

The Ministry of Labour, Employment & Social Security (MoLESS) has issued a press release clarifying the following concerns raised in the media by the stakeholders relating to the Social Security Fund (SSF) and requested the media, workers, employees, employers and other stakeholders to extend support for its successful implementation.

1. Doubts regarding deduction in the basic facilities received by the employee due to registration under SSF

The Ministry has stated that basic facilities to be received by the employees have been ensured through various provisions of Labour Act and Rules. As Section 3 of Labour Act 2074 ensures minimum wage of every employee, the contribution to SSF does not have any negative impact on it. Similarly, section 178(3) of the Labour Act has stated clearly that in case any employee is receiving more facilities mentioned than in the Social Security Act, same shall not be affected through its implementation. Labour Rule 23 also ensures refund of excess gratuity contribution made by employer to employees, if any.

2. Comparison of SSF and other similar funds

The MoLESS has requested not to compare SSF with other similar funds which were established to encourage saving of employees and develop capital market in the country, as the former has been conceptualized with a totally different objective. It has further stated there is no risk of the contributions of the employees being misused as separate funds for different schemes and its specific usage are established under the provision of SSF. Further, the Ministry appears to be ready to improve/amend the ambiguous provisions to make the SSF friendlier and more beneficial towards its contributors.

3. Concerns regarding double taxation

It has been reported that the contributions made to the SSF and the deduction at the time of withdrawal from the fund are both taxed resulting in double taxation, first at the highest slab as the additional contributions are included in the taxable income and later at the rate of 5% on retirement payments but contrary to the increment, the deductions currently available for retirement contributions are not sufficient to cover the additional contributions. The Ministry has assured that discussions with the relevant government agencies are ongoing and will be addressed as appropriate through amendments in the relevant laws.

4. Concerns regarding deposited amount receivable only after completion of 60 years

It has been stated that the average life of Nepalese is 71 years, and age up to 60 years has been considered as active age. The Ministry has stated that SSF has been established to provide support during the inactive phase of the life i.e., after 60 years therefore, permitting the use of the funds contributed to SSF during active phase goes against the fundamental principle of SSF. In case of any health issues, same are addressed through different SSF Schemes during the contribution period.

5. Concerns regarding provision of loan

It has been clarified that SSF had not been established to provide loan facility to address the financial needs of employee, however SSF, based on the concerns raised, is in the process of developing directives on loan facilities and investment schemes which will be updated soon after obtaining approval from GON.

Furthermore, the SSF has also notified that the Social Security Act 2017 will be reviewed and amendments, as appropriate, will be incorporated for its full operation.

PKF Nepal's Comments

The inability of the GoN to fully operationalize SSF is a result of its failure to discuss with stakeholders including the other GoN operated funds prior to the enactment of the Social Security Act 2017. It is expected that the amendment will be incorporated through proper discussion/consultation with the stakeholders so that the SSF is made friendlier and more beneficial towards its contributors at the same time fulfilling the objective of the GoN to provide social security to all its citizens.

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