



## Tax alert: Enhancement of Labour Welfare Fund employer's contribution in West Bengal

**24 December 2024**

The Government of West Bengal, on 2 December 2024, increased the Labour Welfare Fund ('LWF') employer's contribution rates, with retrospective effect from 1 January 2024.

### In a nutshell



The Notification has increased the employer's contribution to INR 30 (from erstwhile INR 15) per half year, while the employee's contribution remains unchanged at INR 3 per half year.



The gazette notification in respect of contribution has been notified retrospectively with effect from 1 January 2024.



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### Background and applicability:

- The West Bengal Labour Welfare Fund Act, 1974 (the Act) facilitates various welfare initiatives for workers and their families, including but not restricted to offering holiday homes at subsidized rates, establishing reading rooms and libraries, organizing sports and cultural events, and providing recreational facilities, etc.
- The Act applies to factories<sup>1</sup> and, motor transport or tramway undertakings with one or more employees, and any commercial establishments<sup>2</sup>, employing ten or more employees.
- Any employee employed in a managerial capacity or employed in a supervisory capacity with wages exceeding Rs. 1,600 per month working in the above establishments is not covered under the Act.

### Update:

- As per Section 9 of the Act, establishments are required to deposit employees' contribution and employer's contribution for each employee whose name stands on the register of establishment as on half-year ending 30 June and 31 December of each year.
- The employer is required to deposit such contributions electronically before 15 July and 15 January of every year.
- The former rates and the revised rates per half year as mentioned below –

Particulars	Earlier contribution rates <sup>3</sup>	Enhanced contribution rates
Employer's Contribution	15	30
Employee's Contribution (unchanged)	3	3
Total Contribution (per employee per six months)	18	33

- The above change is effective retrospectively from 1<sup>st</sup> January 2024.

### Our comments:

- Given that the previous contribution rates were last revised in 2018, the increase in the employer's contribution was expected.
- Compliance and Payroll teams should ensure the above changes are implemented timely to avoid any interest implications.
- As the notification has proposed a retrospective change, effective January 1, 2024, it poses a challenge for employers who have already contributed for the half-year ending June 30, 2024.

<sup>1</sup> Registered under the Factories Act, 1948

<sup>2</sup> Registered under the West Bengal Shops and Establishments Act, 1963

<sup>3</sup> As per Notice dated 12 October 2018

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