment that is safe and without risk to the health of the worker and are to ensure that the worker has adequate periods of rest and access to sanitary and rest facilities. The Bill has also introduced a two-tiered grievance redressal mechanism wherein the worker is required to approach the internal dispute resolution committee first. If the committee fails to provide an 'Action Taken Report' in 14 days or the worker is unsatisfied, the grievance will be forwarded to the board.

Unions laud the Bill

Multiple gig workers' unions welcomed the Bill and called on other State governments to follow Karnataka's example by enacting similar legislations.

The Indian Federation of App-based Transport Workers (IFAT) and the Telangana Gig and Platform Workers' Union (TGPWU) termed it 'a historic moment' for lakhs of gig and platform workers nationwide. "We applaud the Karnataka government for taking a bold and progressive step toward ensuring dignity, protection, and social security for gig and platform workers. This Bill brings us closer to justice and formal recognition. We urge the Karnataka Assembly to pass the Bill in the upcoming session without delay," said Shaik Salauddin, National General Secretary of IFAT.

Mohammad Inayat Ali, founder-president of Karnataka App-based Workers' Union, noted that the State has shown the way with a progressive step toward justice and dignity for platform-based workers.

PF withdrawal process just got easier: Check all changes by EPFO

Source: Economic Times

In a major relief for Employees, the Employees' Provident Fund Organisation (EPFO) has eliminated the requirement for uploading a cancelled cheque and employer verification for bank accounts while applying for online withdrawals.

The move is aimed at fast-tracking the claim settlement process for nearly eight crore members and making the process smoother for both employees and employers. The Labour Ministry, in a statement Thursday, said that the removal of these steps would significantly streamline the claim process and reduce grievances related to claim rejections.

As of now, 4.83 crore of the 7.74 crore active EPF contributors have already seeded their bank accounts with UAN. Around 36,000 requests for bank account seeding are raised daily, with banks taking an average of three days to complete verification. However, employer approval delays were adding an extra 13 days, leading to a backlog of pending approvals.

Key changes in the EPF withdrawal process:

- No need to upload cancelled cheque or passbook: Members will no longer be required to upload an image of a cheque leaf or an attested photocopy of their bank passbook while filing online withdrawal claims.
- Employer approval not required for bank verification: The employer's approval for verifying bank account details is now completely done away with.
- Simplified bank account changes: EPF members who wish to change their already linked bank account can now do so by entering their new bank account number and IFSC code, which will be authenticated through Aadhaar-based OTP verification.
- Faster claim processing: The removal of these steps will eliminate delays caused by poor-quality or unreadable document uploads, which were leading to claim rejections.

Faster processing to benefit lakhs of members

The changes, initially rolled out as a pilot project on May 28, 2024, for certain KYC-updated members, have already benefited 1.7 crore EPF members. Based on its success, EPFO has now extended the relaxation to all members.

"Since the bank account is already verified along with the EPF members' details at the time of seeding of bank accounts with the UAN, this additional documentation is no longer necessary," the Labour Ministry stated.

This move will immediately benefit over 14.95 lakh EPF members whose employer approvals for bank verification were pending, allowing them to access their funds faster.

With these changes in place, EPFO aims to ensure 'ease of living' for EPF members and 'ease of doing business' for employers, making the withdrawal process more seamless and efficient.

LATEST UPDATES

Employer Approval removed for Bank Seeding in EPF

EPFO: Revamped Appendix-E Functionality - Action Required for Exempted Establishments

Payment of Past PF Contributions by Employers via Demand Draft

Karnataka PT Amendment Act, 2025

Implementation of Revamped Form 13 (Transfer-Out) Functionality as per EPFO Circular dated April 25, 2025

Karnataka Minimum Wages 2025-26, Addendum notification

Assam -PT Slab Revision Notification

New Rule for PF Advance Based on Self-Declaration

Kerala – Guidelines regarding the employment of female employees in night shifts, Under Factories Act

Allotment and activation of UAN through UMANG App using FAT

MORE INFO

PAN INDIA OFFICES : AHMEDABAD | BENGALURU | CHENNAI | GURUGRAM | HYDERABAD | KOCHI | KOLKATA | MUMBAI | PUNE |

UCS CompliTool®

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.

Following are some of the major benefits of the Tool:

- Real Time Statistical Data
- Informative Tool
- Transparency
- Ease of Documentation
- 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

UCSCompliTool.com   080 - 68267777   enquiry@unitedconsultancy.com

ABOUT US

United Consultancy Services is one of the leading consulting firms in India providing compliance, advisory, and audit services in the field of Labour Laws, Human Resource Development, and Legal matters pertaining to Industrial Relations. We provide meaningful, forward-looking and compliance-oriented solutions to help organizations grow while being compliant with labour laws. Proactive teams led by domain experts, use insight, experience and best practices to understand complex issues of publicly listed and privately owned clients and simplify compliance.

With over 30 years of existence and with more than 200 professionals the firm provides robust compliance services and solutions on complex requirements under Labour law. The information shared in the newsletter is based on Government notifications and newspaper articles.

This is for general information purposes only and does not constitute legal advice. Please reach out to your UCS contact or the Company's legal counsel before
taking any action.

We Simplify Compliance For You!

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

PAN INDIA OFFICES : AHMEDABAD | BENGALURU | CHENNAI | GURUGRAM | HYDERABAD | KOCHI | KOLKATA | MUMBAI | PUNE |