

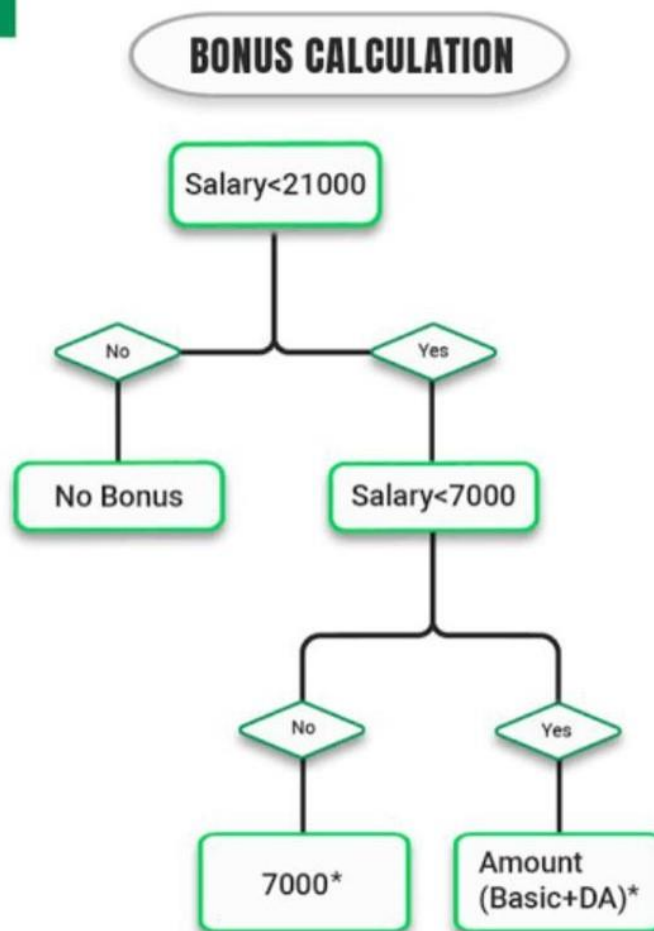


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Payment of Bonus

Bonus payments in India is controlled by the Payment of Bonus Act, 1965



Note:

Minimum bonus = 8.33%

Maximum bonus = 20%





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+ Applicable to

- Every factory registered under Factories Act
- Establishment employing 20
- Establishment having employed 20 or more than 20 on any day during the year
- Central government can notify the application of the Act to the establishment employing more than 10 persons also

+ The Following employees are not covered under the Payment of Bonus Act:-

- New establishment for 5 years following accounting year in which employers sell goods produced or in which he derives profit from the establishment whichever is earlier
- Under the act, start-ups and new establishments are exempted from bonus payments for the first five years. Employers are eligible to pay statutory bonus only in the year in which they derive profit after the commencement of operations.

+ Eligibility of Bonus

- Every employee who has worked for 30 days or more in a year
- Drawing salary of Rs. 21,000/- or less in an establishment to which this act applied
- If Basic Salary + Dearness Allowance is under Rs. 7,000 then the bonus is calculated on the actual amount
- If Basic Salary + Dearness Allowance is greater than Rs. 7000 the bonus is calculated on Rs 7000



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- An employee will be considered “working” in a year if the following conditions are satisfied:
 - 1) The employee who is under an agreement or as permitted by standing orders under the Industrial Employment (Standing Orders) Act, 1946, the Industrial Disputes Act, 1947 or any other law applicable to the establishment
 - 2) The employee during employment has taken leave with salary
 - 3) The employee who has been absent due to temporary disablement caused by accident during the work
 - 4) The employee has been on maternity leave with salary in the accounting year

+ Minimum Bonus Payable

- Every employer shall be bound to pay to every employee in respect of the accounting year, a **minimum bonus which shall be 8.33 percent 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.

+ Maximum Bonus Payable

- Where in respect of any accounting year, the allocable surplus exceeds the amount of minimum bonus payable to the employees under the Act, 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.**

+ Adjustment of customary or interim bonus



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- Whether in any accounting year an employer has
(a) paid any puja bonus or other customary bonus or
(b) paid a part of the bonus payable under this Act
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.

+ Deduction of Bonus

- In any Accounting year, if the employee is found guilty of misconduct causing financial loss to the employer, the employer will be entitled to recover the loss from the amount of bonus payable to him

+ Timely payment

- The bonus payable under the Act is to be paid within 8 months from the close of the accounting year or within one month from the date of which award becomes enforceable.

+ Checklist for inspection under The Payment of Bonus Act

- Bonus for the accounting year paid by the employer
- Register of computation of allocable surplus in “Form A”
- Register of set on and set off of the allocable surplus in “Form B”
- Register of the details of the amount of bonus due to each of the employees, the deduction under section 17 & 18 and the amount actually disbursed in “Form C”
- Account books, balance sheet for the accounting year.
- The annual return in “Form D”
- The percentage of bonus paid by the employer
- The Bonus of the accounting year should pay within a period of 8 months from the closure of the accounting year