

## ERGO

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### SOCIAL SECURITY FOR MOTOR TRANSPORT WORKERS: GOVERNOR GRANTS ASSENT TO KARNATAKA ACT

15 March 2024

#### **Background**

On 7 March 2024, the Government of Karnataka notified the Karnataka Motor Transport and Other Allied Workers' Social Security and Welfare Act, 2024 (Act) in the state gazette, pursuant to the Governor's assent to the same on 6 March 2024. The Act aims to provide social security and other welfare benefits to motor transport and other allied workers, and the same will be effective from the date to be notified by the state government. In this update, we discuss the key provisions legislated in the Act from an employment law perspective.

#### **Key Concepts**

The Act revolves around the following important concepts:

➤ **Motor transport and other allied workers:**

The term 'motor transport and other allied workers' is defined to mean individuals employed in motor transport undertakings or in departments involved with loading and unloading of motor vehicles or individuals associated with private transport vehicles such as its drivers, conductors, cleaners, and supervisors etc. However, Act is not applicable to workers classified under the Factories Act, 1948, government employees and those working in managerial or supervisory roles.

➤ **Motor transport undertaking:**

The term 'motor transport undertaking' is defined to have the same meaning as ascribed to it under the Motor Transport Workers Act, 1961 i.e., an undertaking including private carriers involved in providing transportation services in respect of both passengers and goods, in return for consideration or remuneration.

#### **Key Provisions**

Some of the notable provisions of the Act are discussed below:

➤ **Constitution of Board:**

The Act aims at establishing a welfare board (Board) responsible for overseeing the measures prescribed under the Act including creation of fund, maintenance of bank accounts for receiving collection and further to administer the collections and re-appropriation of funds received, to finance social security benefits prescribed under the Act. In addition to the ex-officio members, the Board will be composed of equal number of government-nominated representatives for employers and employees.

➤ **Registration of motor transport and other allied workers:**

The Act requires every motor transport and other allied worker to register themselves with the registering officer on the digital portal created in this regard. Workers would be eligible to contribute to various schemes prescribed under the Act only after such registration. Further, the state government will notify a claims authority to whom the workers can submit their claims for availing such prescribed social security benefits.

➤ **Collection of cesses:**

The state government shall levy, assess, and collect cess from establishments engaged in the business of motor transport undertaking in the prescribed manner. Further, the manner of calculation of cess can differ for different classes of motor vehicles.

In this regard, the state government has enacted and brought into force, effective from 7 March 2024, the Karnataka Motor Vehicles Taxation (Amendment) Act, 2024, as per which, in addition to the cess already collected from registered motor vehicles, an additional 3% cess shall be collected for the purpose of the Motor Transport Workers and Other Allied Workers Social Security Fund (explained further below).

➤ **Motor Transport Workers and Other Allied Workers Social Security Fund:**

The Act requires Board to establish a fund to hold the sums collected through levy of cess, surcharge, and taxation, and the sums received from other sources, including grants from the central / state government and amounts received on account of corporate social responsibility. The fund aims to provide workers with benefits in the event of accident and disability, educational assistance for their children, maternity benefits, and reimbursements such as costs required from registering with Karnataka government programs such as Ayushman Bharat Arogya Scheme and scheme for receiving pension etc. Additionally, the fund can also be used by Board to meet other administrative expenses.

➤ **Redressal:**

The state government will, by notification, designate an appellate body. Such appellate body will look into appeals filed against orders of various authorities under the Act by an aggrieved person in respect of grievances related to non-registration of beneficiaries or rejection of claims or any other grievances regarding claims.

**Comment**

*According to early media reports, the state government had intended to create social and welfare programs for the workers in the unorganized sector of motor transport industries. However, it appears that the Act provides coverage to those working in the organized sector who may otherwise also be entitled to the benefits envisaged under the Act such as pension under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, and maternity benefit under the Maternity Benefit Act, 1961. It remains to be seen whether the state government would extend the benefits available under the Act to, for instance, gig workers associated with the sector. Further, although the Act indicates towards collection of cess being linked to each transaction, the larger framework for calculation and collection of cess is awaited.*

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