THE COMPLIANCE WATCH

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IN THIS ISSUE

UCS POV | SELF-CERTIFICATION SCHEME UNDER LABOUR LAWS: MANDATORY OR VOLUNTARY FOR COMPANIES?

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CHIEF OPERATING OFFICER

Companies frequently enquire about the Self-Certification Scheme introduced under the Labour Laws and whether it is mandatory for them to enrol under the scheme.

The Self-Certification Scheme under India's labour laws is a voluntary initiative designed to ease regulatory compliance for businesses, particularly startups and non-hazardous establishments. It allows eligible entities to self-certify adherence to certain labour and environmental laws, thereby reducing the frequency of inspections. The objective of this scheme is to minimize visits by government officials for inspections of factories, buildings, and other construction establishments that opt for the scheme—without compromising on the safety, health, welfare, and social security of workers. It also allows such establishments to submit a combined annual return in lieu of multiple returns under various labour laws, thereby enabling and supporting the Ease of Doing Business in the state.

The Telangana State Government issued self-certification and third-party certification schemes on 14th July 2020 to facilitate the ease of doing business in the state. The main objective of this notification is to enable joint inspections under various labour laws, avoiding duplication. The government intends to designate an inspecting authority to carry out a single inspection under certain laws such as the Shops and Establishments Act, Payment of Wages Act, Minimum Wages Act, Maternity Benefit Act, Contract Labour (Regulation and Abolition) Act (CLRA), Payment of Bonus Act, Payment of Gratuity Act, Equal Remuneration Act, and others.

There are three categories of establishments based on risk:

- Low Risk (less than 30 employees)
- Medium Risk (30 to 100 employees)
- High Risk (more than 100 employees)

While companies in the low-risk category can opt for self-certification, those in the medium and high-risk categories may choose third-party audit declarations. Several other states such as Maharashtra, Andhra Pradesh, Haryana, and Rajasthan have also introduced self-certification schemes to promote ease of doing business and to ensure an industry-friendly regulatory environment.

It is important to note that self-certification schemes introduced by various states do not grant exemption from compliance under the labour laws. Under the scheme, enrolled entities are generally exempt from routine inspections for a specified period (typically 3 to 5 years). However, inspections may still occur in cases of credible and verifiable complaints, which must be approved by a senior authority.

Self-certification is not a waiver from compliance requirements. On the contrary, compliance is expected to be carried out in a more disciplined and structured manner.

LABOUR CODE IMPLEMENTATION: A DELICATE BALANCE BETWEEN REFORM AND RESISTANCE

Despite being enacted in 2019, the four Labour Codes — encompassing wages, industrial relations, social security and occupational safety — are yet to be notified by the Government of India.

According to the government, the codes aim to simplify complex and outdated labour laws, ensure timely wage payments, create a universal minimum wage system across both organised and unorganised sectors, and enhance formalisation of the labour market. Various Trade Unions argue that the labour codes will dilute worker protections and benefits, undermine collective bargaining rights, and allow easier hiring and firing, especially in industrial disputes. For instance, subsuming four earlier labour laws related to wages — Payment of Wage Act 1936, Minimum Wage Act 1948, Payment of Bonus Act 1965, Equal Remuneration Act 1976 — the new labour codes have come up with Code on Wage 2019. The code introduces a uniform definition of 'Wages' across all labour codes.

Unlike previous law that only applied to scheduled employees, the Code on Wage is applicable to all employees across industries. It has also made a provision for 'floor wage'. The Industrial Relation Code 2019 has subsumed three laws — Industrial Dispute Act 1947, Trade Union Act of 1926, and Industrial Employment Act of 1946.

The definition of the term 'worker' has broadened. The Code formally recognised 'Fixed term employment', providing fixed term employees equal benefits as permanent employees. Industrial Relation Code (IRC) 2019 lowers the threshold for requiring government permission for layoffs, retrenchments and closures from 100 employees to 300 employees. Establishments with fewer than 300 workers can proceed with these (layoffs, retrenchments and closures) actions without government approval. There is also no compensation for laid-off workers in establishments employing fewer than 50 workers. The code makes registration of trade unions complex and prohibits strikes in industrial establishments without prior notification.

The Code of Social Security 2020 legally defines Gig Workers and Platform Workers, allowing them to avail social security benefits at par with regular employees. In this code, digital platforms (aggregators) are mandated to contribute 1-2 percent of their annual turnover towards the Social Security Fund for gig and platform workers. To provide seamless mobility for interstate migrant workers, the Occupational Safety, Health and Working Conditions Code, 2020 provides for travel allowances, provision for accommodation, portability of welfare benefits across states for workers.

States move ahead amidst central delay

In the absence of central notification, several states have taken proactive steps to implement labour law reforms aimed at boosting investment and ease of doing business, like 19 states have raised retrenchment threshold from 100 to 300 employees, 31 states and union territories have allowed women to work night shifts, and 11 states have increased quarterly overtime limit from 50 to 125 hours. These reforms signal a willingness among states to push ahead with the labour law changes, even as the central government delays formal implementation.

Delay in implementation

Sonal Arora, Country Manager, GI Group Holding, said, "Any change to legacy regulations takes time—especially when multiple stakeholders, including central and state governments, employers and workers, are involved." "In India's federal structure, where labour is a concurrent subject, a nationwide and fast change in the existing laws is not always feasible and perhaps not even desirable. Instead, a consensus-based approach is more practical and sustainable than a purely top-down or directive model," added Arora.

Vinay Joy, Partner, Khaitan & Co, said, "While most states have done so for the Wage Code, about five states and UTs have yet to complete this process for the other Codes. Some delays are also due to resistance from Trade Unions concerned about potential negative impacts on workers." "It appears unlikely that such delay has had a major impact in terms of workforce management or HR planning. It will be important to understand how much time the Government may allow organisations to comply with the Codes once the roll out is done," added Joy.

Preparation for the eventual rollout

Experts suggested organisations should proactively prepare for the labour code rollout by conducting internal audits of the current HR and compliance processes, identifying gaps against the new codes, and initiating targeted training for the HR teams. "The codes reduce the duplication and redundancy in the number of licenses and returns required, for instance the Occupational, Safety, Health and Working Conditions (OSH&WC) Code has reduced four licences and 22 returns to one each," said Rishi Agrawal, Co-Founder and CEO, TeamLease Regtech.

The codes also reduce the number of registers to be maintained by 50-60 percent and introduce decriminalisation of provisions, added Agrawal. To be prepared, employers should proactively monitor state-level developments and review existing policies and practices. At the same time, staying connected with subject matter experts and industry peers will help organisations to understand the finer nuances and implications of the new labour regime, said Arora of GI Group Holding.

Experts recommend

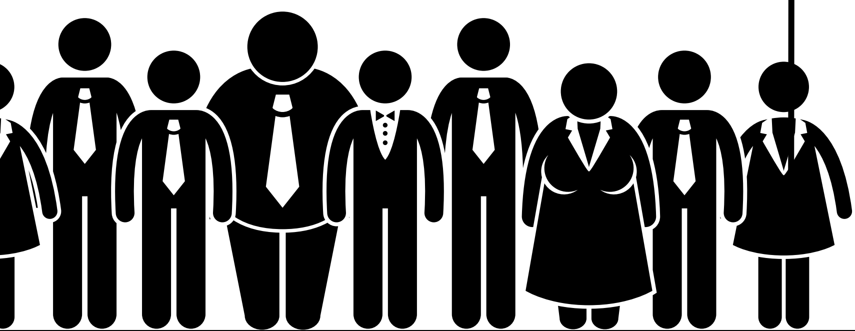
“In advising our clients, one of the first steps we’ve asked them to take is a review of their wage structure so as to bring it in line with the Wage Code,” said Joy of Khaitan & Co.

Other measures, Joy mentioned, are to review internal policies and practices around working hours, overtime, leave entitlements, full and final settlements and employment of contract labour.

Arora of GI Group Holding said, “As a proactive measure, we have already implemented some changes aligned with the best practices and in the interest of our employees. For other changes — such as those involving payroll software or system-level modifications — that are directly aligned to the formal rollout of the codes, we have developed our action plan.”

This preparedness will enable companies to adapt quickly and minimise disruption once the codes are officially rolled out.

Source | HR Economic Times



YOUR PF TRANSFER JUST GOT EASIER! EPFO SAYS NO MORE REJECTIONS!

Employees’ Provident Fund Organisation (EPFO) has issued a clarification stating that overlapping service periods should not be grounds for rejecting PF transfer claims.

The directive, released in a recent circular aims to streamline the transfer process and prevent unnecessary delays for employees switching jobs. Previously, many regional EPFO offices rejected transfer claims due to overlapping employment records, causing financial distress for affected employees.

The latest clarification ensures that genuine overlaps will no longer be considered a disqualification for processing PF transfers.

Understanding Overlapping Service Periods

An overlapping service period occurs when an employee’s exit date from one company and joining date in another coincide, making it appear as though the individual was employed at two places simultaneously.
This can happen due to:

- Delays in updating records by previous employers.
- Early joining dates recorded by new employers.
- Clerical errors in service records.

Such discrepancies often led to automatic rejection of PF transfer claims, blocking employees from accessing their savings.

EPFO New Guidelines for Processing Claims

Under the new directive, EPFO has instructed that transfer claims involving overlapping service periods must be processed rather than rejected outright. However, if a genuine need arises, the processing officer may seek clarification before approving the claim.

The circular states: “Only in cases where a genuine need is felt to clarify the overlapping of service, would the claims be processed after obtaining the requisite clarification.”

Additionally, EPFO has introduced digital reforms to simplify the PF transfer process, including:

- Digitization of withdrawal and settlement claims.
- Elimination of cheque leaves and bank-attested passbooks for filing claims.
- Online verification of employment records to reduce errors.

Impact on Employees and Industry Response

The clarification is expected to benefit millions of salaried employees, ensuring smoother PF transfers and preventing unnecessary financial hardships.

Experts in personal finance have welcomed the move, stating that it will reduce bureaucratic hurdles and increase transparency in EPFO operations. Industry analysts suggest that the Union Labour Ministry is making broader efforts to modernize EPFO’s operations. They believe these reforms aim to enhance employee benefits and improve financial security for salaried workers.

The organization has also been working on server upgrades to improve processing speeds, with full implementation expected by June 2025.

Source | Sight In Plus

SC VALIDATES PSU BOND CLAUSE; LEGAL EXPERTS SAY PRIVATE SECTOR UNLIKELY TO BE IMPACTED

In a significant ruling that clarifies the employment contracts in public sector undertakings (PSUs), the Supreme Court has upheld the validity of Vijaya Bank's employment clause that required officers to serve a minimum of three years or pay two lakh rupees as liquidated damages in case of premature resignation.

The division bench of Justice Pamidighantam Sri Narasimha and Justice Joymalya Bagchi, while ruling in favour of the Vijaya Bank, observed that the stance of the bank is neither unjust nor unreasonable.

"The appellant-bank (Vijaya Bank) is a public sector undertaking and cannot resort to private or ad-hoc appointments through private contracts," observed the Apex Court in its recent order.

"An untimely resignation would require the Bank to undertake a prolix and expensive recruitment process involving open advertisement, fair and competitive procedure lest the appointment fall foul of the constitutional mandate under Articles 14 and 16," it further added.

The case may clarify the position of law in the case of public sector undertakings, but legal experts are of the view that it is unlikely to have any impact on private sector employment agreements. Apeksha Mattoo, Partner - Labour & Employment Law Practice at the law firm Trilegal, said bearing in mind past precedent, employees working in the private sector have not been required to make payments in case of premature cessation of employment which breaches an employment bond unless the employer had borne any expenses for specialized training of such employee, and the bond specifies the quantum of the liquidated damages that are anticipated in the event of breach of the bond or is able to prove the actual damages incurred by the employer (in monetary terms).

"This is because the public sector undertakings cannot deviate from the set procedures, so the cost of replacing an employee is fairly high. (PSUs) have an elaborate and detailed recruitment process, which is time-consuming, and such companies incur higher costs given that there is a loss of continuance of the role," she added.

In this case, a former probationary assistant manager at Vijaya Bank had accepted the promotion to a senior manager in 2007 under the new terms that included the clause which required a minimum three-year service tenure or payment of two lakh rupees if the officer resigned earlier. However, in 2009, he resigned to join IDBI Bank and paid the amount in protest. He subsequently challenged the clause, alleging it was unconstitutional and against public policy. The High Court had ruled in his favour, terming the clause coercive and disproportionate. Later, the public sector lender had challenged the ruling.

Pooja Tidke, Joint Managing Partner, Parinam Law Associates, said the judgment emphasises the need to evaluate restrictive covenants through the lens of reasonableness, keeping in mind the nature of the challenges that surround the covenantee in present-day market conditions. "In this particular case, the fact that the covenantee was a public sector undertaking and would be required to go through an elaborate recruitment process owing to the employee's pre-mature resignation weighed in its favour," adds Tidke.

The Supreme Court also dismissed the argument that the clause was opposed to public policy, noting that public sector banks, post-liberalisation, operate in a competitive environment and must retain skilled manpower to maintain efficiency. It observed that attrition due to premature resignations imposes significant costs on PSUs, including the need for fresh recruitments through expensive and time-consuming public processes.

Debjani Aich, Partner and part of the Employment Practice Group at the law firm IndusLaw, said the Vijaya Bank case and the Hon'ble Supreme Court's judgement are not a new position in law, as employment bonds have been quite common in India, including in the private sector.

"This case reinforces the differentiation between an employment bond and a post-termination non-compete restriction on an employee," said Aich.

Source | Economic Times

8.25% INTEREST RATE ON EPF BALANCE FOR FY 2024-25 GOT FINAL NOD FROM GOVT: CHECK HOW IT WILL IMPACT YOUR EPF BALANCE

According to a PTI report, the central government has approved an interest rate of 8.25% for Employees' Provident Fund (EPF) account holders for FY 2024-25.

The interest rate has been ratified following the EPFO's recommendation to the central government.With this official confirmation, the EPFO can now start the process of crediting interest to the EPF account holders. Further, if your EPF account is held with an exempted trust, then the EPF trust can also follow the process of crediting interest on balances held during the financial year 2024-25.

How much EPF interest will be credited to your account?

Para 60 of the EPF scheme 1952 defines the rule for calculating the interest for the EPF account. As per the scheme rules, interest is calculated on the monthly running balance and is credited at the end of the financial year. To know how much interest will be calculated on your EPF account balance, it is important to know your and your employer's contributions to the EPF account. Here is an example to understand this. Suppose your EPF balance is Rs 5 lakh on April 1, 2024. This includes previous EPF contributions and interest earned on them. During the FY 2024-25, your basic monthly salary was Rs 50,000. As per the EPF scheme rules, an employee contributes 12% of the basic salary to the EPF account, and the employer also makes the matching contribution.

Hence, you will deposit Rs 6000 per month. Your employer will also make a matching contribution of Rs 6000. However, the full amount will not go into your EPF account. Out of the employer's contribution, 8.67% will go to the Employees' Pension Scheme (EPS) typically with a limit of Rs 1,250 per account, and the balance will go to the employee's EPF account. Your employer's monthly contribution to the EPF account will be Rs 4,750.

The interest accrued to your EPF account varies monthly. This will be calculated as shown in the table. For FY 2024-25, the interest of Rs 47,014.69 will be credited to your EPF account.

Month	EPF deposit (In Rs)	EPF deposits for interest calculation (In Rs)	Monthly interest (In Rs)
Apr-24	10750	510750	3511.41
May-24	10750	521500	3585.31
Jun-24	10750	532250	3659.22
Jul-24	10750	543000	3733.13
Aug-24	10750	553750	3807.03
Sep-24	10750	564500	3880.94
Oct-24	10750	575250	3954.84
Nov-24	10750	586000	4028.75
Dec-24	10750	596750	4102.66
Jan-25	10750	607500	4176.56
Feb-25	10750	618250	4250.47
Mar-25	10750	629000	4324.38
Total EPF interest in FY 2024-25			**47014.69**

When will the EPF interest be credited to your EPF account?

Crediting of EPF interest generally takes a long time. Usually, EPF interest is credited to the latter part of the year. EPF account holders should check their accounts to know the status of the interest credited to their accounts.

Generally, logging in to the EPF Passbook website is difficult. If you are facing issues logging in to your EPF account, you can use alternative methods to check the EPF balance.

Do you lose any interest if there is a delay in the crediting of interest?

In previous instances, the Employees Provident Fund Organisation (EPFO) has clarified that there would be no interest loss for the EPF members.

EPFO amended the rules in November 2024 to minimise the loss of interest to EPF members in case of EPF claim settlement. As per the new rules, an EPF member will get the interest on the EPF balances till the date of settlement instead of till the preceding month earlier.

Source | Economic Times

KARNATAKA ISSUES ORDINANCE TO PROTECT GIG WORKERS, MANDATES WELFARE FEE FROM PLATFORMS

The State Government recently promulgated an ordinance to protect the rights of platform-based gig workers.

The Karnataka Platform-Based Gig Workers (Social Security and Welfare) Ordinance, 2025, approved by the Governor and published in the Karnataka Gazette Extraordinary, aims to create a welfare fund for gig workers and places obligations on aggregator or platform in relation to social security, occupational health, and safety. A welfare board headed by the labour minister will be established and gig workers and aggregators or platforms in Karnataka will be registered.

The ordinance proposes a "platform-based gig workers welfare fee" from aggregators. The fee will be between 1 to 5% of the payout to the gig worker in each transaction, as may be notified by the State Government within six months of the ordinance coming into force.

"The State Government shall specify through a notification different percentage on the payout, with or without a cap on the gig worker welfare fee on each transaction, for different categories of aggregator or platform," the ordinance read. The aggregator or platform shall deposit the welfare fee levied under this ordinance, at the end of each quarter.

It proposes a Payment and Welfare Fee Verification System (PWFVS). All payments made to workers generated on the platform shall be mapped onto PWFVS administered by the State Government and monitored by the Board.

"Every payment made to gig workers and the welfare fee deducted by platforms shall be sent to PWFVS for each transaction related to platform-based gig workers in such manner as may be prescribed. The details of welfare fees collected and spent at the gig workers level shall be disclosed and made available on the PWFVS portal," the ordinance stated. PWFVS shall comply with the applicable Central and State legislations on data protection for the time being in force.

Until the operationalisation of PWFVS by the board, aggregators have to self-report and submit details of the payouts made to their gig workers in each of the transactions, every quarterly, it stated.

The registered gig workers are entitled to redressal of two-tier grievances against the aggregator or platform; and against the board. Any aggregator or platform who contravenes the provisions of the ordinance, the State Government may impose a fine upon an aggregator or platform, which may extend up to Rs 5,000 for the first contravention and up to Rs 1 lakh rupees for subsequent contravention.

The ordinance also makes it mandatory for the aggregator or platforms to submit to the board electronically quarterly returns.

However, the government may make the provision for submission of returns half yearly or annually by a notification. An aggregator shall not terminate or deactivate a gig worker without giving valid reasons in writing and with prior notice of 14 days and following the principles of natural justice. Also, aggregators must provide and maintain, as far as is reasonably practicable, a working environment that is safe and without risk to the health of the platform-based gig worker.

It applies aggregators or platforms operating or providing ride-sharing services; food, and grocery delivery services; logistics services; e-Marketplace (both marketplace and inventory model) for wholesale/retail sale of goods and/or services business to business /business to consumer (B2B/B2C); professional activity provider; healthcare; travel and hospitality and content and media services.

Source | New Indian Express

TO ADDRESS OVERLAPPING SERVICE PERIOD ISSUE IN PF TRANSFER, EPFO SIMPLIFIES RULES FOR ACCOUNT TRANSFER FROM OLD TO NEW EMPLOYER

The Employees' Provident Fund Organisation (EPFO) has rolled out measures to streamline the processing of Transfer Claim requests, particularly addressing an issue of overlapping service periods, which have often led to automatic claim rejections.

The latest directives, issued via circulars dated April 25, 2025, and January 29, 2024, represent a significant step in simplifying the transfer claim process and enhancing service delivery. These changes aim to reduce unnecessary delays and improve the overall experience for EPF members.

What are transfer claims?

Transfer claims allow EPF members to transfer their provident fund balance from one employer to another when switching jobs. In many cases, overlapping service periods — where two employers appear to have recorded the same working period — have caused claims to be rejected outright.

Challenges with overlapping service periods

Transfer claim requests allow EPF members to transfer their provident fund balance from one employer's account to another when changing jobs. Recognizing that such overlaps are not inherently fraudulent, the EPFO has issued instructions to prevent automatic rejections and ensure smoother processing of transfer claims.

The EPFO's directives, outlined in the circulars dated April 25, 2025, and January 29, 2024, mark a significant step toward simplifying the Transfer Claim process by addressing overlapping service periods. By instructing Regional Offices to process claims without automatic rejections and ensuring rigorous verification, the EPFO enhances efficiency and accessibility for members.

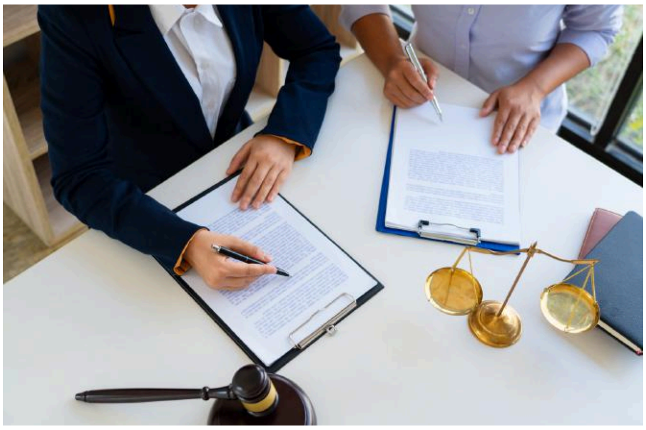
Based on these directives, the EPFO has clarified that:

Transfer claim requests should not be rejected solely due to overlapping service periods, as these can arise from genuine circumstances. Transferor (Source) offices are required to process transfer claims even if overlaps exist, without returning or rejecting them outright.

Only in cases where overlaps raise significant concerns should Regional Offices seek clarification from the member or employer before proceeding with the claim.

Transferor offices must adhere to strict verification protocols, as outlined in the April 25, 2025, circular, to ensure seamless and accurate transfers stated, "The initiator, verifier as well as the Approver at the Transfer-out (Source) Office need to thoroughly verify, inter-alia, the said details before finally approving the claim. Therefore, there shall not be any need for the role of AO Transfer-in Rejection."

The circular further stated, "it is once again re-iterated that all the Transferor (Source) Offices need to take due care to ensure that the transfer-out is error-free in respects before according the final approval to avoid any erroneous transfers and consequent grievances/delay."



Source | Economic Times

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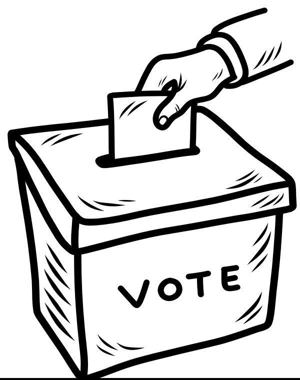

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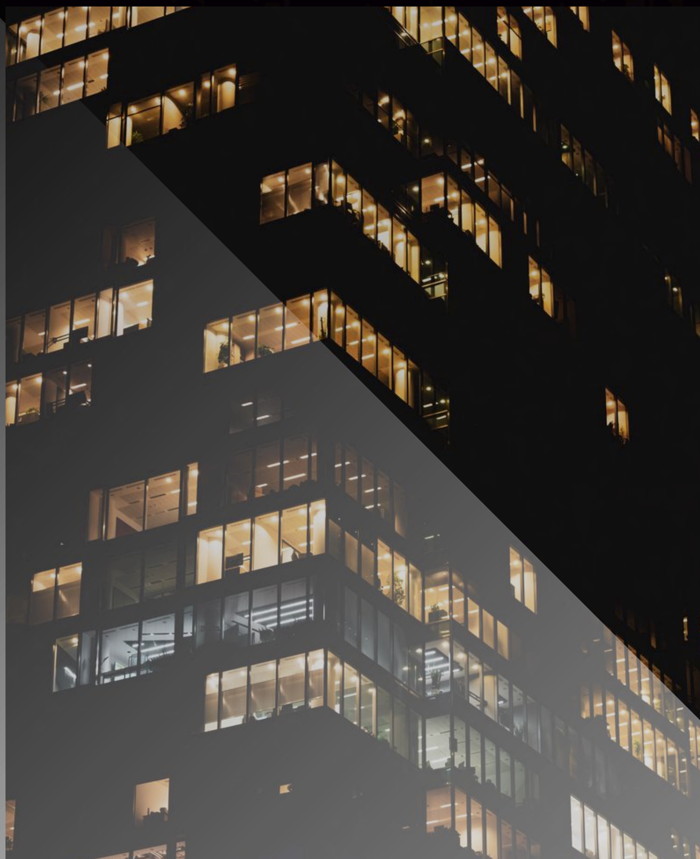

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