

The Payment of Bonus Act, 1965

This act applies to every factory and every other establishment in which twenty or more persons are employed on any day during an accounting year.

4. Computation of gross profits. Employers are required to calculate gross profits differently depending on the type of company they operate. Specifically, for banking companies, they must adhere to the method outlined in the First Schedule, whereas for other types of companies, they should follow the method outlined in the Second Schedule.

5. Computation of available surplus. The available surplus in respect of any accounting year shall be the gross profits for that year after deducting there from the sums.

6. Sums deductible from gross profits. The following sums shall be deducted from the gross profits as prior charges for computing available surplus;

- a) Any amount by way of depreciation as allowed under the Income-tax Act or agricultural income-tax law.
- b) Any amount by way of development rebate, investment allowance, or development allowance eligible for deduction under the Income-tax Act.
- c) Direct taxes payable by the employer for the accounting year on income, profits, and gains.
- d) Additional specified sums for the employer as listed in the Third Schedule.

8. Eligibility for bonus. Every employee shall be entitled to be paid by his employer in an accounting year, bonus, if he has worked in the establishment for not less than thirty working days in that year.

10. Payment of minimum bonus. Employers must pay each employee a minimum bonus of 8.33% of their salary or wages earned during the accounting year. This requirement applies regardless of whether the employer has any allocable surplus in the accounting year.

11. Payment of maximum bonus. In any given accounting year, if allocable surplus exceeds the amount of minimum bonus payable to the employees, the employer must pay each employee a bonus proportionate to their salary or wage earned during that year, with a maximum limit of twenty percent of their salary or wage.

In computing the allocable surplus, the amount set on or the amount set off shall be taken into account.

15. Set on and set off of allocable surplus. If the surplus in any accounting year surpasses the maximum bonus payable to employees in the establishment, the excess, up to a maximum of twenty percent of total employee salary or wage for that year, that can be carried forward for being set on in the next accounting year and so on up to the fourth year. This surplus can be used for bonus payments according to the guidelines outlined in the Fourth Schedule.

If there is no surplus available, or if the allocable surplus is insufficient to cover the minimum bonus for employees, and there is not enough amount carried forward and set on for minimum bonus payment, then the deficiency will be carried forward to be set off for the next accounting year and so on, up to the fourth year for adjustment, as explained in the Fourth Schedule.

When in any accounting year any amount has been carried forward and set on or set off, then, in calculating bonus for the succeeding accounting year, the amount of set on or set off carried forward from the earliest accounting year shall first be taken into account.

19. Time-limit for payment of bonus. If there's a dispute regarding payment pending before any authority, the bonus owed to an employee by their employer must be paid within one month from the date on which the award becomes enforceable or the settlement comes into operation. In any other case, the bonus must be paid within a period of eight months from the close of the accounting year.

26. Maintenance of registers, records, etc. Every employer must prepare and maintain registers, records and other documents related to bonus.