



50 QUERIES ANSWERED:

SOCIAL SECURITY FUND

PARTICIPATION IN SSF

1. Is participation in SSF mandatory?

- » Yes, participation in SSF is a mandatory statutory requirement under Social Security Act 2017(2074). All business enterprises are required to enlist themselves and their employees with SSF. However, independent consultants are not required to be enlisted in the SSF.

2. What is the timeline to enlist the employee in case of fresh hire?

- » The employer should enlist such new employee within 3 months from the date of hiring.

3. Are small businesses, with a headcount of employee below 10, required to participate in SSF?

- » Yes. Any business enterprises, irrespective of the headcount of employees should participate in SSF. SSF does not provide any exemption on the basis of headcount.

4. Which are the entities exempted from participation in SSF?

- » Certain sectors such as (a) security agencies like Nepal Army, Nepal Police, Armed Police Force, and (b) civil service among other are exempted for SSF.

5. How are employees working in outsource companies enlisted?

- » The employees working in an outsourcing company are deemed as employee of such employer even if they may be placed in host organization receiving services of such outsource companies. The outsourcing company being a principal employer have the obligation to enlist their employees with SSF.

ENLISTMENT IN SSF

6. What is the process of enlistment of entities and employees at SSF?

- » Enlistment with SSF is done by way of online registration system through SOSYS at www.ssf.gov.np. The SSF has also published user guideline on its website for the purpose of facilitating registration process in SSF. The guideline is available in: <https://ssf.gov.np/uploads/content/1542636187.pdf> and <https://ssf.gov.np/uploads/content/1566211394.pdf>.

7. What is the due date for enlistment of employer and employees in SSF?

- » The transition period for enlistment with SSF has already expired. Currently, the process of enlistment of employers and employees is ongoing in SSF.

8. Labor Act 2017 has provided flexibility in hiring various types of employees such as part-time employees, work-based employees, and time-bound employees. Whether such employees are required to be enlisted in SSF?

- » Yes, participation is compulsory for all categories of employees prescribed under Labor Act 2017. There is no exclusion for any category of employees to participate in SSF.

9. Should foreign nationals participate in SSF?

- » There is no distinction on participation of foreign national in SSF. Thus, foreign nationals are eligible to participate in SSF.

10. When should be the newly hired employees be enlisted at SSF?

- » The entity hiring any new employee should enlist them within three months from the date of having employment relationship with such employee.

11. What is the consequence of non-enlistment? Who will be held liable for non-enlistment?

- » The obligation to enlist itself and its employee lies on employer. Therefore, in the event of default, the employer will be held liable. In this context, SSF may require such employer to (a) immediately enlist with SSF along with employee, (b) deposit contribution along with 10% interest or (c) pay the benefits to the outgoing employee of such amount that the employee would be eligible had he/she been enrolled with SSF.

12. The participation in SSF is linked with social security number. How do I obtain the social security number?

- » SSF provides a unique social security number to each employee upon enlistment along with the social security card. The various benefits and entitlement from the SSF are identified based on such social security number. The social security number along with the social security card can be obtained from your employer.

CONTRIBUTION IN SSF

13. What is the frequency period of contribution at SSF?

- » The contribution to SSF must be done on a monthly basis within fifteen (15) days from the end of previous month.

14. Who should deposit the contribution to SSF?

- » It is the obligation of employer to deposit the contribution to SSF. The employee doesn't have to undertake any administrative step for depositing the contribution in SSF.

15. What is the rate of contribution in SSF?

- » The rate of contribution to SSF is as below:

For	Contribution Heading	Contribution Rate (of basic remuneration)
Employee	Provident Fund	10%
	Social Security Tax	1%
	Total	11%
Employer	Provident Fund	10%
	Gratuity	8.33%
	Additional contribution	1.67%
	Total	20%
Total monthly contribution at SSF		31%

The total 31% of contributory amount is deducted at source by employer while disbursement of remuneration to employee.

16. What is the method of calculation of contribution amount if an employee has been receiving minimum remuneration of NPR 15000 per month (basic remuneration: 9385 and allowance: 5615)?

- » If the remuneration of an employee is NPR 15,000/- per month with the segregation of NPR 9385/- as basic remuneration and NPR 5615/- as allowance, the contribution of such employee in SSF shall be calculated in the following manner:

For	Contribution	Amount (NPR)
Employee	Provident Fund (10% of NPR 9385/-)	938.5/-
	Social Security Tax (1% of NPR 9385/-)	93.85/-
Total contribution from employee (11%)		1032.35/-
Employer	Provident Fund (10% of NPR 9385/-)	938.5/-
	Gratuity (8.33% of NPR 9385/-)	781.77/-
	Additional Contribution (1.67% of NPR 9385/-)	156.72/-
Total contribution from employer (20%)		1876.99/-
Total contribution at SSF		2909.34/-

The total 11% of contributory amount (i.e. 1032.35/-) is deducted at source by employer while making payment of salary to the employee.

17. What is the consequence of non-deposition of contribution amount to SSF?

- » SSF can recover the contribution from the employer for failure of deposition with 10% interest within the 15 days from end of each month., In case the employer has misappropriated the amount to be deposited in SSF (for example deducting from the monthly salary but failing to deposit with SSF), the employer is subject to fine up to the amount involved (or Rs.100,000 if the amount cannot be determined) or imprisonment up to 1 (one) year or both.

SCHEMES UNDER SSF

18. What are the benefits available to the employees after contribution in SSF?

- » The employees are eligible to receive various benefits available under the following schemes after the contribution in SSF:
 - a) Medical Treatment, Health and Maternity Protection Scheme ("Medical Scheme");
 - b) Accident and Disability Protection Scheme ("Accident Scheme");
 - c) Dependent Family Protection Scheme ("Dependent Scheme");
 - d) Old Age Protection Scheme ("Old Age Scheme").

19. If an employer has been providing additional benefits including additional insurance benefits to the employees as compared to the scheme of SSF, can the employees still be entitled to such additional benefits provided by the employer?

- » In case the employer has been providing any benefits in addition to the ones prescribed by SSF, the employees shall not be curtailed from obtaining such additional benefits provided by the employer. Further, the SSF has not restricted employees from receiving any other additional health benefits from any other insurance policies. Thus, insurance mechanism of Labor Act can exist in parallel to SSF insurance policy. However, an employee is restricted from obtaining dual benefits from SSF, if he/she has already received benefits from any other insurance policies for the same bill.

20. Since an employee is entitled to several benefits under the different schemes of SSF, will such entitlement exist post retirement of employees?

- » The benefits under several schemes of SSF can be obtained (a) during employment, (b) post retirement and (c) after the death of respective employee.

The benefits under medical scheme and accident scheme can be obtained only during the period of contribution. However, there is an exception in the case of occupational disease. An employee is entitled to receive benefits until 2 years from the date of last contribution being made in SSF in case of occupational disease.

The benefits under dependent scheme can be obtained after the death of respective employee. The benefit under old age scheme is provided upon the retirement of employees.

MEDICAL SCHEME

21. What are the benefits available under Medical Schemes?

- » The Medical Scheme covers (a) medical treatment expenses and (b) maternity expenses. In case of medical treatment expenses, SSF shall cover treatment cost incurred with or without being admitted to hospital. In case of maternity expenses, all expenses incurred by female contributor or spouse of male contributor during pregnancy such as pregnancy test expenses, treatment expenses incurred during surgency and postnatal period along with treatment expenses of child below age of three months shall be covered by SSF.

22. When is the employee entitled to receive the benefits under the medical schemes?

- » The employees who have contributed in the SSF for a period of consecutive 3 (three) months are entitled to the benefits under the medical Scheme.

23. Under what circumstances can the employees claim the cost incurred for treatment at hospital? What is the total amount that can be claimed by the employees?

- » Employee can claim up to Rs. 80,000 out of Rs. 1 lakh per annum for hospitalized treatment (IPD Service) and Rs. 20,000 out of Rs. 25,000 for non-hospitalized treatment (OPD Service). Further, employee can claim expenses for both benefits (a) hospitalized treatment, and (b) treatment without being hospitalized, not exceeding Rs. 1 lakh per annum.

ACCIDENT SCHEMES

24. When do I become eligible for the accidental scheme benefit?

- » The benefits under the accidental schemes are applicable from the date of contribution at SSF. These benefits are limited to the extent of contribution made at SSF.

25. What are the entitlements in case of accidents under accident schemes? Are accidents other than employment related accidents covered by SSF?

- » The entitlements under accident schemes are (a) coverage of 100% treatment expenses carried out at prescribed hospitals and (b) coverage of NPR. 7,00,000 (Seven Lakh) expenses carried out at other hospitals in case of employment related accident. Further,

coverage of NPR. 7,00,000 (Seven Lakh) in case of the accident other than employment related accident is provided under accident scheme.

The list of prescribed hospital is provided in : <https://ssf.gov.np/uploads/Pages/1616560957.pdf>

26. Does accident during commute falls under employment related accident?

- » Any accident occurred during the course of employment which includes commute to and from work falls under the category of employment related accident. Thus, in case of an accident during commute, the employee is entitled to the benefits as described in No. 25 above.

27. How should the employee notify the SSF about accidents?

- » The employer, the employee, or his/her family member should notify the SSF within seven days. The notification can be provided either through (a) phone number, (b) email or (c) any other means prescribed by SSF. The social security number is required to be disclosed during such notification.

28. What are the benefits available to an employee if he/she becomes permanently disabled?

- » In case of permanent disability, the employee will be provided with life-time pension at the rate of 60 percent of the last drawn basic remuneration of the employee.

DEPENDENT SCHEMES

29. What is the meaning of dependent family as provided in the dependent scheme?

- » Dependent family means the following immediate living member of employee and those who have to be taken care by the employee including (a) spouse of the employee, (b) Son, Daughter-in-law or Daughter, (c) Father, Mother, Mother-in-law or Father-in-law; and (d) Grandchildren.

30. If an employee dies prior to the age of receiving any pension benefits, what are the entitlements of the dependent family under dependent scheme?

- » If the employee dies prior to the age of receiving any pension benefits, the dependent family shall be entitled to following benefits under dependent scheme:

- a) lifetime monthly pension at the rate of 60% of the last drawn basic remuneration to the spouse (as long as s/he doesn't remarry or has an alternative job);
- b) in case the employee is unmarried, the parents of the same household shall be eligible to receive pension as described in (a) above.
- c) scholarship benefit at the rate of 40% of the last drawn basic remuneration of the employee for two children (below the age of 18 years) which shall be divided proportionately.
- d) funeral expenses of a lumpsum twenty-five thousand rupees.

OLD AGE SCHEME

31. What is Old Age Scheme?

- » Old Age scheme is one of the major schemes operated by SSF where major portion (28.33%) of contribution is allocated for its implementation. Under the old age scheme, SSF operates (a) pension and (b) retirement as two different sub-schemes.

32. Is the Old Age Scheme under SSF optional? Can employees opt not to participate in the scheme?

- » No, once an employee is enlisted and starts contribution on SSF, the employee by default comes within the scope of old age scheme., It is a mandatory scheme under the SSF and the employees do not have the option to not participate in it.

33. What is the legal age for retirement?

- » The legal age for retirement is 58 years as provided by the Labor Act. However, the Social Security Act states 60 years as the age of receiving pension benefits. Thus, the employees shall be entitled to the benefits under the SSF only at the age of 60 even though the employees may retire at the 58 years as per the Labor Act. It is likely that the retirement age under the Labor Act will be made consistent with retirement age of 60 under the Social Security Act.

34. How is the amount of pension receivable from SSF calculated?

- » The calculation of pension is as follows: the sum of (a) amount deposited under the pension scheme at SSF by the concerned employee and (b) the return of the investment made by SSF is divided by 160 (One Hundred Sixty) which can be represented numerically as –

$$\left\{ \frac{\text{total deposited pension amount} + \text{the return of the investment}}{160} \right\}$$

35. When can employee receives the pension amount?

- » An employee is entitlement to receive pension after completing the age of 60 years and after contribution for a period of 180 months.

36. What happens to contribution amount if the employee attains the age of sixty (60) years before contributing at SSF for 180 (one hundred eighty) months?

- » If the employee reaches 60 years prior to 180 months of contribution, the employee has two options; (a) receive sum of the amount deposited under the pension scheme at SSF by the concerned employee and the return of the investment of such amount as made by SSF on lump sum basis or (b) receive monthly pension for lifetime.

37. How is the amount of retirement receivable from SSF calculated?

- » The retirement amount is calculated by adding (a) amount deposited in SSF and (b) Return on Investment.

38. When can an employee withdraw retirement amount?

- » The employee at the time of retirement or in case of termination of his/her employment is eligible to withdraw the retirement amount.

39. How is “return on investment” defined?

- » Apart from the amount deposited in SSF, this is the additional benefits that any contributor is getting under this scheme. If the interest rate has been determined by the SSF while operating the scheme, return shall be provided in the same rate. Furthermore, there shall be no restriction to provide additional return to the contributor on the basis of the profit earned by the SSF.

40. What is the benefit of contribution in SSF prior to July 16, 2021 (2078/04/01)?

- » Any employee who starts contribution in the SSF from July 16, 2021 (2078/04/01) shall by default come under the pension scheme. They cannot participate in the retirement scheme. The employees contributing in SSF prior to July, 2021 (end of the month of Asadh 2078) have choice to participate in pension scheme by providing written notification to SSF. In case they do not choose to participate in pension scheme, their contribution amounts will remain under the retirement scheme.

41. If an employee is enrolled in the SSF before July 16, 2021 (2078/04/01), but switches jobs later, will the employee still remain in Retirement Scheme?

- » In case the employee has contributed in SSF prior to July 16, 2021 (2078/04/01) but switches job later, the employee can still opt to remain in retirement scheme if he/she does not close her SSF account.

If the employee withdraws all the amount and closes the SSF account, he/she may be likely to fall under pension scheme in relation to his/her employment.

LOAN

42. What are the loans an employee can avail from SSF? What is the total amount of loan an employee can receive from SSF?

- » Employees can avail (a) home loan, (b) education loan, (c) social function loan and (d) special contribution loan from SSF. SSF has as well prescribed a maximum limit of the loan an employee may obtain from SSF. The loan amount for all loans except special contributor loan shall be (a) salary of 15 years, or (b) the salary for period up to when the contributor is 60 years old, or (c) 1 crore rupees, whichever is less. The SSF is yet to clarify the scope of special contributor loan.

43. What is the interest rate applicable in the loan provided by SSF?

- » The interest rate of loan provided by SSF has not been prescribed as of now. The FAQ published by SSF provides that the loan shall be provided with an interest rate which shall not be less than the current market's interest rate.

44. If an employee has been contributing in CIT/PF since 2-3 years and have now transferred to SSF, does the employee need to wait for 3 more years of contribution in SSF for obtaining loan?

- » Yes, any employee intending to avail loan from SSF must contribute in SSF for three years. The requirement of three years of contribution may be waived if the loan is swapped from other funds.

TAX

45. What is the tax benefit if an employee contributes in SSF?

- » An employee who is a participant of SSF is eligible to reduce from his taxable income the amount of contribution made to approved

retirement funds. However, the amount of contribution shall not exceed Rs. 500,000 or one-third of his assessable income from employment, whichever is less.

46. What are applicable taxes for SSF?

- » The payments made under Medical, Health and Maternity Scheme, Accident and Disability Scheme, Dependent Family Security Scheme are not subject to taxation at the time of disbursement.

The payment made under Old Age Scheme is subject to taxation at the rate of 5% at the time of disbursement.

OTHERS

47. What happens to the social security amount and social security number in case of change in employment?

- » The previous employer is required to notify the SSF regarding the termination or expiry of the employment within one (1) month from the date of such termination or expiry.

However, the Social Security Number of such employee shall remain the same.

48. How is the accumulated provident fund and gratuity treated after an employee participates in SSF?

- » The employer has three options regarding the accumulated provident fund and gratuity:
 - (a) transfer of such amount to SSF, or
 - (b) payout of such amount to respective employees, or
 - (c) continue to maintain the accumulated amount as it is where it has been deposited.

49. Does an employee need to continue with the retirement funds such as CIT and EPF even after contributing in SSF?

- » No, there is no mandatory requirement to continue participation in CIT and/or EPF. However, employees may, on voluntary basis, participate in CIT and EPF after enrollment with SSF.

50. What happens to the SSF amount/account if an employee shifts abroad?

- » The employee will be able to withdraw amount from Retirement Scheme. The remaining amount from SSF account cannot be withdrawn due to shift to another country. Such employee can withdraw in case of a change in nationality of the employee. In other cases, same rule of entitlement under the SSF account will apply.