



Tax Flash News



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Government announces Employment Linked Incentives based on enrolment under EPFO along with skilling programme and internship scheme

Executive summary



The Honorable Finance Minister (FM), Nirmala Sitharaman in her budget speech on 23 July 2024 announced Prime Minister's (PM) package of 5 schemes and initiatives.

Scheme A: First Timers - This scheme will provide one-month salary in 3 instalments upto INR 15,000, as registered in the EPFO.

Scheme B: Job Creation in manufacturing sector - An incentive will be provided at specified scale directly both to the employee and the employer with respect to their Provident Fund (PF) contribution in the first 4 years of employment.

Scheme C: Support to employers - The Government will reimburse an amount up to INR 3,000 per month to employers for 2 years towards their PF contribution for each additional employee.

4th Scheme: Skilling Programme and Upgradation of Industrial Training Institutes - This scheme with a total outlay of INR 60,000 crore will be based on boosting skills with a focus on outcome and quality in collaboration with states and industry.

5th Scheme: - Internship in Top Companies - This will be comprehensive internship scheme which will be implemented for the youth in top 500 companies of India.

The FM in her budget speech on 23 July 2024 announced PM package of 5 schemes¹ and initiatives. The package aims to facilitate employment, skilling and other opportunities for 4.1 crore youth over a 5 year period with a central outlay of INR 2 lakh crores.

Scheme highlights



The FM said that the government will implement 3 schemes for 'Employment Linked Incentives', as part of the PM package. These will be based on enrolment in the EPFO, and focus on recognition of first-time employees, and support to employees and employers.

Scheme A – First timers

- Applicable for first-time employment across all formal sectors with an objective to assist employers in hiring first-time employees who have a learning curve before becoming fully productive.
- All first-time employees who become members under Employees' Provident Fund earning salary less than INR 1 lakh per month are eligible

- Eligible employees will receive 1 month wages as a subsidy, subject to maximum of INR 15,000.
- This subsidy will be paid to the employees by the Government through a Direct Benefit Transfer (DBT) in 3 instalments.
- Employees must undergo a compulsory online 'financial literacy course' before claiming the second instalment.
- Minimum employment period is prescribed as 12 months. However, if the employment is terminated within 12 months, the subsidy will have to be refunded by the employer.

Scheme B - Job creation in the manufacturing sector

- This Scheme encourages substantial hiring of first-time employees in manufacturing sector and is likely to benefit 30 lakh first-time employees.
- An incentive will be provided at specified scale directly both to the employee and the employer with respect to their PF contribution in the first 4 years of employment.

¹ Press release issued by the Ministry of Labour and Employment

Source - <https://pib.gov.in/PressReleasePage.aspx?PRID=2036325> - dated 23 July 2024

Accessed on 25 July 2024

- The subsidy would have to be refunded by the employer if the employment of the first-time employee ends within 12 months of recruitment.

Scheme C - Support to employers

- This employer focused scheme will cover all additional employment within a salary of INR 1 lakh per month in all sectors.
- Under this scheme, the Government will reimburse an amount up to INR 3,000 per month to employers for 2 years towards their PF contribution for each additional employee.

4th Scheme - Skilling Programme and Upgradation of Industrial Training Institutes

- This scheme, with an outlay of INR 60,000 crore, aims to enhance the skills of 20 lakh youth over the next five years in collaboration with state governments and the industry.
- 1,000 Industrial Training Institutes (ITIs) will be upgraded with a Hub and spoke arrangements with outcome orientation
- The focus is on outcome and quality of skilling, with course content and design aligned to the needs of the industry.

5th Scheme - Internship in Top Companies

- The internship scheme, as announced by FM, will provide 1 crore young people with internship opportunities in 500 top companies in the country.
- According to the scheme, the youths will get INR 5000 as monthly allowance and INR 6000 as one-time assistance.
- Only those aged between 21 and 24 who are not employed or engaged in full-time education will be eligible to apply for the internship scheme.
- The proposal says that the companies will bear the cost of training the youth, and 10 percent of their internship costs from their corporate social responsibility (CSR) funds.

Our comments

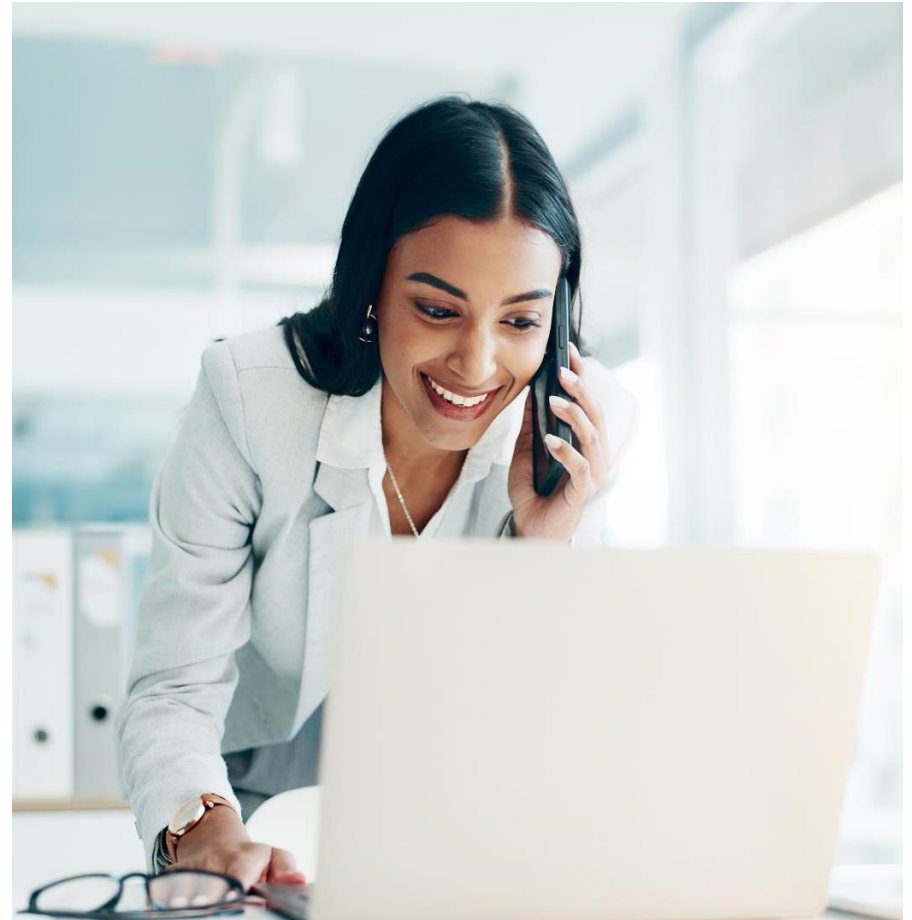


Various measures announced by the Finance Minister predominantly aim to enhance enrolment under EPFO and focus on providing support for first-time employees. This would overall help the economy in creating employment, develop ITIs and have a skilled workforce which will integrate more individuals into the formal economy.

Besides providing employment skilling, these schemes are focused to offer financial assistance to employers and employees.

It seems to be a welcome step towards job creation and lays a strong foundation for the future workforce.

More details like mechanism of transfer of subsidy benefit and other guidelines are expected to come from the Government/ regulators.



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