

“The Payment of Bonus Act 1965”

Unit-2

Ms Varsha

The Payment of Bonus Act 1965”

- Name: The Payment of Bonus Act 1965
- Extends: whole of India(JK included by Amendment in 1970)
- Sections: 40 sec.
- Schedule: 4 Schedules
 1. Gross profit calculation (banking companies)
 2. Gross profit calculation (other companies)
 3. Deduction of certain sums from GP
 4. Explanation to min. and max. Bonus with set on & set off Provision

Meaning of Bonus

- Bonus is a
 - ✓ reward for good work (or)
 - ✓ share in profit of an organization where the employee is working

There were disputes between employer and employee for payment of bonus.

To resolve such disputes the bonus act was passed.

Objective and scope of the act

- The object of the act is:
- To provide for payment of bonus
- To persons employed in certain establishments and
- For matters connected therewith.

Decided case law:

- Supreme court in “Jalan Trading co. (pvt) Ltd. V. Mill Mazdor Sabha”
- The object of the act is :-
 - ✓ to maintain peace and harmony b/w labour and capital
 - ✓ By allowing the employees to share the prosperity of the establishment,
 - ✓ And prescribing the min. and max. rates of bonus
 - ✓ Together with the scheme of “set off and set on”
 - ✓ Not only secure the right of labour to share in the profits
 - ✓ But also ensures a reasonable degree of uniformity

Applicability of the Act

- Payment of Bonus Act, 1965 applies to:
 - ✓ a) Every **Factory**;
 - ✓ b) Every other **establishment**

In which **20** or more persons are employed or were employed.

On any day during an **Accounting year**

Note:

- Appropriate govt. may after giving **Not less than 2 months notice** can make this act applicable to establishment or factory **employing less than 20 (but NLT 10) persons**
- Once the ac is applicable, it **continues** to apply even if number of employees fall below 20.

2(21)Salary or Wages

- It means:

- All remuneration

- capable to being expressed in term of money

- and includes dearness allowance

But does not include:

1. Overtime wages
2. Any other allowance which employee is entitled to;
3. The value of any house recommendation or supply of light, water, medical or other service
4. Any travelling concession
5. Any other bonus like production bonus, attendance bonus etc.
6. Any contribution to the PF and Pension fund by the employer
7. Any retrenchment compensation
8. Any gratuity and retirement benefits payable to the employee
9. Any commission payable to the employee.

Eligibility for Bonus

Employees

- Drawing salary or wages up to Rs 21000/-pm (after amendments made in 2015 10000 to 21000)
- Worked for at least 30 working days in an accounting year.

Are entitled to bonus

Note:

- Even a worker working in seasonal factory is eligible for bonus if he has worked for at least 30 working days.
- Apprentices are not eligible for any bonus.

(Sec.9) Disqualification for Bonus

An employee shall be disqualified from receiving bonus under this act, if he is **dismissed** from service for-

(a) **fraud**; or

(b) **riotous** or **violent** behavior while on the premises of the establishment ; or

(c) **Theft, misappropriation** of any property of the establishment .

(Sec.10) Minimum Bonus

Every employer shall be bound

- to **pay annually**
- To every employee in respect of an **accounting year**
- Within **8 months** from the closing of an accounting year
- Minimum bonus, which shall be
 - ❑ **8.33%** of salary/wages earned by the employee during an accounting year (or)
 - ❑ Rs. **100/-**, (**Rs.60/-** for employee **not completed 15** years at the beginning of accounting year)
 - ❑ Whichever is **Higher**.