

Client Alert

Economic relief package announced on March 26, 2020

The COVID-19 pandemic and the consequent lockdown has put tremendous stress on society and businesses. In order to address the economic consequences of the COVID-19 pandemic, the government has set up a task force to analyse issues and prepare relief packages that will help in softening the financial impact of the pandemic. Several such packages have already been announced, and more are in the pipeline. Chadha & Co. will continue to send our Client Alerts to keep you informed and updated with our analysis of the same.

After the declaration of a 21 days' nationwide lockdown, on March 26, 2020, the Finance Minister Nirmala Sitharaman unveiled an economic relief package of INR 1.70 lakh¹ crore² (around USD 22 bn), to deal with the impact of the COVID-19 pandemic on some sections of society. This economic relief package shall come into force immediately.

The package provides an immediate relief to poor, unorganized, migrant and daily wage workers, and also offers a relaxation to the organized sector.

Some highlights of this economic relief package are as follow:

(a) **Provident Fund ('PF')**

- (i) The Government of India shall remit the PF contributions for both the employer and the employee as per Section 6 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, i.e. 24% share: 12% on behalf of the employer and 12% on behalf of the employees, including the administration charges, for the next three (3) months.

Condition:

Applicable to establishments employing up to one hundred (100) employees and wherein ninety per cent (90%) of the total employees have been drawing wages less than INR 15,000.

- (ii) The Employees' Provident Funds Scheme, 1952 (the "**Scheme**") will be amended to allow withdrawal of seventy five per cent (75%) out of their PF balance maintained, or three (3) months of the wages, whichever is lower. This withdrawal will be a non-refundable advance.

The above withdrawal benefit appears to have been given by the government in light of the section 68HH of the Scheme, wherein a member was entitled to withdraw non-refundable advance up to seventy five

¹ 1 lakh = 100,000

² 1 crore = 10,000,000

percent (75%) of the amount standing to his credit in the PF fund in case of continuous unemployment for a period of not less than one (1) month, subject to making an application for permission from the PF Commissioner concerned.

(b) **The Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 ('BOCW Act')**

- (i) Central government has given orders to state governments to utilize the Building and Other Construction Workers Welfare Fund (the "**Fund**") created under the BOCW Act to provide assistance and support to registered workers (which are around 3.5 crore in number) and protect them against economic disruptions due to COVID-19.

Every building worker who is between the ages of eighteen (18) and sixty (60), and who has been engaged in any building or other construction work for not less than ninety (90) days during the last twelve (12) months, is eligible for registration as a beneficiary of the Fund. Further, a building worker who has been registered as a beneficiary under the BOCW Act is required to contribute to the Fund at such rate per month as may be specified by the state government, and different rates of contribution may be specified for different classes of building workers.

(c) **Insurance scheme for health workers**

- (i) All paramedics, nurses, technicians, doctors, specialists and other healthcare workers ('**Healthcare Professional**') would be covered under a special insurance scheme. While treating COVID-19 patients, if any Healthcare Professional meets with an accident, they would be compensated with an amount of INR 50,00,000 (Indian Rupees Fifty Lakhs only) under the said scheme.
- (ii) All government health centres, wellness centres and hospitals run by the central government as well as state governments would be covered under the aforesaid scheme, and approximately 22 lakh healthcare workers would be provided insurance cover to fight COVID-19.

(d) **Other benefits**

- (i) Government to pay the first installment of INR 2,000 (Indian Rupees Two Thousand only) due in 2020-21 to the farmers in the first week of April under the existing *Pradhan Mantri Kisan Yojana*.
- (ii) State governments will be asked to utilise the funds available under the District Mineral Fund for supplementing and augmenting the facilities of medical testing, screening and other requirements in connection with preventing the spread of COVID-19 as well as treating patients infected by the SARS-CoV-2 virus.
- (iii) Senior citizens, persons with disabilities and widows will get a one-time additional amount of INR 1,000 in two (2) instalments, to be given through direct bank transfer over a period

of three (3) months.

- (iv) Government will give gas cylinders free of cost to 8 crore poor families for the next three (3) months.
- (v) Women *Jan Dhan* account holders will get INR 500 for the next three (3) months.

The Finance Minister, while addressing the press conference on March 26, 2020 to declare the aforesaid economic relief package, clarified that the above measures are aimed at helping the poorest of poor under the *Pradhan Mantri Garib Kalyan Yojana* so that they do not starve for food or necessities during the COVID-19 pandemic. She added that the government is considering welfare schemes for other sectors/SMEs, MSMEs etc. as well, and announcements in this regard would be made in the days ahead.

About Chadha & Co.

Chadha & Co. is a leading corporate and commercial law firm based in New Delhi, India. The Firm has a specialized inbound practice in advising domestic and foreign corporations doing business in India on all Indian laws and regulations that are relevant to their business.

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