

Payment of Bonus Act, 1965

1. Applicability of the Act.

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

2. Following employees are not covered with the provision of this Act

- a) Apprentices
- b) Employees of Central Government or Local Authority
- c) Employees of Public Sector which sells goods manufactured by it.
- d) Employees of other Public Sector
- e) Seaman etc., registered under Dock Workmen (Regulation of Employment) Act, 1948
- f) Employees of LIC, GIC, Red Cross, Inland Water Transport, Universities and other Educational Institutions.
- g) 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.

3. Eligibility of Bonus

Every employee who has worked for 30 days or more in a year and drawing salary of Rs. 10,000/- or less in an establishment to which this act applied is entitled for bonus.

Maximum bonus will be paid to Rs. 3,500/- and accordingly the calculation will be made on the basis of drawing notional salary of Rs. 3,500/- per month.

4. Rate of Bonus.

Minimum bonus to the employees payable in an accounting year to the limit of 8.33% of the salary subject to maximum limit of Rs. 3,500/- p.a.

5. 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

6. Timely payment

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.

7. "Payment of Bonus Register" to be maintained

F. A. Q.

1. What is the Object of the Payment of Bonus Act, 1965?:

- A. The object of the Act is to maintain peace and harmony between labour and capital by allowing the employees to share the prosperity of the [establishment](#) reflected by the profits earned by the contributions made by capital, [management](#) and labour.

2. To which [establishments](#) is the Act applicable?:
- A. The Act is applicable to:
(a) every [factory](#)
(b) every other [establishment](#) employing 20 or more persons.
- The Government can, however, apply the Act to any [establishment](#) employing less than 20 but not less than 10 persons. An establishment to which the Act applies shall continue to be governed by the Act irrespective of any fall in the number of person employed therein. {Section 1}
3. Who are entitled to be paid bonus ?
- A. Every employee who is drawing a salary or wage upto Rs. 10000.00 per month (w.e.f. 1-4-2006) and who has worked for minimum period of 30 days in a year is entitled to be paid bonus. {Section 2(13) & 8}
4. Is a seasonal worker entitled to get bonus ?
- A. Section 8 relates to the eligibility for bonus. The only requirement of that section is that the employee should have worked in an [establishment](#) for not less than thirty working days in an accounting year. Therefore, if a seasonal worker has worked in an establishment for more than thirty working days, he shall be entitled to get bonus.
5. What is to be included in and excluded from a salary or wage for the purpose of calculating bonus ?
- A. For the purpose of calculation of bonus a salary or wage includes a basic salary or wage and dearness allowance but does not include other allowances, overtime salary or wage, house rent allowance, traveling concessions, bonus, employer's contribution to [provident fund](#), retrenchment compensation, gratuity or commission. {Section 2(21)}
6. Is an employee entitled to get bonus on the basis of his entire salary or wage ?
- A. If an employee is drawing a salary or wage not exceeding Rs. 3500.00 per month, he is entitled to get bonus on his entire salary or wage. If an employee is getting a salary or wage exceeding Rs. 3500.00 per month, but not exceeding 10000.00 per month, the bonus payable to him is to be calculated as if his salary or wage were Rs. 3500.00 per month. An employee getting a salary or wage exceeding Rs. 10000.00 per month is not entitled to get bonus. {Section 12}
7. What is the amount of minimum bonus payable by the employer to his employees every year ?
- A. The employer is bound to pay to his employees every year a minimum bonus of 8.33% of the salary or wage or Rs. 100.00, whichever is higher, whether he has any allocable surplus or not. {Section 10}
8. What is the amount of maximum bonus payable by the employer to his employees in any year?
- A. The maximum bonus payable by the employer to his employees in that year is 20% of the salary or wage. {Section 11}
9. What is the time limit for making payment of bonus to the employees ?
- A. If there is no dispute about payment of bonus, bonus must be paid within a period of 8 months

from the close of the accounting year. If there is a dispute about the payment of bonus pending before any authority, bonus must be paid within one month from the date on which the award in respect of such dispute becomes enforceable or the settlement in respect of such dispute comes into operation. In all cases bonus must be paid in cash. {Section 19}

10. What are the offences under the Act and what is the punishment for them?

A. If any person contravenes any provision of the Act or any rule made thereunder; or fails to comply with any direction given to him; he would be punished with imprisonment upto 6 months, or with fine upto Rs. 1000.00 or with both. {Section 28}

11. Are the newly set up [establishments](#) exempted from paying bonus to their employees ?

A. The newly set up establishment is exempted from paying bonus to its employees in the first five years following the year in which the employer sells the goods produced or manufactured by him. If, however, the employer derives profit in any of the first five year, he has to pay bonus for that year. The provisions of set on and set off are not applicable in such cases. {Section 16}

12. Is an employee entitled to be paid bonus for the period during which he is laid off and is paid lay off compensation?

A. According to section 14 of the Act an employee shall be deemed to have worked on the days on which he has been laid off. During the period of lay-off he is paid lay-off compensation which is not excluded from the purview of the definition of wages under the Act. He is therefore entitled to be paid bonus for the period.

13. Is the employer required to maintain any registers under the Act ?

A. Every employer is required to maintain, in the prescribed form, the following three registers:
a. a register showing the computation of the allocable surplus;
b. a register showing the set-on and set-off of the allocable surplus;
c. a register showing the details of the amount of bonus payable to each of employees, the amount of deductions if any, and the amount actually paid.

The employer is also required to send, in the prescribed form, an annual return to the Inspector appointed under the Act. The time limit for sending the annual return is thirty days from the expiry of the time limit specified in section 19 for payment of bonus. {Section 26 & Rule 4 and 5}

