



Labour Laws India

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Topic Of discussion Today

Importance of Labour Laws From Point of View of a Chartered Accountant

A Chartered Account is the first Person whom The Owner hires at the time of inception and Expect him to deal with all his financial and HR Compliance Matter.

Actually Labour Laws is a Very Vast Area covering More than 16 Acts Mainly the Following

What We Do

- ▶ There are about 16 Labour laws in India We Work on

Shops and Establishment Act	Labour Welfare Act	Contract Labour Act 1970	Payment of Gratuity Act, 1972
Minimum Wages Act, 1948	Payment of Bonus Act, 1965	Maternity Benefit Act, 1961	Payment of Wages Act, 1936
Factories Act, 1948	Employees Provident Fund Act, 1952	Employees State Insurance Act, 1948	Employees Earned Leave and Compensation
Child Labour Prohibition and Regulation Act, 2016	The Sexual Harassment of Women at workplace Act, 2013	Equal Remuneration Act, 1976	Workmen Compensation Act 1923

Applicability of Labour Acts ESIC

- ▶ ESI :- In any organisation where 10 or more employees are engaged, the Act becomes applicable.

Contribution:- Employee Share is @ 1.75% of Gross Salary payable including Overtime and Incentives

Employer Share :- @ 4.75% Gross Salary payable including Overtime and Incentives

Eligible Employee :- All Employees drawing gross salary below Rs 21000/- P.M. are coverable.

Applicability of Labour Acts EPF

- ▶ EPF :- In any organisation where 20 or more employees are engaged, the Act becomes applicable.

Contribution:- Employee Share is @ 12.% of Basic Salary payable

Employer Share :- @ 13.16% Basic Salary payable

Eligible Employee :- All Employees drawing Basic salary below Rs 15000/- P.M. are coverable.

Applicability of Labour Acts:- Bonus ACT 1965

- ▶ Applicability :- In every Factory /establishment in which twenty or more persons are employed on any day during an accounting year.
- ▶ Eligibility for bonus :-Every employee shall be entitled to be paid by his employer in an accounting year, bonus, in accordance with the provisions of this Act, provided he has worked in the establishment for not less than thirty working days in that year.
- ▶ Time-limit for payment of bonus within a period of eight months from the close of the accounting year.
- ▶ Payment of Bonus :- The Amount of Bonus is calculated @ 8.33 % of Basic Salary drawn during the financial year. The bonus rate can be paid up to Maximum of 20% of Basic +DA
- ▶ Annual Return under Form D required to be submitted by 30th December every Year


Applicability of Labour Acts:-


Factory Act 1948

- ▶ Applicability :- In any manufacturing unit where 10 or more employees are engaged, the Act becomes applicable.
- ▶ Registers Like Overtime, Advance, Fine and Deduction , Lime and wash , Accident Register, Damages Register are required to be maintain on monthly basis
- ▶ Annual Return under Form 34 required to be submitted by 15th January every Year

ACCOUNTING HEADS WHICH NEED PROPER ATTENTION BEFORE BOOKING THE EXPENSES

- ▶ Salary and Wages :- Unregistered Employers (PF and ESI)tend to put maximum Expenses in this head to reduce GP and NP. We advised to ask your employers to make proper salary records showing amount and number of employees because both are important for applicability of ESI and EPF

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- ▶ JOB Work Charges:- Generally Employer Tend to ignore this Accounting head but it should be noted that Sec 2 of the PF Act Says any person engaged directly or indirectly or through the contractor , in or in connection with the work will be considered for applicability of the act. The Employer should Obtain PF ESI and Other Labour compliance documents along with the invoice.
 - ▶ Accounting Charges:- We have seen many times this Expense in the balance sheet. This amount is given to the part time accountant on monthly basis. Please Note this payment will attract PF and ESI because the person providing the services will be considered as the part time employee of the company

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- ▶ Commission:- Sometimes Employer Tend to pay a particular amount under the accounting head Commission to avoid ESI Pf Liability. But if there is a regular same amount of transaction is found, the same will attract ESI and Pf Liability.
 - ▶ House Keeping and Security Services :- It is always advised to collect PF ESI Challans with Invoices of House Keeping and Security services Agencies
 - ▶ Driver Allowance in Director Remuneration :- Since the Driver is used for Company services the amount will attract PF and ESI Liability.
 - ▶ Last but Not The Least :- PMRPY :- Pradhan Mantri Rozgar Protsahan Yojna

Under This Scheme if an employer engage a new employee who was never a member of PF and Drawing basic salary below Rs 15000/- P.M. The Govt gives a Rebate of 8.33% (pension Share) For such employees

CONSEQUENCE/PENALTY PROVISION FOR NON-Compliance UNDER ESI AND EPF

- ▶ The Contribution and Online Returns are required to be submitted on or before 15th Every Month. Please note grace period of 5 days is withdrawn by EPFO w.e.f.
- ▶ For Non Payment and Non submission of Dues the Department may initiate proceeding under Sec 7A of the Act
- ▶ All Late Payments attract interest and penalty under Sec 7A and 14B of the Act
- ▶ In ESIC if the Due Contribution is not deposited with in time, the proceeding under Sec 85 G is initiated against the employer.

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Thank you For being such an
awesome audience



Questions?