

## EMPLOYEES' STATE INSURANCE CORPORATION AND ITS COMPLIANCE

### **I. Background**

The Employees' State Insurance Corporation (ESIC) is a body created under the Employees' State Insurance Act, 1948 to administer the ESI Scheme. The ESI Scheme provides protection to employees in the organized sector in the event of sickness, maternity, disablement or death due to employment injury. It also provides medical care to the insured employees and their families and financial assistance to compensate for the loss of employees' wages during periods of sickness, maternity, or death due to employment injury.

### **II. Applicability**

The ESI Scheme applies to all factories and establishments with 10 or more employees. Exceptions include mines or railway running sheds.

### **III. Registration and Contribution**

Every factory or establishment must register with ESIC within 15 days of applicability in the ESI Act. Employers must maintain a register in respect of every employee, and pay both the employer's contribution (3.25% of wages) and the employee's contribution (0.75% of wages). Employee's contribution will be deducted from their salary/wages. **Contribution is required to be paid for employees whose monthly wages/salary are INR 21,000 or lesser.** Employers need to pay the contribution amount within 15 days of the last day of the calendar month in which the contributions fall due. **Once registered with ESIC, the registration is for a lifetime.**

### **IV. Regular Compliance under the ESI Act**

Companies eligible to file ESIC returns must file the returns on a monthly and half-yearly basis, even if there are no employees in the company or less than 10 employees or having employees with wages more than INR. 21,000 per month. Employers must submit a monthly return of contribution and a half-yearly return of contributions paid by the employer along with copies of challan within 42 days of the closing of half year.

### **V. Consequences of Non-Adherence of ESIC Compliance**

Penalties for non-payment of contributions may include imprisonment of principal officers from 6 months to 3 years with a INR. 5,000 fine. The ESIC may also levy and recover 12% interest in case of delay and maximum 25% of damages in pursuance of the ESI Act. **Penalties for non-filing of returns may include imprisonment up to 1 year and/or a fine up to INR. 4,000.**

### **VI. How can Octagona India help?**

Octagona India assist the companies in order to file the monthly returns and half yearly returns and provide advisory related to other ESIC compliances.

#### **Disclaimer Note:**

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