

# THE CODE ON WAGES, 2019

(No. 29 of 2019, dt. 8-8-2019]

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The following Act of Parliament received the assent of the President on the 8th August, 2019, and is hereby published for general information:—

An Act to amend and consolidate the laws relating to wages and bonus and matters connected therewith or incidental thereto.

BE it enacted by Parliament in the Seventieth Year of the Republic of India as follows:—

## CHAPTER I PRELIMINARY

### <sup>1</sup>1. Short title, extent and commencement

(1) This Act may be called the Code on Wages, 2019.

(2) It extends to the whole of India.

(3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette appoint; and different dates may be appointed for different provisions of this Code and any reference in any such provision to the commencement of this Code shall be construed as a reference to the coming into force of that provision.

### <sup>1</sup>2. Definitions

In this Code, unless the context otherwise requires,—

- (a) “accounting year” means the year commencing on the 1st day of April;
- (b) “Advisory Board” means the Central Advisory Board or, as the case may be, the State Advisory Board, constituted under section 42;
- (c) “agricultural income-tax law” means any law for the time being in force relating to the levy of tax on agricultural income;
- (d) “appropriate Government” means,—
  - (i) in relation to, an establishment carried on by or under the authority of the Central Government or the establishment of railways, mines, oil field, major ports, air transport service, telecommunication, banking and insurance company or a corporation or other authority established by a Central Act or a central public sector undertaking or subsidiary companies set up by central public sector undertakings or autonomous bodies owned or controlled by the Central Government, including establishment of contractors for the purposes of such establishment, corporation or other authority, central public sector undertakings, subsidiary companies or autonomous bodies, as the case may be, the Central Government;
  - (ii) in relation to any other establishment, the State Government;

- (e) “company” means a company as defined in clause (20) of section 2 of the Companies Act, 2013 (18 of 2013);
- (f) “contractor”, in relation to an establishment, means a person, who—
  - (i) undertakes to produce a given result for the establishment, other than a mere supply of goods or articles of manufacture to such establishment, through contract labour; or
  - (ii) supplies contract labour for any work of the establishment as mere human resource and includes a sub-contractor;
- (g) “contract labour” means a worker who shall be deemed to be employed in or in connection with the work of an establishment when he is hired in or in connection with such work by or through a contractor, with or without the knowledge of the principal employer and includes inter-State migrant worker but does not include a worker (other than part-time employee) who—
  - (i) is regularly employed by the contractor for any activity of his establishment and his employment is governed by mutually accepted standards of the conditions of employment (including engagement on permanent basis), and
  - (ii) gets periodical increment in the pay, social security coverage and other welfare benefits in accordance with the law for the time being in force in such employment;
- (h) “co-operative society” means a society registered or deemed to be registered under the Co-operative Societies Act, 1912 (2 of 1912), or any other law for the time being in force relating to co-operative societies in any State;
- (i) “corporation” means any body corporate established by or under any Central Act, or State Act, but does not include a company or a co-operative society;
- (j) “direct tax” means—
  - (i) any tax chargeable under the—
    - (A) Income-tax Act, 1961 (43 of 1961)<sup>1</sup>;
    - (B) Companies (Profits) Surtax Act, 1964 (7 of 1964);
    - (C) Agricultural income-tax law; and
  - (ii) any other tax which, having regard to its nature or incidence, may be declared by the Central Government, by notification, to be a direct tax for the purposes of this Code;
- (k) “employee” means, any person (other than an apprentice engaged under the Apprentices Act, 1961) (52 of 1961) employed on wages by an establishment to do any skilled, semi-skilled or unskilled, manual, operational, supervisory, managerial, administrative, technical or clerical work for hire or reward, whether the terms of employment be express or implied, and also includes a person declared to be an employee by the appropriate Government, but does not include any member of the Armed Forces of the Union;

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1 Now refer Income-tax Act, 2025 (30 of 2025).

- (l) “employer” means a person who employs, whether directly or through any person, or on his behalf or on behalf of any person, one or more employees in his establishment and where the establishment is carried on by any department of the Central Government or the State Government, the authority specified, by the head of such department, in this behalf or where no authority, is so specified the head of the department and in relation to an establishment carried on by a local authority, the chief executive of that authority, and includes,—
- (i) in relation to an establishment which is a factory, the occupier of the factory as defined in clause (n) of section 2 of the Factories Act, 1948 (63 of 1948) and, where a person has been named as a manager of the factory under clause (f) of sub-section (1) of section 7 of the said Act, the person so named;
  - (ii) in relation to any other establishment, the person who, or the authority which, has ultimate control over the affairs of the establishment and where the said affairs is entrusted to a manager or managing director, such manager or managing director;
  - (iii) contractor; and
  - (iv) legal representative of a deceased employer;
- (m) “establishment” means any place where any industry, trade, business, manufacture or occupation is carried on and includes Government establishment;
- (n) “factory” means a factory as defined in clause (m) of section 2 of the Factories Act, 1948 (63 of 1948);
- (o) “Government establishment” means any office or department of the Government or a local authority;
- (p) “Income-tax Act” means the Income-tax Act, 1961 (43 of 1961)<sup>1</sup>;
- (q) “industrial dispute” means,—
- (i) any dispute or difference between employers and employers, or between employers and workers or between workers and workers which is connected with the employment or non-employment or the terms of employment or with the conditions of labour, of any person; and
  - (ii) any dispute or difference between an individual worker and an employer connected with, or arising out of, discharge, dismissal, retrenchment or termination of such worker;
- (r) “Inspector-cum-Facilitator” means a person appointed by the appropriate Government under sub-section (1) of section 51;
- (s) “minimum wage” means the wage fixed under section 6;
- (t) “notification” means a notification published in the Gazette of India or in the Official Gazette of a State, as the case may be, and the expression “notify” with its grammatical variations and cognate expressions shall be construed accordingly;
- (u) “prescribed” means prescribed by rules made by the appropriate Government;
- (v) “same work or work of a similar nature” means work in respect of which the skill, effort, experience and responsibility required are the same, when

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1 Corresponding to erstwhile Act. Now refer Income-tax Act, 2025 (30 of 2025).

performed under similar working conditions by employees and the difference if any, between the skill, effort, experience and responsibility required for employees of any gender, are not of practical importance in relation to the terms and conditions of employment;

- (w) "State" includes a Union territory;
- (x) "Tribunal" shall have the same meaning as assigned to it in clause (r) of section 2 of the Industrial Disputes Act, 1947 (14 of 1947);
- (y) "wages" means all remuneration whether by way of salaries, allowances or otherwise, expressed in terms of money or capable of being so expressed which would, if the terms of employment, express or implied, were fulfilled, be payable to a person employed in respect of his employment or of work done in such employment, and includes,—
  - (i) basic pay;
  - (ii) dearness allowance; and
  - (iii) retaining allowance, if any,

but does not include—

- (a) any bonus payable under any law for the time being in force, which does not form part of the remuneration payable under the terms of employment;
- (b) the value of any house-accommodation, or of the supply of light, water, medical attendance or other amenity or of any service excluded from the computation of wages by a general or special order of the appropriate Government;
- (c) any contribution paid by the employer to any pension or provident fund, and the interest which may have accrued thereon;
- (d) any conveyance allowance or the value of any travelling concession;
- (e) any sum paid to the employed person to defray special expenses entailed on him by the nature of his employment;
- (f) house rent allowance;
- (g) remuneration payable under any award or settlement between the parties or order of a court or Tribunal;
- (h) any overtime allowance;
- (i) any commission payable to the employee;
- (j) any gratuity payable on the termination of employment;
- (k) any retrenchment compensation or other retirement benefit payable to the employee or any *ex gratia* payment made to him on the termination of employment:

PROVIDED that, for calculating the wages under this clause, if payments made by the employer to the employee under clauses (a) to (i) exceeds one-half, or such other per cent. as may be notified by the Central Government, of the all remuneration calculated under this clause, the amount which exceeds such one-half, or the per cent. so notified, shall be deemed as remuneration and shall be accordingly added in wages under this clause:

PROVIDED FURTHER that for the purpose of equal wages to all genders and for the purpose of payment of wages, the emoluments specified in clauses (d), (f), (g) and (h) shall be taken for computation of wage.

*Explanation* : Where an employee is given in lieu of the whole or part of the wages payable to him, any remuneration in kind by his employer, the value of such remuneration in kind which does not exceed fifteen per cent. of the total wages payable to him, shall be deemed to form part of the wages of such employee;

- (z) “worker” means any person (except an apprentice as defined under clause (aa) of section 2 of the Apprentices Act, 1961 (52 of 1961) employed in any industry to do any manual, unskilled, skilled, technical, operational, clerical or supervisory work for hire or reward, whether the terms of employment be express or implied, and includes—
- (i) working journalists as defined in clause (f) of section 2 of the Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955 (45 of 1955); and
  - (ii) sales promotion employees as defined in clause (d) of section 2 of the Sales Promotion Employees (Conditions of Service) Act, 1976 (11 of 1976), and for the purposes of any proceeding under this Code in relation to an industrial dispute, includes any such person who has been dismissed, discharged or retrenched or otherwise terminated in connection with, or as a consequence of, that dispute, or whose dismissal, discharge or retrenchment has led to that dispute, but does not include any such person—
- (a) who is subject to the Air Force Act, 1950 (45 of 1950), or the Army Act, 1950 (46 of 1950), or the Navy Act, 1957 (62 of 1957); or
  - (b) who is employed in the police service or as an officer or other employee of a prison; or
  - (c) who is employed mainly in a managerial or administrative capacity; or
  - (d) who is employed in a supervisory capacity drawing wage of exceeding fifteen thousand rupees per month or an amount as may be notified by the Central Government from time to time.

#### COMMENTS

This section defines “accounting year”, “Advisory Board”, “agricultural income-tax law”, “appropriate Government”, “Company”, “Contractor”, “contract labour”, “co-operative society”, “corporation”, “Direct tax”, “employee”, “employer”, “Establishment”, “Factory”, “Government establishment”, “Income-tax Act”, “industrial dispute”, “Inspector-Cum-Facilitator”, “Minimum Wage”, “Notification”, “Prescribed”, “Same work or work of a similar nature”, “State”, “Tribunal”, “wagea” and “worker”.

### **<sup>1</sup>3. Prohibition of discrimination on ground of gender**

(1) There shall be no discrimination in an establishment or any unit thereof among employees on the ground of gender in matters relating to wages by the same employer, in respect of the same work or work of a similar nature done by any employee.

<sup>1</sup> Enforced w.e.f. 21-11-2025 vide SO 5322(E), dt. 21-11-2025.

(2) No employer shall,—

- (i) for the purposes of complying with the provisions of sub-section (1), reduce the rate of wages of any employee; and
- (ii) make any discrimination on the ground of sex while recruiting any employee for the same work or work of similar nature and in the conditions of employment, except where the employment of women in such work is prohibited or restricted by or under any law for the time being in force.

COMMENTS

This section provides for the prohibition of discrimination on ground of gender. No employer shall, for the purposes of prohibiting the discrimination among employees on ground of sex in matters relating to wages, reduce the rate of wages of any employee and no discrimination shall be made on the ground of sex while recruiting any employee.

**<sup>14.</sup> Decision as to disputes with regard to same or similar nature of work**

Where there is any dispute as to whether a work is of same or similar nature for the purposes of section 3, the dispute shall be decided by such authority as may be notified by the appropriate Government.

COMMENTS

This section provides for determination of disputes with regard to same or similar nature of work by such authority as may be notified by the appropriate Government.

**CHAPTER II**

**MINIMUM WAGES**

**<sup>15.</sup> Payment of minimum rate of wages**

No employer shall pay to any employee wages less than the minimum rate of wages notified by the appropriate Government.

COMMENTS

This section provides for payment of minimum rate of wages. No employee shall be paid the wages less than the minimum rates of wages notified by the appropriate Government.

**<sup>16.</sup> Fixation of minimum wages**

(1) Subject to the provisions of section 9, the appropriate Government shall fix the minimum rate of wages payable to employees in accordance with the provisions of section 8.

(2) For the purposes of sub-section (1), the appropriate Government shall fix a minimum rate of wages—

- (a) for time work; or
- (b) for piece work.

(3) Where employees are employed on piece work, for the purpose of sub-section (1), the appropriate Government shall fix a minimum rate of wages for securing such employees a minimum rate of wages on a time work basis.

(4) The minimum rate of wages on time work basis may be fixed in accordance with any one or more of the following wage periods, namely:—

- (i) by the hour; or
- (ii) by the day; or
- (iii) by the month.

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<sup>1</sup> Enforced w.e.f. 21-11-2025 vide SO 5322(E), dt. 21-11-2025.

(5) Where the rates of wages are fixed by the hour or by the day or by the month, the manner of calculating the wages shall be such, as may be prescribed.

(6) For the purpose of fixation of minimum rate of wages under this section, the appropriate Government,—

- (a) shall primarily take into account the skill of workers required for working under the categories of unskilled, skilled, semi-skilled and highly-skilled or geographical area or both; and
- (b) may, in addition to such minimum rate of wages for certain category of workers, take into account their arduousness of work like temperature or humidity normally difficult to bear, hazardous occupations or processes or underground work as may be prescribed by that Government; and
- (c) the norms of such fixation of minimum rate of wages shall be such as may be prescribed.

(7) The number of minimum rates of wages referred to in sub-section (6) may, as far as possible, be kept at minimum by the appropriate Government.

#### COMMENTS

This section provides for fixation of minimum wages by the appropriate Government subject to the powers of the Central Government to fix floor wage. The minimum wages shall be for time work, piece work, and for the period by hours or day or month. This section also provides for floor wage by the Central Government for different geographical areas so as to ensure that no State Government fixes the minimum wage below the floor wage, notified for that area. The appropriate Government while fixing the minimum wage shall primarily take into account the skill of workers under the categories of unskilled, semi-skilled, skilled and highly skilled or geographical area or both.

#### <sup>17</sup>7. **Components of minimum wages**

(1) Any minimum rate of wages fixed or revised by the appropriate Government under section 8 may consist of—

- (a) a basic rate of wages and an allowance at a rate to be adjusted, at such intervals and in such manner as the appropriate Government may direct, to accord as nearly as practicable with the variation in the cost of living index number applicable to such workers (hereinafter referred to as “cost of living allowance”); or
- (b) a basic rate of wages with or without the cost of living allowance, and the cash value of the concessions in respect of supplies of essential commodities at concession rates, where so authorised; or
- (c) an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any.

(2) The cost of living allowance and the cash value of the concessions in respect of supplies of essential commodities at concession rate shall be computed by such authority, as the appropriate Government may by notification, appoint, at such intervals and in accordance with such directions as may be specified or given by the appropriate Government from time to time.

#### COMMENTS

This section provides for components of minimum wages. Any minimum rate of wages fixed by the appropriate Government under section 8 may consist of a basic rate of wages and an allowance at a rate to be adjusted, at such intervals and in such manner as may be directed by appropriate Government, to accord as nearly as possible with the variation in the cost of living index number, and the cash value of concessions in respect of supplies of essential commodities at

<sup>17</sup> Enforced w.e.f. 21-11-2025 vide SO 5322(E), dt. 21-11-2025.

concessional rate shall be computed by such authority as may be notified by the appropriate Government.

**<sup>1</sup>8. Procedure for fixing and revising minimum wages**

(1) In fixing minimum rates of wages for the first time or in revising minimum rates of wages under this Code, the appropriate Government shall either—

- (a) appoint as many committees as it considers necessary to hold enquiries and recommend in respect of such fixation or revision, as the case may be; or
- (b) by notification publish its proposals for the information of persons likely to be affected thereby and specify a date not less than two months from the date of the notification on which the proposals shall be taken into consideration.

(2) Every committee appointed by the appropriate Government under clause (a) of sub-section (1) shall consist of persons—

- (a) representing employers;
- (b) representing employees which shall be equal in number of the members specified in clause (a); and
- (c) independent persons, not exceeding one-third of the total members of the committee.

(3) After considering the recommendation of the committee appointed under clause (a) of sub-section (1) or, as the case may be, all representations received by it before the date specified in the notification under clause (b) of that sub-section, the appropriate Government shall by notification fix, or as the case may be, revise the minimum rates of wages and unless such notification otherwise provides, it shall come into force on the expiry of three months from the date of its issue:

PROVIDED that where the appropriate Government proposes to revise the minimum rates of wages in the manner specified in clause (b) of sub-section (1), it shall also consult concerned Advisory Board constituted under section 42.

(4) The appropriate Government shall review or revise minimum rates of wages ordinarily at an interval not exceeding five years.

COMMENTS

This section provides the procedure for fixing the minimum wages. For such purpose, the appropriate Government shall either appoint committees to hold enquiries and recommend in respect of such fixation or by notification publish its proposals.

**<sup>1</sup>9. Power of Central Government to fix floor wage**

(1) The Central Government shall fix floor wage taking into account minimum living standards of a worker in such manner as may be prescribed:

PROVIDED that different floor wage may be fixed for different geographical areas.

(2) The minimum rates of wages fixed by the appropriate Government under section 6 shall not be less than the floor wage and if the minimum rates of wages fixed by the appropriate Government earlier is more than the floor wage, then, the appropriate Government shall not reduce such minimum rates of wages fixed by it earlier.

(3) The Central Government may, before fixing the floor wage under sub-section (1), obtain the advice of the Central Advisory Board constituted under sub-section (1) of section 42 and consult State Governments in such manner as may be prescribed.

COMMENTS

This section empowers Central Government to fix floor wage. The Central Government before fixing floor wage may obtain advice of the Central Advisory Board and shall fix floor wage taking into account minimum living standards of a worker. The minimum rates of wages fixed by the appropriate Government shall not be less than floor wage.

**<sup>1</sup>10. Wages of employee who works for less than normal working day**

If an employee whose minimum rate of wages has been fixed under this Code by the day works on any day on which he was employed for a period of less than the requisite number of hours constituting a normal working day, he shall, save as otherwise hereinafter provided, be entitled to receive wages in respect of work done on that day, as if he had worked for a full normal working day:

PROVIDED that he shall not be entitled to receive wages for a full normal working day,—

- (i) in any case where his failure to work is caused by his unwillingness to work and not by the omission of the employer to provide him with work; and
- (ii) in such other cases and circumstances, as may be prescribed.

COMMENTS

This section provides that if an employee works on any day on which he was employed for a period of less than the requisite number of hours, he shall not be entitled to receive wages for a full normal working day.

**<sup>1</sup>11. Wages for two or more classes of work**

Where an employee does two or more classes of work to each of which a different minimum rate of wages is applicable, the employer shall pay to such employee in respect of the time respectively occupied in each such class of work, wages at not less than the minimum rate in force in respect of each such class.

COMMENTS

This section provides wages for two or more classes of work. An employee who does two or more classes of work, to each of which different rate of minimum wages is applicable, the employer shall pay to such employee in respect of the time respectively occupied in such classes of work, wages at not less than the minimum rate in force in respect of each such class.

**<sup>1</sup>12. Minimum time rate wages for piece work**

Where a person is employed on piece work for which minimum time rate and not a minimum piece rate has been fixed under this Code, the employer shall pay to such person wages at not less than the minimum time rate.

**<sup>1</sup>13. Fixing hours of work for normal working day**

(1) Where the minimum rates of wages have been fixed under this Code, the appropriate Government may—

- (a) fix the number of hours of work which shall constitute a normal working day inclusive of one or more specified intervals;
- (b) provide for a day of rest in every period of seven days which shall be allowed to all employees or to any specified class of employees and for the payment of remuneration in respect of such days of rest;
- (c) provide for payment for work on a day of rest at a rate not less than the overtime rate.

<sup>1</sup> Enforced w.e.f. 21-11-2025 vide SO 5322(E), dt. 21-11-2025.

(2) The provisions of sub-section (1) shall, in relation to the following classes of employees apply, only to such extent and subject to such conditions as may be prescribed, namely:—

- (a) employees engaged in any emergency which could not have been foreseen or prevented;
- (b) employees engaged in work of the nature of preparatory or complementary work which must necessarily be carried on outside the limits laid down for the general working in the employment concerned;
- (c) employees whose employment is essentially intermittent;
- (d) employees engaged in any work which for technical reasons has to be completed before the duty is over; and
- (e) employees engaged in a work which could not be carried on except at times dependent on the irregular action of natural forces.

(3) For the purposes of clause (c) of sub-section (2), employment of an employee is essentially intermittent when it is declared to be so by the appropriate Government on the ground that the daily hours of duty of the employee, or if there be no daily hours of duty as such for the employee, the hours of duty normally include periods of inaction during which the employee may be on duty but is not called upon to display either physical activity or sustained attention.

#### COMMENTS

This section provides for fixing hours of work for normal working day, day or rest and payment for work on day of rest by the appropriate Government.

#### <sup>1</sup>14. **Wages for overtime work**

Where an employee whose minimum rate of wages has been fixed under this Code by the hour, by the day or by such a longer wage-period as may be prescribed, works on any day in excess of the number of hours constituting a normal working day, the employer shall pay him for every hour or for part of an hour so worked in excess, at the overtime rate which shall not be less than twice the normal rate of wages.

#### COMMENTS

This section provides for wages for overtime work. If any employee works on any day in excess of the number of hours constituting a normal working day, the employer shall pay him for every hour or for part of an hour so worked in excess, at the overtime rate which shall not be less than twice the normal rate of wages.

### CHAPTER III

#### PAYMENT OF WAGES

#### <sup>1</sup>15. **Mode of payment of wages**

All wages shall be paid in current coin or currency notes or by cheque or by crediting the wages in the bank account of the employee or by the electronic mode:

PROVIDED that the appropriate Government may, by notification, specify the industrial or other establishment, the employer of which shall pay to every person employed in such industrial or other establishment, the wages only by cheque or by crediting the wages in his bank account.

<sup>1</sup> Enforced w.e.f. 21-11-2025 vide SO 5322(E), dt. 21-11-2025.

COMMENTS

This section provides for mode of payment of wages. Further, this section provides for payment of all wages in current coin or currency notes or by cheque or by crediting the wages through digital or electronic mode in the bank account of the employee except as may be notified by the appropriate Government in specified industrial or other establishment in which wages to be paid only by cheque or by crediting in bank account.

**<sup>1</sup>16. Fixation of wage period**

The employer shall fix the wage period for employees either as daily or weekly or fortnightly or monthly subject to the condition that no wage period in respect of any employee shall be more than a month:

PROVIDED that different wage periods may be fixed for different establishments.

COMMENTS

This section provides that employer shall fix the wage period for employees subject to the condition that no wage period in respect of employee shall be more than a month.

**<sup>1</sup>17. Time limit for payment of wages**

(1) The employer shall pay or cause to be paid wages to the employees, engaged on—

- (i) daily basis, at the end of the shift;
- (ii) weekly basis, on the last working day of the week, that is to say, before the weekly holiday;
- (iii) fortnightly basis, before the end of the second day after the end of the fortnight;
- (iv) monthly basis, before the expiry of the seventh day of the succeeding month.

(2) Where an employee has been—

- (i) removed or dismissed from service; or
- (ii) retrenched or has resigned from service, or became unemployed due to closure of the establishment,

the wages payable to him shall be paid within two working days of his removal, dismissal, retrenchment or, as the case may be, his resignation.

(3) Notwithstanding anything contained in sub-section (1) or sub-section (2), the appropriate Government may, provide any other time limit for payment of wages where it considers reasonable having regard to the circumstances under which the wages are to be paid.

(4) Nothing contained in sub-section (1) or sub-section (2) shall affect any time limit for payment of wages provided in any other law for the time being in force.

COMMENTS

This section provides time limit for payment of wages on monthly basis, daily basis, weekly basis and fortnightly basis. In case of removal, dismissal, retrenchment, resignation from service or in the case of un-employment due to closure of the establishment, the wages payable to an employee shall be paid within two weeks. The appropriate Government may provide time limit apart from the time limit provided in this section.

**<sup>1</sup>18. Deductions which may be made from wages**

(1) Notwithstanding anything contained in any other law for the time being in force, there shall be no deductions from the wages of the employee, except those as are authorised under this Code.

*Explanation* : For the purposes of this sub-section,—

- (a) any payment made by an employee to the employer or his agent shall be deemed to be a deduction from his wages;
- (b) any loss of wages to an employee, for a good and sufficient cause, resulting from—
  - (i) the withholding of increment or promotion, including the stoppage of an increment; or
  - (ii) the reduction to a lower post or time-scale; or
  - (iii) the suspension,

shall not be deemed to be a deduction from wages in a case where the provisions made by the employer for such purposes are satisfying the requirements specified in the notification issued by the appropriate Government in this behalf.

(2) Deductions from the wages of an employee shall be made in accordance with the provisions of this Code, and may be made only for the following purposes, namely:—

- (a) fines imposed on him;
- (b) deductions for his absence from duty;
- (c) deductions for damage to or loss of goods expressly entrusted to the employee for custody; or for loss of money for which he is required to account, where such damage or loss is directly attributable to his neglect or default;
- (d) deductions for house-accommodation supplied by the employer or by appropriate Government or any housing board set up under any law for the time being in force, whether the Government or such board is the employer or not, or any other authority engaged in the business of subsidising house-accommodation which may be specified in this behalf by the appropriate Government by notification;
- (e) deductions for such amenities and services supplied by the employer as the appropriate Government or any officer specified by it in this behalf may, by general or special order, authorise and such deduction shall not exceed an amount equivalent to the value of such amenities and services.

*Explanation* : For the purposes of this clause, the expression “services” does not include the supply of tools and raw materials required for the purposes of employment;

- (f) deductions for recovery of—
  - (i) advances of whatever nature (including advances for travelling allowance or conveyance allowance), and the interest due in respect thereof, or for adjustment of overpayment of wages;
  - (ii) loans made from any fund constituted for the welfare of labour, as may be prescribed by the appropriate Government, and the interest due in respect thereof;
- (g) deductions for recovery of loans granted for house-building or other purposes approved by the appropriate Government and the interest due in respect thereof;
- (h) deductions of income-tax or any other statutory levy levied by the Central Government or State Government and payable by the employee or

deductions required to be made by order of a court or other authority competent to make such order;

- (i) deductions for subscription to, and for repayment of advances from any social security fund or scheme constituted by law including provident fund or pension fund or health insurance scheme or fund known by any other name;
- (j) deductions for payment of co-operative society subject to such conditions as the appropriate Government may impose;
- (k) deductions made, with the written authorisation of the employee, for payment of the fees and contribution payable by him for the membership of any Trade Union registered under the Trade Unions Act, 1926 (16 of 1926);
- (l) deductions for recovery of losses sustained by the railway administration on account of acceptance by the employee of counterfeit or base coins or mutilated or forged currency notes;
- (m) deductions for recovery of losses sustained by the railway administration on account of the failure of the employee to invoice, to bill, to collect or to account for the appropriate charges due to the railway administration whether in respect of fares, freight, demurrage, wharfage and crantage or in respect of sale of food in catering establishments or in respect of commodities in grain shops or otherwise;
- (n) deductions for recovery of losses sustained by the railway administration on account of any rebates or refunds incorrectly granted by the employee where such loss is directly attributable to his neglect or default;
- (o) deductions, made with the written authorisation of the employee, for contribution to the Prime Minister's National Relief Fund or to such other fund as the Central Government may, by notification, specify.

(3) Notwithstanding anything contained in this Code and subject to the provisions of any other law for the time being in force, the total amount of deductions which may be made under sub-section (2) in any wage period from the wages of an employee shall not exceed fifty per cent. of such wages.

(4) Where the total deductions authorised under sub-section (2) exceed fifty per cent. of the wages, the excess may be recovered in such manner, as may be prescribed.

(5) Where any deduction is made by the employer from the wages of an employee under this section but not deposited in the account of the trust or Government fund or any other account, as required under the provisions of the law for the time being in force, such employee shall not be held responsible for such default of the employer.

#### COMMENTS

This section provides for deductions which may be made from the wages of an employee. No deduction from the wages shall be made except those as are authorised under this Code. The upper ceiling of deduction is fifty per cent. of the wage in any wage period. It further provides that if an employer commits default in depositing the deduction made from the employees' wages in the account of the trust or Government fund or any other account, as required, the employee shall not be held responsible for such default.

#### **<sup>1</sup>19. Fines**

(1) No fine shall be imposed on any employee save in respect of those acts and omissions on his part as the employer, with the previous approval of the appropriate Government or of such authority as may be prescribed, may have specified by notice under sub-section (2).

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1 Enforced w.e.f. 21-11-2025 vide SO 5322(E), dt. 21-11-2025.

(2) A notice specifying such acts and omissions shall be exhibited in such manner as may be prescribed, on the premises in which the employment is carried on.

(3) No fine shall be imposed on any employee until such employee has been given an opportunity of showing cause against the fine or otherwise than in accordance with such procedure as may be prescribed for the imposition of fines.

(4) The total amount of fine which may be imposed in any one wage-period on any employee shall not exceed an amount equal to three per cent. of the wages payable to him in respect of that wage-period.

(5) No fine shall be imposed on any employee who is under the age of fifteen years.

(6) No fine imposed on any employee shall be recovered from him by instalments or after the expiry of ninety days from the day on which it was imposed.

(7) Every fine shall be deemed to have been imposed on the day of the act or omission in respect of which it was imposed.

(8) All fines and all realisations thereof shall be recorded in a register to be kept in such manner and form as may be prescribed; and all such realisations shall be applied only to such purposes beneficial to the persons employed in the establishment as are approved by the prescribed authority.

#### COMMENTS

This section provides the imposition of fines by the employer on any employee. The fine shall be imposed on any employee only in accordance with the approval and procedure as specified in this section.

#### <sup>1</sup>20. **Deductions for absence from duty**

(1) Deductions may be made under clause (b) of sub-section (2) of section 18 only on account of the absence of an employee from the place or places where by the terms of his employment, he is required to work, such absence being for the whole or any part of the period during which he is so required to work.

(2) The amount of such deduction shall in no case bear to the wages payable to the employed person in respect of the wage-period for which the deduction is made in a larger proportion than the period for which he was absent bears to the total period within such wage-period during which by the terms of his employment he was required to work:

PROVIDED that, subject to any rules made in this behalf by the appropriate Government, if ten or more employed persons acting in concert absent themselves without due notice (that is to say without giving the notice which is required under the terms of their contracts of employment) and without reasonable cause, such deduction from any such person may include such amount not exceeding his wages for eight days as may by any such terms be due to the employer in lieu of due notice.

*Explanation* : For the purposes of this section, an employee shall be deemed to be absent from the place where he is required to work if, although present in such place, he refuses, in pursuance of a stay-in strike or for any other cause which is not reasonable in the circumstances, to carry out his work.

#### COMMENTS

This section provides for the deductions for absence from duty. The amount of such deductions shall in no case bear to the wages payable to the employee in respect of the wage period for which the deductions is made in a larger proportion than the period for which he was absent bears to the total period within such wage-period during which by the terms of his employment he was required to work. An employee shall be deemed to be absent from the place

<sup>1</sup> Enforced w.e.f. 21-11-2025 vide SO 5322(E), dt. 21-11-2025.

where he is required to work if, although presence in such place, he refuses in pursuance of a stay-in strike for any other cause which is not reasonable in the circumstances, to carry out his work.

**<sup>1</sup>21. Deductions for damage or loss**

(1) A deduction under clause (c) or clause (n) of sub-section (2) of section 18 for damage or loss shall not exceed the amount of the damage or loss caused to the employer by negligence or default of the employee.

(2) A deduction shall not be made under sub-section (1) until the employee has been given an opportunity of showing cause against the deduction or otherwise than in accordance with such procedure as may be prescribed for the making of such deductions.

(3) All such deductions and all realisations thereof shall be recorded in a register to be kept in such form as may be prescribed.

COMMENTS

This section provides that the deductions for damage or loss shall not exceed the amount of the damage or loss caused to the employer by negligence or default of the employee. The deductions shall not be met until the employee has been provided an opportunity of showing cause against the deductions or otherwise than in accordance with the procedure prescribed by rules.

**<sup>1</sup>22. Deductions for services rendered**

A deduction under clause (d) or clause (e) of sub-section (2) of section 18 shall not be made from the wages of an employee, unless the house-accommodation amenity or service has been accepted by him as a term of employment or otherwise and such deduction shall not exceed an amount equivalent to the value of the house-accommodation amenity or service supplied and shall be subject to such conditions as the appropriate Government may impose.

COMMENTS

This section provides for deductions for services rendered. Such deductions shall not be made from the wages of employee unless the house accommodation, amenity or service has been accepted by him as a term of employment or as otherwise and shall also not exceed an amount equivalent to the value of such amenity or service supplied. The appropriate Government may impose conditions for such purpose.

**<sup>1</sup>23. Deductions for recovery of advances**

Deductions under clause (f) of sub-section (2) of section 18 for recovery of advances given to an employee shall be subject to the following conditions, namely:—

- (a) recovery of advance of money given to an employee before the employment began shall be made from the first payment of wages to him in respect of a complete wage-period but no recovery shall be made of such advances given for travelling expenses;
- (b) recovery of advance of money given to an employee after the employment began shall be subject to such conditions as may be prescribed;
- (c) recovery of advances of wages to an employee not already earned shall be subject to such conditions as may be prescribed.

**<sup>1</sup>24. Deductions for recovery of loans**

Deductions under clause (g) of sub-section (2) of section 18 for recovery of loans granted to an employee, regulating the extent to which such loans may be granted and the rate of interest payable thereon, shall be such as may be prescribed.

**<sup>1</sup>25. Chapter not to apply to Government establishments**

The provisions of this Chapter shall not apply to the Government establishments unless the appropriate Government, by notification, applies such provisions to the Government establishments specified in the said notification.

**COMMENTS**

This section provides that provisions of Chapter-III, i.e., sections 15 to 25 shall not apply to the Government establishments, unless the appropriate Government, by notification, applies such provisions to the Government establishments.

**CHAPTER IV  
PAYMENT OF BONUS****<sup>1</sup>26. Eligibility for bonus, etc.**

(1) There shall be paid to every employee, drawing wages not exceeding such amount per mensem, as determined by notification, by the appropriate Government, by his employer, who has put in at least thirty days work in an accounting year, an annual minimum bonus calculated at the rate of eight and one-third per cent. of the wages earned by the employee or one hundred rupees, whichever is higher whether or not the employer has any allocable surplus during the previous accounting year.

(2) For the purpose of calculation of the bonus where the wages of the employee exceeds such amount per mensem, as determined by notification by the appropriate Government, the bonus payable to such employee under sub-sections (1) and (3) shall be calculated as if his wage were such amount, so determined by the appropriate Government or the minimum wage fixed by the appropriate Government, whichever is higher.

(3) Where in respect of any accounting year referred to in sub-section (1), the allocable surplus exceeds the amount of minimum bonus payable to the employees under that sub-section, the employer shall, in lieu of such minimum bonus, be bound to pay to every employee in respect of that accounting year, bonus which shall be an amount in proportion to the wages earned by the employee during the accounting year, subject to a maximum of twenty per cent. of such wages.

(4) In computing the allocable surplus under this section, the amount set on or the amount set off under the provisions of section 36 shall be taken into account in accordance with the provisions of that section.

(5) Any demand for bonus in excess of the bonus referred to in sub-section (1), either on the basis of production or productivity in an accounting year for which the bonus is payable shall be determined by an agreement or settlement between the employer and the employees, subject to the condition that the total bonus including the annual minimum bonus referred to in sub-section (1) shall not exceed twenty per cent. of the wages earned by the employee in the accounting year.

(6) In the first five accounting years following the accounting year in which the employer sells the goods produced or manufactured by him or renders services, as the case may be, from such establishment, bonus shall be payable only in respect of the accounting year in which the employer derives profit from such establishment and such bonus shall be calculated in accordance with the provisions of this Code in relation to that year, but without applying the provisions of section 36.

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1 Enforced w.e.f. 21-11-2025 vide SO 5322(E), dt. 21-11-2025.

(7) For the sixth and seventh accounting years following the accounting year in which the employer sells the goods produced or manufactured by him or renders services, as the case may be, from such establishment, the provisions of section 36 shall apply subject to the following modifications, namely:—

- (i) for the sixth accounting year set on or set off, as the case may be, shall be made, in the manner as may be prescribed by the Central Government, taking into account the excess or deficiency, if any, as the case may be, of the allocable surplus set on or set off in respect of the fifth and sixth accounting years;
- (ii) for the seventh accounting year set on or set off, as the case may be, shall be made, in the manner as may be prescribed by the Central Government, taking into account the excess or deficiency, if any, as the case may be, of the allocable surplus set on or set off in respect of the fifth, sixth and seventh accounting years.

(8) From the eighth accounting year following the accounting year in which the employer sells the goods produced or manufactured by him or renders services, as the case may be, from such establishment, the provisions of section 36 shall apply in relation to such establishment as they apply in relation to any other establishment.

*Explanation 1* : For the purpose of sub-section (6), an employer shall not be deemed to have derived profit in any accounting year, unless—

- (a) he has made provision for depreciation of that year to which he is entitled under the Income-tax Act or, as the case may be, under the agricultural income-tax law; and
- (b) the arrears of such depreciation and losses incurred by him in respect of the establishment for the previous accounting years have been fully set off against his profits.

*Explanation 2* : For the purposes of sub-sections (6), (7) and (8), sale of the goods produced or manufactured during the course of the trial running of any factory or of the prospecting stage of any mine or an oil-field shall not be taken into consideration and where any question arises with regard to such production or manufacture, the appropriate Government may, after giving the parties a reasonable opportunity of representing the case, decide upon the issue.

(9) The provisions of sub-sections (6), (7) and (8) shall, so far as may be, apply to new departments or undertakings or branches set up by existing establishments.

#### COMMENTS

This section makes provisions for eligibility for bonus. The threshold limit for payment of the bonus is the wages not exceeding such amount per mensem as determined by notification, by the appropriate Government. Where the wages of the employee exceed such amount per mensem, as determined by notification, by the appropriate Government, the bonus payable to such employee shall be calculated as if the wages of such employee were such amount, so determined by the appropriate Government or the minimum wages fixed by the appropriate Government, whichever is higher. The other details regarding the payment of bonus have also been provided in this section.

#### **<sup>1</sup>27. Proportionate reduction in bonus in certain cases**

Where an employee has not worked for all the working days in an accounting year, the minimum bonus under sub-section (1) of section 26, if such bonus is higher than

<sup>1</sup> Enforced w.e.f. 21-11-2025 vide SO 5322(E), dt. 21-11-2025.

eight and one-third per cent. of the salary or wage of the days such employee has worked in that accounting year, shall be proportionately reduced.

**<sup>1</sup>28. Computation of number of working days**

For the purposes of section 27, an employee shall be deemed to have worked in an establishment in any accounting year also on the days on which,—

- (a) he has been laid off under an agreement or as permitted by standing orders under the Industrial Employment (Standing Orders) Act, 1946 (20 of 1946), or under the Industrial Disputes Act, 1947 (14 of 1947), or under any other law applicable to the establishment;
- (b) he has been on leave with salary or wages;
- (c) he has been absent due to temporary disablement caused by accident arising out of and in the course of his employment; and
- (d) the employee has been on maternity leave with salary or wages, during the accounting year.

COMMENTS

This section provides for computation of the number of working days for the purposes where an employee has not worked for all the working days in an accounting year. Provisions have been made in this section to cover certain days as working days as specified therein.

**<sup>1</sup>29. Disqualification for bonus**

Notwithstanding anything contained in this Code, an employee shall be disqualified from receiving bonus under this Code, if he is dismissed from service for—

- (a) fraud; or
- (b) riotous or violent behaviour while on the premises of the establishment; or
- (c) theft, misappropriation or sabotage of any property of the establishment; or
- (d) conviction for sexual harassment.

**<sup>1</sup>30. Establishments to include departments, undertakings and branches**

Where an establishment consists of different departments or undertakings or has branches, whether situated in the same place or in different places, all such departments or undertakings or branches shall be treated as parts of the same establishment for the purpose of computation of bonus under this Code:

PROVIDED that where for any accounting year a separate balance sheet and profit and loss account are prepared and maintained in respect of any such department or undertaking or branch, then, such department or undertaking or branch shall be treated as a separate establishment for the purpose of computation of bonus, under this Code for that year, unless such department or undertaking or branch was, immediately before the commencement of that accounting year treated as part of the establishment for the purpose of computation of bonus.

COMMENTS

This section provides for the purposes of computation of bonus that the establishment shall include its departments, undertakings and branches, where for any accounting year a separate balance sheet and profit and loss account are prepared and maintained in respect of any such department or undertaking or branch, then, such department or undertaking or branch shall be treated as a separate establishment for the purpose of computation of bonus for the accounting

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<sup>1</sup> Enforced w.e.f. 21-11-2025 vide SO 5322(E), dt. 21-11-2025.

year, such department, undertaking or branch was, immediately before the commencement of that accounting year treated as part of the establishment for the purpose of computation of bonus.

**<sup>1</sup>31. Payment of bonus out of allocable surplus**

(1) The bonus shall be paid out of the allocable surplus which shall be an amount equal to sixty per cent. in case of a banking company and sixty-seven per cent. in case of other establishment, of the available surplus and the available surplus shall be the amount calculated in accordance with section 33.

(2) Audited accounts of companies shall not normally be questioned.

(3) Where there is any dispute regarding the quantum of bonus, the authority notified by the appropriate Government having jurisdiction may call upon the employer to produce the balance sheet before it, but the authority shall not disclose any information contained in the balance sheet unless agreed to by the employer.

COMMENTS

This section provides for payment of bonus out of allocable surplus. It also empowers the appropriate Government to notify the authority having jurisdiction for calling upon the employer to produce the balance sheet before it.

**<sup>1</sup>32. Computation of gross profits**

The gross profits derived by an employer from an establishment in respect of the accounting year shall,—

- (a) in the case of a banking company, be calculated in the manner as may be prescribed by the Central Government;
- (b) in any other case, be calculated in the manner as may be prescribed by the Central Government.

**<sup>1</sup>33. Computation of available surplus**

The available surplus in respect of any accounting year shall be the gross profits for that year after deducting therefrom the sums referred to in section 34:

PROVIDED that the available surplus in respect of the accounting year commencing on any day in a year after the commencement of this Code and in respect of every subsequent accounting year shall be the aggregate of—

- (a) the gross profits for that accounting year after deducting therefrom the sums referred to in section 34; and
- (b) an amount equal to the difference between—
  - (i) the direct tax, calculated in accordance with the provisions of section 35, in respect of an amount equal to the gross profits of the employer for the immediately preceding accounting year; and
  - (ii) the direct tax, calculated in accordance with provisions of section 35, in respect of an amount equal to the gross profits of the employer for such preceding accounting year after deducting therefrom the amount of bonus which the employer has paid or is liable to pay to his employees in accordance with the provisions of this Code for that year.

**<sup>1</sup>34. Sums deductible from gross profits**

The following sums shall be deducted from the gross profits as prior charges, namely:—

- (a) any amount by way of depreciation admissible in accordance with the provisions of sub-section (1) of section 32 of the Income-tax Act or in

- accordance with the provisions of the agricultural income-tax law, for the time being in force, as the case may be;
- (b) subject to the provisions of section 35, any direct tax which the employer is liable to pay for the accounting year in respect of his income, profits and gains during that year;
  - (c) such further sums in respect of the employer as may be prescribed by the Central Government.

**<sup>1</sup>35. Calculation of direct tax payable by employer**

For the purposes of this Code, any direct tax payable by the employer for any accounting year shall, subject to the following provisions, be calculated at the rates applicable to the income of the employer for that year, namely:—

- (a) in calculating such tax no account shall be taken of,—
  - (i) any loss incurred by the employer in respect of any previous accounting year and carried forward under any law for the time being in force relating to direct taxes;
  - (ii) any arrears of depreciation which the employer is entitled to add to the amount of the allowance for depreciation for any succeeding accounting year or years under sub-section (2) of section 32 of the Income-tax Act;
- (b) where the employer is a religious or a charitable institution to which the provisions of section 41 do not apply and the whole or any part of its income is exempt from the tax under the Income-tax Act, then, with respect to the income so exempted, such institution shall be treated as if it were a company in which the public are substantially interested within the meaning of that Act;
- (c) where the employer is an individual or a Hindu undivided family, the tax payable by such employer under the Income-tax Act shall be calculated on the basis that the income derived by him from the establishment is his only income;
- (d) where the income of any employer includes any profits and gains derived from the export of any goods or merchandise out of India and any rebate on such income is allowed under any law for the time being in force relating to direct taxes, then, no account shall be taken of such rebate;
- (e) no account shall be taken of any rebate other than development rebate or investment allowance or development allowance or credit or relief or deduction (not hereinbefore mentioned in this section) in the payment of any direct tax allowed under any law for the time being in force relating to direct taxes or under the relevant annual Finance Act, for the development of any industry.

**<sup>1</sup>36. Set on and set off of allocable surplus**

(1) Where for any accounting year, the allocable surplus exceeds the amount of maximum bonus payable to the employees in the establishment under section 26, then, the excess shall, subject to a limit of twenty per cent. of the total salary or wage of the employees employed in the establishment in that accounting year, be carried forward for being set on in the succeeding accounting year and so on up to and inclusive of the

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<sup>1</sup> Enforced w.e.f. 21-11-2025 vide SO 5322(E), dt. 21-11-2025.

fourth accounting year to be utilised for the purpose of payment of bonus in such manner as may be prescribed by the Central Government.

(2) Where for any accounting year, there is no available surplus or the allocable surplus in respect of that year falls short of the amount of minimum bonus payable to the employees in the establishment under section 26, and there is no amount or sufficient amount carried forward and set on under sub-section (1) which could be utilised for the purpose of payment of the minimum bonus, then, such minimum amount or the deficiency, as the case may be, shall be carried forward for being set off in the succeeding accounting year and so on up to and inclusive of the fourth accounting year in such manner as may be prescribed by the Central Government.

(3) The principle of set on and set off as may be provided in rules by the Central Government under this Code shall apply to all other cases not covered by sub-section (1) or sub-section (2) for the purpose of payment of bonus under this Code.

(4) Where in any accounting year any amount has been carried forward and set on or set off under this section, then, in calculating bonus for the succeeding accounting year, the amount of set on or set off carried forward from the earliest accounting year shall first be taken into account.

#### COMMENTS

This section provides for set on and set off of allocable surplus. It provides as to how the allocable surplus exceeding the amount of maximum bonus payable to the employee shall subject to the limit of 20 per cent. of the total salary or wages of the employee in that accounting year be carried forward for being set on in the succeeding accounting years up to and inclusive of fourth accounting year for the purpose of payment of bonus in such manner as may be provided by rules by the Central Government. It further provides that where for any accounting year, there is no available surplus or the allocable surplus in respect of that year, falls short of the amount of the minimum bonus payable to the employees and there is no amount or sufficient amount carried forward and set on which could be utilised for the purpose of the minimum bonus, then, such minimum amount or the deficiency shall be carried forward for being set off in the succeeding accounting years and so on up to and inclusive of the fourth accounting year in such manner as may be provided by rules by the Central Government. It also provides that the applicability of such rules in other cases and for the taking into account at first instance the amount of set on or set off carried forward from the earliest accounting year.

#### **<sup>1</sup>37. Adjustment of customary or interim bonus against bonus payable under this Code**

Where in any accounting year,—

- (a) an employer has paid any puja bonus or other customary bonus to employee; or
- (b) an employer has paid a part of the bonus payable under this Code to an employee before the date on which such bonus becomes payable,

then, the employer shall be entitled to deduct the amount of bonus so paid from the amount of bonus payable by him to the employee under this Code in respect of that accounting year and the employee shall be entitled to receive only the balance.

#### **<sup>1</sup>38. Deduction of certain amounts from bonus payable**

Where in any accounting year, an employee is found guilty of misconduct causing financial loss to the employer, then, it shall be lawful for the employer to deduct the amount of loss from the amount of bonus payable by him to the employee under this

<sup>1</sup> Enforced w.e.f. 21-11-2025 vide SO 5322(E), dt. 21-11-2025.