

PAYMENT OF BONUS ACT, 1965 & THE RULES

CHECKLIST

Applicability of Act

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

Establishment

Establishment includes Departments, undertakings and branches, etc.

Computation of available surplus

Income taxes and direct taxes as payable.
Depreciation as per section 32 of Income Tax Act.
Development rebate, investment or development allowance.
Sec.5

Components of Bonus

Salary or wages includes dearness allowance but no other allowances e.g. over-time, house rent, incentive or commission.
Sec.2 (21)

Separate establishment

If profit and loss accounts are prepared and maintained in respect of any such department or undertaking or branch, then such department or undertaking or branch is treated as a separate establishment.
Sec.3

Disqualification & Deduction of Bonus

On dismissal of an employee for

- Fraud; or
- riotous or violent behavior while on the premises of the establishment;
or
- theft, misappropriation or sabotage of any property of the establishment
or
- Misconduct of causing financial loss to the Employer to the extent that bonus can be deducted for that year.

Secs. 9 & 18.

Computation of gross profit

For banking company, as per First Schedule.

Others, as per Second Schedule
Sec.4

Eligibility of Bonus

An employee will be entitled only when he has worked for **30** working days in that year.
Sec. 8

Payment of Minimum Bonus

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

Eligible Employees

Employees drawing wages upto Rs.3500 per month or less.
For calculation purposes Rs.2500 per month maximum will be taken even if an employee is drawing upto Rs.3500 per month.
Sec.12

Time Limit for Payment of Bonus

Within 8 months from the close of accounting year.
Sec. 19

Set-off and Set-on

As per Schedule IV.
Sec. 15

Note: The proposal to enhance the existing ceiling of Rs.3500 is under active consideration by the Govt.

Maintenance of Registers and Records etc.

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

Sec.26, Rule 4

Act not applicable to certain employees of LIC, General Insurance, DockYards, Red Cross, Universities & Educational Institutions, Chambers of Commerce, Social Welfare Institutions, Building Contractors, etc. etc. **Sec.32.**

PENALTY

For contravention of any provision of the Act or the Rule

Upto 6 months or with fine upto Rs.1000.

Sec.28