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INDIA

Changes to India's Social Security System Anticipated in 2015 Budget

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India's Union Budget for 2015-2016 was presented in the Lok Sabha (Lower House of the Parliament) on February 28, 2015 by the Finance Minister of India, Mr. Arun Jaitley.[1] In his speech, Mr Jaitley highlighted the focus of the Indian Government on generating employment and strengthening social security measures.

Some of the key employment law related proposals outlined in the Budget include:

1. allowing employees the option to choose between making their social security contributions under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 (EPF Act) or the New Pension Scheme, a voluntary pension scheme regulated by the Pension Fund Regulatory and Development Authority;
2. making employee provident fund contributions optional for employees who fall below a certain monthly income threshold, without affecting or reducing employer contributions;
3. allowing employees the option of contributing to health insurance either under the Employees' State Insurance Act, 1948 (ESI Act) or under another health insurance product which has been recognized by India's Insurance Regulatory Development Authority;
4. increasing the existing limit for tax deductions of contributions towards pension funds and the New Pension Scheme from INR 100,000 (approx. USD 1,600) to INR 150,000 (approx. USD 2,400); and
5. increasing the level of employee transport allowance that is exempt from income tax from INR 800 (approx. USD 13) to INR 1,600 (approx. USD 26) per month.

In order for these proposals to come into effect, necessary amendments to the EPF Act, ESI Act and Income-tax Act, 1961 will need to be passed by the Indian Parliament. Based on news articles,[2] it appears that certain trade unions are likely to oppose a number of proposed amendments to the EPF Act.

[1] http://pib.nic.in/budget2015/budgetdoc/gbEngRelease.pdf

[2] http://www.livemint.com/Politics/hRt65xY5N1X2Jt8A6BdH0K/Labour-unions-to-oppose-budget-proposal-on-PF.html

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