

# PAYMENT OF BONUS ACT, 1965 & THE RULES

## CHECKLIST

<p style="text-align: center;"><b>Applicability of Act</b></p> <p>Every factory where in <b>10</b> or more persons are employed with the aid of power or An establishment in which <b>20</b> or more persons are employed without the aid of power on any day during an accounting year</p>		<p style="text-align: center;"><b>Establishment</b></p> <p>Establishment includes Departments, undertakings and branches, etc.</p>
<p style="text-align: center;"><b>Computation of available surplus</b></p> <p>Income taxes and direct taxes as payable. Depreciation as per section 32 of Income Tax Act. Development rebate, investment or development allowance. <b>Sec.5</b></p>	<p style="text-align: center;"><b>Components of Bonus</b></p> <p>Salary or wages includes dearness allowance but no other allowances e.g. over-time, house rent, incentive or commission. <b>Sec.2 (21)</b></p>	<p style="text-align: center;"><b>Separate establishment</b></p> <p>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. <b>Sec.3</b></p>
<p style="text-align: center;"><b>Disqualification &amp; Deduction of Bonus</b></p> <p>On dismissal of an employee for</p> <ul style="list-style-type: none"> <li>• Fraud; or</li> <li>• riotous or violent behavior while on the premises of the establishment; <b>or</b></li> <li>• theft, misappropriation or sabotage of any property of the establishment <b>or</b></li> <li>• Misconduct of causing financial loss to the Employer to the extent that bonus can be deducted for that year.</li> </ul> <p style="text-align: right;"><b>Secs. 9 &amp; 18.</b></p>		
<p style="text-align: center;"><b>Eligibility of Bonus</b></p> <p>An employee will be entitled only when he has worked for <b>30</b> working days in that year. <b>Sec. 8</b></p>	<p style="text-align: center;"><b>Payment of Minimum Bonus</b></p> <p><b>8.33%</b> of the salary or Rs.100 (on completion of 5 years after 1<sup>st</sup> Accounting year even if there is no profit) <b>Sec.10</b> <b>Sec. 8</b></p>	<p style="text-align: center;"><b>Computation of gross profit</b></p> <p>For banking company, as per First Schedule.  Others, as per Second Schedule <b>Sec.4</b></p>
<p style="text-align: center;"><b>Time Limit for Payment of Bonus</b></p> <p>Within 8 months from the close of accounting year. <b>Sec. 19</b></p>	<p style="text-align: center;"><b>Set-off and Set-on</b></p> <p>As per Schedule IV. <b>Sec. 15</b></p>	<p style="text-align: center;"><b>Eligible Employees</b></p> <p>Employees drawing wages upto Rs10000 per month or less. <b>For calculation purposes Rs.3500 per month maximum will be taken even if an employee is drawing upto Rs.10000 per month.</b> <b>Sec.12</b></p> <p>Note: The proposal to enhance the existing ceiling of Rs.3500 is under active consideration by the Govt.</p>
<p style="text-align: center;"><b>Maintenance of Registers and Records etc.</b></p> <ul style="list-style-type: none"> <li>• A register showing the computation of the <b>allocable surplus</b> referred to in clause (4) of section 2, in form A.</li> <li>• A register showing the <b>set-on and set-off</b> of the allocable surplus, under section 15, in form B</li> <li>• A register showing the details of <b>the amount of bonus due</b> to each of the employees, the deductions under section 17 and 18 and the amount actually disbursed, in form C.</li> </ul> <p style="text-align: right;"><b>Sec.26, Rule 4</b></p>		
<p>Act not applicable to certain employees of LIC, General Insurance, DockYards, Red Cross, Universities &amp; Educational Institutions, Chambers of Commerce, Social Welfare Institutions, Building Contractors, etc. etc. <b>Sec.32.</b></p>		
<p><b>PENALTY</b></p>	<p>For contravention of any provision of the Act or the Rule</p>	<p>Upto 6 months or with fine upto Rs.1000. <b>Sec.28</b></p>

