



# TAX FLASH NEWS

## KPMG in India releases report on employee pensions in India at FICCI's conference on pension sector

### Background

KPMG in India, in association with the Federation of Indian Chambers of Commerce and Industry (FICCI), published a white paper titled, 'Employee pensions in India – current practices, challenges and prospects.' The report was released at the 'Conference on Pensions Sector in India', organised by FICCI, on 9 December, 2015.

KPMG in India conducted an 'Employer pension plans survey 2015', seeking inputs from the industry on the current practices for arranging pensions for their employees. Responses were received from 45 companies, with representation across diverse sectors.

### Key findings of the survey

- A system of automatic enrolment of employees under the EPF (Employees' Provident Fund) regime, irrespective of their salary, is largely prevalent.
- Nearly 73 per cent of the respondents confirmed that employees in their organisations exercise the option of contribution to VPF.
- Around 91 per cent of the surveyed companies are contributing PF on full basic salary.
- Only 40 per cent respondents organise awareness sessions/workshops for imparting information on retirement planning.
- Nearly 44 per cent of the respondents felt that more can be done to provide for their employees' retirement planning.
- Only 36 per cent of the respondents have set-up a Superannuation Fund (SAF) for their employees.

- Only 22 per cent of the respondent companies have registered for the National Pension System (NPS).
- Tax benefits for employees was seen as the primary motivator for NPS registration by 52 per cent of the respondents; while 44 per cent mentioned employee empowerment as the primary motivator and four per cent deemed being at par with the industry peers as the primary motivator.
- There was unanimity among the respondents on the importance of tax benefits for voluntary contributions to PF, NPS and SAF.

### Our comments

An increasing life expectancy combined with weakening of the joint family system makes it imperative for India to build a wide-ranging pension system to avoid old-age poverty and social tension. To achieve this, all the key stakeholders such as the government, employers and employees need to engage in proactive discussions to build such a system that encourages sufficient lifetime pension contributions to help ensure a reasonable standard of living after retirement.

In order to accumulate adequate pension savings, it is important for employers to provide their employees with the appropriate pension plans and also empower them with relevant information and guidance. The employees also need to avail of pension planning options to build a sufficient retirement corpus.

To download the report, please visit:

<http://www.kpmg.com/IN/en/IssuesAndInsights/ArticlesPublications/Pages/Employee-pensions-in-India.aspx>

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