Finin2min
Labour Publication Series
Labour & Manpower Law Publication Series

Chapter IV - Payment of bonus

Code on Wages, 2019 | Detailed statutory, Rule, compliance, remedy and evidence guide.

Review date: 2026-07-18Authors: CA Nikhil Gupta & Kajri SinghSections: 26-41Central Rules mapped: 8Local source-hashed Act text + linked Rules and implementation analysis
Download chapter PDFDownload 1-page summary
Current-law alert — 16 July 2026: A Gazette corrigendum to the Code on Wages (Central) Rules, 2026 has been identified. The corrigendum must be read with the 29 May 2026 Rules before deployment or advisory use.
On this page

Code on Wages, 2019 Payment of bonus four-step compliance flowchart Finin2min decision flow — identify the law, complete the statutory process and preserve evidence.

Publication-source status: Every mapped section of the parent Code is embedded locally from the retained official India Code PDF and carries the source SHA-256. Linked 2026 Central Rules, forms, notifications and operational analysis remain subject to the official Gazette and subsequent amendments.

Chapter decision flow

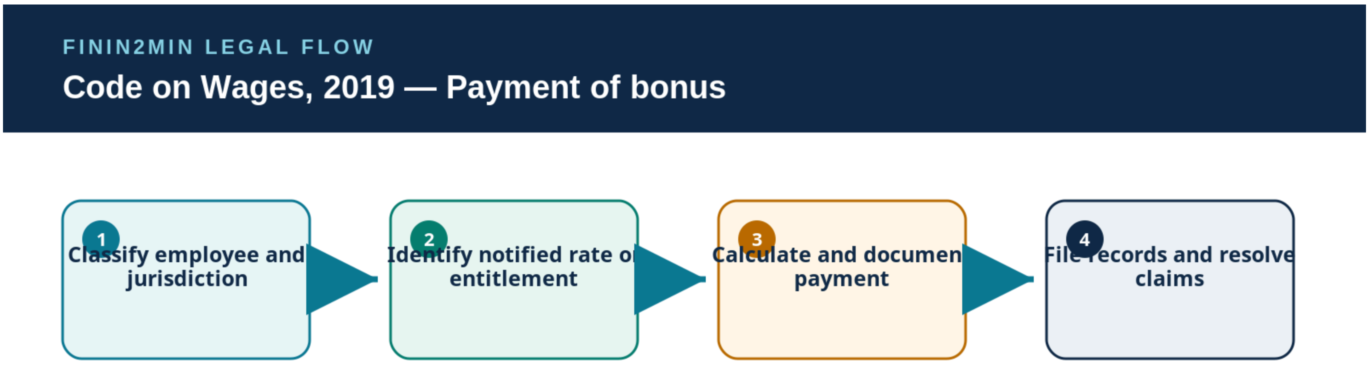
Classify establishment & person→Fix event date→Apply section and Rule→Complete form/record→Retain evidence & remedy file

Finin2min Summary - Chapter in 2 Minutes

This chapter turns payment of bonus into an operational control file. It covers Eligibility for bonus, etc, Proportionate reduction in bonus in certain cases, Computation of number of working days, Disqualification for bonus; the practical sequence is to classify coverage and event date, apply the provision and mapped

FININ2MIN CHAPTER DECISION FLOWCHART

Chapter IV - Payment of bonus



Law → trigger → procedure → evidence. Confirm the operative Central/State instrument on the event date.

Use this flow with the chapter provision map, implementation controls, evidence checklist, limitation/forum review and remedy framework. Confirm the operative Central and State instruments on the event date.

Chapter IV - Payment of bonus

Finin2min implementation explanation

Maintain a controlled implementation file for Chapter IV - Payment of bonus: coverage and event date, operative Central/State instrument, responsible owner, approval and authority, form/portal step, due date, calculation basis, supporting evidence, exception, escalation and closure proof. Reconcile payroll, HR, finance, contractor and legal records before sign-off.

Practical example

Classify the worker and establishment, identify the operative provision and notified instrument on the event date, compute the entitlement or exposure from source records, obtain approval, complete the filing/payment/action, and retain evidence. Do not use a portal value or payroll label as a substitute for the statutory test.

Calculation / control template

Control calculation: verified population or transaction base × applicable notified rate/amount × eligible period, adjusted for statutory inclusions, exclusions, ceilings, interest, compensation and prior payments. Reperform the calculation from retained source data.

Current-law control: verify the operative Central/State instrument, notification, form, portal and binding judgment on the event date. Numerical amounts in examples are illustrative unless expressly sourced.

Rule, complete the form/register, calculate the entitlement or exposure, and retain evidence for inspection, claim or appeal.

Who is covered

Employers, employees, workers, contractors and payroll teams must first identify the appropriate Government, employment category and event date.

Main obligations and rights

- Section 26: Eligibility for bonus, etc
- Section 27: Proportionate reduction in bonus in certain cases
- Section 28: Computation of number of working days
- Section 29: Disqualification for bonus
- Section 30: Establishments to include departments, undertakings and branches
- Section 31: Payment of bonus out of allocable surplus

Key thresholds and timelines

- Use only the threshold, rate and limitation period effective on the event date; verify the Central/State instrument before acting.

Forms, registers and evidence

- Applicable form/register, calculation file, approval and acknowledgement evidence
- Retain classification, calculation, approval, communication, acknowledgement and payment/filing proof.

Employer risk snapshot

Highest practical risks: wrong wage base, late payment, unauthorised deduction or incomplete payroll evidence.

Employee/worker remedy snapshot

Core protection: timely and lawful wage payment, a transparent wage slip and a claims route for short-payment or unlawful deduction. Confirm the authority, limitation and appeal route stated in this chapter.

Old law / transition

Map the event date and savings position against: Payment of Wages Act, 1936; Minimum Wages Act, 1948; Payment of Bonus Act, 1965; Equal Remuneration Act, 1976.

Five-point professional checklist

1. Freeze the event date, establishment, location and person/worker classification.
2. Identify the controlling section/paragraph, mapped Rule, notification and appropriate Government.
3. Reperform the calculation or decision test and document every exception or approval.
4. Complete the prescribed form/register/portal step and retain acknowledgement, payment and communication evidence.
5. Record the remedy, forum, limitation, appeal path and State variation before sign-off.

Finin2min takeaway: for payment of bonus, the defensible answer is not a policy label - it is the event-date law, the mapped procedure, the calculation and a complete evidence trail.

Download one-page Finin2min cheat sheet

Section-by-section provision map

Provision	Subject	Implementation focus
Section 26	Eligibility for bonus, etc	Trigger, linked Rule/form, evidence, consequence and remedy
Section 27	Proportionate reduction in bonus in certain cases	Trigger, linked Rule/form, evidence, consequence and remedy
Section 28	Computation of number of working days	Trigger, linked Rule/form, evidence, consequence and remedy
Section 29	Disqualification for bonus	Trigger, linked Rule/form, evidence, consequence and remedy
Section 30	Establishments to include departments, undertakings and branches	Trigger, linked Rule/form, evidence, consequence and remedy

Provision	Subject	Implementation focus
Section 31	Payment of bonus out of allocable surplus	Trigger, linked Rule/form, evidence, consequence and remedy
Section 32	Computation of gross profits	Trigger, linked Rule/form, evidence, consequence and remedy
Section 33	Computation of available surplus	Trigger, linked Rule/form, evidence, consequence and remedy
Section 34	Sums deductible from gross profits	Trigger, linked Rule/form, evidence, consequence and remedy
Section 35	Calculation of direct tax payable by employer	Trigger, linked Rule/form, evidence, consequence and remedy
Section 36	Set on and set off of allocable surplus	Trigger, linked Rule/form, evidence, consequence and remedy
Section 37	Adjustment of customary or interim bonus against bonus payable under this Code	Trigger, linked Rule/form, evidence, consequence and remedy
Section 38	Deduction of certain amounts from bonus payable	Trigger, linked Rule/form, evidence, consequence and remedy
Section 39	Time limit for payment of bonus	Trigger, linked Rule/form, evidence, consequence and remedy
Section 40	Application of this Chapter to establishments in public sector in certain cases	Trigger, linked Rule/form, evidence, consequence and remedy
Section 41	Non-applicability of this Chapter	Trigger, linked Rule/form, evidence, consequence and remedy

Section 26: Eligibility for bonus, etc

Current statutory text

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26. Eligibility for bonus, etc.—(1) There shall be paid to every employee,
exceeding such amount per mensem, as determined by notification, by the ap
his employer, who has put in at least thirty days work in an accounting ye
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calculated at the rate of eight and one-third per cent. of the wages earne
rupees, whichever is higher whether or not the employer has any allocable
accounting year.

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

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

(4) In computing the allocable surplus under this section, the amount
under the provisions of section 36 shall be taken into account in accordan
section.

(5) Any demand for bonus in excess of the bonus referred to in sub-sec
production or productivity in an accounting year for which the bonus is pa
agreement or settlement between the employer and the employees, subject to
bonus including the annual minimum bonus referred to in sub-section (1) sh
cent. of the wages earned by the employee in the accounting year.

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

(7) For the sixth and seventh accounting years following the accountin
sells the goods produced or manufactured by him or renders services, as th
establishment, the provisions of section 36 shall apply subject to the fol

(i) for the sixth accounting year set on or set off, as the case
as may be prescribed by the Central Government, taking into account th
as the case may be, of the allocable surplus set on or set off in resp
years;

(ii) for the seventh accounting year set on or set off, as the
manner as may be prescribed by the Central Government, taking into acco

deficiency, if any, as the case may be, of the allocable surplus set o
sixth and seventh accounting years.

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

Explanation 1.—For the purpose of sub-section (6), an employer shall n
profit in any accounting year, unless—

(a) he has made provision for depreciation of that year to which h
tax Act or, as the case may be, under the agricultural income tax law;

(b) the arrears of such depreciation and losses incurred by him in
the previous accounting years have been fully set off against his prof

Explanation 2.—For the purposes of sub-sections (6), (7) and (8), s
manufactured during the course of the trial running of any factory or
mine or an oil-field shall not be taken into consideration and where an
such production or manufacture, the appropriate Government may, after
reasonable opportunity of representing the case, decide upon the issue

(9) The provisions of sub-sections (6), (7) and (8) shall, so far as m
undertakings or branches set up by existing establishments.

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 26 applies.
2. Convert every condition in “Eligibility for bonus, etc” into a dated checklist.
3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

Central Rule 21: Rule 21: Payment of bonus to contractual employee

Extracted from the English part of the Gazette PDF bundled with the production repository. Formatting is normalised; the signed Gazette PDF prevails. 21. Payment of bonus to contractual employee.- Where in an establishment, the employees are employed through a contractor and the contractor fails to pay the bonus under section 26, the company or firm or association or other person as referred to in the proviso to section 43 shall, on the written information of such failure given by the employees or any registered trade union or unions of which the employees are members and on confirming such failure, pay minimum bonus to the employees. Open official Gazette PDF ↗ Paragraph map Opening rule proposition Any embedded proviso/explanation Linked form or appendix, where stated Implementation control Translate Rule 21 into a named owner, payroll/HR system control, prescribed form or register, due date, reviewer and retained evidence. Where the rule delegates criteria to a special or general order, verify that order rather than inventing a threshold. Evidence checklist current Gazette and later amendment check applicable employee/establishment classification calculation, register, form or notice required by the rule approval and submission/ payment evidence exception and remediation log Failure consequence Failure can support a wage/bonus claim, an inspection observation, adjudication or prosecution depending on the linked Code provision. Apply sections 45, 49 and 51–56 as relevant. Primary sources Ministry of Labour — Code on Wages (Central) Rules, 2026 ↗ India Code — Code on Wages, 2019 ↗ Ministry Labour Codes library ↗ Last official-source review: 16 July 2026. ← Previous Next → Reliance note: Read the current Gazette/India Code text, the applicable Central or State rules and later notifications before acting. This repository is educational and does not replace matter-specific legal advice.

Central Rule 22: Rule 22: Calculation for sixth accounting year

Extracted from the English part of the Gazette PDF bundled with the production repository. Formatting is normalised; the signed Gazette PDF prevails. 22. Calculation for sixth accounting year:— For the sixth accounting year, set on or set off, as the case may be, shall be made under clause (i) of sub-section (7) of section 26, in the manner illustrated in Appendix A, 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. Open official Gazette PDF ↗ Paragraph map Opening rule proposition Any embedded proviso/explanation Linked form or appendix, where stated Implementation control Translate Rule 22 into a named owner, payroll/HR system control, prescribed form or register, due date, reviewer and retained evidence. Where the rule delegates criteria to a special or general order, verify that order rather than inventing a threshold. Evidence checklist current Gazette and later amendment check applicable employee/establishment classification calculation, register, form or notice required by the rule approval and submission/payment evidence exception and remediation log Failure consequence Failure can support a wage/bonus claim, an inspection observation, adjudication or prosecution depending on the linked Code provision. Apply sections 45, 49 and 51–56 as relevant. Primary sources Ministry of Labour — Code on Wages (Central) Rules, 2026 ↗ India Code — Code on Wages, 2019 ↗ Ministry Labour Codes library ↗ Last official-source review: 16 July 2026. ← Previous Next → Reliance note: Read the current Gazette/India Code text, the applicable Central or State rules and later notifications before acting. This repository is educational and does not replace matter-specific legal advice.

Central Rule 23: Rule 23: Calculation for seventh accounting year

Extracted from the English part of the Gazette PDF bundled with the production repository. Formatting is normalised; the signed Gazette PDF prevails. 23. Calculation for seventh accounting year:— For the seventh accounting year, set on or set off, as the case may be, shall be made under clause (ii) of sub-section (7) of section 26, in the manner illustrated in Appendix A, 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. Open official Gazette PDF

↗ Paragraph map Opening rule proposition Any embedded proviso/explanation Linked form or appendix, where stated Implementation control Translate Rule 23 into a named owner, payroll/HR system control, prescribed form or register, due date, reviewer and retained evidence. Where the rule delegates criteria to a special or general order, verify that order rather than inventing a threshold. Evidence checklist current Gazette and later amendment check applicable employee/establishment classification calculation, register, form or notice required by the rule approval and submission/payment evidence exception and remediation log Failure consequence Failure can support a wage/bonus claim, an inspection observation, adjudication or prosecution depending on the linked Code provision. Apply sections 45, 49 and 51–56 as relevant. Primary sources Ministry of Labour — Code on Wages (Central) Rules, 2026 ↗ India Code — Code on Wages, 2019 ↗ Ministry Labour Codes library ↗ Last official-source review: 16 July 2026. ← Previous Next → Reliance note: Read the current Gazette/India Code text, the applicable Central or State rules and later notifications before acting. This repository is educational and does not replace matter-specific legal advice.

Central Rule 27: Rule 27: Manner of carrying forward when allocable surplus exceeds maximum bonus payable

Extracted from the English part of the Gazette PDF bundled with the production repository. Formatting is normalised; the signed Gazette PDF prevails. 27. Manner of carrying forward when allocable surplus exceeds maximum bonus payable:— Under sub-section (1) of section 36, where for any accounting year, the allocable surplus exceeds the amount of maximum bonus payable to the employees in the establishment under section 26, then, the excess shall, subject to a limit of twenty per cent. of the total salary or wage of the employees employed in the establishment in that accounting year, be carried forward for being set on in the succeeding accounting year and so on upto and inclusive of the fourth accounting year to be utilised for the purpose of payment of bonus in the manner as illustrated in Appendix A. Open official Gazette PDF ↗ Paragraph map Opening rule proposition Any embedded proviso/explanation Linked form or appendix, where stated Implementation control Translate Rule 27 into a named owner, payroll/HR system control, prescribed form or register, due date, reviewer and retained evidence. Where the rule delegates criteria to a special or general order, verify that order rather than inventing a threshold. Evidence checklist current Gazette and later amendment check applicable employee/establishment classification calculation, register, form or notice required by the rule approval and submission/payment evidence exception and remediation log Failure consequence Failure can support a wage/bonus claim, an inspection observation, adjudication or prosecution depending on the linked Code provision. Apply sections 45, 49 and 51–56 as relevant. Primary sources Ministry of Labour — Code on Wages (Central) Rules, 2026 ↗ India Code — Code on Wages, 2019 ↗ Ministry Labour Codes library ↗ Last official-source review: 16 July 2026. ← Previous Next

→ Reliance note: Read the current Gazette/India Code text, the applicable Central or State rules and later notifications before acting. This repository is educational and does not replace matter-specific legal advice.

Central Rule 28: Rule 28: Manner of carrying forward when there is no allocable surplus for payment of minimum

Extracted from the English part of the Gazette PDF bundled with the production repository. Formatting is normalised; the signed Gazette PDF prevails. 28. Manner of carrying forward when there is no allocable surplus for payment of minimum bonus:— Under sub-section (2) of section 36, where for any accounting year, there is no available surplus or the allocable surplus in respect of that year falls short of the amount of minimum bonus payable to the employees in the establishment under section 26 and there is no amount or sufficient amount carried forward and set on under rule 27 which shall 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 upto and inclusive of the fourth accounting year in the manner as illustrated in Appendix A. CHAPTER VI C ENTRAL A DVISORY BOARD A. Procedure of Central Advisory Board Open official Gazette PDF ↗ Paragraph map Opening rule proposition Any embedded proviso/explanation Linked form or appendix, where stated Implementation control Translate Rule 28 into a named owner, payroll/HR system control, prescribed form or register, due date, reviewer and retained evidence. Where the rule delegates criteria to a special or general order, verify that order rather than inventing a threshold. Evidence checklist current Gazette and later amendment check applicable employee/establishment classification calculation, register, form or notice required by the rule approval and submission/payment evidence exception and remediation log Failure consequence Failure can support a wage/bonus claim, an inspection observation, adjudication or prosecution depending on the linked Code provision. Apply sections 45, 49 and 51–56 as relevant. Primary sources Ministry of Labour — Code on Wages (Central) Rules, 2026 ↗ India Code — Code on Wages, 2019 ↗ Ministry Labour Codes library ↗ Last official-source review: 16 July 2026. ← Previous Next → Reliance note: Read the current Gazette/India Code text, the applicable Central or State rules and later notifications before acting. This repository is educational and does not replace matter-specific legal advice.

Practical example

A payroll team tests the employee category, wage period, notified rate, permitted exclusions and documentary proof before releasing payroll. It records the calculation, approval, bank output and wage slip so that every disputed limb can be reconstructed.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.
- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: Rule 21, Rule 22, Rule 23, Rule 27, Rule 28 | Official source: section 26.

Section 27: Proportionate reduction in bonus in certain cases

Current statutory text

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27. Proportionate reduction in bonus in certain cases.—Where an employee h
the working days in an accounting year, the minimum bonus under sub-sectio
bonus is higher than eight and one third per cent. of the salary or wage o
worked in that accounting year, shall be proportionately reduced.
```

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 27 applies.
2. Convert every condition in “Proportionate reduction in bonus in certain cases” into a dated checklist.
3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

No direct Central Rule is mapped. Check general procedural Rules, State Rules and later notifications.

Practical example

A payroll team tests the employee category, wage period, notified rate, permitted exclusions and documentary proof before releasing payroll. It records the calculation, approval, bank output and wage slip so that every disputed limb can be reconstructed.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.
- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: No direct Central Rule mapped in the repository concordance | Official source: section 27.

Section 28: Computation of number of working days

Current statutory text

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28. Computation of number of working days.—For the purposes of section 27,
be deemed to have worked in an establishment in any accounting year also o

        (a) he has been laid off under an agreement or as permitted by sta
    Industrial Employment (Standing Orders) Act, 1946 (20 of 1946), or und
    Act, 1947 (14 of 1947), or under any other law applicable to the estab

        (b) he has been on leave with salary or wages;

         (c) he has been absent due to temporary disablement caused by acc
    course of his employment; and

        (d) the employee has been on maternity leave with salary or wages,
```

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 28 applies.
2. Convert every condition in “Computation of number of working days” into a dated checklist.
3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

No direct Central Rule is mapped. Check general procedural Rules, State Rules and later notifications.

Practical example

A multi-location employer prepares a legal classification memo, identifies the appropriate Government, maps the operative provision and Rule, records the decision owner and retains the documents needed to prove compliance during inspection or litigation.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.
- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: No direct Central Rule mapped in the repository concordance | Official source: section 28.

Section 29: Disqualification for bonus

Current statutory text

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29. Disqualification for bonus.—Notwithstanding anything contained in this
shall be disqualified from receiving bonus under this Code, if he is dismi

        (a) fraud; or

        (b) riotous or violent behaviour while on the premises of the esta

         (c) theft, misappropriation or sabotage of any property of the es

        (d) conviction for sexual harassment.
```

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 29 applies.
2. Convert every condition in “Disqualification for bonus” into a dated checklist.
3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

No direct Central Rule is mapped. Check general procedural Rules, State Rules and later notifications.

Practical example

A payroll team tests the employee category, wage period, notified rate, permitted exclusions and documentary proof before releasing payroll. It records the calculation, approval, bank output and wage slip so that every disputed limb can be reconstructed.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.
- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: No direct Central Rule mapped in the repository concordance | Official source: section 29.

Section 30: Establishments to include departments, undertakings and branches

Current statutory text

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30.  Establishments  to  include  departments,  undertakings  and  branche
establishment consists of different departments or undertakings or has bra
same place or in different places, all such departments or undertakings or
parts of the same establishment for the purpose of computation of bonus un

    Provided that where for any accounting year a separate balance sheet a
prepared and maintained in respect of any such department or undertaking o
department or undertaking or branch shall be treated as a separate establi
computation of bonus, under this Code for that year, unless such departmen



was, immediately before the commencement of that accounting year treated a
for the purpose of computation of bonus.
```

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 30 applies.
2. Convert every condition in “Establishments to include departments, undertakings and branches” into a dated checklist.
3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

No direct Central Rule is mapped. Check general procedural Rules, State Rules and later notifications.

Practical example

A multi-location employer prepares a legal classification memo, identifies the appropriate Government, maps the operative provision and Rule, records the decision owner and retains the documents needed to prove compliance during inspection or litigation.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.
- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: No direct Central Rule mapped in the repository concordance | Official source: section 30.

Section 31: Payment of bonus out of allocable surplus

Current statutory text

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

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

    (3) Where there  is any dispute regarding the quantum of bonus, the au
appropriate Government having jurisdiction may call upon the employer to p
before it, but the authority shall not disclose any information contained
to by the employer.
```

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 31 applies.
2. Convert every condition in “Payment of bonus out of allocable surplus” into a dated checklist.
3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

No direct Central Rule is mapped. Check general procedural Rules, State Rules and later notifications.

Practical example

A payroll team tests the employee category, wage period, notified rate, permitted exclusions and documentary proof before releasing payroll. It records the calculation, approval, bank output and wage slip so that every disputed limb can be reconstructed.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.
- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: No direct Central Rule mapped in the repository concordance | Official source: section 31.

Section 32: Computation of gross profits

Current statutory text

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32. Computation of gross profits.—The gross profits derived by an employer
in respect of the accounting year shall,—

        (a) in the case of a banking company, be calculated in the manner
    Central Government;

        (b) in any other case, be calculated in the manner as may be presc
   Government.
```

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 32 applies.
2. Convert every condition in “Computation of gross profits” into a dated checklist.
3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

Central Rule 24: Rule 24: Computation of gross profits for banking company

Extracted from the English part of the Gazette PDF bundled with the production repository. Formatting is normalised; the signed Gazette PDF prevails. 24. Computation of gross profits for banking company:— The gross profits derived by an employer from an establishment in respect of the accounting year shall in the case of banking company under clause (a) of section 32, be calculated in the manner specified in Appendix B. Open official Gazette PDF ↗ Paragraph map Opening rule proposition Any embedded proviso/explanation Linked form or appendix, where stated Implementation control Translate Rule 24 into a named owner, payroll/HR system control, prescribed form or register, due date, reviewer and retained evidence. Where the rule delegates criteria to a special or general order, verify that order rather than inventing a threshold. Evidence checklist current Gazette and later amendment check applicable employee/establishment classification calculation, register, form or notice required by the rule approval and submission/payment evidence exception and remediation log Failure consequence Failure can support a wage/bonus claim, an inspection observation, adjudication or prosecution depending on the linked Code provision. Apply sections 45, 49 and 51–56 as relevant. Primary sources Ministry of Labour — Code on Wages (Central) Rules, 2026 ↗ India Code — Code on Wages, 2019 ↗ Ministry Labour Codes library ↗ Last official-source review: 16 July 2026. ← Previous Next

→ Reliance note: Read the current Gazette/India Code text, the applicable Central or State rules and later notifications before acting. This repository is educational and does not replace matter-specific legal advice.

Central Rule 25: Rule 25: Computation of gross profits for other than banking company

Extracted from the English part of the Gazette PDF bundled with the production repository. Formatting is normalised; the signed Gazette PDF prevails. 25. Computation of gross profits for other than banking company:— The gross profits derived by an employer from an establishment in respect of the accounting year shall, in a case other than banking company under clause (b) of section 32, be calculated in the manner specified in Appendix C. Open official Gazette PDF ↗ Paragraph map Opening rule proposition Any embedded proviso/explanation Linked form or appendix, where stated Implementation control Translate Rule 25 into a named owner, payroll/HR system control, prescribed form or register, due date, reviewer and retained evidence. Where the rule delegates criteria to a special or general order, verify that order rather than inventing a threshold. Evidence checklist current Gazette and later amendment check applicable employee/establishment classification calculation, register, form or notice required by the rule approval and submission/payment evidence exception and remediation log Failure consequence Failure can support a wage/bonus claim, an inspection observation, adjudication or prosecution depending on the linked Code provision. Apply sections 45, 49 and 51–56 as relevant. Primary sources Ministry of Labour — Code on Wages (Central) Rules, 2026 ↗ India Code — Code on Wages, 2019 ↗ Ministry Labour Codes library ↗ Last official-source review: 16 July 2026. ← Previous Next → Reliance note: Read the current Gazette/India Code text, the applicable Central or State rules and later notifications before acting. This repository is educational and does not replace matter-specific legal advice.

Practical example

A multi-location employer prepares a legal classification memo, identifies the appropriate Government, maps the operative provision and Rule, records the decision owner and retains the documents needed to prove compliance during inspection or litigation.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.

- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: Rule 24, Rule 25 | Official source: section 32.

Section 33: Computation of available surplus

Current statutory text

```
33. Computation of available surplus.—The available surplus in respect of 
shall be the gross profits for that year after deducting there from the su

    Provided that the available surplus in respect of the accounting year 
after the commencement of this Code and in respect of every subsequent acc
aggregate of—

        (a) the gross profits for that accounting year after deducting the
    section 34; and

        (b) an amount equal to the difference between—

               (i) the direct tax, calculated in accordance with the provi
       amount equal to the gross profits of the employer for the immediate
       and

                (ii) the direct tax, calculated in accordance with provisi
       amount equal to the gross profits of the employer for such precedin
       deducting there from the amount of bonus which the employer has pai
       employees in accordance with the provisions of this Code for that y
```

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 33 applies.
2. Convert every condition in “Computation of available surplus” into a dated checklist.
3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

No direct Central Rule is mapped. Check general procedural Rules, State Rules and later notifications.

Practical example

A multi-location employer prepares a legal classification memo, identifies the appropriate Government, maps the operative provision and Rule, records the decision owner and retains the documents needed to prove compliance during inspection or litigation.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.
- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: No direct Central Rule mapped in the repository concordance | Official source: section 33.

Section 34: Sums deductible from gross profits

Current statutory text

```
34. Sums deductible from gross profits.—The following sums shall be deduct
profits as prior charges, namely:—

        (a) any amount by way of depreciation admissible in accordance wit
    section (1) of section 32 of the Income-tax Act or in accordance with
    income-tax law, for the time being in force, as the case may be;

        (b) subject to the provisions of section 35, any direct tax which
the accounting year in respect of his income, profits and gains during tha

         (c) such further sums in respect of the employer as may be prescr
```

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 34 applies.
2. Convert every condition in “Sums deductible from gross profits” into a dated checklist.
3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

Central Rule 26: Rule 26: Deduction of further sums from gross profit

Extracted from the English part of the Gazette PDF bundled with the production repository. Formatting is normalised; the signed Gazette PDF prevails. 26. Deduction of further sums from gross profit:— The further sums specified in respect of the employer in Appendix D shall be deducted from the gross profit as prior charges under clause (c) of section 34. Open official Gazette PDF ↗ Paragraph map Opening rule proposition Any embedded proviso/explanation Linked form or appendix, where stated Implementation control Translate Rule 26 into a named owner, payroll/HR system control, prescribed form or register, due date, reviewer and retained evidence. Where the rule delegates criteria to a special or general order, verify that order rather than inventing a threshold. Evidence checklist current Gazette and later amendment check applicable employee/establishment classification calculation, register, form or notice required by the rule approval and submission/payment evidence exception and remediation log Failure consequence Failure can support a wage/bonus claim, an inspection observation, adjudication or prosecution depending on the linked Code provision. Apply sections 45, 49 and 51–56 as relevant. Primary sources Ministry of Labour — Code on Wages (Central) Rules, 2026 ↗ India Code — Code on Wages, 2019 ↗ Ministry Labour Codes library ↗ Last official-source review: 16 July 2026. ← Previous Next → Reliance note: Read the current Gazette/India Code text, the applicable Central or State rules and later notifications before acting. This repository is educational and does not replace matter-specific legal advice.

Practical example

A multi-location employer prepares a legal classification memo, identifies the appropriate Government, maps the operative provision and Rule, records the decision owner and retains the documents needed to prove compliance during inspection or litigation.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.
- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: Rule 26 | Official source: section 34.

Section 35: Calculation of direct tax payable by employer

Current statutory text

```
35. Calculation of direct tax payable by employer.—For the purposes of thi
payable by the employer for any accounting year shall, subject to the foll
at the rates applicable to the income of the employer for that year, namel

    (a) in calculating such tax no account shall be taken of,—

               (i) any loss incurred by the employer in respect of any pre
       forward under any law for the time being in force relating to direc


                (ii) any arrears of depreciation which the employer is ent
       allowance for depreciation for any succeeding accounting year or ye
        of section 32 of the Income-tax Act;

        (b) where the employer is a religious or a charitable institution
   41 do not apply and the whole or any part of its income is exempt from
    Act, then, with respect to the income so exempted, such institution sh
   company in which the public are substantially interested within the mea

         (c) where the employer is an individual or a Hindu undivided fami
   employer under the Income-tax Act shall be calculated on the basis that
   from the establishment is his only income;

             (d) where the income of any employer includes any profits and
```

```
        of any goods or merchandise out of India and any rebate on such in
       law for the time being in force relating to direct taxes, then, no
        rebate;

         (e) no account shall be taken of any rebate other than developmen
     allowance or development allowance or credit or relief or deduction (n
      this section) in the payment of any direct tax allowed under any law
     relating to direct taxes or under the relevant annual Finance Act, for
```

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 35 applies.
2. Convert every condition in “Calculation of direct tax payable by employer” into a dated checklist.
3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

No direct Central Rule is mapped. Check general procedural Rules, State Rules and later notifications.

Practical example

A multi-location employer prepares a legal classification memo, identifies the appropriate Government, maps the operative provision and Rule, records the decision owner and retains the documents needed to prove compliance during inspection or litigation.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.
- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: No direct Central Rule mapped in the repository concordance | Official source: section 35.

Section 36: Set on and set off of allocable surplus

Current statutory text

```
36. Set on and set off of allocable surplus.—(1) Where for any accounting
surplus exceeds the amount of maximum bonus payable to the employees in th
section 26, then, the excess shall, subject to a limit of twenty per cent.
employees employed in the establishment in that accounting year, be carrie
the succeeding accounting year and so on up to and inclusive of the fourth
for the purpose of payment of bonus in such manner as may be prescribed by

    (2) Where for any accounting year, there is no available surplus or th
that year falls short of the amount of minimum bonus payable to the employ
section 26, and there is no amount or sufficient amount carried forward an
which could be utilised for the purpose of payment of the minimum bonus, t
or the deficiency, as the case may be, shall be carried forward for being
accounting year and so on up to and inclusive of the fourth accounting yea
prescribed by the Central Government.

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

    (4) Where in any accounting year any amount has been carried forward a
section, then, in calculating bonus for the succeeding accounting year, th
carried forward from the earliest accounting year shall first be taken int
```

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 36 applies.
2. Convert every condition in “Set on and set off of allocable surplus” into a dated checklist.
3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

Central Rule 27: Rule 27: Manner of carrying forward when allocable surplus exceeds maximum bonus payable

Extracted from the English part of the Gazette PDF bundled with the production repository. Formatting is normalised; the signed Gazette PDF prevails. 27. Manner of carrying forward when allocable surplus exceeds maximum bonus payable:—

Under sub-section (1) of section 36, where for any accounting year, the allocable surplus exceeds the amount of maximum bonus payable to the employees in the establishment under section 26, then, the excess shall, subject to a limit of twenty per cent. of the total salary or wage of the employees employed in the establishment in that accounting year, be carried forward for being set on in the succeeding accounting year and so on upto and inclusive of the fourth accounting year to be utilised for the purpose of payment of bonus in the manner as illustrated in Appendix A. Open official Gazette PDF ↗ Paragraph map Opening rule proposition Any embedded proviso/explanation Linked form or appendix, where stated Implementation control Translate Rule 27 into a named owner, payroll/HR system control, prescribed form or register, due date, reviewer and retained evidence. Where the rule delegates criteria to a special or general order, verify that order rather than inventing a threshold. Evidence checklist current Gazette and later amendment check applicable employee/establishment classification calculation, register, form or notice required by the rule approval and submission/payment evidence exception and remediation log Failure consequence Failure can support a wage/bonus claim, an inspection observation, adjudication or prosecution depending on the linked Code provision. Apply sections 45, 49 and 51–56 as relevant. Primary sources Ministry of Labour — Code on Wages (Central) Rules, 2026 ↗ India Code — Code on Wages, 2019 ↗ Ministry Labour Codes library ↗ Last official-source review: 16 July 2026. ← Previous Next → Reliance note: Read the current Gazette/India Code text, the applicable Central or State rules and later notifications before acting. This repository is educational and does not replace matter-specific legal advice.

Central Rule 28: Rule 28: Manner of carrying forward when there is no allocable surplus for payment of minimum

Extracted from the English part of the Gazette PDF bundled with the production repository. Formatting is normalised; the signed Gazette PDF prevails. 28. Manner of carrying forward when there is no allocable surplus for payment of minimum bonus:— Under sub-section (2) of section 36, where for any accounting year, there is no available surplus or the allocable surplus in respect of that year falls short of the amount of minimum bonus payable to the employees in the establishment under section 26 and there is no amount or sufficient amount carried forward and set on under rule 27 which shall 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 upto and inclusive of the fourth accounting year in the manner as illustrated in Appendix A. CHAPTER VI C ENTRAL A DVISORY BOARD A. Procedure of Central Advisory Board Open official Gazette PDF ↗ Paragraph map Opening rule proposition Any embedded proviso/explanation Linked form or appendix, where stated Implementation control Translate Rule 28 into a named owner, payroll/HR system control, prescribed form or register, due date, reviewer and retained evidence. Where the rule delegates criteria to a special or general order, verify that order rather than inventing a threshold. Evidence checklist current Gazette and later amendment check applicable employee/establishment classification calculation, register, form or notice required by the rule approval and submission/payment evidence exception and remediation log Failure consequence Failure can support a wage/bonus claim, an inspection observation, adjudication or prosecution depending on the linked Code provision. Apply sections 45, 49 and 51–56 as relevant. Primary sources Ministry of Labour — Code on Wages (Central) Rules, 2026 ↗ India Code — Code on Wages, 2019 ↗ Ministry Labour Codes library ↗ Last official-source review: 16 July 2026. ← Previous Next → Reliance note: Read the current Gazette/India Code text, the applicable Central or State rules and later notifications before acting. This repository is educational and does not replace matter-specific legal advice.

Practical example

A multi-location employer prepares a legal classification memo, identifies the appropriate Government, maps the operative provision and Rule, records the decision owner and retains the documents needed to prove compliance during inspection or litigation.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.
- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: Rule 27, Rule 28 | Official source: section 36.

Section 37: Adjustment of customary or interim bonus against bonus payable under this Code

Current statutory text

```
37. Adjustment of customary or interim bonus against bonus payable under t
in any accounting year,—

        (a) an employer has paid any puja bonus or other customary bonus t

        (b) an employer has paid a part of the bonus payable under this Co
    date on which such bonus becomes payable,

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

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 37 applies.
2. Convert every condition in "Adjustment of customary or interim bonus against bonus payable under this Code" into a dated checklist.
3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

No direct Central Rule is mapped. Check general procedural Rules, State Rules and later notifications.

Practical example

A payroll team tests the employee category, wage period, notified rate, permitted exclusions and documentary proof before releasing payroll. It records the calculation, approval, bank output and wage slip so that every disputed limb can be reconstructed.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.

- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: No direct Central Rule mapped in the repository concordance | Official source: section 37.

Section 38: Deduction of certain amounts from bonus payable

Current statutory text

```
38. Deduction of certain amounts from bonus payable.—Where in any accounti
employee is found guilty of misconduct causing financial loss to the emplo
the employer to deduct the amount of loss from the amount of bonus payable
under this Code in respect of that accounting year only and the employee s
balance, if any.
```

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 38 applies.
2. Convert every condition in “Deduction of certain amounts from bonus payable” into a dated checklist.
3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

No direct Central Rule is mapped. Check general procedural Rules, State Rules and later notifications.

Practical example

A payroll team tests the employee category, wage period, notified rate, permitted exclusions and documentary proof before releasing payroll. It records the calculation, approval, bank output and wage slip so that every disputed limb can be reconstructed.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.
- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: No direct Central Rule mapped in the repository concordance | Official source: section 38.

Section 39: Time limit for payment of bonus

Current statutory text

```
39 .Time limit for payment of bonus.—(1) All amounts payable to an employe
under this Code shall be paid by crediting it in the bank account of the e
period of eight months from the close of the accounting year:

    Provided that the appropriate Government or such authority as the appr
specify in this behalf may, upon an application made to it by the employer
order, extend the said period of eight months to such further period or pe
that the total period so extended shall not in any case exceed two years.

    (2) Notwithstanding anything contained in sub-section  (1), where ther
payment of bonus pending before any authority, such bonus shall be paid, w
from the date on which the award becomes enforceable or the settlement com
of such dispute:

    Provided that if, there is a dispute for payment at the higher rate, t
one-third per cent. of the wages earned by the employee as per the provisi
of eight months from the close of the accounting year.
```

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 39 applies.
2. Convert every condition in “Time limit for payment of bonus” into a dated checklist.

3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

No direct Central Rule is mapped. Check general procedural Rules, State Rules and later notifications.

Practical example

A payroll team tests the employee category, wage period, notified rate, permitted exclusions and documentary proof before releasing payroll. It records the calculation, approval, bank output and wage slip so that every disputed limb can be reconstructed.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.
- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: No direct Central Rule mapped in the repository concordance | Official source: section 39.

Section 40: Application of this Chapter to establishments in public sector in certain cases

Current statutory text

```
40. Application of this Chapter to establishments in public sector in cert
accounting year an establishment in public sector sells any goods produced
renders any services, in competition with an establishment in private sect
sale or services or both, is not less than twenty per cent. of the gross i
sector for that year, then, the provisions of this Chapter shall apply in
```

```
public sector as they apply in relation to a like establishment in private

    (2) Save as otherwise provided in sub-section  (1), nothing in  this C
employees employed by any establishment in public sector.
```

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 40 applies.
2. Convert every condition in “Application of this Chapter to establishments in public sector in certain cases” into a dated checklist.
3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

No direct Central Rule is mapped. Check general procedural Rules, State Rules and later notifications.

Practical example

A multi-location employer prepares a legal classification memo, identifies the appropriate Government, maps the operative provision and Rule, records the decision owner and retains the documents needed to prove compliance during inspection or litigation.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.
- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: No direct Central Rule mapped in the repository concordance | Official source: section 40.

Section 41: Non-applicability of this Chapter

Current statutory text

41. Non-applicability of this Chapter.—(1) Nothing in this Chapter shall a

(a) employees employed by the Life Insurance Corporation of India;

(b) seamen as defined in clause (42) of section 3 of the Merchant
1958);

(c) employees registered or listed under any scheme made under th
of Employment) Act, 1948 (9 of 1948), and employed by registered or li

(d) employees employed by an establishment under the authority of
Government or a State Government or a local authority;

(e) employees employed by—

(i) the Indian Red Cross Society or any other institution o
branches;

(ii) universities and other educational institutions;

(iii) institutions including hospitals, chamber of commerc
established not for purposes of profit;

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

(g) employees employed by public sector financial institution othe
which the Central Government may, by notification, specify, having rega

(i) its capital structure;

(ii) its objectives and the nature of its activities;

(iii) the nature and extent of financial assistance or any
Government; and

(iv) any other relevant factor;

(h) employees employed by inland water transport establishments op
through any other country; and

(i) employees of any other establishment which the appropriate G
exempt having regard to the overall benefits under any other scheme of
such establishments to the employees.

(2) Subject to the provisions of sub-section (1) and notwithstanding a
provisions of this Chapter, the provisions of this Chapter shall apply to

```
twenty or more persons are employed or were employed on any day during an
```

```
                              CHAPTER V
                                  ADVISORY BOARD
```

Finin2min clause-by-clause decode

1. Identify the person or establishment to whom section 41 applies.
2. Convert every condition in “Non-applicability of this Chapter” into a dated checklist.
3. Map the applicable authority, State/Central jurisdiction and documentary evidence.
4. Test exceptions, provisos, deeming language and consequences separately.

Applicable Central Rules immediately below the provision

No direct Central Rule is mapped. Check general procedural Rules, State Rules and later notifications.

Practical example

A multi-location employer prepares a legal classification memo, identifies the appropriate Government, maps the operative provision and Rule, records the decision owner and retains the documents needed to prove compliance during inspection or litigation.

Controls and evidence

- Employer: assign owner, configure system and retain approval/payment proof.
- Employee/worker: retain contract, attendance, wage/benefit proof and communication.
- Professional: reconcile the Act, Rule, notification, form, limitation and State overlay.

Consequence, remedy and limitation

Identify the substantive default first, then separately map arrears or benefit, interest/damages, administrative penalty, prosecution, compounding, company/officer liability, forum, appeal and limitation. Do not infer a remedy from the heading alone.

Mapped Rules: No direct Central Rule mapped in the repository concordance | Official source: section 41.

Rules, forms, registers, portals and due dates

Rule	Subject	Text/control status
21	Rule 21: Payment of bonus to contractual employee	Exact Gazette extract embedded
22	Rule 22: Calculation for sixth accounting year	Exact Gazette extract embedded
23	Rule 23: Calculation for seventh accounting year	Exact Gazette extract embedded
27	Rule 27: Manner of carrying forward when allocable surplus exceeds maximum bonus payable	Exact Gazette extract embedded
28	Rule 28: Manner of carrying forward when there is no allocable surplus for payment of minimum	Exact Gazette extract embedded
24	Rule 24: Computation of gross profits for banking company	Exact Gazette extract embedded
25	Rule 25: Computation of gross profits for other than banking company	Exact Gazette extract embedded
26	Rule 26: Deduction of further sums from gross profit	Exact Gazette extract embedded

Forms and registers must be confirmed from the appended 2026 Central Rules and the live portal applicable to the appropriate Government. A form is not treated as current merely because an earlier law used the same number.

Notifications and effective-date history

Control	Required action
Enactment	Record Act number, assent and Gazette publication.
Commencement	Use the provision-specific commencement notification; the four Codes became broadly operative from 21 November 2025 subject to earlier partial commencement and corrigenda.
Central Rules	Read the applicable 2026 Central Rules from their Gazette date and verify subsequent amendments.
State instrument	Check final State Rules, authority notifications, forms and rates where the State is appropriate Government.

Old-law/new-Code concordance

Predecessor law	Transition control
Payment of Wages Act, 1936	Classify the event date, accrued right, saved Rule/ notification and pending proceeding before moving to the Code.
Minimum Wages Act, 1948	Classify the event date, accrued right, saved Rule/ notification and pending proceeding before moving to the Code.
Payment of Bonus Act, 1965	Classify the event date, accrued right, saved Rule/ notification and pending proceeding before moving to the Code.
Equal Remuneration Act, 1976	Classify the event date, accrued right, saved Rule/ notification and pending proceeding before moving to the Code.

Practical calculations and control file

Calculation sequence

1. Freeze the employee/worker population and event date.
2. Apply the statutory wage/benefit base and notified threshold.
3. Reconcile attendance, service, payroll and contractor records.
4. Calculate principal amount, interest/damages and any statutory compensation separately.
5. Obtain legal/payroll approval and retain the versioned worksheet.

Three-owner sign-off

- **Employer/HR:** facts, classification, communication and workflow.
- **Employee/worker:** notice, records, nomination/claim and acknowledgement.
- **Professional:** source, formula, forum, limitation and evidence reconciliation.

Binding and highly relevant case-law principles

Older cases are included for principles only. Their continued application must be tested against the current Code wording, repeal-and-savings clause and later judgments.

Decision	Principle and present-use caution
People's Union for Democratic Rights v. Union of India	Non-payment of the applicable minimum wage may engage constitutional and statutory consequences; use the principle only after aligning it with the universal Code coverage and current notification.
Airfreight Ltd. v. State of Karnataka	Minimum-wage components and neutralisation must be read from the governing notification and statutory scheme, not from payroll labels alone.
Manganese Ore (India) Ltd. v. Chandi Lal Saha	The legal character of an allowance or benefit depends on the governing provision and facts; nomenclature is not decisive.
Workmen v. Reptakos Brett & Co.	Needs-based wage principles remain relevant to wage fixation, but the current statutory floor and notified rates control compliance.

State-law variation alerts

- Confirm whether the Central or State Government is the appropriate Government.
- Central Rules do not automatically displace valid State Rules, rates, registers, authorities or portal procedures.
- Minimum-wage rates, holidays, working-hours permissions, licences and local welfare obligations require State-specific verification.
- Record Gazette number, effective date and supersession status in the location compliance register.

Practical transaction application

Use the chapter when drafting offer letters, wage structures, contractor work orders, payroll calendars, bonus workings, separation settlements and due-diligence requests. Classify the establishment, employee, wage components and relevant event date before applying the provision and linked Rule.

Authority, consent and execution controls

HR may prepare the computation, but the employer or duly authorised signatory should approve wage-period, deduction, bonus and claim responses. Contractor clauses must identify the principal employer, payment evidence owner and escalation authority; consent cannot validate a deduction prohibited by law.

Stamp duty and registration alerts

Ordinary payroll records do not attract registration. Employment, settlement, indemnity or service instruments should nevertheless be checked under the applicable State stamp law; an unstamped or insufficiently stamped instrument may face evidentiary or enforcement objections. Portal filing or statutory notice is not a substitute for stamping where independently applicable.

Evidence and document-retention checklist

Retain the operative law/rule version, classification note, approvals, signed instruments, statutory forms, portal acknowledgements, registers, calculations, bank proof, correspondence, inspection records, service proof, decision and appeal file. Apply the longer of the statutory retention rule, litigation hold, tax/audit need and contractual requirement; restrict access to personal and sensitive data.

Performance, delivery and payment controls

Link attendance, output and variable-pay conditions to objective records. Pay wages, overtime, bonus and final dues through traceable banking channels within the applicable statutory window; reconcile payroll, bank advice, ledger, return and employee acknowledgement.

Breach, loss, mitigation and remedy framework

On detecting a breach, stop continuing exposure, preserve evidence, quantify employee and government dues, identify affected persons, make lawful corrective payment/filing, notify the authorised decision-maker, assess self-disclosure or compounding where available, and reserve contractual recovery against responsible vendors without delaying statutory remediation.

Limitation and forum controls

Route statutory wage claims and appeals to the authority/appellate authority under the Code and Rules. Preserve the event date, service date and proof of payment because limitation and condonation are fact-sensitive. Contractual forum clauses cannot oust a mandatory statutory forum.

Arbitration and mediation interface

Mediation can resolve computation or factual disputes where lawful, but cannot contract out of minimum wages, prohibited deductions, statutory bonus or penal consequences. Record any settlement precisely and complete mandatory filing/approval steps.

Company, partnership, GST and tax overlays

For a company, align board/delegation and officer-in-default controls; for an LLP or partnership, identify the designated partner/partner and authorised employer representative. Labour dues can affect transaction price, indemnities, director/partner exposure and insolvency claims. Salary/TDS, perquisite, contractor TDS, GST on outsourced services and accounting provisions must be reconciled without treating tax treatment as proof of labour-law classification.

Finin2min Q&A

Which law and version should be applied?

Use the current text of Code on Wages, 2019, the commencement notification, the applicable Central or State Rules and any later instrument effective on the event date.

How is the appropriate Government identified?

Classify ownership/control, sector, establishment and contractor relationship before selecting the Central or State authority.

Can a company policy override the statutory protection?

No. A policy may improve a benefit or control, but it cannot contract out of a mandatory statutory floor.

What evidence should be retained?

Retain the classification memo, source instrument, form/portal record, calculation, approval, employee communication, acknowledgement and payment or authority proof.

Do the Central Rules apply to every establishment?

No. They govern the Central sphere. State Rules and State notifications must be checked where the State is the appropriate Government.

How should a historical event be tested?

Apply the law and subordinate instrument effective on the event date, then use the repeal-and-savings provision for pending rights and proceedings.

What happens when portal practice conflicts with the statute?

Record the conflict, follow the higher legal instrument, seek authority clarification where necessary and preserve screenshots and correspondence.

Can criminal and monetary consequences arise together?

They may. Separate wages/benefits, interest, damages, civil penalty, prosecution, compounding and director/officer liability.

Is a contractor arrangement enough to shift liability?

No. Principal-employer and contractor liabilities depend on the specific provision and facts; the contract should allocate evidence and recovery without diluting worker rights.

What is the first professional review step?

Freeze the event date and facts, identify the applicable provision, then map Rules, forms, notification status, authority, limitation and evidence.

What is the operational focus of section 26 - Eligibility for bonus, etc?

The section must be decomposed into actor, trigger, threshold, procedure, exception, consequence and evidence. Read the full official text and the mapped Rules before applying the Finin2min control summary.

What is the operational focus of section 27 - Proportionate reduction in bonus in certain cases?

The section must be decomposed into actor, trigger, threshold, procedure, exception, consequence and evidence. Read the full official text and the mapped Rules before applying the Finin2min control summary.

What is the operational focus of section 28 - Computation of number of working days?

The section must be decomposed into actor, trigger, threshold, procedure, exception, consequence and evidence. Read the full official text and the mapped Rules before applying the Finin2min control summary.

What is the operational focus of section 29 - Disqualification for bonus?

The section must be decomposed into actor, trigger, threshold, procedure, exception, consequence and evidence. Read the full official text and the mapped Rules before applying the Finin2min control summary.

What is the operational focus of section 30 - Establishments to include departments, undertakings and branches?

The section must be decomposed into actor, trigger, threshold, procedure, exception, consequence and evidence. Read the full official text and the mapped Rules before applying the Finin2min control summary.

What is the operational focus of section 31 - Payment of bonus out of allocable surplus?

The section must be decomposed into actor, trigger, threshold, procedure, exception, consequence and evidence. Read the full official text and the mapped Rules before applying the Finin2min control summary.

What is the operational focus of section 32 - Computation of gross profits?

The section must be decomposed into actor, trigger, threshold, procedure, exception, consequence and evidence. Read the full official text and the mapped Rules before applying the Finin2min control summary.

What is the operational focus of section 33 - Computation of available surplus?

The section must be decomposed into actor, trigger, threshold, procedure, exception, consequence and evidence. Read the full official text and the mapped Rules before applying the Finin2min control summary.

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