



CORRIDALEGAL
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THE PAYMENT OF BONUS ACT, 1965

BARE ACT.

Corrida Legal presents the Bare Act Series, sourced from official texts and supported with an executive summary designed to help readers grasp the essence of the law with ease.



NOTE:

An Executive Summary of the Payment of Bonus Act, 1965 is included towards the end of this document, right after the full bare act of the statute. This summary helps professionals, business owners, compliance officers, HR managers, legal practitioners, and students quickly understand the key provisions relating to eligibility and entitlement for bonus, calculation of allocable surplus, minimum and maximum bonus limits, set-on and set-off provisions, rights and obligations of employers, maintenance of registers and records, penalties for non-compliance, and enforcement mechanisms, without having to read the entire text.

The Payment of Bonus Act, 1965 Summary provides a clear, practical, and time-saving guide for anyone looking to understand India's employee compensation framework, ensure statutory compliance in payroll and benefits, manage workforce incentives effectively, and stay aligned with regulatory requirements under the Payment of Bonus Act bare act.

THE PAYMENT OF BONUS ACT, 1965

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THE PAYMENT OF BONUS ACT, 1965

ACT NO. 21 OF 1965¹

[25th September, 1965.]

²[An Act to provide for the payment of bonus to persons employed in certain establishments and for matters connected therewith.]

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

1. Short title, extent and application.—(1) This Act may be called the Payment of Bonus Act, 1965.

(2) It extends to the whole of India ^{3***}.

(3) Save as otherwise provided in this Act, it shall apply to—

(a) every factory; and

(b) every other establishment in which twenty or more persons are employed on any day during an accounting year:

⁴[Provided that the appropriate Government may, after giving not less than two months' notice of its intention so to do, by notification in the Official Gazette, apply the provisions of this Act with effect from such accounting year as may be specified in the notification, to any establishment or class of establishments [including an establishment being a factory within the meaning of sub-clause (ii) of clause (m) of section 2 of the Factories Act, 1948 (63 of 1948)] employing such number of persons less than twenty as may be specified in the notification; so, however, that the number of persons so specified shall in no case be less than ten.]

(4) Save as otherwise provided in this Act, the provisions of this Act shall, in relation to a factory or other establishment to which this Act applies, have effect in respect of the accounting year commencing on any day in the year 1964 and in respect of every subsequent accounting year:

⁵[Provided that in relation to the State of Jammu and Kashmir*, the reference to the accounting year commencing on any day in the year 1964 and every subsequent accounting year shall be construed as reference to the accounting year commencing on any day in the year 1968 and every subsequent accounting year:]

⁶[Provided further that when the provisions of this Act have been made applicable to any establishment or class of establishments by the issue of a notification under the proviso to sub-section (3), the reference to the accounting year commencing on any day in the year 1964 and every subsequent accounting year or, as the case may be, the reference to the accounting year commencing on any day in the year 1968 and every subsequent accounting year, shall, in relation to such establishment or class of establishments, be construed as a reference to the accounting year specified in such notification and every subsequent accounting year.]

(5) An establishment to which this Act applies ^{7***} shall continue to be governed by this Act notwithstanding that the number of person employed therein falls below twenty ⁸[or, as the case may be, the number specified in the notification issued under the proviso to sub-section (3)].

1. The Act has been extended to Goa, Daman and Diu by Act 6 of 1977, s. 2 and the Schedule.

2. Subs. by Act 43 of 1977, s. 3, for the long title (w.e.f. 3-9-1977).

3. The words "except the State of Jammu and Kashmir" omitted by Act 51 of 1970, s. 2 and the Schedule (w.e.f. 1-9-1971).

4. The proviso added by Act 23 of 1976, s. 3 (w.e.f. 25-9-1975).

5. The proviso added by Act 51 of 1970, s. 2 and the Schedule (w.e.f. 1-9-1971).

6. The proviso inserted by Act 23 of 1976, s. 3 (w.e.f. 25-9-1975).

7. The words, brackets, letter and figure "under clause (b) of sub-section (3)" omitted by s. 3, *ibid.* (w.e.f. 25-9-1975).

8. Certain words, brackets and figure added by s. 3, *ibid.* (w.e.f. 25-9-1975).

*. *Vide* notification No. S.O. 3912(E), dated 30th October, 2019, this Act is made applicable to the Union territory of Jammu and Kashmir and the Union territory of Ladakh.

2. Definitions.—In this Act, unless the context otherwise requires,—

(1) “accounting year” means—

(i) in relation to a corporation, the year ending on the day on which the books and accounts of the corporation are to be closed and balanced;

(ii) in relation to a company, the period in respect of which any profit and loss account of the company laid before it in annual general meeting is made up, whether that period is a year or not;

(iii) in any other case—

(a) the year commencing on the 1st day of April; or

(b) if the accounts of an establishment maintained by the employer thereof are closed and balanced on any day other than the 31st day of March, then, at the option of the employer, the year ending on the day on which its accounts are so closed and balanced:

Provided that an option once exercised by the employer under paragraph (b) of this sub-clause shall not again be exercised except with the previous permission in writing of the prescribed authority and upon such conditions as that authority may think fit;

(2) “agricultural income” shall have the same meaning as in the Income-tax Act;

(3) “agricultural income-tax law” means any law for the time being in force relating to the levy of tax on agricultural income;

(4) “allocable surplus” means—

(a) in relation to an employer, being a company ¹[(other than a banking company)] which has not made the arrangements prescribed under the Income-tax Act for the declaration and payment within India of the dividends payable out of its profits in accordance with the provisions of section 194 of that Act, sixty-seven per cent. of the available surplus in an accounting year;

(b) in any other case, sixty per cent. of such available surplus;

2* * * *

(5) “appropriate Government” means—

(i) in relation to an establishment in respect of which the appropriate Government under the Industrial Disputes Act, 1947 (14 of 1947), is the Central Government, the Central Government;

(ii) in relation to any other establishment, the Government of the State in which that other establishment is situate;

(6) “available surplus” means the available surplus computed under section 5;

(7) “award” means an interim or a final determination of any industrial dispute or of any question relating thereto by any Labour Court, Industrial Tribunal or National Tribunal constituted under the Industrial Disputes Act, 1947 (14 of 1947), or by any other authority constituted under any corresponding law relating to investigation and settlement of industrial disputes in force in a State and includes an arbitration award made under section 10A of that Act or under that law;

(8) “banking company” means a banking company as defined in section 5 of the Banking Companies Act, 1949 (10 of 1949), and includes the State Bank of India, any subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), ³[any corresponding new bank specified in the First Schedule to the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970), ¹[any corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980),] any co-operative bank as defined in clause (vii) of section 2 of the Reserve bank of India Act, 1934 (2 of 1934),] and any other banking institution which may be notified in this behalf by the Central Government;

1. Ins. by Act 66 of 1980, s. 2 (w.e.f. 21-8-1980).

2. The words, brackets and figures “and includes any amount treated as such under sub-section (2) of section 34” omitted by Act 23 of 1976, s. 4 (w.e.f. 25-9-1975).

3. Ins. by s. 4, *ibid.* (w.e.f. 25-9-1975).

(9) “company” means any company as defined in section 3 of the Companies Act, 1956 (1 of 1956), and includes a foreign company within the meaning of section 591 of that Act;

(10) “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 in any State relating to co-operating societies;

(11) “corporation” means any body corporate established by or under any Central, Provincial or State Act but does not include a company or a co-operative society;

(12) “direct tax” means—

(a) any tax chargeable under—

(i) the Income-tax Act;

(ii) the Super Profits Tax Act, 1963 (14 of 1963);

(iii) the Companies (Profits) Surtax Act, 1964 (7 of 1964);

(iv) the agricultural income-tax law; and

(b) any other tax which, having regard to its nature or incidence, may be declared by the Central Government, by notification in the Official Gazette, to be a direct tax for the purposes of this Act;

(13) “employee” means any person (other than an apprentice) employed on a salary or wage not exceeding ¹[twenty-one thousand rupees] per mensem in any industry to do any skilled or unskilled manual, supervisory, managerial, administrative, technical or clerical work for hire or reward, whether the terms of employment be express or implied;

(14) “employer” includes—

(i) in relation to an establishment which is a factory, the owner or occupier of the factory, including the agent of such owner or occupier, the legal representative of a deceased owner or occupier 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 Factories Act, 1948 (63 of 1948), the person so named; and

(ii) in relation to any other establishment, the person who, or the authority which, has the ultimate control over the affairs of the establishment and where the said affairs are entrusted to a manager, managing director or managing agent, such manager, managing director or managing agent;

(15) “establishment in private sector” means any establishment other than an establishment in public sector;

(16) “establishment in public sector” means an establishment owned, controlled or managed by—

(a) a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956);

(b) a corporation in which not less than forty per cent. of its capital is held (whether singly or taken together) by—

(i) the Government; or

(ii) the Reserve Bank of India; or

(iii) a corporation owned by the Government or the Reserve Bank of India;

(17) “factory” shall have the same meaning as in clause (m) of section 2 of the Factories Act, 1948 (63 of 1948);

1. Subs. by Act 6 of 2016, s. 2, for “ten thousand rupees” (w.e.f. 1-4-2014).

(18) “gross profits” means the gross profits calculated under section 4;

(19) “Income-tax Act” means the Income-tax Act, 1961 (43 of 1961);

(20) “prescribed” means prescribed by rules made under this Act;

(21) “salary or wage” means all remuneration (other than remuneration in respect of over-time work) capable of being expressed in terms of money, which would, if the terms of employment, express or implied, were fulfilled, be payable to an employee in respect of his employment or of work done in such employment and includes dearness allowance (that is to say, all cash payments, by whatever name called, paid to an employee on account of a rise in the cost of living), but does not include—

(i) any other allowance which the employee is for the time being entitled to;

(ii) the value of any house accommodation or of supply of light, water, medical attendance or other amenity or of any service or of any concessional supply of foodgrains or other articles;

(iii) any travelling concession;

(iv) any bonus (including incentive, production and attendance bonus);

(v) any contribution paid or payable by the employer to any pension fund or provident fund or for the benefit of the employee under any law for the time being in force;

(vi) any retrenchment compensation or any gratuity or other retirement benefit payable to the employee or any *ex gratia* payment made to him;

(vii) any commission payable to the employee.

Explanation.—Where an employee is given in lieu of the whole or part of the salary or wage payable to him, free food allowance or free food by his employer, such food allowance or the value of such food shall, for the purpose of this clause, be deemed to form part of the salary or wage of such employee;

(22) words and expressions used but not defined in this Act and defined in the Industrial Disputes Act, 1947 (14 of 1947), shall have the meanings respectively assigned to them in that Act.

3. Establishments to include departments, undertakings and branches.—Where an establishment consists of different department 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 Act:

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 Act 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.

¹[4. Computation of gross profits.—The gross profits derived by an employer from an establishment in respect of any accounting year shall—

(a) in the case of a banking company, be calculated in the manner specified in the First Schedule;

(b) in any other case, be calculated in the manner specified in the Second Schedule.]

1. Subs. by Act 66 of 1980, s. 3, for section 4 (w.e.f. 21-8-1980).

5. 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 6:

¹[Provided that the available surplus in respect of the accounting year commencing on any day in the year 1968 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 6; and

(b) an amount equal to the difference between—

(i) the direct tax, calculated in accordance with the provisions of section 7, 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 the provisions of section 7, 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 Act for that year.]

6. 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, as the case may be:

Provided that where an employer has been paying bonus to his employees under a settlement or an award or agreement made before the 29th May, 1965, and subsisting on that date after deducting from the gross profits notional normal depreciation, then, the amount of depreciation to be deducted under this clause shall, at the option of such employer (such option to be exercised once and within one year from the date) continue to be such notional normal depreciation;

(b) any amount by way of ²[development rebate or investment allowance or development allowance] which the employer is entitled to deduct from his income under the income-tax Act;

(c) subject to the provisions of section 7, 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;

(d) such further sums as are specified in respect of the employer in the ³[Third Schedule].

7. Calculation of direct tax payable by the employer.—⁴[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 following accounting year or years under sub-section (2) of section 32 of the Income-tax Act;

(iii) any exemption conferred on the employer under section 84 of the Income-tax Act or of any deduction to which he is entitled under sub-section (1) of section 101 of that Act, as in force immediately before the commencement of the Finance Act, 1965 (10 of 1965);

(b) where the employer is a religious or a charitable institution to which the provisions of section 32 do not apply and the whole or any part of its income is exempt from tax under the

1. The proviso added by Act 8 of 1969, s. 2 (w.e.f. 26-3-1965).

2. Subs. by Act 66 of 1980, s. 4, for “development rebate or development allowance” (w.e.f. 21-8-1980).

3. Subs. by s. 4, *ibid.*, for “Second Schedule” (w.e.f. 21-8-1980).

4. Subs. by Act 8 of 1969, s. 3, for “For the purpose of clause (c) of section 6, any direct tax payable by the employer” (w.e.f. 26-3-1965).

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 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 ¹[(other than development rebate or investment allowance or development allowance)] or credit or relief or deduction (not herein before 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.

8. Eligibility for bonus.—Every employee shall be entitled to be paid by his employer in an accounting year, bonus, in accordance with the provisions of this Act, provided he has worked in the establishment for not less than thirty working days in that year.

9. Disqualification for bonus.—Notwithstanding anything contained in this Act, an employee shall be disqualified from receiving bonus under this Act, 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.

²**10. Payment of minimum bonus.**—Subject to the other provisions of this Act, every employer shall be bound to pay to every employee in respect of the accounting year commencing on any day in the year 1979 and in respect of every subsequent accounting year, a minimum bonus which shall be 8.33 per cent. of the salary or wage earned by the employee during the accounting year or one hundred rupees, whichever is higher, whether or not the employer has any allocable surplus in the accounting year:

Provided that where an employee has not completed fifteen years of age at the beginning of the accounting year, the provisions of this section shall have effect in relation to such employees as if for the words “one hundred rupees”, the words “sixty rupees” were substituted.

11. Payment of maximum bonus.—(1) Where in respect of any accounting year referred to in section 10, the allocable surplus exceeds the amount of minimum bonus payable to the employees under that 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 salary or wage earned by the employee during the accounting year subject to a maximum of twenty per cent. of such salary or wage.

(2) In computing the allocable surplus under this section, the amount set on or the amount set off under the provisions of section 15 shall be taken into account in accordance with the provisions of that section.]

³**12. Calculation of bonus with respect to certain employees.**—Where the salary or wage of an employee exceeds ⁴[seven thousand rupees or the minimum wage for the scheduled employment, as fixed by the appropriate Government, whichever is higher] per mensem, the bonus payable to such employee under section 10 or, as the case may be, under section 11, shall be calculated as if his salary

1. Subs. by Act 66 of 1980, s. 5, for “(other than development rebate or development allowance)” (w.e.f. 21-8-1980).

2. Subs. by s. 6, *ibid.*, for section 10 (w.e.f. 21-8-1980).

3. Ins. by Act 67 of 1985, s. 3 (w.e.f. 7-11-1985).

4. Subs. by Act 6 of 2016, s. 3, for “three thousand and five hundred rupees” (w.e.f. 1-4-2014).

or wage were ¹[seven thousand rupees or the minimum wage for the scheduled employment, as fixed by the appropriate Government, whichever is higher] per mensem.]

²[*Explanation.*—For the purposes of this section, the expression “scheduled employment” shall have the same meaning as assigned to it in clause (g) of section 2 of the Minimum Wages Act, 1948 (11 of 1948).]

³[**13. 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 of one hundred rupees or, as the case may be, of sixty rupees, if such bonus is higher than 8.33 per cent. of his salary or wage for the days he has worked in that accounting year, shall be proportionately reduced.]

14. Computation of number of working days.—For the purposes of section 13, 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 wage;

(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 wage, during the accounting year.

⁴[**15. 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 11, 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 fourth accounting year to be utilised for the purpose of payment of bonus in the manner illustrated in the Fourth Schedule.

(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 10, and there is no amount of 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 the manner illustrated in the Fourth Schedule.

(3) The principle of set on and set off as illustrated in the Fourth Schedule 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 Act.

(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.]

16. Special provisions with respect to certain establishments.—⁵[(1) Where an establishments newly set up, whether before or after the commencement of this Act, the employees of such establishment shall be entitled to be paid bonus under this Act in accordance with the provisions of sub-sections (1A), (1B) and (1C).

1. Subs. by Act 6 of 2016, s. 3, for “three thousand and five hundred rupees” (w.e.f. 1-4-2014).

2. The *Explanation* inserted by s. 3, *ibid.* (w.e.f. 1-4-2014).

3. Subs. by Act 66 of 1980, s. 8, for section 13 (w.e.f. 21-8-1980).

4. Subs. by s. 9, *ibid.*, for section 15 (w.e.f. 21-8-1980).

5. Subs. by Act 23 of 1976, s. 12, for sub-section (1) and the *Explanation* thereto (w.e.f. 25-9-1975).

(1A) 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 Act in relation to that year, but without applying the provisions of section 15.

(1B) 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 15 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 illustrated in the ¹[Fourth Schedule] 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 illustrated in the ¹[Fourth Schedule] 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.

(1C) 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 15 shall apply in relation to such establishment as they apply in relation to any other establishment.

Explanation I.—For the purpose of sub-section (1), an establishment shall not be deemed to be newly set up merely by reason of a change in its location, management, name or ownership.

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

(a) he has made provision for that year's depreciation 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 III.—For the purposes of sub-sections (1A), (1B) and (1C), 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 decision of the appropriate Government, made after giving the parties a reasonable opportunity of representing the case, shall be final and shall not be called in question by any court or other authority.]

(2) The provisions of ²[sub-sections (1), (1A), (1B) and (1C)] shall, so far as may be, apply to new departments or undertakings or branches set up by existing establishments:

Provided that if an employer in relation to an existing establishment consisting of different (departments or undertakings or branches (whether or not in the same industry) set up at different periods has, before the 29th May, 1965, been paying bonus to the employees of all such departments or undertakings or branches irrespective of the date on which such departments or undertakings or branches were set up, on the basis of the consolidated profits computed in respect of all such departments or undertakings or branches, then, such employer shall be liable to pay bonus in accordance with the provisions of this Act to the employees of all such departments or undertakings or branches (whether set up before or after that date) on the basis of the consolidated profits computed as aforesaid.

1. Subs. by Act 66 of 1980, s. 10, for "Third Schedule" (w.e.f. 21-8-1980).

2. Subs. by Act 23 of 1976, s. 12, for "sub-section (1)" (w.e.f. 25-9-1975).

17. Adjustment of customary or interim bonus against bonus payable under the Act.—Where in any accounting year—

(a) an employer has paid any puja bonus or other customary bonus to an employee; or

(b) an employer has paid a part of the bonus payable under this Act 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 Act in respect of that accounting year and the employee shall be entitled to receive only the balance.

18. Deduction of certain amounts from bonus payable under the Act.—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 Act in respect of that accounting year only and the employee shall be entitled to receive the balance, if any.

19. Time-limit for payment of bonus.—¹[All amounts] payable to an employee by way of bonus under this Act shall be paid in cash by his employer—

(a) where there is a dispute regarding payment of bonus pending before any authority under section 22, within a month from the date on which the award becomes enforceable or the settlement comes into operation, in respect of such dispute;

(b) in any other case, within a period of eight months from the close of the accounting year:

Provided that the appropriate Government or such authority as the appropriate Government may specify in this behalf may, upon an application made to it by the employer and for sufficient reasons, by order, extend the said period of eight months to such further period or periods as it thinks fit; so, however, that the total period so extended shall not in any case exceed two years.

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3*	*	*	*	*

20. Application of Act to establishments in public sector in certain cases.—⁴[(1)] If in any accounting year an establishment in public sector sells any goods produced or manufactured by it or renders any services, in competition with an establishment in private sector, and the income from such sale or services or both is not less than twenty per cent. of the gross income of the establishment in public sector for that year, then, the provisions of this Act shall apply in relation to such establishment in public sector as they apply in relation to a like establishment in private sector.

⁵[(2) Save as otherwise provided in sub-section (1), nothing in this Act shall apply to the employees employed by any establishment in public sector.]

21. Recovery of bonus due from an employer.—Where any money is due to an employee by way of bonus from his employer under a settlement or an award or agreement, the employee himself or any other person authorised by him in writing in this behalf, or in the case of the death of the employee, his assignee or heirs may, without prejudice to any other mode of recovery, make an application to the appropriate Government for the recovery of the money due to him, and if the appropriate Government or such authority as the appropriate Government may specify in this behalf is satisfied that any money is so due, it shall issue a certificate for that amount to the Collector who shall proceed to recover the same in the same manner as an arrear of land revenue:

Provided that every such application shall be made within one year from the date on which the money became due to the employee from the employer:

1. Subs. by Act 23 of 1976, s. 13, for “(1) Subject to this provisions of this section, all amounts” (w.e.f. 25-9-1975).

2. Sub-sections (2) to (7) omitted by s. 13, *ibid.* (w.e.f. 25-9-1975).

3. Sub-section (8) omitted by Act 55 of 1973, s. 2 (w.e.f. 1-9-1973).

4. Section 20 renumbered as sub-section (1) thereof by Act 66 of 1980, s. 11 (w.e.f. 21-8-1980).

5. Ins. by s. 11, *ibid.* (w.e.f. 21-8-1980).

Provided further that any such application may be entertained after the expiry of the said period of one year, if the appropriate Government is satisfied that the applicant had sufficient cause for not making the application within the said period.

Explanation—In this section and in ¹[sections 22, 23, 24 and 25], “employee” includes a person who is entitled to the payment of bonus under this Act but who is no longer in employment.

22. Reference of disputes under the Act.—Where any dispute arises between an employer and his employees with respect to the bonus payable under this Act or with respect to the application of this Act to an establishment in public sector, then, such dispute shall be deemed to be an industrial dispute within the meaning of the Industrial Disputes Act, 1947 (14 of 1947), or of any corresponding law relating to investigation and settlement of industrial disputes in force in a State and the provisions of that Act or, as the case may be, such law, shall, save as otherwise expressly provided, apply accordingly.

23. Presumption about accuracy of balance-sheet and profit and loss account of corporations and companies.—(1) Where, during the course of proceedings before any arbitrator or Tribunal under the Industrial Disputes Act, 1947 (14 of 1947), or under any corresponding law relating to investigation and settlement of industrial disputes in force in a State (hereinafter in this section ²[and in ³[sections 24 and 25] referred to as the “said authority”) to which any dispute of the nature specified in section 22 has been referred, the balance-sheet and the profit and loss account of an employer, being a corporation or a company (other than a banking company), duly audited by the Comptroller and Auditor-General of India or by auditors duly qualified to act as auditors of companies under sub-section (1) of section 226 of the Companies Act, 1956 (1 of 1956), are produced before it, then, the said authority may presume the statements and particulars contained in such balance-sheet and profit and loss account to be accurate and it shall not be necessary for the corporation or the company to prove the accuracy of such statements and particulars by the filing of an affidavit or by any other mode:

Provided that where the said authority is satisfied that the statement and particulars contained in the balance-sheet or the profit and loss account of the corporation or the company are not accurate, it may take such steps as it thinks necessary to find out the accuracy of such statements and particulars.

(2) When an application is made to the said authority by any trade union being a party to the dispute or where there is no trade union, by the employees being a party to the dispute, requiring any clarification relating to any item in the balance-sheet or the profit and loss account, it may, after satisfying itself that such clarification is necessary, by order, direct the corporation or, as the case may be, the company, to furnish to the trade union or the employees such clarification within such time as may be specified in the direction and the corporation or, as the case may be, the company, shall comply with such direction.

⁴[**24. Audited accounts of banking companies not to be questioned.**—(1) Where any dispute of the nature specified in section 22 between an employer, being a banking company, and its employees has been referred to the said authority under that section and during the course of proceedings the accounts of the banking company duly audited are produced before it, the said authority shall not permit any trade union or employees to question the correctness of such accounts, but the trade union or the employees may be permitted to obtain from the banking company such information as is necessary for verifying the amount of bonus due under this Act.

(2) Nothing contained in sub-section (1) shall enable the trade union on the employees to obtain any information which the banking company is not compelled to furnish under the provisions of section 34A of the Banking Regulation Act, 1949 (10 of 1949).]

25. Audit of accounts of employers, not being corporations or companies.—(1) Where any dispute of the nature specified in section 22 between an employer, not being a corporation or a company, and his employees has been referred to the said authority under that section and the

1. Subs. by Act 66 of 1980, s. 12, for “sections 22, 23 and 25” (w.e.f. 21-8-1980).

2. Subs. by Act 23 of 1976, s. 16, for “and in sections 24 and 25” (w.e.f. 25-9-1975).

3. Subs. by Act 66 of 1980, s. 13, for “section 25” (w.e.f. 21-8-1980).

4. Ins. by s. 14, *ibid.* (w.e.f. 21-8-1980).

accounts of such employer audited by any auditor duly qualified to act as auditor of companies under sub-section (1) of section 226 of the Companies Act, 1956 (1 of 1956), are produced before the said authority, the provisions of section 23, shall, so far as may be, apply to the accounts so audited.

(2) When the said authority finds that the accounts of such employer have not been audited by any such auditor and it is of opinion that an audit of the accounts of such employer is necessary for deciding the question referred to it, then, it may, by order, direct the employer to get his accounts audited within such time as may be specified in the direction or within such further time as it may allow by such auditor or auditors as it thinks fit and thereupon the employer shall comply with such direction.

(3) Where an employer fails to get the accounts audited under sub-section (2) the said authority may, without prejudice to the provisions of section 28, get the accounts audited by such auditor or auditors as it thinks fit.

(4) When the accounts are audited under sub-section (2) or sub-section (3) the provisions of section 23 shall, so far as may be, apply to the accounts so audited.

(5) The expenses of, and incidental to, any audit under sub-section (3) (including the remuneration of the auditor or auditors) shall be determined by the said authority (which determination shall be final) and paid by the employer and in default of such payment shall be recoverable from the employer in the manner provided in section 21.

26. Maintenance of registers, records, etc.—Every employer shall prepare and maintain such registers, records and other documents in such form and in such manner as may be prescribed.

27. Inspectors.—(1) The appropriate Government may, by notification in the Official Gazette, appoint such person as it thinks fit to be Inspectors for the purposes of this Act and may define the limits within which they shall exercise jurisdiction.

(2) An Inspector appointed under sub-section (1) may, for the purpose of ascertaining whether any of the provisions of this Act has been complied with—

(a) require an employer to furnish such information as he may consider necessary;

(b) at any reasonable time and with such assistance, if any, as he thinks fit, enter any establishment or any premises connected therewith and require any one found in charge thereof to produce before him for examination any accounts, books, registers and other documents relating to the employment of persons or the payment of salary of wage or bonus in the establishment;

(c) examine with respect to any matter relevant to any of the purposes aforesaid, the employer, his agent or servant or any other person found in charge of the establishment or any premises connected therewith or any person whom the Inspector has reasonable cause to believe to be or to have been an employee in the establishment;

(d) make copies of, or take extracts from, any book, register or other document maintained in relation to the establishment;

(e) exercise such other powers as may be prescribed.

(3) Every Inspector shall be deemed to be a public servant within the meaning of the Indian penal Code (45 of 1860).

(4) Any person required to produce any accounts, book, register or other documents or to give information by an Inspector under sub-section (1) shall be legally bound to do so.

¹[(5) Nothing contained in this section shall enable an Inspector to require a banking company to furnish or disclose any statement or information or to produce, or give inspection of, any of its books of account or other documents, which a banking company cannot be compelled to furnish, disclose, produce or give inspection of, under the provisions of section 34A of the Banking Regulation Act, 1949 (10 of 1949).]

3. Ins. by Act 66 of 1980, s. 17 (w.e.f. 21-8-1980).

28. Penalty.—If any person—

- (a) contravenes any of the provisions of this Act or any rule made thereunder; or
- (b) to whom a direction is given or a requisition is made under this Act fails to comply with the direction or requisition,

he shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both.

29. Offences by companies.—(1) If the person committing an offence under this Act is a company, every person who, at the time the offence was committed, was in charge of, and was responsible to, the company for the conduct of business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Explanation.—For the purposes of this section,—

- (a) “company” means any body corporate and includes a firm or other association of individuals; and
- (b) “director”, in relation to a firm, means a partner in the firm.

30. Cognizance of offences.—(1) No court shall take cognizance of any offence punishable under this Act, save on complaint made by or under the authority of the appropriate Government ¹[or an officer of that Government (not below the rank of a Regional Labour Commissioner in the case of an officer of the Central Government, and not below the rank of a Labour Commissioner in the case of an officer of the State Government) specially authorised in this behalf by that Government].

(2) No court inferior to that of a presidency magistrate or a magistrate of the first class shall try any offence punishable under this Act.

31. Protection of action taken under the Act.—No suit, prosecution or other legal proceeding shall lie against the Government or any officer of the Government for anything which is in good faith done or intended to be done in pursuance of this Act or any rule made thereunder.

²[31A. Special provision with respect to payment of bonus linked with production or productivity.—Notwithstanding anything contained in this Act,—

(i) where an agreement or a settlement has been entered into by the employees with their employer before the commencement of the Payment of Bonus (Amendment) Act, 1976 (23 of 1976), or

(ii) where the employees enter into any agreement or settlement with their employer after such commencement,

for payment of an annual bonus linked with production or productivity in lieu of bonus based on profits payable under this Act, then, such employees shall be entitled to receive bonus due to them under such agreement or settlement, as the case may be:

³[Provided that any such agreement or settlement whereby the employees relinquish their right to receive the minimum bonus under section 10 shall be null and void in so far as it purports to deprive them of such right:]]

1. Ins. by Act 66 of 1980, s. 16 (w.e.f. 21-8-1980).

2. Ins. by Act 23 of 1976, s. 19 (w.e.f. 25-9-1975).

3. Ins. by Act 66 of 1980, s. 17 (w.e.f. 21-8-1980).

¹[Provided further that] such employees shall not be entitled to be paid such bonus in excess of twenty per cent. of the salary or wage earned by them during the relevant accounting year.

32. Act not to apply to certain classes of employees.—Nothing in this Act shall apply to—

(i) ²[employees employed by any insurer carrying on general insurance business and the] employees employed by the Life Insurance Corporation of India;

(ii) seamen as defined in clause (42) of section 3 of the Merchant Shipping Act, 1958 (44 of 1958);

(iii) employees registered or listed under any scheme made under the Dock Workers (Regulation of Employment) Act, 1948 (9 of 1948), and employed by registered or listed employers;

(iv) employees employed by an establishment engaged in any industry carried on by or under the authority of any department of the Central Government or a State Government or a local authority;

(v) employees employed by—

(a) the Indian Red Cross Society or any other institution of a like nature (including its branches);

(b) universities and other educational institutions;

(c) institutions (including hospitals, chambers of commerce and social welfare institutions) established not for purposes of profit;

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(viii) employees employed by the Reserve Bank of India;

(ix) employees employed by—

(a) the Industrial Finance Corporation of India;

(b) any Financial Corporation established under section 3, or any Joint Financial Corporation established under section 3A, of the State Financial Corporations Act, 1951 (63 of 1951);

(c) the Deposit Insurance Corporation;

⁵[(d) the National Bank for Agriculture and Rural Development;]

(e) the Unit Trust of India;

(f) the Industrial Development Bank of India;

⁶[(fa) the Small Industries Development Bank of India established under section 3 of the Small Industries Development Bank of India Act, 1989 (39 of 1989);]

⁷[(ff) the National Housing Bank;]

1. Subs. by Act 66 of 1980, s. 17, for “Provided that” (w.e.f. 21-7-1980).

2. The words in brackets shall stand omitted (date to be notified) by Act 62 of 1968, s. 41.

3. Clause (vi) omitted by Act 45 of 2007, s. 4 (w.e.f. 1-4-2006).

4. Clause (vii) omitted by Act 66 of 1980, s. 18 (w.e.f. 21-7-1980).

5. Subs. by Act 61 of 1981, s. 61 and the Second Schedule, for sub-clause (d) (w.e.f. 2-7-1982).

6. Ins. by Act 39 of 1989, s. 53 and the Second Schedule (w.e.f. 7-3-1990).

7. Ins. by Act 53 of 1987, s. 56 and the Second Schedule (w.e.f. 9-7-1988).

in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

39. Application of certain law not barred.—Save as otherwise expressly provided, the provisions of this Act shall be in addition to and not in derogation of the Industrial Disputes Act, 1947 (14 of 1947), or any corresponding law relating to investigation and settlement of industrial disputes in force in a State.

40. Repeal and saving.—(1) The Payment of Bonus Ordinance, 1965 (3 of 1965), is hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken under the said Ordinance shall be deemed to have been done or taken under this Act as if this Act had commenced on the 29th May, 1965.

¹[THE FIRST SCHEDULE

[See section 4 (a)]

COMPUTATION OF GROSS PROFITS

Accounting Year ending

Item No.	Particulars	Amount of sub-items	Amount of main items	Remarks
² [1.	<i>Net Profit</i> , as show in the Profit and Loss Account after making usual and necessary provisions.	Rs.	Rs.	
2.	<i>Add back</i> provision for:			
	(a) Bonus to employees.			
	(b) Depreciation.			
	(c) Development Rebate Reserve.			See foot-note (1)
	(d) Any other reserves.			See foot-note (1)
	Total of Item No. 2	Rs.		
3.	<i>Add back</i> also:			See foot-note (1)
	(a) Bonus paid to employees in respect of previous accounting years.			See foot-note (1)
	(b) The amount debited in respect of gratuity paid or payable to employees in excess of the aggregate of—			
	(i) the amount, if any, paid to, or provided for payment to, an approved gratuity fund; and			
	(ii) the amount actually paid to employees on their retirement or on termination of their employment for any reason.			
	(c) Donations in excess of the amount admissible for income-tax.			

1. Ins. by Act 66 of 1980, s. 19 (w.e.f. 21-8-1980).

2. Where the profit subject to taxation is shown in the Profit and Loss Account and the provision made for taxes on income is shown, the actual provision for taxes on income shall be deducted from the profit.

Item No.	Particulars	Amount of sub-items Rs.	Amount of main items Rs.	Remarks
	(d) Capital expenditure (other than capital expenditure on scientific research which is allowed as a deduction under any law for the time being in force relating to direct taxes) and capital losses (other than losses on sale of capital assets on which depreciation has been allowed for income-tax).			See foot-note (1)
	(e) Any amount certified by the Reserve Bank of India in terms of sub-section (2) of section 34A of the Banking Regulation Act, 1949 (10 of 1949).			
	(f) Losses of, or expenditure relating to, any business situated outside India.			
	Total of Item No. 3.....	Rs.		
4.	<i>Add also</i> income, profits or gains (if any) credited directly to published or disclosed reserves, <i>other than—</i>			
	(i) capital receipts and capital profits (including profits on the sale of capital assets on which depreciation has not been allowed for income-tax);			
	(ii) profits of, and receipts relating to, any business situated outside India;			
	(iii) income of foreign banking companies from investment outside India.			
	Net total of Item No. 4.	Rs.		
5.	Total of Item Nos. 1, 2, 3 and 4	Rs.		

Item No.	Particulars	Amount of sub-items Rs.	Amount of main items Rs.	Remarks
6.	<i>Deduct:</i>			
	(a) Capital receipts and capital profits (other than profits on the sale of assets on which depreciation has been allowed for income-tax).			See foot-note (2)
	(b) Profits of, and receipts relating to, any business situated outside India.			See foot-note (2)
	(c) Income of foreign banking companies from investments outside India.			See foot-note (2)
	(d) Expenditure or losses (if any) debited directly to published or disclosed reserves, <i>other than</i> —			
	(i) capital expenditure and capital losses (other than losses on sale of capital assets on which depreciation has not been allowed for income-tax);			
	(ii) losses of any business situated outside India.			
	(e) In the case of foreign banking companies proportionate administrative (overhead) expenses of Head Office allocable to Indian business.			See foot-note (3)
	(f) Refund of any excess direct tax paid for previous accounting years and excess provision, if any, of previous accounting years, relating to bonus, depreciation, or development rebate, if written back.			See foot-note (2)
	(g) Cash subsidy, if any, given by the Government or by any body corporate established by any law for the time being in force or by any other agency through budgetary grants, whether given directly or through any agency for specified purposes and the proceeds of which are reserved for such purposes.			See foot-note (2)
	Total of Item No. 6. . . .			
7.	Gross Profits for purposes of bonus (Item No. 5 minus Item No. 6)		Rs.	Rs.

[*Explanation.*—In sub-item (b) of Item 3, “approved gratuity fund” has the same meaning assigned to it in clause (5) of section 2 of the Income-tax Act.

Foot-notes—

- (1) It, and to the extent, charged to Profit and Loss Account.
- (2) If, and to the extent, credited to Profit and Loss Account.
- (3) In the proportion of Indian Gross Profit (Item No. 7) to Total World Gross Profit (as per Consolidated Profit and Loss Account adjusted as in Item No. 2 above only).]

¹[THE SECOND SCHEDULE]

²[See section 4(b)]

COMPUTATION OF GROSS PROFITS

Accounting Year ending.....

Item No.	Particulars	Amount of sub-items	Amount of main items	Remarks
		Rs.	Rs.	
1.	<i>Net Profit</i> as per Profit and Loss Account.			
2.	<i>Add back</i> provision for:			
	(a) Bonus to employees.			
	(b) Depreciation.			
	(c) Direct taxes, including the provision (if Any) for previous accounting years.			
	³ [(d) development rebate/Investment allowance/development allowance reserve.]			See foot-note (1)
	(e) Any other reserves.			See foot-note (1)
	Total of Item No. 2.	Rs.		
3.	<i>Add back</i> also :			
	(a) Bonus paid to employees in respect of previous accounting years.			See foot-note (1)
	⁴ [(aa) The amount debited in respect of gratuity paid or payable to employees in excess of the aggregate of—			
	(i) the amount, if any, paid to, or provided for payment to, an approved gratuity fund; and			
	(ii) the amount actually paid to employees on their retirement or on termination of their employment for any reason.]			

1. The First Schedule renumbered as the Second Schedule by Act 66 of 1980, s. 19 (w.e.f. 21-8-1980).

2. Subs. by s. 19, *ibid.*, for “(See section 4)” (w.e.f. 21-8-1980).

3. Subs. by s. 19, *ibid.*, for entry (d) (w.e.f. 21-8-1980).

4. Ins. by Act 23 of 1976, s. 26 (w.e.f. 25-9-1975).

Item No.	Particulars	Amount of sub-items	Amount of main items	Remarks
		Rs.	Rs.	
	(b) Donations in excess of the amount admissible for income-tax.			
	(c) Any annuity due, or commuted value of any annuity paid, under the provisions of section 280D of the Income-tax Act during the accounting year.			
	(d) Capital expenditure (other than capital expenditure on scientific research which is allowed as a deduction under any law for the time being in force relating to direct taxes) and capital losses (other than losses on sale of capital assets on which depreciation has been allowed for income-tax or agricultural income-tax).			See foot-note (I)
	(e) Losses of, or expenditure relating to, any business situated outside India.			
	Total of Item No. 3		Rs.	
4.	<i>Add also</i> Income, profits or gains (if any) credited directly to reserves, <i>other than—</i>			
	(i) capital receipts and capital profits (including profits on the sale of capital assets on which depreciation has not been allowed for income-tax or agricultural income-tax);			
	(ii) profits of, and receipts relating to, any business situated outside India;			
	(iii) income of foreign concerns from investments outside India.			
	Net total of Item No. 4		Rs.	
5.	Total of Item Nos. 1, 2, 3, and 4		Rs.	

Item No.	Particulars	Amount of sub-items	Amount of main items	Remarks
		Rs.	Rs.	
6.	<i>Deduct :</i>			
	(a) Capital receipts and capital profits (other than profits on the sale of assets on which depreciation has been allowed for income-tax or agricultural income-tax).			See foot-note (2)
	(b) Profits of, and receipts relating to, any business situated outside India.			See foot-note (2)
	(c) Income of foreign concerns from investment outside India.			See foot-note (2)
	(d) Expenditure or losses (if any) debited directly to reserves, <i>other than—</i>			
	(i) capital expenditure and capital losses (other than losses on sale of capital assets on which depreciation has not been allowed for income-tax or agricultural income-tax);			
	(ii) losses of any business situated outside India.			
	(e) In the case of foreign concerns proportionate administrative (overhead) expenses of Head Office allocable to Indian business.			See foot-note (3)
	(f) Refund of any direct tax paid for previous accounting years and excess provision, if any, of previous accounting years relating to bonus, depreciation, taxation or development rebate or development allowance, if written back.			See foot-note (2)

Item No.	Particulars	Amount of sub-items	Amount of main items	Remarks
		Rs.	Rs.	
	¹ [(g) Cash subsidy, if any, given by the Government or by any body corporate established by any law for the time being in force or by any other agency through budgetary grants, whether given directly or through any agency for specified purposes and the proceeds of which are reserved for such purposes.]			
	Total of Item No. 6	Rs.		
7.	Gross Profit for purposes of bonus (Item No. 5 minus Item No. 6)	Rs.		

²[*Explanation.*—In sub-item (aa) of Item 3, “approved gratuity fund” has the same meaning assigned to it in clause (5) of section 2 of the Income-tax Act.]

Foot-notes—

- (1) If, and to the extent, charged to Profit and Loss Account.
- (2) If, and to the extent, credited to Profit and Loss Account.
- (3) In the proportion of Indian Gross Profit (Item No. 7) to Total World Gross Profit (as per Consolidated Profit and Loss Account, adjusted as in Item No. 2 above only).

1. Subs. by Act 23 of 1976, s. 26, for sub-item (g) (w.e.f. 25-9-1975).
2. *Explanation* inserted by s. 26, *ibid.* (w.e.f. 25-9-1975).

¹[THE THIRD SCHEDULE]

[See section 6(d)]

Item No.	Category of employer	Further sums to be deducted
(1)	(2)	(3)
1.	² [Company, other than a banking company]	(i) The dividends payable on its preference share capital for the accounting year calculated at the actual rate at which such dividends are payable; (ii) 8.5 per cent. of its paid up equity share capital as at the commencement of the accounting year; (iii) 6 per cent. of its reserves shown in its balance-sheet as at the commencement of the accounting year, including any profits carried forward from the previous accounting year: Provided that where the employer is a foreign company within the meaning of section 591 of the Companies Act, 1956 (1 of 1956), the total amount to be deducted under this Item shall be 8.5 per cent. on the aggregate of the value of the net fixed assets and the current assets of the company in India after deducting the amount of its current liabilities (other than any amount shown as payable by the company to its Head Office whether towards any advance made by the Head Office or otherwise or any interest paid by the company to its Head Office) in India.
³ [2.	Banking company]	(i) The dividends payable on its preference share capital for the accounting year calculated at the rate at which such dividends are payable; (ii) 7.5 per cent. of its paid up equity share capital as at the commencement of the accounting year; (iii) 5 per cent. of its reserves shown in its balance sheet as at the commencement of the accounting year, including any profits carried forward from the previous accounting year;

1. The Second Schedule renumbered as the Third Schedule by Act 66 of 1980, s. 20 (w.e.f. 21-8-1980).

2. Subs. by s. 20, *ibid.*, for "Company" (w.e.f. 21-8-1980).

3. Ins. by s. 20, *ibid.* (w.e.f. 21-8-1980).

Item No.	Category of employer	Further sums to be deducted
(1)	(2)	(3)
		(iv) any sum which, in respect of the accounting year, is transferred by it— (a) to a reserve fund under sub-section (1) of section 17 of the Banking Regulation Act, 1949 (10 of 1949); or (b) to any reserves in India in pursuance of any direction or advice given by the Reserve Bank of India. whichever is higher: Provided that where the banking company is a foreign company within the meaning of section 591 of the Companies Act, 1956 (1 of 1956), the amount to be deducted under this Item shall be the aggregate of— (i) the dividends payable to its preference shareholders for the accounting year at the rate at which such dividends are payable on such amount as bears the same proportion to its total preference share capital as its total working funds in India bear to its total world working funds; (ii) 7.5 per cent. of such amount as bears the same proportion to its total paid up equity share capital as its total working funds in India bear to its total world working funds; (iii) 5 per cent. of such amount as bears the same proportion to its total disclosed reserves as its working funds in India bear to its total world working funds; (iv) any sum which, in respect of the accounting year, is deposited by it with the Reserve Bank of India under sub-clause (ii) of clause (b) of sub-section (2) of section 11 of the Banking Regulation Act, 1949 (10 of 1949), not exceeding the amount required under the aforesaid provision to be so deposited.]
3.	Corporation	(i) 8.5 per cent. of its paid up capital as at the commencement of the accounting year; (ii) 6 per cent. of its reserves, if any, shown in its balance-sheet as at the commencement of the accounting year, including any profits carried forward from the previous accounting year.

Item No.	Category of employer	Further sums to be deducted
(1)	(2)	(3)
4.	Co-operative society	(i) 8.5 per cent. of the capital invested by such society in its establishment as evidenced from its books of accounts at the commencement of the accounting year; (ii) such sum as has been carried forward in respect of the accounting year to a reserve fund under any law relating to co-operative societies for the time being in force.
5.	Any other employer not falling under any of the aforesaid categories.	(iii) 8.5 per cent. of the capital invested by him in his establishment as evidenced from his books of accounts at the commencement of the accounting year: Provided that where such employer is a person to whom Chapter XXIIA of the Income-tax Act applies, the annuity deposit payable by him under the provisions of that Chapter during the accounting year shall also be deducted: Provided further that where such employer is a firm, an amount equal to 25 per cent. of the gross profits derived by it from the establishment in respect of the accounting year after deducting depreciation in accordance with the provisions of clause (a) of section 6 by way of remuneration to all the partners taking part in the conduct of business of the establishment shall also be deducted, but where the partnership agreement, whether oral or written, provides for the payment of remuneration to any such partner, and— (i) the total remuneration payable to all such partners is less than the said 25 per cent., the amount payable, subject to a maximum of forty-eight thousand rupees to each such partner; or (ii) the total remuneration payable to all such partners is higher than the said 25 per cent., such percentage, or a sum calculated at the rate of forty-eight thousand rupees to each such partner, whichever is less, shall be deducted under this proviso:

Item No.	Category of employer	Further sums to be deducted
(1)	(2)	(3)
		Provided also that where such employer is an individual or a Hindu undivided family,— (i) an amount equal to 25 per cent. of the gross profits derived by such employer from the establishment in respect of the accounting year after deducting depreciation in accordance with the provisions of clause (a) of section 6; or (ii) forty-eight thousand rupees, whichever is less, by way of remuneration to such employer, shall also be deducted.
6.	Any employer falling under Item No. 1 of Item No. 3 or Item No. 4 or Item No. 5 and being a licensee within the meaning of the Electricity (Supply) Act, 1948 (54 of 1948).	In addition to the sums deductible under any of the aforesaid Items, such sums as are required to be appropriated by the licensee in respect of the accounting year to a reserve under the Sixth Schedule to that Act shall also be deducted.

Explanation.—The expression “reserves” occurring in column (3) against Item Nos. ¹[1(iii), 2(iii) and 3(ii)] shall not include any amount set apart for the purpose of—

- (i) payment of any direct tax which, according to the balance-sheet, would be payable;
 - (ii) meeting any depreciation admissible in accordance with the provisions of clause (a) of section 6;
 - (iii) payment of dividends which have been declared,
- but shall include—

- (a) any amount, over and above the amount referred to in clause (i) of this *Explanation*, set apart as specific reserve for purpose of payment of any direct tax; and
- (b) any amount set apart for meeting any depreciation in excess of the amount admissible in accordance with the provisions of clause (a) of section 6.

1. Subs. by Act 66 of 1980, s. 20, for “1(iii) and 3(ii)” (w.e.f. 21-8-1980).

¹[THE FOURTH SCHEDULE

(See sections 15 and 16)

In this Schedule, the total amount of bonus equal to 8.33 per cent. of the annual salary or wage payable to all the employees is assumed to be Rs. 1,04,167. Accordingly, the maximum bonus to which all the employees are entitled to be paid (twenty per cent. of the annual salary or wage of all the employees) would be Rs. 2,50,000.

Year	Amount equal To sixty per cent. or sixty-seven per cent., as the case may be, of available surplus allocable as bonus	Amount payable as bonus	Set on or set off of the year carried forward	Total set on or set off carried forward	
(1)	(2)	(3)	(4)	(5)	
	Rs.	Rs.	Rs.	Rs.	of (year)
1	1,04,167	1,04,167**	Nil	Nil	
2	6,35,000	2,50,000*	Set on 2,50,000*	Set on 2,50,000*	(2)
3	2,20,000	2,50,000* (inclusive of 30,000 from year-2)	Nil	Set on 2,20,000	(2)
4	3,75,000	2,50,000*	Set on 1,25,000	Set on 2,20,000 1,25,000	(2) (4)
5	1,40,000	2,50,000* (inclusive of 1,10,000 from year-2)	Nil	Set on 1,10,000 1,25,000	(2) (4)
6	3,10,000	2,50,000*	Set on 60,000	Set on Nil+ 1,25,000 60,000	(2) (4) (6)
7	1,00,000	2,50,000* (inclusive of 1,25,000 from year-4 and 25,000 from year-6)	Nil	Set on 35,000	(6)
8	Nil (due to loss)	1,04,167** (inclusive of 35,000 from year-6)	Set off 69,167	Set off 69,167	(8)

1. Subs. by Act 66 of 1980, s. 21, for the Third Schedule (w.e.f. 21-8-1980).

	(1)	(2)	(3)	(4)	(5)	
9	10,000		1,04,167**	Set off	Set off	
				94,167	69,167	(8)
					94,167	(9)
10	2,15,000		1,04,167** (after setting off 69,167 from year-8 and 41,666 from year-9)	Nil	Set off	
					52,501	(9)

Notes—

* Maximum

+ The balance of Rs. 1,10,000 set on from year-2 lapses.

**Minimum.]

The Payment of Bonus Act, 1965 (POB Act, 1965) Executive Summary

1. Introduction to the Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 was introduced as a significant step toward ensuring economic fairness in India's industrial relations. During the 1960s, the country's workforce was expanding rapidly, but the concept of profit-sharing between employers and employees remained unregulated. Many establishments rewarded workers arbitrarily, and disputes over bonus payments often led to unrest and litigation. The Act was enacted to formalise this process — turning the idea of a bonus from a goodwill gesture into a legal right.

The Payment of Bonus Act 1965 Bare Act PDF Download clearly outlines the principle that every worker contributing to a company's success deserves a fair share of the profits. It extends beyond mere financial reward — representing a commitment to equity, productivity, and mutual respect between management and labour.

The legislation was built on the recommendations of the Bonus Commission (1961), which proposed linking bonus payments to productivity and profitability. This connection ensured that when an enterprise prospers, its employees share in that prosperity.

The Payment of Bonus Act, 1965 not only created uniform standards for bonus calculation but also provided a mechanism to prevent disputes. It established that every employee earning below a specified salary limit and completing a minimum number of working days in a year is entitled to a statutory bonus, even if the employer has incurred a loss.

Key Highlights and Purpose

- Introduced a legal framework to regulate the payment of bonuses in all eligible establishments.
- Ensured equitable distribution of profits between employers and employees.
- Defined minimum and maximum limits for bonus to maintain industrial balance.
- Reduced industrial disputes by providing a transparent formula for computation.
- Linked the idea of a bonus to productivity and long-term business stability.

The Payment of Bonus Act 1965 Executive Summary Corrida Legal highlights that this legislation was not merely economic in nature; it was also ethical. It acknowledged that the growth of industries rests on the contribution of both capital and labour, and that the fruits of success must be shared fairly.

In essence, the Act functions as a bridge between profitability and social responsibility. It ensures that industrial success is not one-sided but inclusive — motivating workers, improving productivity, and sustaining harmony in employer-employee relations. Over time, the law has become a cornerstone of labour welfare, embodying the broader vision of a balanced, just, and progressive industrial ecosystem in India.

2. Objectives, Scope, and Applicability under the Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 was enacted with a clear purpose — to create a uniform system of rewarding employees for their contribution to an organisation's growth and productivity. Before this legislation, there was no consistent policy on bonuses across industries. Employers offered them at their discretion, often leading to disputes and feelings of unfairness among workers. The Act sought to correct this by making the payment of bonuses a statutory obligation rather than a voluntary gesture.

At its core, the Payment of Bonus Act 1965 Executive Summary Corrida Legal focuses on promoting equality and industrial peace. It ensures that employees receive a fair share of profits while also encouraging companies to maintain efficient operations. The law represents a balance — it rewards

performance without burdening employers unfairly and protects workers without stifling enterprise growth.

2.1 Key Objectives of the Act

The Payment of Bonus Act 1965 Bare Act PDF Download outlines several objectives that continue to guide its application today. These include:

- Promoting equitable distribution of wealth between management and employees.
- Recognising the contribution of labour to industrial productivity and profitability.
- Encouraging efficiency and loyalty through performance-based incentives.
- Preventing industrial disputes by defining transparent rules for bonus calculation.
- Ensuring social justice by providing minimum bonus even when profits are low.

Through these objectives, the Act strengthens the spirit of cooperation and partnership in the workplace. It reflects the principle that prosperity should be shared — not concentrated.

2.2 Scope and Coverage

The scope of the Act extends to a wide range of establishments across India. According to the Payment of Bonus Act 1965 Key Provisions and Summary, it applies to every factory and every establishment where twenty or more persons are employed on any day during an accounting year.

The law covers:

- Private and public sector organisations.
- Non-government establishments such as educational institutions and service providers (if they meet the employee threshold).
- Seasonal industries, with special provisions for calculating bonuses during short operational periods.

Employees earning wages up to a specific statutory limit are eligible for bonus payments, ensuring protection for the working class. The Act also applies retrospectively to new establishments once they complete five years of operation, promoting long-term accountability.

2.3 Legislative Intent and Broader Purpose

The Payment of Bonus Act 1965 Minimum and Maximum Bonus Rules PDF emphasises that the purpose of the legislation is not only to regulate payments but to foster a sense of ownership and motivation among employees. By linking remuneration to performance and profitability, the Act encourages higher productivity while maintaining social balance.

The law's structure reflects its dual objective — to protect workers' economic interests and to provide a predictable framework for employers. It recognises that sustainable industrial growth depends on fairness and consistency in labour relations.

2.4 Applicability to Different Sectors

The Payment of Bonus Act 1965 Full Text PDF India applies to both manufacturing and service sectors. It includes organisations such as factories, trading companies, and even certain educational or medical institutions that qualify under the prescribed conditions.

Certain categories, like employees in defence establishments, universities, or charitable institutions not engaged in profit-making, are exempt from the Act. This distinction ensures that the law focuses on profit-oriented enterprises where the concept of bonus as profit-sharing truly applies.

2.5 Significance in the Modern Industrial Context

In today's competitive economy, the Payment of Bonus Act remains as relevant as ever. It serves as a foundation for employee motivation, retention, and fairness in compensation practices. The Act complements other welfare laws like the Code on Wages, ensuring that remuneration reflects both performance and dignity.

3. Eligibility and Calculation of Bonus under the Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 introduced a uniform structure for determining who qualifies for a bonus and how it should be calculated. Before this legislation, the absence of clear eligibility criteria often led to confusion and disputes between workers and management. By defining these rules, the law ensured that bonus payments became transparent, fair, and based on measurable financial performance rather than employer discretion.

The Payment of Bonus Act 1965 Bare Act PDF Download establishes that every employee who has worked for at least 30 days in a financial year in an eligible establishment is entitled to receive a bonus, provided their wages fall within the prescribed salary ceiling. The Act thus guarantees that employees who contribute consistently to an organisation's productivity share in its financial rewards, regardless of position or type of work.

3.1 Eligibility Criteria for Employees

According to the Payment of Bonus Act 1965 Executive Summary Corrida Legal, an employee becomes eligible for a bonus if they:

- Have worked in the establishment for not less than 30 days in the accounting year.
- Earn wages not exceeding the statutory limit prescribed by the government (which has been revised periodically).
- Are not employed in managerial or supervisory roles drawing wages beyond the specified threshold.

The Act applies equally to both permanent and temporary workers, ensuring that even those on short-term or seasonal employment receive their rightful share.

3.2 Principles of Bonus Calculation

The calculation of bonus under the Payment of Bonus Act 1965 Key Provisions and Summary is based on the concept of *allocable surplus*. This represents the portion of a company's profit available for distribution as bonus after accounting for prior charges, depreciation, and taxes.

Key steps in bonus calculation include:

- Determining the gross profit for the accounting year.
- Deducting prior charges such as depreciation, reserves, and tax liabilities.
- Computing the *allocable surplus* as per the statutory formula (60% for companies other than banking, and 67% for banking companies).
- Calculating the employee's bonus based on this surplus, subject to minimum and maximum limits.

This structure ensures that bonuses are linked directly to financial performance, encouraging both productivity and accountability.

3.3 Minimum and Maximum Bonus Limits

The Payment of Bonus Act 1965 Minimum and Maximum Bonus Rules PDF lays down clear boundaries for bonus entitlement. Even if an establishment makes no profit or suffers a loss, employees are entitled to a minimum bonus of **8.33%** of their salary or wages. When profits are higher, the bonus can go up to a

maximum of **20%**.

This provision reflects the Act's balanced approach — protecting workers during downturns while rewarding them during prosperous years. It prevents the exploitation of labour under the guise of poor business performance and promotes consistent goodwill between employers and employees.

3.4 Bonus in Special Circumstances

The Payment of Bonus Act 1965 Full Text PDF India also provides guidance for specific business scenarios:

- **New establishments:** No obligation to pay bonus during the first five years unless they earn a profit.
- **Seasonal industries:** Bonus calculated based on working seasons rather than full financial years.
- **Loss-making units:** Entitled to carry forward the loss under the set-off mechanism, without denying workers their minimum bonus.

These flexible provisions ensure that the law accommodates the financial realities of different industries while maintaining fairness.

3.5 Purpose and Impact of Bonus Calculation Rules

By defining eligibility and computation principles, the Payment of Bonus Act ensures uniformity and trust in wage administration. It promotes a sense of belonging among employees, encouraging them to contribute more productively when they know their efforts are recognised and rewarded.

The calculation process under the Bonus Payment Law in India Bare Act PDF Corrida Legal is therefore more than a mathematical formula — it is a reflection of India's commitment to inclusive growth, equitable wealth distribution, and industrial peace.

4. Minimum and Maximum Bonus Rules under the Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 creates a fair balance between employee welfare and business sustainability by prescribing both minimum and maximum limits for bonus payments. This structure ensures that workers receive a guaranteed reward for their contribution, even during financially challenging periods, while also allowing companies to share higher profits during successful years. By defining clear parameters, the law eliminates ambiguity and prevents both underpayment and excessive expectations, creating stability in industrial relations.

The Payment of Bonus Act 1965 Bare Act PDF Download lays down a legal framework that converts the bonus system into a predictable and equitable process. Every eligible employee is assured of a minimum level of benefit, thereby protecting their economic security and promoting goodwill between management and labour.

4.1 Minimum Bonus Entitlement

As detailed in the Payment of Bonus Act 1965 Executive Summary Corrida Legal, every eligible employee is entitled to receive a **minimum bonus of 8.33%** of their annual salary or wages, even if the employer has not earned any profit during that accounting year. This ensures that the right to a bonus is not dependent solely on profitability but also recognises effort and contribution.

The minimum bonus represents one month's basic wage for an employee working throughout the year. It serves as a guaranteed return for sustained participation in the organisation's success, regardless of temporary financial setbacks.

4.2 Maximum Bonus Limit

Under the Payment of Bonus Act 1965 Key Provisions and Summary, the **maximum bonus limit is**

capped at 20% of an employee's annual salary or wages. When an establishment earns substantial profits, it is required to distribute this higher rate of bonus to its employees.

This upper limit helps maintain industrial discipline by preventing unrealistic demands while ensuring workers share fairly in prosperous years. It also reflects the principle that success must be collective — benefiting both the investor and the workforce.

4.3 Set-On and Set-Off Adjustment

The Payment of Bonus Act 1965 Minimum and Maximum Bonus Rules PDF introduces the concept of *set-on* and *set-off* to handle variations in profitability from year to year.

- **Set-on:** When allocable surplus exceeds the amount required for paying the maximum 20% bonus, the excess can be carried forward for up to four years and used to pay bonuses in future years.
- **Set-off:** When profits are insufficient to pay the minimum bonus, the deficiency can be carried forward and adjusted against future surpluses.

This mechanism prevents extreme fluctuations and ensures stability in bonus payments, even when financial performance varies.

4.4 Bonus Payment Timeline and Procedures

The Payment of Bonus Act 1965 Full Text PDF India specifies that bonus must be paid within **eight months from the close of the accounting year**, unless the employer obtains written permission for an extension from the appropriate government. Employers must also maintain registers showing the computation and disbursement of bonuses to ensure transparency.

Employees are entitled to access records or raise grievances through the designated labour authorities if discrepancies are found. This procedural clarity enhances trust and reduces disputes.

4.5 Purpose of Limiting Bonus Range

The Payment of Bonus Act 1965 Bare Act PDF Download emphasises that these limits exist to maintain economic equilibrium. They ensure that employers are not overburdened during lean periods while guaranteeing workers a consistent share during better times. By setting these boundaries, the Act promotes sustainability, fairness, and financial discipline across industries.

4.6 Broader Impact and Industrial Relevance

The rules on minimum and maximum bonus have strengthened India's industrial framework by promoting stability and cooperation. Employees gain confidence knowing that their efforts will always be rewarded, while employers benefit from predictable financial planning.

In practice, this system creates a shared sense of accountability — motivating workers to enhance productivity and encouraging employers to manage profits responsibly. The provisions under the Bonus Payment Law in India Bare Act PDF Corrida Legal thus ensure that bonus distribution is not just a matter of goodwill but an enforceable right, grounded in fairness and mutual respect.

5. Obligations and Duties of Employers under the Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 places clear and enforceable duties on employers to ensure that the bonus system functions with transparency, fairness, and accountability. These obligations are not merely administrative — they reflect a moral and legal responsibility to recognise the contribution of employees to an organisation's growth. Through detailed compliance provisions, the Act ensures that the principle of profit-sharing translates into real, timely, and verifiable benefits for workers.

The Payment of Bonus Act 1965 Bare Act PDF Download highlights that bonus is a statutory right of eligible employees, not a voluntary reward. Hence, employers are bound by law to calculate, declare, and distribute bonuses according to the prescribed standards, while maintaining accurate records and

submitting periodic reports to the authorities.

5.1 Responsibility for Timely Payment

The foremost duty under the Payment of Bonus Act 1965 Executive Summary Corrida Legal is the **timely payment of bonuses**. Employers must disburse the calculated bonus within **eight months** from the end of the accounting year. Delays are permissible only if the employer obtains written approval from the appropriate government authority by providing sufficient justification.

This ensures that employees receive their due share of profits promptly, strengthening trust and maintaining industrial harmony. The emphasis on punctual payment also discourages the misuse of profits and enforces fiscal discipline within organisations.

5.2 Obligation to Maintain Registers and Records

Transparency is a key component of compliance under the Payment of Bonus Act 1965 Key Provisions and Summary. Every employer is required to maintain specific records that detail:

- The computation of allocable surplus.
- The amount of set-on or set-off carried forward.
- The total bonus due and paid to each employee.
- Deductions, if any, and reasons for them.

These registers serve as verifiable evidence during inspections or audits and must be preserved for a minimum period as specified in the rules. They play a vital role in preventing disputes and ensuring accurate reporting of payments.

5.3 Submission of Annual Returns

Under the Payment of Bonus Act 1965 Minimum and Maximum Bonus Rules PDF, employers must file **annual returns** with the labour department, detailing the total wages paid, allocable surplus, and bonus distribution. This filing ensures government oversight and allows authorities to monitor compliance across industries.

Failure to file returns or providing misleading information can lead to penalties, including fines and prosecution. This obligation keeps the process accountable and promotes consistency across establishments.

5.4 Cooperation with Labour Authorities and Inspections

Employers are required to cooperate fully with government inspectors appointed under the Act. Inspectors have the authority to verify records, examine accounts, and question employers about bonus payments. As outlined in the Payment of Bonus Act 1965 Full Text PDF India, obstruction or refusal to provide information is considered a violation and can attract penalties.

Such inspections act as a preventive measure, ensuring that all establishments follow the law uniformly. They also provide a channel for addressing grievances and ensuring that workers are not deprived of their rights.

5.5 Fair and Non-Discriminatory Implementation

The spirit of the Bonus Payment Law in India Bare Act PDF Corrida Legal lies in **fairness and equality**. Employers must ensure that the calculation and payment of bonuses are carried out without any form of discrimination. Every eligible employee, irrespective of department, designation, or nature of work, is entitled to the same treatment under the law.

Bonus payments must be free from bias and must not be used as tools of favouritism or punishment. This fair approach fosters trust, strengthens loyalty, and supports long-term industrial stability.

5.6 Penalties for Non-Compliance

The Act prescribes strict penalties for employers who fail to comply with its provisions. These include fines and, in serious cases, imprisonment for wilful violations. Such measures reinforce that compliance is not optional but an essential part of lawful and ethical business conduct.

5.7 Broader Significance of Employer Duties

The obligations placed on employers under the Payment of Bonus Act go beyond legal compliance — they represent a framework for corporate integrity. By honouring these duties, organisations build credibility, enhance employee morale, and reduce the likelihood of industrial disputes.

When implemented sincerely, the system benefits both parties: employees gain recognition and stability, while employers enjoy improved productivity and workplace harmony. Through these principles, the Payment of Bonus Act, 1965 ensures that prosperity is shared responsibly and that the success of a business is reflected in the well-being of its people.

6. Rights and Protections for Employees under the Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 is not merely a piece of financial legislation — it is a social welfare statute designed to safeguard the economic interests of workers. Its provisions ensure that employees, who are often the driving force behind an organisation's success, are fairly rewarded and legally protected. By converting the payment of bonuses from an optional act of generosity into a legal right, the Act gives employees both dignity and security in their earnings.

The Payment of Bonus Act 1965 Bare Act PDF Download creates a transparent system where every eligible employee knows their entitlements and can demand them without fear of reprisal. It ensures that bonuses are paid on time, calculated accurately, and disbursed fairly, thus embedding accountability into the employer–employee relationship.

6.1 Right to Receive Minimum Bonus

One of the most fundamental rights under the Payment of Bonus Act 1965 Executive Summary Corrida Legal is the **right to a minimum bonus**, even when an establishment makes no profit. Every eligible employee is entitled to receive **not less than 8.33%** of their annual wages or salary. This provision ensures that the worker's effort is always valued, regardless of temporary financial setbacks faced by the employer.

Key highlights of this right include:

- The minimum bonus is mandatory and not dependent on the employer's profitability.
- It must be paid within eight months after the end of the accounting year.
- In case of delay, employees can raise complaints through the labour department or courts.
- Even in years of financial loss, the employer must pay this minimum rate.

This provision reflects the law's commitment to ensuring basic economic justice and stability for all workers.

6.2 Right to Fair and Timely Payment

The Payment of Bonus Act 1965 Key Provisions and Summary guarantees that every worker receives their bonus **within the prescribed time frame**. Employers are legally bound to pay the amount within eight months from the close of the accounting year unless an extension is granted by the government.

To ensure fairness, the law mandates:

- Payment must be made in cash or through bank transfer, not through vouchers or goods.
- Any delay without valid reason may attract penalties and legal action.

- Workers have the right to access information on how their bonus was computed.
- The labour inspector has the power to verify and enforce timely disbursement.

These rules prevent manipulation, promote transparency, and give workers confidence in their legal rights.

6.3 Right to Transparency and Access to Information

Transparency is a cornerstone of the Payment of Bonus Act 1965 Minimum and Maximum Bonus Rules PDF. Workers are entitled to know how their bonuses are calculated. Employers must maintain registers showing gross profits, allocable surplus, and distribution of bonuses among employees.

Workers can demand inspection of records through authorised representatives or labour authorities if discrepancies are suspected. This right ensures accountability and discourages employers from concealing profits or misreporting financial data to reduce payouts.

6.4 Right to Equal Treatment

The Payment of Bonus Act 1965 Full Text PDF India prohibits discrimination in bonus payments. Every eligible employee, whether permanent, temporary, or casual, must be treated equally if they satisfy the legal criteria. Employers cannot offer differential bonus rates based on department, designation, or individual preference.

This equality clause protects workers from favouritism and ensures that the law is implemented uniformly across the organisation. It reinforces the principle that bonus is a collective right — not a selective privilege.

6.5 Protection Against Unlawful Deductions or Retaliation

Under the Bonus Payment Law in India Bare Act PDF Corrida Legal, employers cannot deduct any amount from an employee's bonus except as authorised by law. Arbitrary deductions for disciplinary reasons or performance issues are strictly prohibited. Moreover, workers cannot be terminated, demoted, or harassed for demanding their rightful bonus.

In case of such retaliation, employees can file complaints before the Labour Commissioner or seek relief from the Labour Court under the Industrial Disputes Act.

6.6 Right to Seek Redressal and Legal Remedy

The Payment of Bonus Act provides workers with a structured grievance redressal process. If an employer fails to pay the bonus or violates any provision, employees can approach the appropriate labour authority or court. The process generally includes:

- Filing a complaint with the labour inspector or labour department.
- Investigation and mediation by the authorities.
- Escalation to the Labour Court or Industrial Tribunal if unresolved.
- Binding orders directing payment and penalties for the employer.

This system ensures that justice is accessible, swift, and enforceable.

6.7 Broader Impact on Worker Welfare

The rights and protections under the Payment of Bonus Act 1965 Bare Act PDF Download have played a vital role in improving worker morale, industrial peace, and overall productivity. By giving employees a sense of participation in profits, the Act fosters loyalty, reduces turnover, and enhances the quality of work.

Key benefits include:

- Strengthening the bond between management and labour.
- Promoting trust through consistent and lawful payments.

- Reducing disputes by establishing clear legal rights.
- Encouraging workers to align their efforts with the organisation's growth.

6.8 Continuing Relevance in Modern Workplaces

Even decades after its enactment, the rights enshrined in the Payment of Bonus Act remain essential in both traditional and modern workplaces. As industries evolve and new forms of employment emerge, these protections continue to ensure that fairness, transparency, and dignity remain at the heart of labour relations.

By turning the concept of a “bonus” from a discretionary gift into a guaranteed right, the Act upholds one of the most important principles of labour justice — that every worker deserves to share in the prosperity they help create. It stands as a reminder that genuine industrial progress is measured not only in profits, but also in how equitably those profits are shared among the people who make them possible.

7. Set-On and Set-Off Mechanism under the Payment of Bonus Act, 1965

One of the most distinctive and practical features of the Payment of Bonus Act, 1965 is the **set-on and set-off mechanism**. This system was introduced to bring stability and consistency to bonus payments by linking them directly with an organisation's profit cycle. Industries often experience fluctuating earnings from year to year, and without such a mechanism, bonus distribution could have become erratic or financially burdensome.

The Payment of Bonus Act 1965 Bare Act PDF Download establishes a fair process that ensures workers continue to receive bonuses even during lean years while allowing employers to carry forward excess profits for future use. This approach reflects the Act's balanced philosophy — protecting the worker's right to fair reward without putting undue pressure on employers during difficult economic conditions.

7.1 Purpose of the Set-On and Set-Off Mechanism

The main objective of this mechanism, as described in the Payment of Bonus Act 1965 Executive Summary Corrida Legal, is to create continuity and fairness in bonus distribution. It prevents situations where workers are denied bonuses simply because of a temporary fall in profits and ensures that excessive surpluses are used to support future payouts.

This mechanism:

- Helps maintain regularity in employee rewards despite financial fluctuations.
- Prevents disputes related to bonus entitlement in low-profit years.
- Encourages long-term financial planning and responsible profit allocation.
- Strengthens employee morale by ensuring consistency in rewards.

By applying this formula, employers can manage their finances prudently while maintaining industrial peace.

7.2 How Set-On Works

According to the Payment of Bonus Act 1965 Key Provisions and Summary, when an establishment earns more profit than what is required to pay the **maximum 20% bonus**, the surplus amount can be *set-on* and carried forward for the next four accounting years.

For example:

- If the profit in Year 1 allows payment of more than 20% bonus, the excess is carried forward.
- In Year 2, if profits are lower, the carried-forward amount can be used to pay a higher bonus, maintaining consistency.

This provision ensures that employees benefit from earlier good years even when the company's performance temporarily declines.

7.3 How Set-Off Works

The Payment of Bonus Act 1965 Minimum and Maximum Bonus Rules PDF also provides for *set-off* in situations where an establishment's allocable surplus is insufficient to pay the minimum bonus. The shortfall in such years can be carried forward and adjusted against future profits.

For example:

- If a company incurs a loss in Year 1 but pays the minimum 8.33% bonus, it can record this as a set-off.
- When profits rise in Year 2, the previous deficit can be deducted before calculating the next year's bonus.

This helps protect the employer from financial strain while ensuring that employees do not lose their minimum entitlement.

7.4 Carry-Forward Limits and Rules

Under the Payment of Bonus Act 1965 Full Text PDF India, both set-on and set-off balances can be carried forward for a **maximum of four accounting years**. After that period, any unused balance expires.

This rule ensures that adjustments remain relevant and tied to recent financial performance rather than being deferred indefinitely. It also provides predictability to both employers and workers regarding how and when adjustments will affect bonus calculations.

7.5 Importance of Record-Keeping and Transparency

Employers are required to maintain detailed records of all set-on and set-off calculations. As noted in the Bonus Payment Law in India Bare Act PDF Corrida Legal, these records must be presented during audits or inspections. Transparency in maintaining such data prevents disputes and builds trust between employers and employees.

Key records to be maintained include:

- Year-wise computation of allocable surplus.
- Bonus paid, surplus carried forward, or deficit set-off.
- Closing balances after each accounting year.

These records provide clarity in understanding how bonuses have been adjusted over time.

7.6 Advantages of the Mechanism

The set-on and set-off mechanism ensures that bonus payments are fair, consistent, and manageable. Its key benefits include:

- Reducing financial volatility in bonus distribution.
- Protecting employees from sudden reductions in bonuses.
- Helping employers manage fluctuating profits without violating the law.
- Promoting transparency through record-based accountability.

This balance of interests reflects the Act's spirit of shared prosperity — where both labour and management benefit equitably from economic cycles.

7.7 Relevance in Today's Economy

In modern industries where profit margins can shift rapidly due to market trends, global demand, or technological change, this mechanism remains deeply relevant. It gives companies flexibility in financial management while preserving the legal and moral commitment to reward employees fairly.

8. Dispute Resolution and Legal Remedies under the Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 not only establishes the right to receive a bonus but also provides a clear legal pathway for employees to seek redress when that right is violated. Disputes over bonus calculation, delayed payments, or denial of entitlements can easily lead to friction between employers and workers. To prevent such conflicts from escalating, the Act lays down a structured system of grievance handling, ensuring that both parties can resolve issues through lawful and transparent means.

The Payment of Bonus Act 1965 Bare Act PDF Download emphasises that the settlement of disputes should be fair, efficient, and guided by principles of natural justice. It ensures that employees have direct access to labour authorities and courts, allowing them to assert their rights without fear of retaliation or bias.

8.1 Common Types of Disputes

Disagreements under the Payment of Bonus Act generally arise over:

- Incorrect computation of allocable surplus or profits.
- Non-payment or underpayment of bonuses.
- Delay in disbursement beyond the permissible period.
- Wrongful exclusion of eligible employees.
- Misuse of the set-on and set-off mechanism.

These disputes usually result from accounting irregularities, misinterpretation of provisions, or intentional non-compliance. The law ensures that each of these situations can be examined and resolved through prescribed legal channels.

8.2 Authorities for Dispute Resolution

According to the Payment of Bonus Act 1965 Executive Summary Corrida Legal, disputes relating to bonus payments are treated as **industrial disputes** under the Industrial Disputes Act, 1947. This means they can be referred to:

- The **Labour Commissioner** for initial conciliation.
- **Labour Courts or Industrial Tribunals** if conciliation fails.

The Commissioner's role is to mediate between the parties and encourage an amicable settlement. If the issue persists, the case moves to a Labour Court for adjudication, where evidence, records, and financial statements are reviewed to determine the rightful entitlement.

8.3 Right to File Complaints and Seek Redress

The Payment of Bonus Act 1965 Key Provisions and Summary gives every employee the right to lodge a formal complaint in case of non-payment or improper computation of bonus. The complaint can be submitted individually or through a trade union representative.

Key aspects of this process include:

- Employees can approach the appropriate labour authority within a specified period.
- Authorities have the power to summon documents and question employers.

- Employers must justify their calculations with proper records.
- Orders passed by the authority are binding and enforceable.

This process ensures that justice remains accessible even to workers with limited resources or legal knowledge.

8.4 Role of Labour Inspectors and Enforcement

The Payment of Bonus Act 1965 Minimum and Maximum Bonus Rules PDF empowers **labour inspectors** to play a proactive role in monitoring compliance. They are authorised to enter premises, inspect records, and investigate complaints related to bonus payments.

If they find evidence of violation, inspectors can:

- Direct employers to correct discrepancies.
- Recommend prosecution or penalties.
- Assist workers in filing formal claims.

This inspection mechanism serves as both a preventive and corrective measure, ensuring accountability within the system.

8.5 Penalties for Non-Compliance

The Payment of Bonus Act 1965 Full Text PDF India prescribes strict penalties for employers who wilfully withhold or miscalculate bonuses. Violations may lead to:

- Fines and monetary penalties for delay or underpayment.
- Imprisonment for repeated or intentional non-compliance.
- Cancellation of licenses or registration in serious cases.

These penalties underline the seriousness with which the law views denial of workers' statutory rights. They also act as a deterrent against exploitation.

8.6 Judicial Remedies and Landmark Cases

Over the years, Indian courts have reinforced the employees' right to fair treatment under this Act. Judicial rulings have consistently held that bonus is a legal obligation, not a discretionary payment. Courts have also clarified that any attempt to manipulate profits or delay payments constitutes a violation of statutory duty.

These judgments, often cited in the Bonus Payment Law in India Bare Act PDF Corrida Legal, have helped build a strong body of precedent that protects workers and guides employers in proper compliance.

8.7 Significance of Transparent Resolution Mechanisms

The dispute resolution framework under the Payment of Bonus Act ensures that industrial relations remain stable even in times of disagreement. Instead of strikes or lockouts, both parties have lawful avenues to resolve issues.

This approach benefits everyone:

- Employees get a fair hearing and quick relief.
- Employers avoid reputational damage and legal complications.
- The government maintains industrial peace and compliance uniformity.

8.8 Broader Impact on Industrial Relations

The Payment of Bonus Act 1965 Bare Act PDF Download thus plays a vital role in strengthening India's industrial justice system. By ensuring that every dispute has a clear legal path to resolution, it promotes a culture of dialogue and mutual respect.

9. Important Amendments, Notifications, and Judicial Developments under the Payment of Bonus Act, 1965

Since its enactment, the Payment of Bonus Act, 1965 has evolved through a series of amendments and judicial interpretations that have kept it relevant to India's changing industrial and economic realities. Each amendment and key court decision has strengthened the Act's original purpose — ensuring equitable profit-sharing while maintaining financial stability for employers. Over time, the law has adapted to reflect new business practices, wage structures, and employment patterns, making it one of the most enduring labour welfare legislations in India.

The Payment of Bonus Act 1965 Bare Act PDF Download provides the foundation, but the real dynamism of the Act lies in how it has been interpreted and modified to meet the demands of an evolving workforce. These developments highlight India's commitment to protecting workers' rights without discouraging industrial growth.

9.1 The 1976 Amendment — Expanding Scope and Coverage

The first major amendment came in **1976**, when the law was revised to expand its scope and strengthen enforcement. The Payment of Bonus Act 1965 Executive Summary Corrida Legal explains that this amendment:

- Extended the Act to cover more establishments, including non-factory sectors.
- Introduced provisions for *set-on* and *set-off*, ensuring fairness across years of profit and loss.
- Clarified that bonus is a statutory right, not a voluntary payment.
- Strengthened record-keeping and compliance requirements for employers.

This amendment made the Act more inclusive and adaptable, ensuring that it applied to a broader spectrum of industries and employment conditions.

9.2 The 1985 Amendment — Revising Eligibility and Wage Limits

In **1985**, another important change raised the wage threshold for eligibility and increased the ceiling for bonus calculation. The Payment of Bonus Act 1965 Key Provisions and Summary highlights that this amendment aimed to keep pace with inflation and rising living costs.

Key updates included:

- Increasing the salary limit for eligibility from ₹1,600 to ₹2,500 per month.
- Raising the wage ceiling for bonus calculation from ₹750 to ₹1,600 per month.
- Allowing the government to revise these limits periodically.

This step ensured that the Act continued to benefit lower and middle-income employees who formed the majority of India's industrial workforce.

9.3 The 1995 and 2007 Updates — Streamlining Compliance

Subsequent changes in **1995** and **2007** focused on simplifying administrative procedures and improving transparency. Employers were required to maintain registers in prescribed formats, file returns on time, and cooperate with inspections.

These changes also aimed to make the Act more compatible with digital record-keeping and evolving labour regulations.

9.4 The 2015 Amendment — Modernising the Act

The **2015 amendment** marked one of the most significant updates in recent decades. According to the Payment of Bonus Act 1965 Minimum and Maximum Bonus Rules PDF, this reform substantially enhanced worker benefits while recognising the economic realities faced by employers.

Key reforms included:

- Raising the eligibility limit from ₹10,000 to **₹21,000 per month**.
- Increasing the calculation ceiling from ₹3,500 to **₹7,000 per month** or the minimum wage, whichever is higher.
- Making the changes applicable retrospectively from **April 1, 2014**.

This amendment reflected the government's effort to align the law with modern wage structures and to include more workers under its protective umbrella.

9.5 Key Judicial Developments

Over the years, several court decisions have clarified the scope and intent of the Act. The Payment of Bonus Act 1965 Full Text PDF India reflects how judicial intervention has reinforced the principle of fairness in distribution.

Some notable rulings include:

- **The Jalan Trading Co. v. Mill Mazdoor Sabha (1967):** The Supreme Court upheld the constitutional validity of the Act, declaring that profit-sharing through bonuses did not violate any rights of employers.
- **Project Manager, A.P.S.R.T.C. v. Labour Court (2004):** Reaffirmed that even temporary or daily wage employees are entitled to bonuses if they meet eligibility criteria.
- **Union of India v. All India Services Engineers Association (2013):** Clarified that government departments not engaged in commercial activities are exempt from bonus obligations.

Through these cases, the judiciary has helped maintain the delicate balance between the law's social purpose and its economic practicality.

9.6 Notifications and Policy Circulars

The government periodically issues **notifications** under the Payment of Bonus Act 1965 Bare Act PDF Download to revise thresholds, clarify definitions, and guide industries in implementing the law. These notifications ensure that compliance remains uniform across states and sectors, reducing ambiguity and improving governance.

Recent notifications have focused on:

- Updating the eligibility wage limits.
- Aligning bonus calculations with the Code on Wages, 2019.
- Encouraging electronic record submission and digital transparency.

9.7 Broader Impact of Amendments and Judicial Interpretations

Each legislative reform and court ruling has deepened the Act's reach and relevance. Together, they have:

- Increased the number of workers entitled to bonuses.
- Enhanced clarity in calculation and record maintenance.
- Strengthened enforcement mechanisms and accountability.

- Modernised the law to match today's labour ecosystem.

9.8 The Evolving Role of the Act in Modern Industry

Even as India's economy moves toward automation, outsourcing, and gig-based employment, the core principles of the Payment of Bonus Act remain intact. The Bonus Payment Law in India Bare Act PDF Corrida Legal continues to symbolise equity, rewarding labour in proportion to contribution.

By evolving through amendments and judicial oversight, the Act stands as a living document — one that grows with the nation's workforce and ensures that prosperity remains a shared achievement. It continues to reinforce the timeless principle that workers are not just contributors to production, but partners in progress.

Conclusion

The Payment of Bonus Act, 1965 remains one of the most important labour welfare legislations in India, reflecting the country's commitment to fairness, equity, and shared prosperity in the workplace. Its enduring relevance lies in its ability to strike a balance between industrial progress and social justice — ensuring that the gains of economic growth are not confined to employers alone, but distributed among the workers who contribute to that success.

The Payment of Bonus Act 1965 Bare Act PDF Download transformed the concept of bonus from a voluntary incentive into a statutory right, ensuring that every eligible employee receives their due reward for their effort and contribution. Through clear rules, mandatory payment structures, and transparent computation methods, the Act upholds the principle that labour and capital are equal partners in the success of any enterprise.

Key Takeaways

- **Guarantees Minimum Protection:** Ensures every eligible worker receives a minimum bonus of 8.33% of wages, even in years of loss, reflecting the principle of economic justice.
- **Balances Interests of Labour and Industry:** Establishes limits and mechanisms like set-on and set-off to balance employer capability with employee entitlement.
- **Promotes Transparency:** Mandates maintenance of records, submission of returns, and open communication regarding bonus computation.
- **Empowers Employees:** Provides legal remedies for disputes, ensuring workers can demand their rights without fear or bias.
- **Encourages Responsible Profit Sharing:** Converts corporate profitability into shared success through equitable bonus distribution.
- **Aligns with Modern Labour Codes:** Continues to integrate with recent labour reforms like the Code on Wages, keeping the law relevant to modern economic structures.

The Payment of Bonus Act 1965 Executive Summary Corrida Legal emphasises that fair reward is not just an act of generosity but an obligation that nurtures loyalty, productivity, and harmony.