

PAYMENT OF BONUS ACT, 1965

The Payment of Bonus Act, 1965, gives to the employees a statutory right to a share in the profits of his employer. Prior to the enactment of the Act some employees used to get bonus but that was so if their employers were pleased to pay the same.

The Act enables the employees to get a minimum bonus equivalent to one month's salary or wages (8.33% of annual earnings) whether the employer makes any profit or not. But the Act also puts a ceiling on the bonus and the maximum bonus payable under the Act is equivalent to about 2 1/2 months' salary or wage (20% of annual earnings).

It is to be noted that employees drawing salary or wage exceeding Rs. 10000.00 per month are not entitled to get any bonus under the Act. (w.e.f. 1 April 2006)

Applicability of Act

Every factory where in 10 or more persons are employed with the aid of power or an establishment in which 20 or more persons are employed without the aid of power on any day during an accounting year

Eligibility of Bonus

An employee will be entitled only when he has worked for 30 working days in that year. {Section 8}

Payment of Minimum Bonus

8.33% of the salary or Rs.100 (on completion of 5 yrs after 1st Accounting year even if there is no profit) {Section 10}

Eligible Employees

Employees drawing wages upto Rs.10000.00 per month or less.

For calculation purposes Rs.3500.00 per month maximum will be taken even if an employee is drawing upto Rs.10000 per month. {Section 12}

Salary or Wage U/S 2(21)

"salary or wage" means all remuneration (other than remuneration in respect of overtime 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 food grains or other articles;
- iii) any traveling 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;

Time Limit for Payment of Bonus

Within 8 months from the close of accounting year {Section 19}

Maintenance of Registers and Records etc.

- ✓ A register showing the computation of the allocable surplus referred to in clause (4) of section 2, in form A.
- ✓ A register showing the set-on and set-off of the allocable surplus, under section 15, in form B.
- ✓ A register showing the details of the amount of bonus due to each of the employees, the deductions under section 17 and 18 and the amount actually disbursed, in form C. {Section 26 Rule 4}

PENALTY

For contravention of any provision of the Act or the Rule, imprisonment upto 6 months or with fine upto Rs.1000 {Section 28}