CHAPTER 08 · COMPLIANCE MANUAL · 2024 EDITION

# Employee State Insurance (ESI)

*This chapter is an extract from **The RST Compliance Manual**, a regulator-mapped reference for Indian business entities curated by the partners of R S T & Co.*

Employees' State Insurance Corporation is a statutory body under the ownership of Ministry of Labour and Employment, Government of India.

The fund is managed by the Employees' State Insurance Corporation according to rules and regulations stipulated in the ESI Act, 1948.

## 8.1 Applicability

Non-seasonal factories using power employing 10 or more employees.

Non-seasonal and non-power using establishments and factories employing 20 or more employees (Not applicable to Nagaland, Manipur, Tripura, Sikkim, Arunachal Pradesh and Mizoram).

## 8.2 Compliances

### 8.2.1 Due date of payment

**15th** of the following month

### 8.2.2 Due date of Filing

| Form | Period | Due Dates |
|---|---|---|
| ECR | Monthly | 15th of next month *(along with paid challan)* |

### 8.2.3 Contribution chart

| Contribution Rate | Contributor |
|---|---|
| 0.75% of Wages | Employee |
| 3.25% of Wages | Employer |

**Note:** Employees in receipt of a daily average wage upto Rs.70 are exempted from payment of contribution. However, Employers will contribute their own share in respect of these employees.

The Term ‘**Wages**’ includes Basic, All allowances, Overtime allowance, Annual Bonus, Incentive Bonus, Inam/Ex-Gratia payment, Wages paid during Lay-off, Commission, Interim Relief, Amount paid to Hamals/ Coolies employed at a particular time, Regular Honorarium or salary or remuneration paid to Director.

**Wage Ceiling limit**: ESI contribution need not be deducted from employees earning more than Rs. 21,000 p.m. (w.e.f. 1st Jan 2017). However, the limit for Employee with ‘disability’ is Rs. **25,000** p.m.

### 8.2.4 Maintenance of Records

In addition to Muster Roll and Wage record, Employee Register (Form 6), Accident Register (Form 11) and Inspection book to be maintained.

### 8.2.5 Consequences of default

**False Statement:** Imprisonment up to six months or Penalty up to Rs. 2000 or with both.

**Failure to contribute:** Imprisonment up to 3 years or a penalty up to Rs. 4000 or both.

**Delay in payment:** An interest at the rate of 12%p.a. will be levied on the ESI payable. In case of non-payment, Corporation may levy and recover damages at following rates –

| Period of delay | Rate of damages p.a. |
|---|---|
| Less than 2 months | 5% |
| 2-4 months | 10% |
| 4-6 months | 15% |
| 6 months and above | 25% |

**NOTES**

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***End of Chapter.*** *For the complete Compliance Manual, additional chapters, or a tailored briefing for your finance and compliance teams, contact **info@rstandco.co.in**.*