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Regional rural bank employees to get pension at par with nationalized banks

A Supreme Court verdict on 25.04.2018 paved the way for regional rural bank (RRB) employees draw pension at par with nationalized banks, ending a two-decade long legal battle.

The Supreme Court has dismissed a special leave petition filed by the government in 2012 and directed the government to implement a pension scheme in all RRBs uniformly as available in nationalized banks as per the bipartite settlement in 1993. Supreme Court instructed RRBs to follow judgment within 3 months.

Approximately 25 thousands retired RRB employees and 1 lakhs active employees are set to gain from this verdict. The country has 56 RRBs delivering loans primarily to small and marginal farmers and creating financial access in rural belt.

The employees will be eligible for pension with retrospective effect from November 1991. The rate of basic pension will be 50 percent of the average pay based on 33 years of service. It is worthwhile to note that this pension was introduced in lieu of employers' contribution to the Provident Fund. So, it is likely that new rules which are to be framed as per this judgment, may require retired employees to return Bank's contribution to PF along with interest earned on same.

Supreme Court judgment copy:

http://www.supremecourtindia.nic.in/supremecourt/2012/37496/37496_2012_Order_25-Apr-2018.pdf

Relevant case law of Jodhpur High court: Special Appeal (W) No.2021/2011

<https://indiankanoon.org/doc/66568177/?type=print>

Relevant case law of Karnataka High Court Writ Petition No.20034/2003

<http://judgmenthck.kar.nic.in/judgments/bitstream/123456789/518132/2/WP20034-03-22-03-2011.pdf>

Pradhan Mantri Rojgar Protsahan Yojana (PMRPY)

This Scheme has been designed to incentivize employers for generation of new employment. This scheme has a dual benefit, where, on the one hand, the employer is incentivized for increasing the employment base of workers in the establishment, and on the other hand, a large number of workers will find jobs in such establishments. A direct benefit is that these workers will

have access to social security benefits of the organized sector.

As per this existing scheme (version dated 23.02.2017), Government of India will be paying the 8.33% EPS contribution of the employer for next 3 years. Benefit is eligible only for new employees having wages upto INR 15,000 per month. A new employee is one who has not been working in an EPFO registered establishment on a regular basis prior to 01.04.2016.

For the textile (apparel) sector dealing with the Manufacture of wearing apparel, the Government will also pay the EPF contribution of 3.67%, in addition to payment of the EPS contribution of 8.33% for next 3 years.

In case an establishment eligible for a scheme has a drop/fall in employment from the reference base (existing employees count as at 01.04.2016), the establishment will not be eligible for the scheme in the months where employment is below this reference base.

The Pradhan Mantri Rojgar Protsahan Yojana - Version Dated 23.02.2017

<https://labour.gov.in/sites/default/files/PMRPY%20Revised%20Guidelines%20ver%202-1%20%28%29.pdf>

The finance minister, in his Budget 2018 speech, had announced that the government will now meet the entire 12% employer contribution to EPF. In an office memorandum, dated 12.04.2018, the ministry of labour and employment has amended the guidelines of the PMRPY to this effect. Now Government of India's will pay towards the full employer's contribution (EPF and EPS both) w.e.f. 01.04.2018 for a period of three years to the new employees and existing beneficiaries for their remaining period of three years through EPFO. The terminal date of registration of beneficiary though an establishment is 31.03.2019.

Amendment in PMRPY (April 2018)

https://www.epfindia.gov.in/site_docs/PDFs/Circulars/Y2018-2019/CAIU_Amendment_PMRPY_1854.pdf

Gratuity

As per sub-section (3) of section 4 of the Payment of Gratuity Act, 1972, earlier ceiling on Gratuity was 10 lakhs rupees. As per section 2A female employees are deemed to be in continuous service for maternity leave of twelve week period.

By 7th pay commission, Gratuity limit was increased to 20 lakhs for central government employees w.e.f. 01.01.2016. Office memorandum issued by Department of Public Enterprises, to increase Gratuity Ceiling for executives and non-unionised supervisors of the Central Public Sector Enterprises (CPSEs) from 10 lakhs to 20 lakhs w.e.f. 01.01.2017.

Lok Sabha passed Payment of Gratuity Amendment Act, 2018 on 15th March 2018 which empowered central government to notify changes in sub section 3 of section 4 for Gratuity ceiling and section 2A for maternity leave. Rajya Sabha has also passed this amendment act on 22nd March, 2018. This amendment bill got presidential consent on 28th March, 2018.

As per The Payment of Gratuity (Amendment) Act, 2018 following changes were made:

- ❖ In section 2A of the principal Act, in sub-section (2), in the Explanation, in clause (iv), for the words "twelve weeks", the words "such period as may be notified by the Central Government from time to time" substituted.
- ❖ In section 4 of the principal Act, in sub-section (3), for the words "ten lakh rupees", the words "such amount as may be notified by the Central Government from time to time" substituted.

<http://egazette.nic.in/WriteReadData/2018/184298.pdf> (Gratuity Amendment Act, 2018) [issued on 29th March, 2018]

Ministry of Labour and employment issued a notification on 29th March, 2018 to specify following changes in Gratuity Act:

- ❖ In exercise of the powers conferred by clause (iv) of the Explanation to sub-section (2) of section 2A of the Payment of Gratuity Act, 1972 (39 of 1972), the Central Government hereby specifies for the purposes of the said clause that the total period of maternity leave in the case of a female employee *shall not exceed twenty-six weeks*.
- ❖ In exercise of the powers conferred by sub-section (3) of section 4 of the Payment of Gratuity Act, 1972, the Central Government hereby specifies that the amount of gratuity payable to an employee under the said Act *shall not exceed twenty lakh rupees*.

<http://egazette.nic.in/WriteReadData/2018/184299.pdf> (Increase in Gratuity ceiling and maternity leave period) [issued on 29th March, 2018]

Above changes are effective from 29th March, 2018

This will increase retirement benefit received as Gratuity and bring private sector employees at par with central government employees.

Company's expense will increase as change in ceiling

impact has to be recognised as past service cost in Profit and Loss immediately in case of Ind AS 19 as well as IAS 19. In case of AS 15 also it will be recognised immediately if benefit is vested, which is most likely.

FAQ on accounting treatment of increase in liability due to enhancement of the gratuity ceiling. - (14-05-2018)
<https://resource.cdn.icai.org/50220asb39816.pdf>

As per Income Tax Act, 1961 as per clause (ii) sub section 10 of section, Gratuity is exempt in accordance with the provisions of sub-sections (2) and (3) of section 4 of Gratuity Act, 1972. So, this Tax exemption limit will also be 20 lakhs now.

DA Increase:

For Central Government employees Dearness Allowance (DA) rate has been increased from existing 5% to 7% of basic pay (as per 7th Central Pay Commission) w.e.f. 01.01.2018.

https://doe.gov.in/sites/default/files/DA_order01012018E.pdf

For employees of Central Government and Central Autonomous Bodies continues to draw their pay in the pre-revised pay scales as per 6th Central Pay Commission. Dearness Allowance (DA) rate has been increased from existing 139% to 142% of basic pay w.e.f. 01.01.2018.

<https://doe.gov.in/sites/default/files/DA%206th%20CP C%20eng.pdf>

For employees of Central Government and Central Autonomous Bodies continues to draw their pay in the pre-revised pay scales as per 5th Central Pay Commission. Dearness Allowance (DA) rate has been increased from existing 268% to 274% of basic pay w.e.f. 01.01.2018.

<https://doe.gov.in/sites/default/files/DA%205th%20CP C%20eng.pdf>

Dearness Relief to Central Government pensioners and family pensioners has been increased from existing 139% to 142% of basic pay w.e.f. 01.01.2018.

https://www.epfindia.gov.in/site_docs/PDFs/Circulars/Y2017-2018/DA_relief_pensioners_wef_01012018.pdf

Fixed Term Contract Employees:

Industrial Employment (Standing Orders) Central (Amendment) Rules, 2018 was notified on 16th March, 2018. as per recent amendment for fixed term contract employees "he shall be eligible for all statutory benefits available to a permanent workman proportionately according to the period of service rendered by him even if his period of employment does not extend to the qualifying period of employment required in the statute". This includes employees' provident fund and employees' state insurance benefits, bonus, gratuity and other compensation in case of accidents or death while

at work.

In another benefit to workers, an employer will not be allowed to “convert the posts of the permanent workmen existing in his industrial establishment” as fixed-term employment after notification of these new rules.

Based on this amendment, now fixed term contract employees are eligible for Gratuity even though they have not completed 5 years of qualifying service period.

<https://labour.gov.in/sites/default/files/FTE%20Final%20Notification.pdf>

Employees Deposit Linked Insurance Scheme (EDLI Scheme):

The employer's contributes 0.50% of employee's monthly wages (wage ceiling of INR 15,000 p.m.) as insurance premium to the EDLI scheme every month. In addition, the employer pays 0.01% of wages for meeting expenses of administration of insurance scheme.

As per earlier rules, In case of demise of a subscriber after one year continuous service in the same organization, the nominee used to get 20 times of wages (wage ceiling of INR 15,000 p.m.) with 20% bonus on it. The maximum amount assured works out to be INR 3.60 lakhs.

In September 2015 CBT approved, it will be based on 30 times of wages (wage ceiling of INR 15,000 p.m.) and a bonus of INR 1.50 lakhs hence total INR 6 lakhs sum & removed limit of 1 Year service requirement, which got notified by Government in June 2016.

The assurance benefit to an eligible employee will now stand at a minimum of INR 2.50 lakhs and will be capped at INR 6 lakhs as illustrated above. According to the notification, such provisions will be in force for a period of two years from the date of publication of this Scheme in the Official Gazette, i.e., 15th February, 2018.

https://www.epfindia.gov.in/site_docs/PDFs/Circulars/Y2017-2018/EDLI_Amendment_GSR_Assurance_Benefits_26694.pdf

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“Mr. Kartikey Kandoi is a Fellow member of Institute of Actuaries of India and Associate member of ICAI. He is currently working in M/S. K. A. Pandit.”

Annual Membership Renewal Fee for the year 2018–19.

We would like to inform that the last date for payment of Annual Membership Fee is 30th June 2018. In case, you have not renewed your Annual Membership for 2018–19, request you to renew the same on or before 30th June 2018 else your membership will lapse.

The current membership fees are as under:

Class of Membership	Fees in Indian Rupees (INRs.)
Fellows and Affiliates	7,500+(18% GST) = 8850
Associates	2,500+(18% GST) = 2950
Students	1,500

For payment and other details, do visit our website "<http://www.actuariesindia.org>" or contact **Prajakta Bhosle** from Membership Department actsoc@actuariesindia.org.