

**Compliance
Handbook for
Employers
Under the Four
Labour Codes
(Central Government
Sphere)**

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Chapter 1: About the Handbook

The Second National Commission on Labour (2002) had recommended, inter-alia, that the existing Labour Laws should be broadly grouped into four or five Labour Codes on functional basis. Accordingly, Ministry of Labour and Employment, after extensive consultations with the stakeholders, rationalized, simplified and amalgamated the relevant provisions of the labour laws in four codes. For employers, this means clearer rules, simpler procedures and reduced compliances.

This Handbook has been prepared to make the employers aware of the new provisions in a simplified manner. Each chapter provides an overview of compliances under each Code, with a focus on making compliance simpler, faster, and easier. The Handbook primarily covers provisions of the Codes for the establishments for which the appropriate government is Central Government. Further, details will be prescribed in the Rules that the Central Government will notify under the respective Codes.

Disclaimer:

This Handbook is intended solely as a reference document for employers on compliance provisions of the new Labour Codes and do not purport to be a legal document. In the event of any discrepancy between the contents of this Handbook and the provisions of the new Labour Codes, the latter shall prevail. Any such discrepancies noticed may kindly be brought to the attention of the Ministry of Labour and Employment for necessary clarification or correction.

Chapter 2: Reforms Introduced under Labour Codes

India's labour law framework had become complex over time, creating significant compliance burdens through multiple registrations, licences, and returns. Evolving work patterns and new forms of employment underscored the need for a simpler and more coherent system, leading the Government of India to consolidate and rationalize 29 Central Labour Acts into four Labour Codes.

Through this enactment of the four Labour Codes, 1,228 sections were streamlined into 480, and 1,436 rules were reduced to 351 (draft rules), while multiple returns (31) have been replaced with a single electronic return. Additionally, the number of Forms has reduced from 181 to 73, and registers to be maintained by the employers have reduced from 84 to just 8. In addition, provisions such as compounding of offences and improvement notices have been introduced for the first time, promoting a facilitative rather than punitive approach towards compliance. A summary of the key reforms under the four labour codes is presented below:

As on date in existing Acts						Under Labour Codes				
	Wages	IR	OSH&WC	SS	Total	Wages	IR	OSH&WC	SS	Total
Draft Rules	163	105	868	300	1436	58	51	167	75	351
Returns	6	3	21	1	31	Single (Electronic)				
Forms	20	37	55	69	181	6	18	12	37	73
Registers	24	3	56	1	84	2	0	5	1	8
Registration	-	-	6	2	8*	Single				
License	-	-	-	4	4	Single				
Compounding	-					Introduced first time				
Improvement Notice	-					Introduced first time				
* Factories, BoCW, Contract Labour, Plantation, Motor Transport, ISMW, ESI & EPF										
IR - Industrial Relations, OSH&WC - Occupational Safety, Health & Working Conditions, SS- Social Security										

Chapter 3: The Code on Wages, 2019

The Code on Wages, 2019, amalgamates 4 wages and payment related labour laws¹. It aims to balance the rights of workers and facilitate ease of compliance for employers. The Code introduces key reforms to streamline and strengthen labour regulations.

The Code safeguards employees' interests through universal minimum wages, ensuring dignity and timely payment of wages. It supports women workers through equal pay and representation, fostering inclusive participation. Thus, by ensuring minimum wages to all employee, it drives productivity and labour welfare. Together, these measures strengthen the economic growth, employment generation and workplace equity.

3.1 Compliances

- i. Employer shall pay minimum rates wages notified by appropriate government to employees². (*Section 5*)
- ii. Employers must not discriminate on the basis of gender in paying wages for the same or similar work, and must not discriminate on the basis of sex while recruiting employees. (*Section 3*)
- iii. Every establishment shall fix wage periods, which may be daily, weekly, fortnightly, or monthly. All wages must be paid within the prescribed timelines. (*Section 6*)
 - Daily basis - at the end of the day
 - Weekly basis - on the last working day of the week
 - Fortnightly basis - before the end of the second day after the end of the fortnight
 - Monthly basis - before the expiry of the seventh day of the succeeding month.
- iv. When an employee leaves an establishment, whether by resignation, dismissal, or termination, the employer is required to pay all due wages within two working days. (*Section 17*)

3.2. Working Hours and Overtime (*Section 14*)

- i. Employer must comply with the daily and weekly working hour limits prescribed under the Code and the Rules made thereunder.

¹ The Payment of Wages Act, 1936, The Minimum Wages Act, 1948, The Payment of Bonus Act, 1965 and The Equal Remuneration Act, 1976

² The definitions of Wages and Employees are in Annexure 1.

- ii. If an employee whose minimum rate of wages has been fixed under the Code, works beyond normal working hours, the employer must pay overtime for each extra hour at a rate of at least twice the normal wage.

3.3. Register and Records (*Section 19, Section 21, Section 50*)

- i. Employer must maintain the following in prescribed form:
 - Attendance registers cum muster roll
 - Wage register
 - Overtime register
 - Register of fines and deductions.

These registers must always be kept updated and can be maintained either in physical or electronic form. The record shall be preserved for period of 5 years.

- ii. Employers must issue wage slips in prescribed form to all employees on or before payment of wages.

3.4. Display on Notice Board (*Section 50*)

- i. Employers must display the following on the notice board in English, Hindi and local language:
 - Minimum rate of wages
 - Normal working hours
 - Wage period
 - Date of wage payment
 - Name and address of the Inspector-cum-Facilitator

3.5. Authorised Deductions from Wages under the Code (*Section 18*)

- i. Employers must not make any deductions except authorised under the Code.
- ii. These include deductions for absence from duty, deduction for damage or loss, deductions for recovery of advances or loans, deductions for fines imposed after giving the employee an opportunity to be heard, house-accommodation or amenity in service on acceptance. Deductions shall not exceed 50% of wages during the wage period.

3.6. Bonus Provisions (*Section 26*)

- i. Bonus must be paid to every employee who draws wages up to the limit set by the appropriate government and has worked for at least 30 days in the accounting year i.e. the year commencing on the first day of April.
- ii. The annual bonus is paid minimum at the rate of 8.33% and maximum up to 20% of the wages earned by the employee.

Chapter 4: The Industrial Relations Code, 2020

The Industrial Relations (IR) Code, 2020 seeks to consolidate and rationalize the provisions related to trade unions, conditions of employment in industrial establishment or undertaking, and the investigation and settlement of industrial disputes. It amalgamates three central legislations³ into a single code.

4.1 Bi-partite Committees

a. Works Committee (*Section 3*)

- Employers of industrial establishments that employ, or have employed, 100 or more workers⁴ in the preceding 12 months may be required by the appropriate Government, through a general or special order, to constitute a Works Committee.
- The number of representatives of workers shall not be less than the number of representatives of employers.
- The representatives of the workers shall be chosen from among the workers of the establishment, should be as prescribed by the appropriate Government and in consultation with their trade union.
- The Works Committee must function with the objective of promoting and maintaining harmonious relations between the employer and workers.

b. Grievance Redressal Committee (GRC) (*Section 4*)

- Every industrial establishment employing 20 or more workers must constitute one or more Grievance Redressal Committees to address individual employee grievances.
- The Committee must have an equal number of representatives from the employer and the workers.
- The total number of members must not exceed 10.
- The Chairperson shall be selected alternately from employer and worker representatives on a rotational basis every year.
- The Committee must ensure adequate representation of women workers, which shall be at least proportionate to their share in the total workforce
- Any aggrieved worker can submit application within one year from the date on which the cause of action of such dispute arises before GRC.
- GRC should complete its proceedings within 30 days from the date of receipt of the application.

³ The Trade Unions Act, 1926, the Industrial Employment (Standing Orders) Act, 1946, and the Industrial Disputes Act, 1947

⁴ The definition of workers under the IR Code, 2020 is provided at Annexure 2.

4.2 Standing Orders (*Section 28, Section 29, Section 30*)

- i. The provisions on Standing Orders apply to industrial establishments employing 300 or more workers.
- ii. The Central Government will notify Model Standing Orders for uniform application.
- iii. Employers may adopt the Model Standing Orders and only need to intimate the Certifying Officer.
- iv. If the Model Standing Orders is not adopted, employers must prepare draft Standing Orders within six months of commencement of the Code, based on the notified Model Standing Orders.
- v. Employers must consult the Trade Unions, the recognised negotiating union, or the members of the negotiating council before finalising the draft of the Standing Order.
- vi. The draft Standing Orders must be submitted to the Certifying Officer (electronically or otherwise) for certification.
- vii. The Certifying Officer must certify the Standing Orders or modifications within 60 days, failing which the draft Standing Orders or modifications in the Standing order shall be deemed to be certified.

4.3 Recognition of Negotiating Union or Negotiating Council (*Section 14*)

- i. If only one registered trade union is functioning in an industrial establishment, the employer must, subject to prescribed criteria, recognise that union as the sole negotiating union for the workers.
- ii. If more than one registered trade union operates in an industrial establishment, the employer must recognise the trade union that has the support of 51% or more of the workers on the muster roll as the negotiating union.
- iii. If multiple registered trade unions exist and none has the support of 51% or more workers, the employer must constitute a Negotiating Council. The Council will include representatives from registered trade unions that have the support of at least 20% of the total workers, with one representative for each 20% of membership (and proportionate representation for any remaining fraction).

- iv. Any recognition of the Negotiating Council will be valid for three years from the date of its constitution. This period may be extended by mutual agreement between the employer and the trade union, up to a maximum of five years in total.

4.4 Notice for Change of Service Condition (*Section 40*)

If an employer intends to change any service condition listed in the Third Schedule (Annexure 3), the employer must give a prescribed notice to the affected workers. The change can take effect only after 21 days from the date of the notice.

4.5 Lay-off, Retrenchment, and Closure Provisions (*Chapter IX*)

- i. Industrial establishments such as factories, mines, and plantations employing 50 to 299 workers must serve notice on appropriate government or such authority as specified by the appropriate government before carrying out any lay-off, retrenchment, or closure.
- ii. If a worker is laid off, the employer must pay compensation equal to 50% of the basic wages plus dearness allowance that the worker would have received if she/he had not been laid off.
- iii. Employers must give one month's prior notice to a worker before retrenchment.
- iv. Retrenchment compensation must be paid at the rate of 15 days' average pay for each completed year of continuous service.
- v. Employers must also contribute an amount equal to 15 days' wages for each retrenched employee to the Workers' Re-Skilling Fund.
- vi. An employer planning to close an industrial establishment must serve prior notice on the appropriate government at least 60 days in advance, clearly stating the reasons for closure, and must simultaneously serve a copy of the application to the workers' representatives.
- vii. When ownership or management of an establishment is transferred, workers with at least one year of continuous service are entitled to notice and retrenchment compensation.

4.6 Lay-off, Retrenchment, and Closure Provisions (*Chapter X*)

- i. Industrial establishments such as factories, mines, and plantations employing 300 or more workers must obtain prior permission from the appropriate Government before any lay-off, retrenchment, or closure.
- ii. If a worker is laid off, the employer must pay compensation equal to 50% of the basic wages plus dearness allowance that the worker would have received if they had not been laid off.
- iii. Employers must give three months' prior notice before retrenchment.
- iv. Retrenchment compensation must be paid at the rate of 15 days' average pay for each completed year of continuous service.
- v. Employers must contribute an amount equal to 15 days' wages per retrenched employee to the Workers' Re-Skilling Fund.
- vi. An employer intending to close an industrial establishment must apply for prior permission at least 90 days in advance, clearly stating the reasons for closure, and must simultaneously serve a copy of the application on the workers' representatives.
- vii. In case of transfer of ownership or management, workers with at least one year of continuous service are entitled to notice and retrenchment compensation.

4.7 Mandatory Notice of Strike or Lockout (*Section 62*)

- i. If an employer receives a strike notice from persons employed in industrial establishment, the employer must report the same within five days to the appropriate Government or the prescribed authority, and to the Conciliation Officer.
- ii. If the employer issues a lockout notice, the same must be reported within five days to the appropriate Government or the prescribed authority, and to the Conciliation Officer.
- iii. A conciliation proceeding shall be deemed to have commenced on the date on which the first meeting is held by the Conciliation Officer in an industrial dispute after the receipt of the notice of strike or lock-out by the conciliation officer. (*Section 60*)
- iv. If a strike or lock-out is already in existence, the employer must inform the Conciliation Officer on the same day the strike or lock-out is declared, in the manner specified by the appropriate Government.

Chapter 5: The Occupational Safety, Health & Working Conditions Code, 2020

The Occupational Safety, Health and Working Conditions Code (OSH&WC), 2020, is enacted to consolidate and simplify the 13 Central Labour laws⁵ into a single comprehensive legislation, thereby reducing multiplicity of compliances and bringing uniformity across industries and States/ UTs. The Code was enacted as reforms to improve transparency, enhance worker welfare, and promote ease of doing business in India by streamlining compliance through measures such as single registration, all-India single licence, electronic filings, and time-bound approvals. This Code ensures safe and healthy working conditions in various establishments such as factories, bidi & cigar, mines, docks, plantation, construction, motor transport and other establishments with 10 or more workers.

5.1. Registration (*Section 3*)

- i. Every establishment employing 10 or more employees must apply for registration within 60 days of its existence. The application will be made electronically on the portal prescribed by the appropriate Government.
- ii. Establishments already registered under any Central Act do not need to register again but must intimate their registration details to the Registering Officer.
- iii. For a registered establishment, the employer must intimate any change in particulars of establishment electronically within 30 days to the Registering Officer.

5.2. Notice of Commencement and Cessation of Operation (*Section 5*)

Employers must send an electronic notice of commencement or cessation of operations of establishments i.e. factory or mine or contract labour establishment or building or other construction work.

5.3. Duties of Employer (*Section 6, Section 7, Section 10-Section 12*)

Every employer shall comply, inter-alia, with the following duties:

⁵ The Factories Act , 1948 ; The Plantations Labour Act , 1951; (c) The Mines Act , 1952 ; The Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act , 1955; The Working Journalists (Fixation of Rates of Wages) Act , 1958; The Motor Transport Workers Act , 1961 ; The Beedi and Cigar Workers (Conditions of Employment) Act ,1966 ;The Contract Labour (Regulation and Abolition) Act , 1970; The Sales Promotion Employees (Conditions of Service) Act , 1976; The Inter -State Migrant Workmen (Regulation of Employment and Conditions of Service) Act , 1979 ; The Cine -Workers and Cinema Theatre Workers (Regulation of Employment) Act , 1981; The Dock Workers (Safety , Health and Welfare) Act , 1986 ; and The Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act , 1996.

- i. Issuance of appointment letter to all employees.
- ii. Provide annual health check-ups free of cost.
- iii. Ensure workplace is free from hazard likely to cause injury or disease.

5.4. Safety Committees and Safety Officers (*Section 22*)

- i. Every establishment must constitute a Safety Committee, as prescribed by the appropriate Government by general or special order, consisting of representatives of both the employer and the workers.
- ii. In establishments carrying out building and other construction works employing 250 or more workers, and mines employing 100 or more workers, the employer shall appoint the prescribed number of safety officers. Such safety officers shall possess the prescribed qualifications and perform duties as may be specified by the appropriate Government.

5.5. Safety, Health and Welfare facilities

- i. Employers are responsible for maintaining safe, healthy, and suitable working conditions in the establishment, including cleanliness and hygiene; proper ventilation and lighting; safe drinking water; separate toilet facilities for male, female, and transgender workers; adequate space; and effective arrangement for waste disposal, as prescribed. (*Section 23*)
- ii. Employers must provide welfare facilities in the establishment, including washing facilities, separate bathing facilities for male, female, and transgender workers, sitting arrangements, locker rooms, first-aid, and rest or shelter rooms. (*Section 24*)
- iii. A canteen is required if 100 or more workers are employed, as prescribed. (*Section 24*)
- iv. Establishments must provide an ambulance room in every mine and building or other construction work wherein more than 500 workers are ordinarily employed, as prescribed. (*Section 24*)
- v. Adequate, suitable, and separate shelters or rest rooms for male, female, and transgender employees, along with a lunchroom, must be provided in every mine wherein more than 50 workers are ordinarily employed. (*Section 24*)
- vi. Establishments employing more than 50 workers must provide a crèche for children below six years of the employees, either on their own or through shared/common facilities, including those run by government, private entities, NGOs, or a group of establishments. (*Section 24*)

5.6. Register, Records and Returns (*Section 33*)

- i. Employers must maintain Registers – Register of Employees, Register of Attendance -cum-muster roll, Register of wages, overtime, deduction and dangerous occurrences as prescribed.
- ii. Employers must issue wage slips in prescribed form to all workers.
- iii. File annual return electronically as prescribed by appropriate government.
- iv. The registered must be maintained electronically or as prescribed.

5.7. Notice of certain accident, dangerous occurrences, and certain diseases.

- i. The employer must notify the prescribed authorities of any accident occurring in an establishment that results in death, serious injury preventing work for 48 hours or more, or is of a prescribed nature. (*Section 10*)
- ii. Where any dangerous occurrence takes place in an establishment, whether or not it causes injury or disability, the employer must notify the prescribed authorities in the prescribed form and within the time specified by the appropriate Government. (*Section 11*)
- iii. Where any worker in an establishment contracts a disease specified in the Third Schedule, the employer must notify the prescribed authorities in the prescribed form and within the time specified by the appropriate Government. (*Section 12*) (Third Schedule is provided at Annexure 4)

5.8 Women Working at Night and Safety of Employment of Women in Dangerous Operations

- i. Women are allowed to work in all establishments and in all types of work. (*Section 43*)
- ii. Where women are employed before 6:00 a.m. or after 7:00 p.m., employers must obtain their consent and ensure compliance with prescribed safety measures, holidays, working hours, and other conditions as prescribed by the appropriate Government. (*Section 43*)
- iii. The employer must provide adequate safety safeguards prior to employment of women in certain establishments which are dangerous for the health and safety of women or in any operations that may be considered hazardous or dangerous as prescribed by the appropriate Government. (*Section 44*)
- iv. The employment of pregnant women in manufacturing processes or operations involving serious risk of bodily injury, poisoning, or disease may be prohibited or restricted, as prescribed. (*Section 82*)

5.9. Common License for Contract labour, Factories and Bidi and Cigar Work (*Section 119*)

Any person seeking a common licence for a factory, industrial premises for beedi and cigar work, engaging contract workers, or any combination of these—or a single licence for any one of them—must apply electronically in the manner prescribed by the appropriate Government.

5.9. Provisions for Contract Labour

- i. These provisions are applicable to every establishment in which 50 or more contract labour are/were employed on any day of the preceding 12 months. (*Section 45*)
- ii. License: Every contractor employing 50 or more contract workers must obtain a licence. (*Section 47*)
- iii. The licence shall be valid for 5 years. (*Section 48*)
- iv. A contractor seeking to supply or engage contract labour, or to carry out contract work in multiple States or across India, may obtain a licence from the authority notified by the Central Government. (*Section 47*)
- v. The Principal Employer will be responsible for providing welfare facilities as prescribed under *Section 23* and *Section 24* of the Code. (*Section 53*)
- vi. In case the contractor fails to make payment of wages within the prescribed period or makes short payment, then, the principal employer will be liable to make payment to the contract labour. (*Section 55*)

5.10. Special Provisions for Inter-State Migrant Workers

- i. These provisions will apply to every establishment in which 10 or more inter-state migrant workers are/were employed on any day of the preceding 12 months. (*Section 59*)
- ii. Journey Allowance: Employers must pay every inter-State migrant worker employed in the establishment a lump-sum journey allowance once in a year to cover the to-and-fro travel fare between the place of employment and the worker's native place. (*Section 61*)

5.11. Additional Provisions for Mines

- i. Employers must, in addition to their general duties, ensure a safe and healthy workplace. This includes providing and maintaining safe plant and systems of work; ensuring safety in the use, handling, storage, and

transport of materials; providing necessary information, training, and supervision; maintaining safe workplaces with secure access and exit; and ensuring a safe working environment with adequate welfare facilities. (*Section 6*)

- ii. Employer must comply with occupational safety and health standards to be notified for mines by Central Government. (*Section 18*)
- iii. Employer must ensure the appointment of a Welfare Officer in every mine employing 250 or more workers, with qualifications, conditions of service, and duties as prescribed. (*Section 24*)
- iv. Employers must undertake medical examinations of workers before employment and at periodic intervals thereafter, as prescribed. (*Section 24*)
- v. Employer must ensure that every mine is under the control of a sole manager who possesses the prescribed qualifications. (*Section 67*)
- vi. Employer must comply to Regulations related to mines notified by Central Government. (*Section 136*)

5.12 Additional Provisions for Major Docks

- i. Employer must comply with occupational safety and health standards notified for docks by the Central Government. (*Section 18*)
- ii. Employer must comply to Regulations related to major docks notified by the Central Government. (*Section 136*)

5.13 Additional Provisions for Building or Other Construction Workers

- i. Employer must provide free temporary living accommodation to all building workers at or near the worksite and for ensuring removal of such accommodation and restoration of land obtained from local authorities after its use. (*Section 24*)
- ii. Principal Employer must make payment of the expenses incurred by the contractor for providing accommodation where the building or other construction work is carried out through a contractor. (*Section 24*)
- iii. Employer must not employ any person who is known, or reasonably believed, to have hearing impairment, defective vision, or a tendency to giddiness in building or construction operations that may pose a risk of accident to themselves or others. (*Section 78*)

- iv. Employer must comply with occupational safety and health standards notified for BoCW by the Central Government. (*Section 18*)

Chapter 6: The Code on Social Security, 2020

The Code on Social Security, 2020 subsumes 9 labour laws⁶. It provides provisions relating to EPFO, ESIC, Gratuity, Maternity Benefit, Employee's Compensation, Social Security and Cess for Building and Other Construction Workers, Social security for unorganised workers, gig workers and platform workers and social security records. The applicability criteria of the respective provisions are in the First Schedule of the Code on Social Security, 2020, reproduced at Annexure 5.

6.1. Employee's Provident Fund

- i. The provisions apply to all establishments employing 20 or more employees. The earlier requirement of coverage being limited to "scheduled employments" under EPF has been removed.
- ii. There are three types of schemes which central government may frame i.e.
 - A scheme to be called the *Employees' Provident Fund Scheme* for which the provident fund shall be established for employees or for any class of employees.
 - A scheme to be called the *Employees' Pension Scheme*, for the purpose of superannuation pension, retiring pension or permanent total disablement pension, etc.
 - A scheme to be called as *Employees Deposit Linked Insurance Scheme* for the purpose of providing life insurance benefits to the employees. (*Section 15*)
- iii. The employer must contribute 10% of the employee's wages towards the Provident Fund scheme. (*Section 16*)
- iv. The employee's Provident Fund contribution must be equal to the employer's contribution. If an employee opts to contribute more than 10% of wages, the employer is not required to contribute beyond its prescribed share. (*Section 16*)

⁶ The Employee's Compensation Act, 1923; The Employees' State Insurance Act, 1948; The Employees' Provident Funds and Miscellaneous Provisions Act, 1952; The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959; The Maternity Benefit Act, 1961; The Payment of Gratuity Act, 1972; The Cine-Workers Welfare Fund Act, 1981; The Building and Other Construction Workers' Welfare Cess Act, 1996; The Unorganised Workers' Social Security Act, 2008.

6.2. Employees' State Insurance (ESI)

- i. The provisions apply to every establishment employing 10 or more persons, except seasonal factories. The provisions also apply to establishments engaged in hazardous or life-threatening activities, even if only one employee is employed. (*The First Schedule*)
- ii. It also applies to mines, port or vicinity of port where dock work is carried out.
- iii. The employer must pay both the employer's and the employee's contributions in respect of every employee. (*Section 31*)
- iv. In the case of female employees, the definition of family also covers dependent parents, including father-in-law and mother-in-law, whose income from all sources does not exceed the limit prescribed by the Central Government. (*Section 2(33)*)
- v. Different type of benefits to which an insured person is entitled are (*Section 32*):
 - Sickness benefit: Periodical payment to insured person in case of sickness known as sickness benefit
 - Maternity benefit: Periodical payments to an insured person being a woman in case of confinement or miscarriage or sickness arising out of pregnancy, confinement, premature birth of child or miscarriage.
 - Disablement benefit: Periodical payments to insured person suffering from disablement as a result of employment injury sustained by him.
 - Dependent's benefit: Periodical payments to dependents of an employee who died as a result of employment injury.
 - Medical Benefit: For medical treatment of the insured person and insured person's family for which contribution are paid or payable or in which insured person is qualified to claim sickness benefit or maternity benefit.
 - Funeral expenses: Payment of funeral expense to a family member or a person who actually incurs the expenditure on the funeral of the deceased insured person.

6.3. Gratuity

- i. Gratuity must be paid to an employee on termination of his employment after completing at least five years of continuous service. The termination must be due to superannuation, retirement or resignation, death or

- disablement due to accident or disease, or any other event notified by the Central Government. (*Section 53*)
- ii. An employer shall pay gratuity to a fixed term employee on termination of their contract period after completion of one year service. (*Section 53*)
 - iii. Gratuity must be paid at the rate of 15 days' wages for each completed year of service, subject to the maximum limit notified by the Central Government. (*Section 53*)
 - iv. The employer shall pay the amount of gratuity within 30 days from the date it becomes payable. (*Section 56*)
 - v. All employees who have completed one year of service are required to make a nomination within the time and in the manner prescribed by the appropriate Government. (*Section 55*)

6.4. Maternity Benefit (*Chapter VI*)

- i. A woman employee is eligible for maternity benefit if she has worked for at least 80 days in the preceding 12 months.
- ii. Employers must grant 26 weeks of maternity benefit to eligible women employees working in their establishment.
- iii. An employer shall not dismiss or discharge a woman employee who absents herself from work in accordance with law on account of maternity leave.
- iv. Employers are required to pay a medical bonus of Rs.3,500 to every woman employee entitled to maternity benefit.
- v. A woman employee is entitled to six weeks of maternity benefit in case of miscarriage or medical termination of pregnancy and two weeks in case of tubectomy operation.
- vi. Employers must provide two nursing breaks, in addition to regular rest intervals allowed to every woman employee who has returned to work after delivery, until the child attains 15 months of age.
- vii. Employers must provide a crèche facility in every establishment employing 50 or more employees. An establishment may also avail common crèche facility of the Central Government, State Government, municipality or private entity or provided by non-Governmental organisation or by any other organisation or group of establishments who may pool their resources for setting up of common crèche.

6.5. Employees Compensation

- i. Every employer must pay compensation if an employee suffers injury or death due to an accident arising out of and in the course of his employment. *(Section 74)*
- ii. An accident occurring to an employee while travelling between place of residence and the workplace and vice-versa will be treated as having arisen out of and in the course of his employment. *(Section 74)*
- iii. In case of an employee's death, or where the dependents are minors, the employer must deposit the compensation with the competent authority. *(Section 81)*

6.6. Social Security for Unorganized, Gig and Platform Workers

- i. The Social Security Code introduces the concept of gig and platform workers for the first time. The Central Government is the appropriate government for matters related to Gig and Platform Workers.
- ii. Aggregators are required to contribute between 1% and 2% of their annual turnover, subject to a cap of 5% of the total amount paid or payable to gig and platform workers. *(Section 114)*

6.7. Building and other Construction Workers (BOCW)

- i. Under this Code, building and other construction work does not include any BoC work related to a factory, mine or a work employing less than ten workers in the preceding twelve months, or construction carried out for the personal residential use of an individual or a group of individuals where the total cost does not exceed Rs 50 lakh (or such higher amount as may be notified) and the number of workers employed is within the limit notified by the appropriate Government. *(Section 2(6))*
- ii. Employers must pay a cess ranging from 1% to 2% of the total construction cost for building and other construction work, to fund social security and welfare benefits for construction workers. *(Section 100)*
- iii. The employer must within 60 days (or any other period notified by the Central Government) after completing each building or other construction work, pay the cess due based on self-assessment of construction cost, after adjusting any advance cess already paid, in a manner prescribed by the Central Government. *(Section 103)*

- iv. Employers must also ensure that construction workers are registered with the Building Workers' Welfare Board. (*Section 106*)

6.8. Employment Exchanges / Career Centres (*Section 139*)

- i. The appropriate Government may, by notification, require employers to report vacancies to a specified career centre before filling them.
- ii. The appropriate Government may prescribe the manner (electronically or otherwise) and form for reporting vacancies and filing returns with career centres. Reporting of vacancy/s does not oblige the employer to recruit through the career centre.

Chapter 7: Summary of Action Points for Employers

A quick snapshot of what needs to be done on day one, every month, every year, and when certain events happen:

Category	Compliance Actions by Employers
FOUNDATIONAL COMPLIANCE	<ul style="list-style-type: none"> • Register the establishment and obtain licence/s, as applicable • Display all mandatory notices • Maintain basic registers (attendance, wages, deductions, overtime) • Fix the wage period (daily/weekly/fortnightly/monthly) • Ensure basic workplace safety, health and welfare measures • Start EPF/ESIC registration if eligible • Constitute Works Committee and Grievance Redressal committee
MONTHLY COMPLIANCE	<ul style="list-style-type: none"> • Pay wages on time • Deduct and deposit EPF/ESIC contributions • Issue wage slips • Update all registers regularly
PERIODICAL/ ANNUAL COMPLIANCE	<ul style="list-style-type: none"> • File Unified Annual Return • Update minimum wage rates if revised • Check and renew applicable licences • Conduct annual safety audit (where applicable) • Annual Health Examination for specified employees
EVENT-BASED COMPLIANCE	<ul style="list-style-type: none"> • Report accidents, dangerous occurrences/diseases immediately (within 24–72 hours) • Issue appointment letter to every new recruit • Settle final dues on exit (wages within 2 days; gratuity within 30 days) • Maternity benefit payment to eligible employees • In case of factory, mines and plantations apply for Government permission for lay-off/ retrenchment/ closure (for 300+ workers) • Issue Notice of Lockout to workers and authority / Notice of Strike to the Authority as specified by appropriate government.

Annexure 1: Key Definitions – The Code on Wages, 2019

a) **Wages** - Means all remuneration whether by way of salaries, allowances or otherwise, expressed in terms of money or capable of being so expressed which would, if the terms of employment, express or implied, were fulfilled, be payable to a person employed in respect of his employment or of work done in such employment, and includes —

(i) basic pay;

(ii) dearness allowance; and

(iii) retaining allowance, if any,

but does not include—

(a) any bonus payable under any law for the time being in force, which does not form part of the remuneration payable under the terms of employment.

(b) the value of any house-accommodation, or of the supply of light, water, medical attendance or other amenity or of any service excluded from the

computation of wages by a general or special order of the appropriate Government;

(c) any contribution paid by the employer to any pension or provident fund, and the interest which may have accrued thereon;

(d) any conveyance allowance or the value of any travelling concession;

(e) any sum paid to the employed person to defray special expenses entailed on him by the nature of his employment;

(f) house rent allowance;

(g) remuneration payable under any award or settlement between the parties or order of a court or Tribunal;

(h) any overtime allowance;

(i) any commission payable to the employee;

(j) any gratuity payable on the termination of employment;

(k) any retrenchment compensation or other retirement benefit payable to the employee or any ex-gratia payment made to him on the termination of employment:

- If the total of items (a) to (i) exceeds 50% of the total pay (or another percentage notified by the Central Government), the excess amount will be treated as wages.
- For the purpose of equal wages for all genders and payment of wages, the amounts listed in clauses (d), (f), (g), and (h) will be taken for calculating wages.
- If an employee is paid partly remuneration partly in kind, the value of such remuneration will not exceed 15% **of the total wages** payable to the employee. (*Section 2 (y)*)

b) **Employee** - Any person (other than an apprentice engaged under the Apprentices Act, 1961), employed on wages by an establishment to do any skilled, semi-skilled or unskilled, manual, operational, supervisory, managerial, administrative, technical or clerical work for hire or reward, whether the terms of employment be express or implied, and also includes a person declared to be an employee by the appropriate Government, but does not include any member of the Armed Forces of the Union; (*Section 2 (k)*)

Annexure 2: Key Definitions – The Industrial Relations Code, 2020

a. **Worker** - Any person (except an apprentice as defined under clause (aa) of section 2 of the Apprentices Act, 1961) employed in any industry to do any manual, unskilled, skilled, technical, operational, clerical or supervisory work for hire or reward, whether the terms of employment be express or implied, and includes working journalists as defined in clause (f) of section 2 of the Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955 and sales promotion employees as defined in clause (d) of section 2 of the Sales Promotion Employees (Conditions of Service) Act, 1976, and for the purposes of any proceeding under this Code in relation to an industrial dispute, includes any such person who has been dismissed, discharged or retrenched or otherwise terminated in connection with, or as a consequence of, that dispute, or whose dismissal, discharge or retrenchment has led to that dispute, but does not include any such person—

(i) who is subject to the Air Force Act, 1950, or the Army Act, 1950, or the Navy Act, 1957; or

(ii) who is employed in the police service or as an officer or other employee of a prison; or

(iii) who is employed mainly in a managerial or administrative capacity; or

(iv) who is employed in a supervisory capacity drawing wages exceeding eighteen thousand rupees per month or an amount as may be notified by the Central Government from time to time:

Provided that for the purposes of Chapter III, "worker"—

(a) means all persons employed in trade or industry; and

(b) includes the worker as defined in clause (m) of section 2 of the Unorganised Workers' Social Security Act, 2008

Annexure 3: The Third Schedule, The Industrial Relations Code, 2020

THE THIRD SCHEDULE

[See sections 40 and 101 (1)]

CONDITIONS OF SERVICE FOR CHANGE OF WHICH NOTICE IS TO BE GIVEN

1. Wages, including the period and mode of payment.
2. Contribution paid, or payable, by the employer to any provident fund or pension
3. fund or for the benefit of the workers under any law for the time being in force.
4. Compensatory and other allowances.
5. Hours of work and rest intervals.
6. Leave with wages and holidays.
7. Starting, alteration or discontinuance of shift working otherwise than in accordance with standing orders.
8. Classification by grades.
9. Withdrawal of any customary concession or privilege or change in usage.
10. Introduction of new rules of discipline, or alteration of existing rules, except in so far as they are provided in standing orders.
11. Rationalisation, standardisation or improvement of plant or technique which is likely to lead to retrenchment of workers.
12. Any increase or reduction (other than casual) in the number of persons employed or to be employed in any occupation or process or department or shift, not occasioned by circumstances over which the employer has no control.

Annexure 4: The Third Schedule, The Occupational Safety, Health and Working Conditions Code, 2020

THE THIRD SCHEDULE

[See section 12 (1)]

List of Notifiable Diseases :

1. Lead poisoning , including poisoning by any preparation or compound of lead or their sequelae .
2. Lead - tetra - ethyle poisoning.
3. Phosphorus poisoning or its sequelae.
4. Mercury poisoning or its sequelae.
5. Manganese poisoning or its sequelae.
6. Arsenic poisoning or its sequelae.
7. Poisoning by nitrous fumes.
8. Carbon bisulphide poisoning.
9. Benzene poisoning, including poisoning by any of its homologues, their nitro or amido derivatives or its sequelae.
10. Chrome ulceration or its sequelae.
11. Anthrax.
12. Silicosis.
13. Poisoning by halogens or halogen derivatives of the hydrocarbons of the aliphatic series,
14. Pathological manifestations due to
 - (a) radium or other radio - active substances;
 - (b) X - rays .
15. Primary epitheliomatous cancer of the kin.
16. Toxic anaemia.
17. Toxic jaundice due to poisonous substances.

18. Oil acne or dermatitis due to mineral oils and compounds containing mineral oil base.
19. Byssionosis.
20. Asbestosis.
21. Occupational or contact dermatitis caused by direct contact with chemicals and paints. These are of two types, that is, primary irritants and allergic sensitizers.
22. Noise induced hearing loss (exposure to high noise levels).
23. Beryllium poisoning.
24. Carbon monoxide poisoning.
25. Coal miners ' pneumoconiosis.
26. Phosgene poisoning.
27. Occupational cancer.
28. Isocyanates poisoning.
29. Toxic nephritis.

Annexure 5: The First Schedule, The Code on Social Security, 2020

THE FIRST SCHEDULE

[See sections 1(4), (8) and 152 (1)]

APPLICABILITY

Chapter No.	Chapter Heading	Applicability
III	Employees' Provident Fund	Every establishment in which twenty or more employees are employed.
IV	Employees' State Insurance Corporation	Every establishment in which ten or more persons are employed other than a seasonal factory: Provided that Chapter IV shall also be applicable to an establishment, which carries on such hazardous or life threatening occupation as notified by the Central Government, in which even a single employee is employed: Provided further that an employer of a plantation, may opt the application of Chapter IV in respect of the plantation by giving willingness to the corporation, where the benefits available to the employees under that Chapter are better than what the employer is providing to them: Provided also that the contribution from the employers and employees of an establishment shall be payable under section 29 on and from the date on which any benefits under Chapter IV relating to the Employees State Insurance Corporation are provided by the Corporation to the employees of the establishment and

		such date shall be notified by the Central Government.
V	Gratuity	(a) every factory, mine, oilfield, plantation, port and railway company; and (b) every shop or establishment in which ten or more employees are employed, or were employed, on any day of the preceding twelve months; and such shops or establishments as may be notified by the appropriate Government from time to time.
VI	Maternity Benefit	(a.) to every establishment being a factory, mine or plantation including any such establishment belonging to Government; and (b) to every shop or establishment in which ten or more employees are employed, or were employed, on any day of the preceding twelve months; and such other shops or establishments notified by the appropriate Government.
VII	Employee's Compensation	Subject to the provisions of the Second Schedule, it applies to the employers and employees to whom Chapter IV does not apply.
VIII	Social Security and Cess in respect of Building and other construction work	Every establishment which falls under the building and Other Construction Workers
IX	Social Security for Unorganised workers'	Unorganised sector, Unorganised Workers', gig worker, platform worker.
XIII	Employment Information and Monitoring	Career centres, vacancies, persons seeking services of career centres and employers.

Additional FAQs on Labour Codes

(As on 16.03.2026)

Sl. No	Query	Reply
Code on Wages, 2019		
1	<p>a. Does overtime payment form part of the 50 percent wage calculation rule? What constitutes “total remuneration” for applying the 50% wage floor?</p> <p>1. Is actual gratuity paid included?</p> <p>2. Is gratuity included where shown as part of CTC?</p> <p>3. Are employer contributions to PF and other social security benefits included?</p> <p>b. With reference to FAQ Question No. 7 of the MoLE FAQs under the Code on Wages, 2019, clarification is sought on: whether statutory components such as employer/employee PF contribution, statutory bonus, ESI, or other retirement benefits are included within “Other Allowances” or whether the illustration is based only on gross monthly salary excluding statutory contributions.</p>	<p>Overtime allowance payment forms a part of the 50 percent wage calculation.</p> <p>Please refer to FAQ No-3 dated 30.12.2025 available on MoLE website. Weblink: de4758d5bfeffc456d7de97a801891b0.pdf</p> <p>Only statutory components such as employer PF and pension contributions and statutory bonus are included for arriving at 50% of wages to form part of remuneration. Gratuity, ESI and other retirement benefits are not included.</p> <p>No. Statutory components such as employer share of PF/Pension contribution, are prescribed under Section 2(y)(c) of the Code on Wages and difference amount of total of (a) to (i) of Section 2(y) of the Code will be added back to the wages/remuneration in case it exceeds 50% of remuneration/wages (First proviso to the Section 2(y) of the Code on Wages).</p>
2.	<p>Are there any specific legal provisions in place for the wage protection of white-collar employees?</p>	<p>The Code on Wages, 2019 has provisions for timely payment of wages. These provisions are applicable to all employees.</p>

Sl. No	Query	Reply
3	Can wages and minimum wages be treated as the same?	<p>No, minimum wages are the statutory wages fixed by the appropriate government. An employer is legally prohibited from paying an employee less than the prescribed minimum wage.</p> <p>The Wages are defined in Section 2(y) of the Code on Wages, 2019 and can also be referred to in FAQ No- 2, 3 and 4 dated 30.12.2026 available on MoLE website.</p> <p>Weblink: 9fb60321f0028fc2fe08d3b3d8626dd7.pdf</p>
4	Do annual performance-based incentives form a part of “wages” for computation under the Labour Codes?	<p>No.</p> <p>Annual performance-based incentives do not form a part of “wages” for computation under the Labour Codes.</p> <p>Pl. refer to Sl. No. 3 of FAQs dated 30.12.2025 available on the MoLE website.</p> <p>Weblink: de4758d5bfeffc456d7de97a801891b0.pdf</p>
5	Who is eligible for overtime wages—only workers or it is applicable for Employees also? If so does the entitlement also extend to supervisory and managerial staff?	<p>Yes.</p> <p>Employee, including worker, whose minimum rate of wages is fixed under the Code on Wages, 2019 is eligible for overtime.</p>
6	Is the revised definition of “wages” under the Code on Wages, 2019 applicable for gratuity calculation from the date of enforcement of the Code, i.e., 21.11. 2025?	<p>Yes.</p> <p>Gratuity, based on revised definition of wages will be applicable w.e.f. 21.11.2025 i.e. date of implementation of the Codes.</p>
7	From which date does the definition of “wages” under the Labour Codes come into effect?	<p>The definition of “wages” has come into effect from 21.11.2025.</p>
8	Whether variable components of wages such as overtime (OT) allowance are included while calculating the “wages” under the Codes?	<p>Yes.</p> <p>Overtime allowance payment forms a part of components Section 2(a) to 2(i). If such allowance, exceed 50 percent of remuneration then excess over 50 percent is added to the wage calculation.</p>
9	What is the distinction between “minimum wages” and “wages” under the Labour Codes?	<p>Minimum wages are fixed by the Appropriate Government for the employees, whereas wages are fixed as per Terms of Employment between employee and employer, employed in any establishment as per the definition of Wages as mentioned in Section 2(y) on the Code of Wages, 2019</p>

Sl. No	Query	Reply
Code on Social Security, 2020		
10	Does fixed-term employment cover contract labour engaged through contractors, or only direct employees of the principal employer?	Fixed Term Employment covers employees directly engaged by the employer.
11	Whether Gratuity calculation will be applicable prospectively or retrospectively?	Gratuity calculation will be applicable w.e.f. 21.11.2025 i.e. date of implementation of the Codes. Please refer to Sl. No. 8 of FAQ dated 30.12.2025 available on MoLE website. Weblink: de4758d5bfeffc456d7de97a801891b0.pdf
12	How will the ESI coverage be governed until the finalization of Rules?	With effect from 21.11.2025, the definition of wages under the CoSS, 2020 shall apply. At present, Rs 21,000 per month wages notified for ESI coverage will be applicable.
13	For the calculation of gratuity, will wage components other than those specified under clauses (a) to (c) of included part and (a) to (k) of excluded part of Section 2(88) of the Code on Social Security, 2020, be included?	Any payment made to employee which is not part of components mentioned under section 2(88) of the Code on Social Security, 2020 shall not be considered for calculation of gratuity.
14	For Fixed Term Employees (FTE), is gratuity payable on completion of exactly one year of service or more than one year of service is required for calculation of gratuity under the Labour Codes?	Fixed Term Employee (FTE) will be eligible for gratuity if he/she renders service under the contract for a period of one year (from start of contract).
15	Whether States can levy cess on gig and platform workers, and if so, this will results in a dual financial burden on aggregators?	As per section 114(4) of the Code on Social Security, 2020, the contribution to be paid by the aggregators for the funding Schemes for gig workers and platform workers will be notified by the Central Government. The said contribution will be credited to Social Security Fund set up by the Central Government for social security and welfare of the gig workers and platform workers.
16	In case of contract labour, whether gratuity liability is to be borne by the Principal Employer or the Contractor?	As per the section 53 of the Code on Social Security, 2020, the employer (i.e. Contractor) will pay gratuity on rendering of five years continuous service at the rate of 15 days wages for each completed year of service based on the last drawn wages.

Sl. No	Query	Reply
17	Whether gratuity for service rendered prior to 21 November 2025 will be calculated under the Payment of Gratuity Act, 1972, and service on or after that date under the Labour Codes?	The employee will be paid gratuity based on the rate of wages last drawn by the employee at the time of superannuation or retirement or resignation or death etc, on and after 21.11.2025 as per the provisions of Code on Social Security, 2020.
18	What types of benefits or facilities will be considered as "remuneration in kind" under the definition of wages? Please provide illustrative examples.	Benefits under the terms of employment such as food coupons, ration items, mobile recharge etc. would constitute remuneration in kind.
Industrial Relations Code 2020		
19	Is a fixed-term employee engaged for 11 months eligible for gratuity upon contract expiry? Is gratuity payable where a fixed-term employee exits before completion of the contracted tenure?	Fixed Term Employee (FTE) will be eligible for gratuity if he/she renders service under the contract for a period of one year (from start of contract).
The Occupational Safety, Health and Working Conditions Code, 2020 (OSH&WC)		
20	Are leave encashment provisions under the OSH & WC Code applicable only to workers, sales promotion employees, and working journalists, or to all employees? Leave-related provisions apply to managerial, supervisory, and corporate office staff?	Leave provisions apply to workers as per the OSH & WC Code, 2020 and only to those supervisors having wage not exceeding Rs 18,000/ per month. The definition of worker includes sales promotion employees and working journalists.
21	What is the maximum number of days of leave that can be carried forward to the succeeding year under the applicable Labour Codes and Rules? If Employer agrees to carry forward 120 days of Leave to next calendar year, whether he is allowed to do so?	A worker can carry forward up to 30 days of leave to the succeeding calendar year. Further, a worker who has applied for leave with wages and has not been granted, can carry forward the leave refused without any limit.

Sl. No	Query	Reply
22	Under the Labour Codes, who is eligible for leave encashment—only workers or employee? Whether the Relationship Manager and Salesperson working independently (doesn't supervises anyone) and drawing wage of more than ₹18,000 are entitled for Leave Encashment?	Worker is entitled for leave encashment. The sales promotion employees are included in the definition of Worker under Section-2(1)(zzl) of OSH&WC Code, 2020.
23	Is the provision of crèche facility dependent on any specific gender composition of the workforce?	The creche facility is available to employees, irrespective of gender.
24	At what stage does overtime become payable under the OSH&WC Code, when it exceeds 8 hrs of daily working hours or 48 hrs of weekly limit? If maximum working hours limit is prescribed as 12 Hours by the appropriate government, whether Overtime is applicable for Hours exceeding 8 Hours on a particular day?	The Code prescribes working hours as 8 hours per day. If, a worker works for more than eight hours in any day as daily wager, or for more than forty-eight hours in any week, as the case may be, a worker shall in respect of such overtime work be entitled to wages at the rate of twice the normal rate of wages and shall be paid at the end of each wage period.
25	Where the OSH&WC Code permits accumulation of leave up to 30 days, but a State law (e.g., Andhra Pradesh) allows 60 days, which provision will prevail?	The provision of the OSH&WC, 2020 Code will prevail over the State Law for provisions which are inconsistent with the Code. However, an employee is entitled to benefits under State Law if more favourable to him than those under the Code.
26	What is the maximum number of leave days that can be encashed under the applicable Labour Code(s)?	There is no prescribed maximum limit for leave encashment under the OSH&WC Code, 2020. Leave exceeding 30 days, if applied but not granted by the employer, can be encashed at the end of the calendar year. At the time of separation from service, the worker is entitled to encash the leave to his/ her credit.
27	Where the age threshold for annual health check-ups differs between Central Rules and State Rules, which provision will apply?	Central rules will be applicable on the establishments where Central Government is Appropriate Government and state rules will be applicable on the establishments where State Government is Appropriate Government.

Disclaimer: The above FAQs are for information purposes only, to enable public to have quick and easy access to information, and do not purport to be legal documents. In case of any variance between what has been stated and what is contained in the relevant Labour Code, the latter shall prevail.

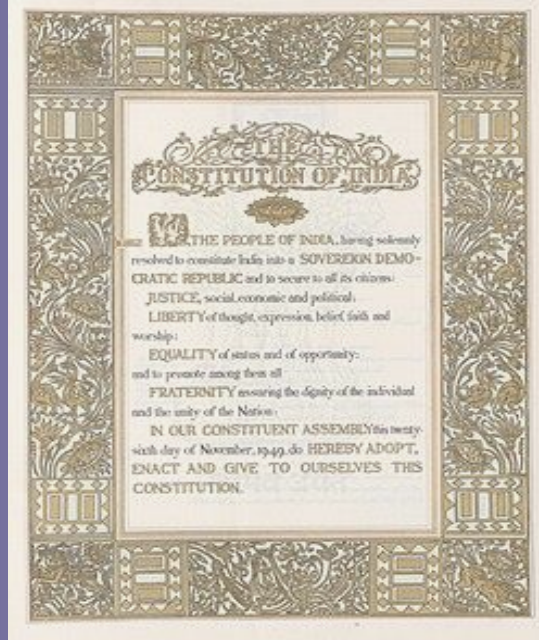
PPT Slides Converted

NEW LABOUR CODES-

**OVERVIEW FROM AUDIT
PERSPECTIVE**

CA. JEEN PAUL





CONSTITUTIONAL AUTHORITY FUNDAMENTAL RIGHTS

RIGHT TO EQUALITY : ARTICLE 16 EQUALITY OF OPPURTUNITY IN MATTERS OF PUBLIC EMPLOYMENT

RIGHT TO FREEDOM : ARTICLE 19(1)C TO FORM ASSOCAITIONS OR UNIONS

ARTICLE 19(1)G TO PRACTICE ANY PROFESSION, OR TO CARRY ON ANY OCCUPATION, TRADE OR BUSINESS

RIGHT AGAINST EXPLOITAION : ARTICLE 23 PROHIBITION OF TRAFIC IN HUMAN BEING AND FORCED LABOUR

ARTICLE 24 PROHIBITION OF EMPLOYMENT OF CHILDREN IN FACTORIES, ETC

The Great Consolidation



The **29** central labour legislations have been consolidated into four primary Codes, effective in their entirety since November 21, 2025:

- Current Enforcement Status
- Immediate Effect: All 29 prior central laws are officially repealed.
- No Transition Window: Despite earlier mentions of a transition, current notifications provide no grace period. Compliance is required immediately.
- Rule-Making Gap: While the Codes are active, many States have yet to finalize their specific Rules. We are currently in a "hybrid" regulatory phase.



Golden Rules!

Principle

Code
Supremacy

The Code take precedence over all existing contracts, policies and settlements. conflicting old agreements are now invalid

Rule
Continuency

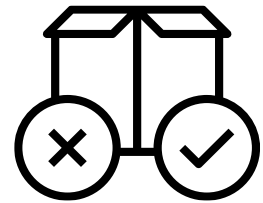
As per Section 6 and 24 of the General Clauses Act 1897, old rules under repealed laws still apply only / if they don't conflict with the new Codes, until new rules are gazetted.

Two "Golden Rules" for Interpretation

Legal impact

4 NEW LABOUR CODES

01



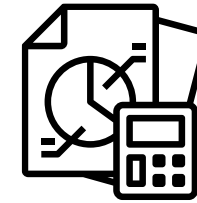
CODE ON WAGES
2019

INDUSTRIAL
RELATIONS CODE
2020



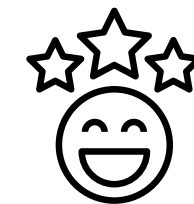
02

03



CODE ON SOCIAL
SECURITY 2020

OCCUPATIONAL
SAFETY HEALTH
AND WORKING
CONDITIONS CODE
2020



04

01

02

03

04

Wage Code:

1. Payment of Wages Act, 1936
2. Minimum Wages Act, 1948
3. Payment of Bonus Act, 1965
4. Equal Remuneration Act, 1976

IR Code:

1. Industrial Disputes Act, 1947
2. Industrial Employment (Standing Orders) Act, 1946
3. Trade Unions Act, 1926

SS Code:

1. Employee's Compensation Act, 1923
2. Employees' State Insurance Act, 1948
3. Employees' Provident Funds and Miscellaneous Provisions Act, 1952
4. Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
5. Maternity Benefit Act, 1961
6. Payment of Gratuity Act, 1972
7. Cine-Workers Welfare Fund Act, 1981
8. Building and Other Construction Workers' Welfare Cess Act, 1996
9. Unorganised Workers' Social Security Act, 2008

oshCode:

1. Factories Act, 1948
2. Plantations Labour Act, 1951
3. Mines Act, 1952
4. Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955
5. Working Journalists (Fixation of Rates of Wages) Act, 1958
6. Motor Transport Workers Act, 1961
7. Beedi and Cigar Workers (Conditions of Employment) Act, 1966
8. Contract Labour (Regulation and Abolition) Act, 1970
9. Sales Promotion Employees (Conditions of Service) Act, 1976
10. Inter-state Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979
11. Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981
12. Dock Workers Safety (Safety, Health, and Welfare) Act, 1986
13. Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1966

SUBSUMED LAWS

Continuing Acts under Labour Laws

01

Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (Posh Act)

Central Act

State Act

Shops and establishments of State

04

02

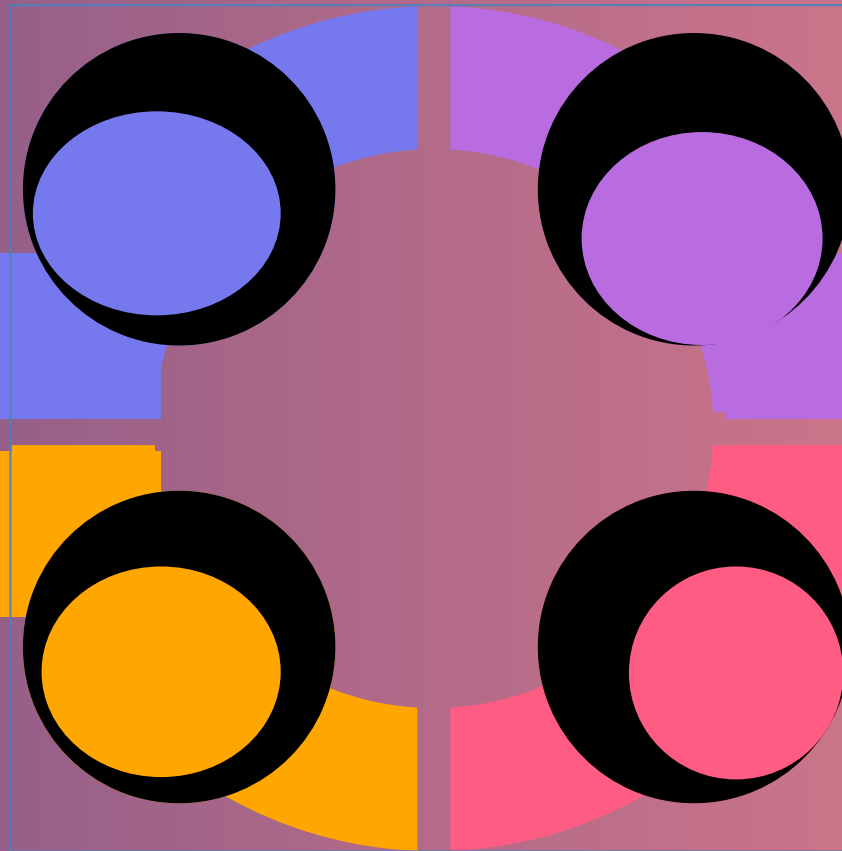
Apprentices Act, 1961

Central Act

central & State Acts

Specific industry Acts & Administrative Acts

03



Definition of wages is most important

1. Statutory Contributions (EPF and ESI)

**2. Calculation of Gratuity
3. Overtime Payments**

4. Bonus Entitlement and Calculation

5. Minimum Wage Compliance

6. Leave Encashment

**7. Retrenchment compensation
8. Maternity benefit**

DEFINITION OF WAGES

01 All remuneration

wages" means **all remuneration** whether by way of salaries, allowances or otherwise, expressed in terms of money or capable of being so expressed which would, if the terms of employment, express or implied, were fulfilled, be payable to a person employed in respect of his employment or of work done in such employment, and **includes,—**

- (i) basic pay;**
- (ii) dearness allowance; and**
- (iii) retaining allowance, if any,**

02 Allowances

but does not include—

- (a) any **bonus** payable under any law for the time being in force, which does not form part of the remuneration payable under the terms of employment;
- (b) the **value of any house-accommodation**, or of the supply of light, water, medical attendance or other amenity or of any service excluded from the computation of wages by a general or special order of the appropriate Government;
- (c) any contribution paid by the **employer to any pension or provident fund**, and the interest which may have accrued thereon;
- (d) any conveyance allowance or the value of any **travelling concession**;
- (e) any sum paid to the employed person to **defray special expenses** entailed on him by the nature of his employment;
- (f) **house rent allowance**;
- (g) remuneration payable under any award or **settlement** between the parties or order of a court or Tribunal;
- (h) any **overtime allowance**;
- (i) any **commission** payable to the employee;

- (j) any gratuity payable on the termination of employment;**
- (k) any retrenchment compensation or other retirement benefit payable to the employee or any *ex gratia* payment made to him on the termination of employment;**

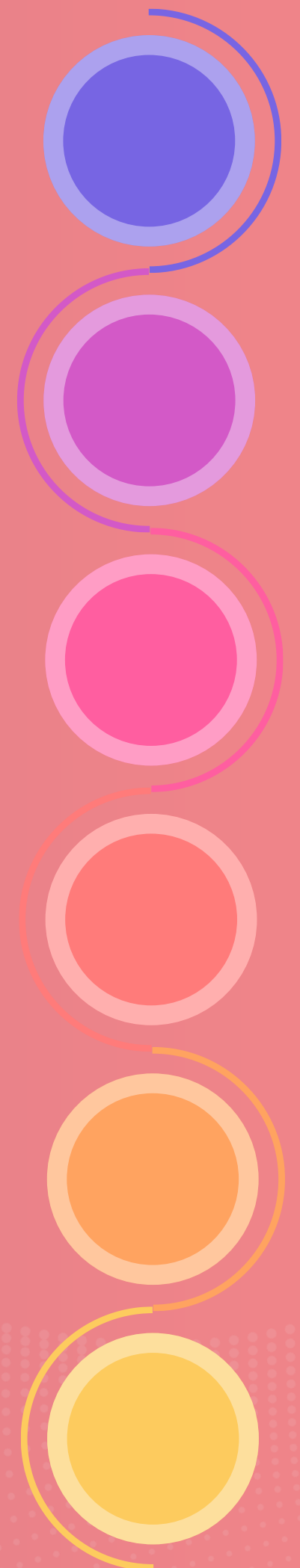


DEFNITION OF WAGES.....

Provided that, for calculating the wages under this clause, if payments made by the employer to the employee **under clauses (a) to (i) exceeds one-half**, or such other per cent. as may be notified by the Central Government, of the all remuneration calculated under this clause, the amount which exceeds one-half, or the per cent. so notified, shall be deemed as remuneration and shall be accordingly added in wages under this clause:

Provided further that for the purpose of equal wages to all genders and for the purpose of payment of wages, the emoluments specified in clauses (d), (f),(g) and (h) shall be taken for computation of wage.

Explanation.—Where an employee is given in lieu of the whole or part of the wages payable to him, any remuneration in kind by his employer, the value of such remuneration in kind which does not exceed fifteen per cent. of the total wages payable to him, shall be deemed to form part of the wages of such employee;



Calculation of 50% Rule



01

All remuneration

02

Less one Time benefits

03

Find value of 9 allowances : Deduct

04


Balance = Wages

05

if 9 allowances are more than 50% of all remuneration

06


value above 50% should be added with wages



Example 1.	amount in Rs
Basic.	40,000
HRA.	20,000
LTA.	16,000
Special Allowance	24,000
Total	100,000

Question : what is the wage ?

- A 50,000
- B 64,000
- C 36,000
- D 100,000



Example 2.	amount in Rs
Basic.	40,000
HRA.	28,000
LTA.	28,000
Special Allowance	4,000
Total	100,000

Question : what is the wage ?

- A 50,000
- B 56,000
- C 44,000
- D 100,000

DISCUSSION ON EXCLUSIONS.....

"Section 2(y)(a) Any bonus payable under any law for the time being in force"

This refers to bonus that arises from a **statutory obligation**, not from employer discretion.

Practical Scenarios — How This Plays Out

✓ Scenario 1 — Properly Excluded (Classic Case)

- Employer pays **8.33% statutory bonus** annually in November under the Payment of Bonus Act
- Appointment letter states salary as Basic + DA + HRA only
- Bonus is **nowhere mentioned** as a monthly pay component
- ✓ **Excluded from wages** — both conditions satisfied
- M/S TITAGHUR PAPER MILLS CO.LTD VS ITS WORK MEN SUPREME COURT held that payment of production bonus is in the nature of incentive and it is in addition to wages

Section 2(y)(b) — Value of House Accommodation, Amenities & Services

Properly Excluded

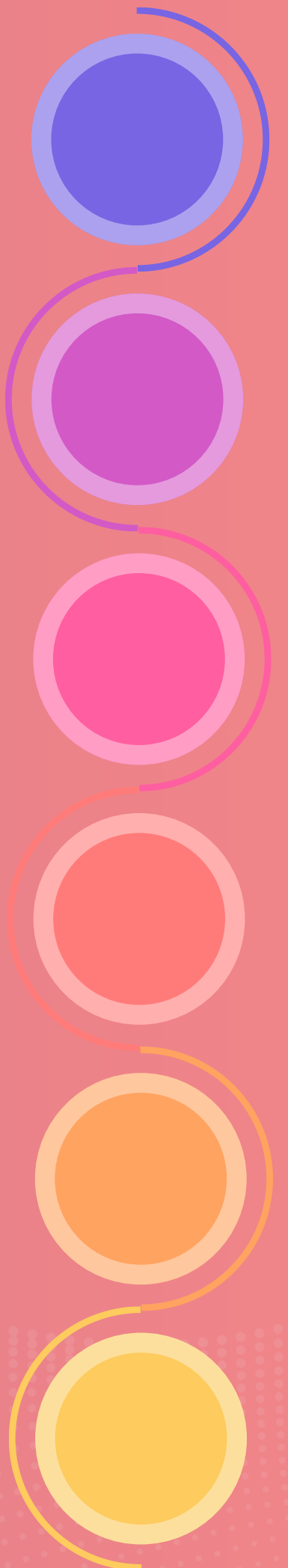
- Company provides **free quarters** to a factory worker in an industrial township → value of accommodation excluded
- Employer runs a **subsidized canteen** — meal value not added to wages
- Company bus service provided for commuting → excluded

Section 2(y)(c) — Employer's Contribution to PF / Pension Fund

Practical Scenarios

✓ Properly Excluded

- Employer pays **₹1,680 as EPF employer share** → excluded from wages definition
- **NPS employer contribution** of 10% → excluded



DISCUSSION ON EXCLUSIONS.....

Section 2(y)(d) — Conveyance Allowance / Travelling Concession

✓ Properly Excluded

- Fixed conveyance allowance of ₹1,600/month for commuting → excluded
- LTA paid once in two years for travel to hometown → excluded
- Fuel reimbursement against bills for field staff → excluded

Section 2(y)(e) — Sum Paid to Defray Special Expenses

Practical Scenarios

✓ Properly Excluded

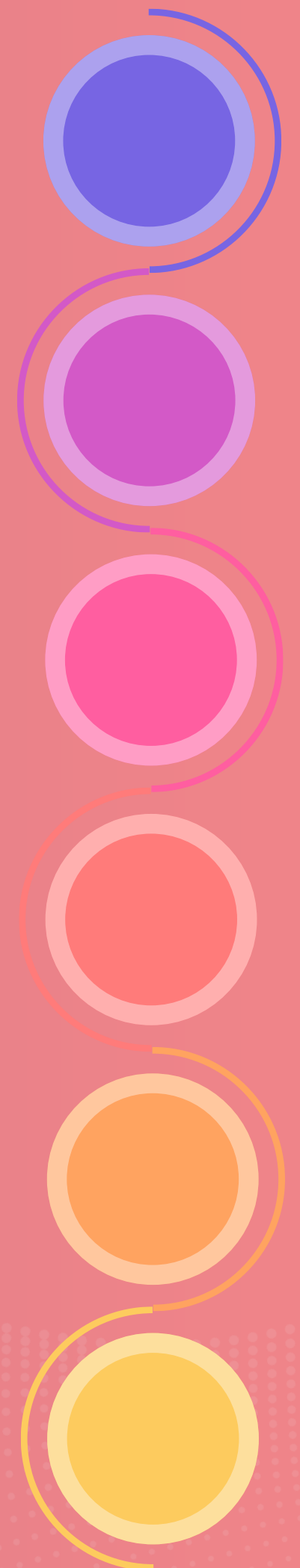
- Daily allowance for field sales staff working away from HQ → excluded
- Washing allowance for factory workers required to wear uniforms → excluded
- Risk/hazard allowance for workers in dangerous conditions → excluded (if linked to actual risk)
- Remote area allowance for posted employees → excluded

Section 2(y)(f) — House Rent Allowance (HRA)

Practical Scenarios

✓ Properly Excluded

- HRA of ₹3,000/month clearly shown in salary slip → excluded ✓ (our case)
- HRA of ₹15,000/month to senior employees in metro cities → excluded regardless of amount



DISCUSSION ON EXCLUSIONS.....

2(y)(g) Award / Settlement / Court

Practical Scenarios

✓ Properly Excluded

- Long Term Settlement with union awards an additional **production incentive of ₹2,000/month** → excluded under 2(y)(g)
- Industrial Tribunal award grants an **ex-gratia payment** to workers → excluded
- Court order directs payment of **attendance bonus** → excluded
- Bipartite settlement grants a **special allowance** for a defined period → excluded

Section 2(y)(h) — Remuneration for Overtime Work

Practical Scenarios

✓ Properly Excluded

- Factory worker works 10 hours overtime in a month → overtime pay for 10 hours excluded from wages
- Overtime varies each month → clearly excluded

Section 2(y)(h) — Commission Payable to Employee

Practical Scenarios

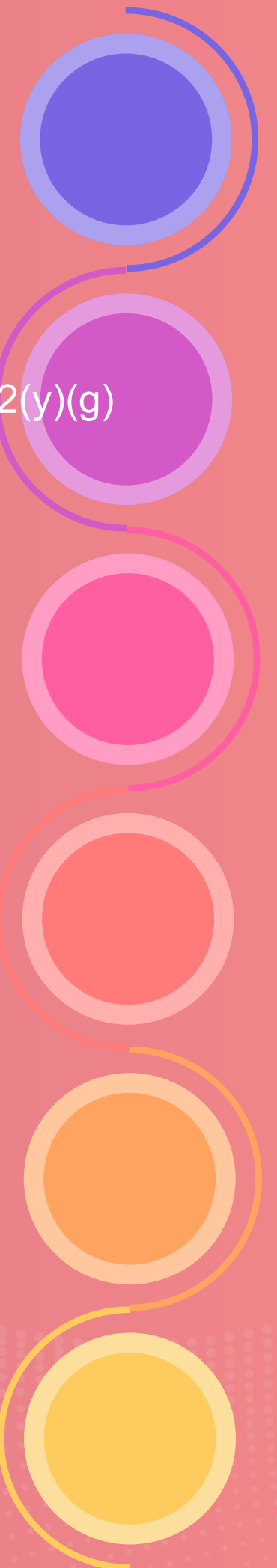
✓ Properly Excluded

- Sales executive earns **2% commission on collections** → excluded
- Insurance agent receives **commission on policies sold** → excluded
- Monthly commission varies based on business generated → excluded

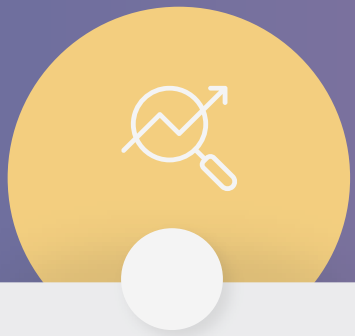
The Golden Rule Across All Clauses

Cash + Fixed + Guaranteed + In appointment letter = WAGES

Kind / Variable / Contingent / Separately paid = EXCLUDED

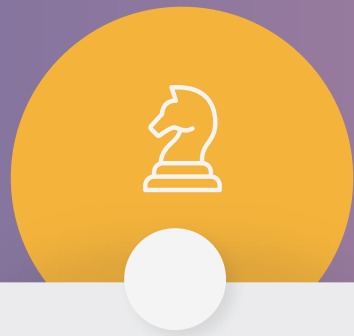


Practical Considerations



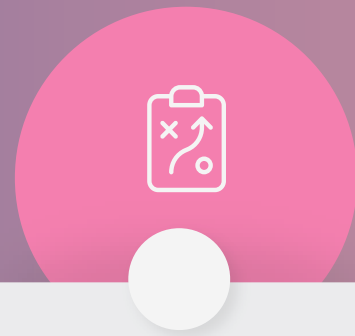
Whether wage determination will be done on monthly or annual basis?

01



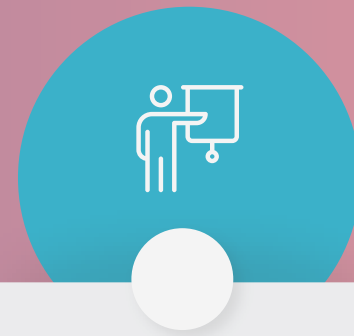
How to quantify the benefit in kind such as stock awards, car etc?

02



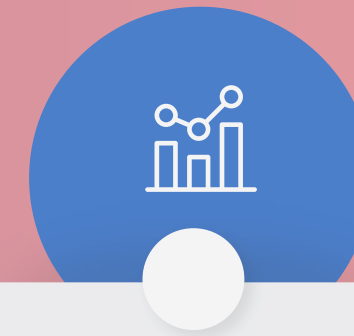
cost analysis be done for calculation of wages for gratuity, meternity benefits leave encashments , esc etc

03



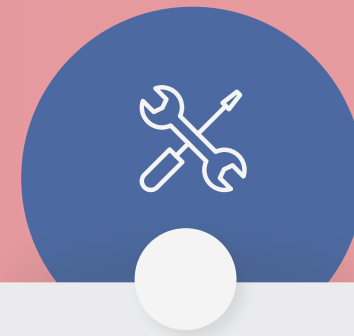
whether performance bonus/ statutory bonus forming part of bonus forming part of contract are wages?

04



what a sum paid to defry special expenses

05



commission or performance bonus

06



Salary in Kind

Provision: Value of "Remuneration in Kind" up to 15% of total wages is allowed.

Audit Example:

Employee Total Remuneration: ₹1,00,000.

Company provides free high-end housing valued at ₹25,000 (25%).

Audit Finding: Only ₹15,000 (15%) can be considered part of wages for statutory compliance.

The extra ₹10,000 cannot be used to "offset" minimum wage requiremen

Section 2 y further provides that for the purpose of equal wages to all genders and for the purpose of payment of wages the emoluments specified clauses (d),(f), (g) and (h) shall be taken for computation of wage

Employee A (Male)

Basic	₹50,000
DA.	₹10,000
HRA	₹20,000
Conveyance	₹ 5,000
Overtime	₹ 8,000
Total cash paid =	₹93,000

EmployeeB (Female / Transgender)

Basic	₹50,000
DA	₹10,000
HRA	₹15,000
Conveyance	₹ 5,000
Overtime	₹ 3,000
Total cash paid =	₹83,000

**VIALATED THE
LAW**

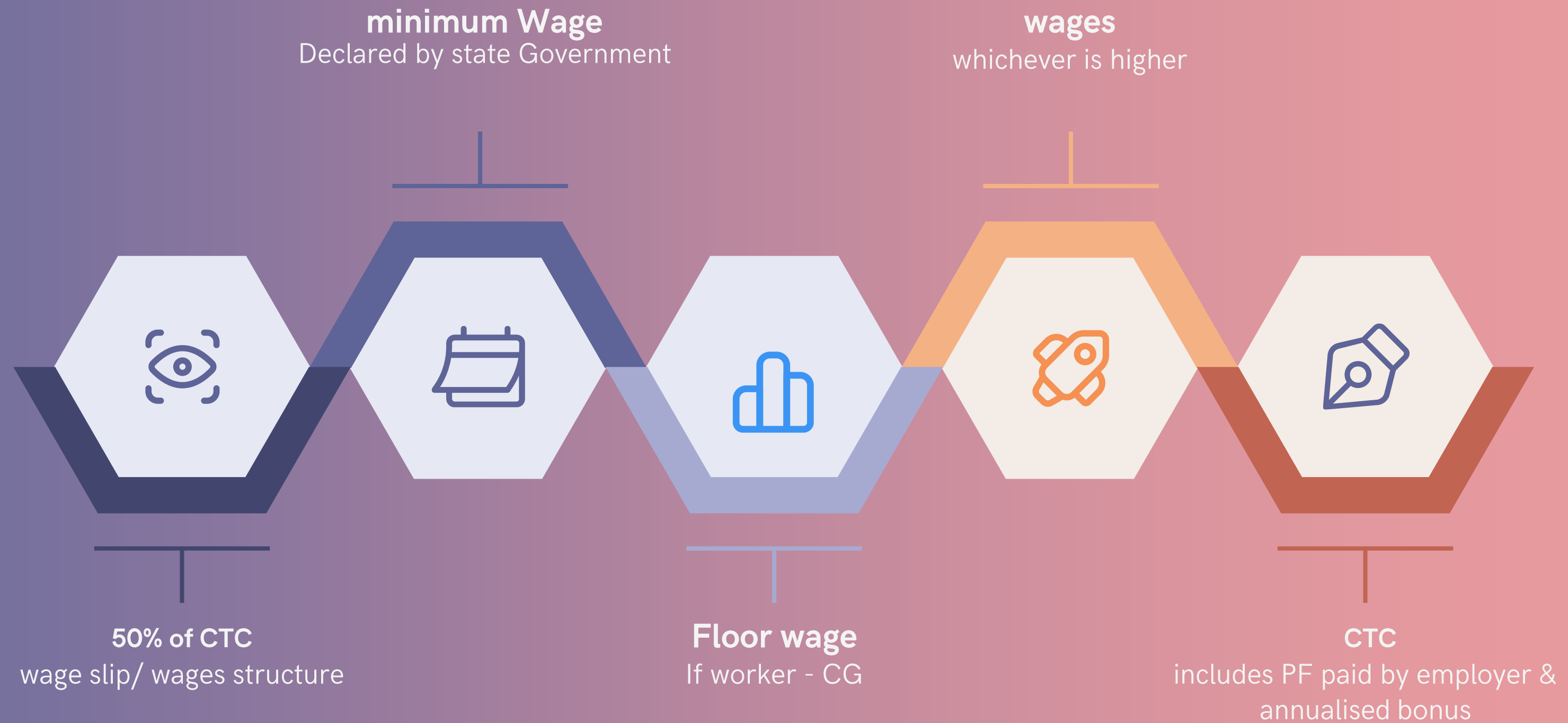
d) any conveyance allowance or the value of any travelling concession

f) house rent allowance

(g) remuneration payable under any award or settlement between the parties or order of a court or Tribunal;

(h) any overtime allowance;

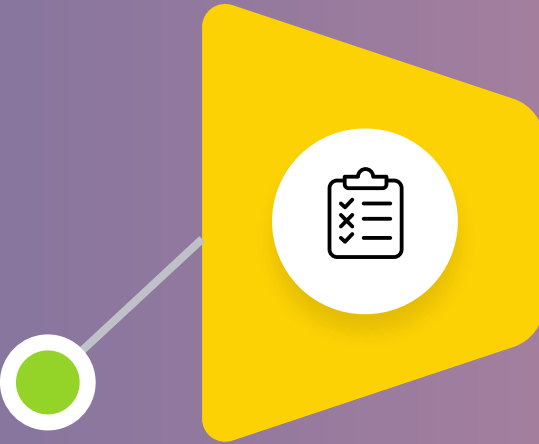
Practical salary calculation



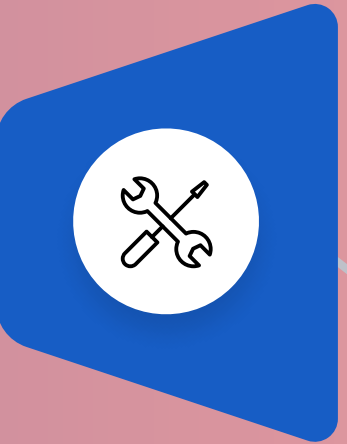
	Employer			
Wage	A	B	C	D
Basic	15000	50000	15000	35000
DA	6000			10000
RA				
wages as per the code 2019	21000	50000	15000	45000
<u>Exclusions</u>				
HRA	6000	25000	10000	10000
Advance bonus (monthly)	583		500	
Conveyance	2000	3000	2000	15000
Sales Commission		3000	3000	
PF Employers Share	2520		1800	25000
OT	3000	5000	3000	5000
Sum of all exclusions	14103	36000	20300	55000
<u>sum of all remuneration (CTC)</u>	35103	86000	35300	100000
50 % LIMIT	17551.5	43000	17650	50000
Short fall	-	-	2650	5000
Exclusions exceed 50%	NO	NO	YES	YES
REVISED WAGES	21000	50000	17650	50000

Floor wage worker

Fixed by Central Government



Periodical revision geographical consideration & skill etc



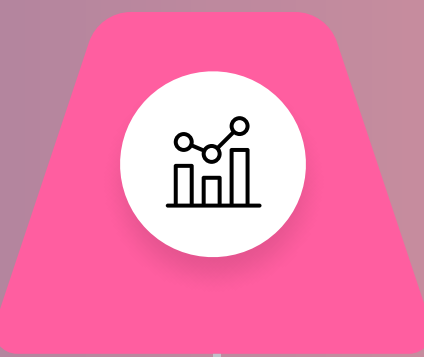
State Govt fixes minimum wage



minimum wage fixed by the state government is higher than floor wage . minimum wage is applicable



minimum wage should not be less than Floor wage



Time limit for wages

Employees engaged in

- 01 Daily : end of the shift
- 02 Weekly : last working day of the week
- 03 Fortnightly : before the end of second day
- 04 Monthly : before 7th day of succeeding month

05 Contractor : 7 days

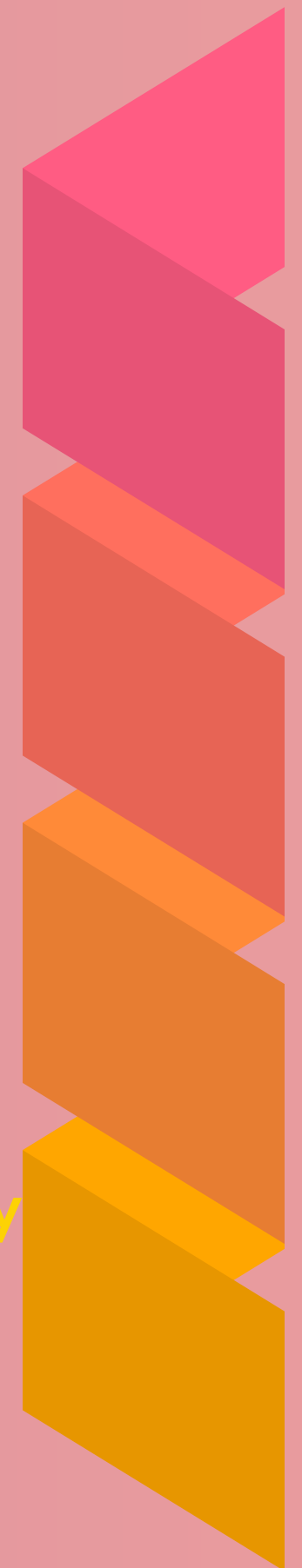


Permissible Deductions & The 50% Ceiling

Payment of wages act cap was 75%

Authorized Deductions (Section 18):

- o Fines: Imposed for specific acts/omissions (must be notified in advance).
- o **Absence from Duty: Pro-rata deduction for the period of absence.**
- o Damage or Loss: Recovery for loss of goods or money expressly entrusted to the employee (requires an internal enquiry).
- o **Services Rendered: Housing/Accommodation or amenities provided by the employer.**
- o Recovery of Advances: Loans or advances given to the employee (and interest thereon).



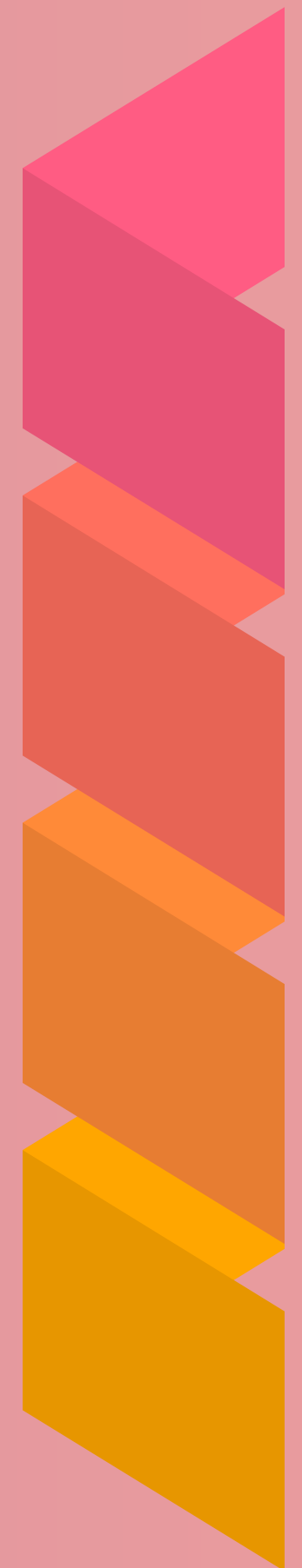
Permissible Deductions & The 50% Ceiling....

Payment of wages act cap was 75%

Authorized Deductions (Section 18.....):

Statutory Dues: PF, ESI, Income Tax (TDS), and Professional Tax.

- o Court Orders: Deductions mandated by a court or competent authority.
- The 50% Statutory Cap (Section 18(3)):
 - o Total aggregate deductions from an employee's wages in any wage period cannot exceed 50%
 - o Audit Check: If deductions (loan recovery + statutory + fines) exceed 50%, the employer must defer the recovery of the excess amount to subsequent months.



Payment of Bonus – Key Shifts from Old Act to New Code

Universal Eligibility (No Sectoral Gap):

Old Law: Limited primarily to factories and establishments with 20+ persons.

New Code: Broadened application. Any establishment with 20+ employees at any time during the accounting year must pay bonus.

New Ground for Disqualification (Section 29):

In addition to fraud, theft, and riotous behavior, an employee is now disqualified from receiving a bonus if dismissed for conviction of sexual harassment.

Direct Bank Transfer (The Digital Shift):

Old Law: Permitted cash payments.

New Code (Section 39): Statutory bonus must be credited directly to the employee's bank account. Cash is no longer a compliant mode.

Redefined Calculation Base (The 50% Rule):

Audit Alert: Since "Wages" is now redefined (Section 2(y)), the bonus calculation base may increase if allowances exceed 50% of CTC. This could push an employee's "wage for calculation" higher than before, even if their gross salary remains the same.

Code on Wages 2019

Definitions & Other Key Points

01 **Employee**
skilled, unskilled or semi skilled : manual ,
operational, supervisory, managerial ,admin,
technical , clerical

02 **Director**
A Director can be considered an employee if
they are under a "Contract of Service" with
the company.

03 **Any Gender**
Equal remuneration for same or similar work of
similar nature to all genders

04 **Minimum wage**
applicable to all employees

05 **2 classes of work**
Two or more classes of works with minimum wage

06 **Overtime**
Twice the wages for every extra Hour

07 **Audit point of view**

- Verify wage reclassification in payroll master.
- Test minimum wage compliance.

08 **Audit**
Check timely payment & deduction limits.
Bonus accrual & payment.

Code on Social Security 2020



1

**EMPLOYEES
PROVIDENT
FUND**



2

**EMPLOYEES
STATE
INSURANCE**



3

**GRATUITY
MATERNITY
BENEFIT**



4

**EMPLOYEES
COMPENSATIO
N**



5

**&
CONSTRUCTION
WORKERS
GIG & PLATFORM
WORKERS**



Code on Social Security 2020

Employees' Provident Fund (EPF):

Applies to every establishment (regardless of industry) employing 20 or more employees.

Audit Note: The old "Schedule I" list of industries is gone. Universal coverage now applies to all sectors.

Even if the no of employees fall below 20 : continues to apply

Voluntary contribution: employer contribution not required

Contributor	Total Rate	Breakdown of the Contribution
Employee	12%	100% goes into the EPF Account .
Employer	12%	3.67% goes to EPF (Provident Fund). 8.33% goes to EPS (Pension Fund).*

- DLI (Insurance): 0.50%** (Capped at ₹15,000 wage base, max ₹75/month).
- EPF Admin Charges: 0.50%** (Minimum ₹75 per month).

Section 21: Pvt provident fund : 100 or more employees

Code on Social Security 2020

Employees' State Insurance (ESI):

Applies to every establishment with 10 or more employees.

Hazardous Workplaces: Mandatory coverage even if only one worker is employed (Section 2(21))
voluntary application .

Employer 3.25% Paid by the company (over and above the salary). **Employee 0.75%**

Employer fails to register or pay contribution : employee will get benefit and will be recovered

Gratuity:

Applies to factories, mines, oilfields, plantations, ports, and railway companies.

Applies to every shop or establishment with 10 or more employees on any day of the preceding 12 months.

Code on Social Security 2020

Maternity Benefit:

Applies to every factory, mine, or plantation (including government establishments).

Applies to every shop or establishment with 10 or more employees.

Paid Leave 26 Weeks (Standard) **Avg. Daily Wage** 100% of the average wage for the period of actual absence.

Miscarriage/MTP 6 weeks paid leave immediately following the event.

Tubectomy 2 weeks paid leave following the operation.

Notice Requirement Woman must give written notice (Form L) to the employer.

New Categories (The Digital Extension):

Gig & Platform Workers: Mandatory for Aggregators (Digital intermediaries connecting buyers and sellers) listed in the 7th Schedule (e.g., Ride-sharing, Food delivery, Logistics).

Unorganized Sector: Applies to home-based or self-employed workers.

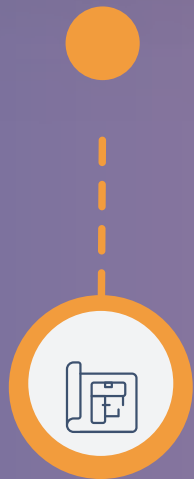
FIXED TERM EMPLOYMENT

GIG WORKER

CONTRACT

The "Parity"
Principle

GRATUITY



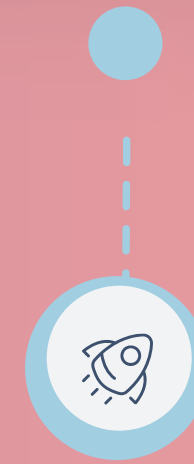
**Formalizing
the "Gig"
Economy**



**Engagement of
an employee on
the basis of a
written contract
for a fixed
period.
The contract
must specify
the start date
and the end
date (or specific
project
milestone).**



**FTEs must
receive the same
wages,
allowances, and
benefits as
permanent
employees
doing the same
or similar work.**



**The "One-Year"
Gratuity Rule:
Standard Rule:
Permanent
employees must
serve 5 years to
be eligible for
gratuity.
FTE Rule: Eligible
for pro-rata
gratuity after
completing just 1
year (240
working days) of
continuous
service.**

FIXED TERM EMPLOYMENT

**Comparison for an employee with ₹50,000 monthly "Wages"
(leaves in 2 years)**

Component	Permanent Employment	Fixed-Term Employee
PF/ESI.	Benefits Full Eligibility	Full Eligibility (Parity)
Gratuity Eligibility.	No (Did not hit 5-year mark)	Yes (Eligible after 1 year)
Gratuity Amount.	₹0	₹57,692
Retrenchment	Pay Possible (if terminated)	None (on contract expiry)
Provisioning Risk	Low (if turnover is high)	High (Mandatory liability)

Industrial Relations Code 2020

Key Definitions (Audit Relevance)

Worker → Supervisory employees up to ₹18,000 p.m. now included (earlier ₹10,000) →

Managerial / administrative roles excluded → Impact: More employees now covered under protections, standing orders, retrenchment, etc.

Employer → Widened (includes contractors, intermediaries, principal employers)

INDUSTRY : Any systematic activity to satisfy human wants is industry except NGO, domestic service

Retrenchment, Lay-off & Closure

Prior government permission required only for establishments with 300 or more workers (raised from 100)

States can increase the threshold further

Compensation unchanged → 15 days' average pay per completed year (or part >6 months)

Advantage: Easier restructuring for mid-size companies (<300 workers)

Re-skilling Fund (New Cost)

Employer must contribute 15 days' last drawn wages for every retrenched worker
Paid into government Re-skilling Fund

Amount credited to worker's account within 45 days

Accounting: Expense in P&L in the period of retrenchment (termination benefit)

Audit: Test every retrenchment case for contribution & payment

Standing Orders & Grievance Redressal

Standing Orders mandatory for establishments with 50 or more workers

Model standing orders prescribed → uniformity across units

Grievance Redressal Committee compulsory for 20+ workers (time-bound resolution ≤30 days)

Re-skilling Fund (New Cost)

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Occupational Safety, Health and Working Conditions (OSH) Code, 2020

Working Hours & Overtime (Core Financial Impact)

Standard: Max 8 hours/day, 48 hours/week

Overtime: With consent → at least 2× normal wages (overtime allowance excluded from wages definition but paid double)

Flexibility: Govt can fix higher daily limits (e.g., 12 hrs in 4-day week)

Night shifts, weekly off mandatory

Impact: ↑ overtime costs if payroll not restructured; test accruals

Leave Entitlements & Encashment

Annual leave: At least 1 day per 20 days worked (≈18 days/year)

Carry-forward allowed; encashment of excess over 30 days mandatory on demand

Leave encashment on separation: Payable within 2 working days

Maternity, casual, sick leave provisions

Audit Red Flag: Higher leave liabilities (past service cost if wages ↑)

Occupational Safety, Health and Working Conditions (OSH) Code, 2020

Appointment letter: to every employee within 3 months
Annual Check-up

All Employees (40+)

Employer Mandated **Hazardous Processes** Pre-employment & Periodic Employer Mandated (High Priority

)**Non-Hazardous (<40)**Not Statutory (Optional)N/A Recommended

CONTRACT LABOUR: 50+ Employees licence , site specific licence,
prohibited in core activity

exceptions : Ornidnary practice

Part time engagement

Sudden increase in volume

Occupational Safety, Health and Working Conditions (OSH) Code, 2020

Welfare, Safety & Health Provisions

Employer duties: Cleanliness, ventilation, drinking water, latrines, waste treatment, safety audits

Safety Committee for 500+ workers

Compulsory welfare facilities (canteen, crèche for 50+ women)

Third-party audit/certification for startups/classes of establishments (reduces inspector visits)

Financial: Indirect costs (capex for facilities) → expense recognition

THE THRESHOLD NO OF WORKERS IN DEFINITION OF FACTORY

OLD LAW : 10 WORKERS WITH POWER WITH OUT POWER 20

NEW CODE : 20 WORKERS WITH POWER WITH OUT POWER 40

Reduced burden for small/micro manufacturing units (e.g., 10-19 workers with power):

No longer classified as "factories" → escape strict factory-specific compliances (e.g., some licensing, detailed hazardous process rules), but still comply with general OSH provisions.

Re-classification needed: Review client premises —

if previously a factory (under old 10/20), check current headcount. If now below 20/40, document as non-factory establishment → potential compliance savings.

Payroll/HR testing: Verify worker count (exclude apprentices/out-workers where applicable); test for accurate peak over 12 months.

Financial angle:

No direct P&L hit from threshold change, but indirect via uniform rules (e.g., overtime at 2× wages, leave encashment) applying from 10 workers..

Overview – Decriminalisation & Compounding

Imprisonment limited to serious/repeat offences (e.g., wilful evasion, safety lapses causing death/injury)

Most first-time offences → monetary fines only (higher than old laws: ₹50,000–₹5 lakh+)

Compounding allowed for first-time offences (not repeat within 3–5 years)
Fine-only offences → 50% of max fine

Fine + ≤1 year imprisonment → 75% of max fine

Opportunity to rectify before prosecution (Improvement Notice)

Audit angle: Lower litigation risk but higher provisions for potential fines

Common Features Across Codes

Inspector-cum-Facilitator role (advisory + enforcement)

Electronic records/registration → easier compliance, but non-maintenance fined

Repeat offence (within 3–5 years) → higher fines + possible imprisonment

Compounding not available for repeat/similar offences

Penalties credited to Social Security Fund (SS Code) or welfare funds

Limitation: 5-year look-back for most claims/proceedings

Code on Wages, 2019 – Key Offences & Penalties

Offence	First-Time Penalty	Repeat (within 5 years)	Section
Pay less than due / below minimum wages	Fine up to ₹50,000	Imprisonment ≤3 months OR fine up to ₹1 lakh (or both)	Sec 54(1)(a)–(b)
Contravene any other provision (e.g., records, timely payment)	Fine up to ₹20,000	Imprisonment ≤1 month OR fine up to ₹40,000 (or both)	Sec 54(1)(c)–(d)
Non-maintenance/improper records	Fine up to ₹10,000	Higher fine/imprisonment	Sec 54(2)
Obstruct Inspector	Fine up to ₹1 lakh	Imprisonment ≤6 months + fine	Various

Industrial Relations Code, 2020 – Key Offences & Penalties

Offence	First-Time Penalty	Repeat/Serious	Section
Illegal lay-off/retrenchment/closure without permission (≥300)	Fine ₹1–10 lakh	Fine ₹5–20 lakh OR imprisonment ≤6 months (or both)	Sec 78–80
Contravene standing orders / unfair labour practice	Fine ₹50,000–₹2 lakh	Fine ₹1–5 lakh OR imprisonment ≤6 months	Sec 67, 70, etc.
Illegal strike/lock-out	Fine ₹50,000–₹2 lakh	Higher fine + imprisonment	Sec 57
Failure to constitute Grievance Committee / maintain records	Fine ₹25,000–₹1 lakh	Escalating	Various

Code on Social Security, 2020 – Key Offences & Penalties

Offence	First-Time Penalty	Repeat/Serious	Section
Failure to pay contributions (PF/ESI/gratuity)	Fine up to ₹50,000–₹1 lakh	Imprisonment ≤3 years OR fine up to ₹3 lakh	Sec 125–133
Non-registration of employees / wilful evasion	Fine ₹50,000 + ₹30,000/day continuing	Imprisonment + higher fine	Various
Misclassification / deny benefits	Fine up to ₹1–3 lakh	Imprisonment ≤3 years	Sec 142
General contravention	Fine ₹50,000–₹2 lakh	Escalating	General

OSH & Working Conditions Code, 2020 – Key Offences & Penalties

Offence	First-Time Penalty	Repeat/Serious	Section
General contravention (e.g., safety, hours, welfare)	Fine ₹2–3 lakh	Additional ₹2,000/day continuing	Sec 94
Safety violation causing accident/death/injury	Fine ₹2–5 lakh (up to ₹10–50 lakh in serious)	Imprisonment ≤1–2 years + fine	Sec 95–104
Obstruct Inspector / no registration	Fine ₹50,000–₹1 lakh	Higher + imprisonment	Sec 95
Employ prohibited categories / fail manager appointment	Fine ₹50,000–₹1 lakh	Double penalty	Various

Compounding Provisions Summary (All Codes)

Offence Type	Compounding Amount	Availability	Restriction
Fine only	50% of max fine	First-time only	Not for repeat within 3–5 years
Fine + ≤1 year imprisonment	75% of max fine	First-time only	Not for serious/repeat
Wages Code variation	Mostly 50% (even for some imprisonment cases)	First-time	Similar restrictions
Process	Before/after prosecution; paid to govt officer	—	Credited to welfare funds

Employee Benefits Provisions (often the largest in many entities)

Gratuity (under Payment of Gratuity Act / Code on Social Security, 2020):

Verify actuarial valuation (AS 15 / Ind AS 19), past service cost from new labour codes (revised "wages" definition increasing liability), funding status, and disclosures.

Leave Encashment / Compensated Absences:

Check accrual basis, revised entitlement rules (e.g., leave after 180 days, encashment), and impact of uniform wages definition.

Bonus (Payment of Bonus Act / Code on Wages):

Confirm calculation (8.33%–20% of wages), provision for unpaid bonus, and timely payment.

Other Benefits:

Provident Fund (PF) arrears, ESI contributions, overtime pay, night shift allowances for women, and health check-up costs (for workers 40+ in factories).

New Labour Codes Impact (effective Nov 2025):

Auditors must examine payroll restructuring, increased base for gratuity/bonus/leave (due to broader "wages" definition including more components), one-time past service costs, and disclosures on financial impact.

WAY FORWARD

IMPLEMENTATION OF
NEW LABOUR COES



01

CONDUCT IMMEDIATE GAP ANALYSIS

- Map current policies, contracts & payroll against 4 Codes (Wages, Social Security, IR, OSH) + Kerala rules Identify risks: new wage definition ($\geq 50\%$ as wages), gig/fixed-term parity, safety norms



02

Complete All Registrations & Renewals

- Verify/renew: Shops & Establishments, EPF, ESI, PT, LWF, POSH Committee Obtain any pending Code-related registrations/licenses promptly



03

Update Policies, Contracts & Benefits

- Revise employment letters, HR policies for: equal pay, overtime, leaves, maternity, gratuity Align salary structure (min. 50% as "wages"), extend social security to eligible gig/platform workers



04

PROVISIONS IN FS

GRATUITY , LEAVE ETC



05

DISCLOSURES

potential financial risk arising out of the non compliance and disputes

Professional Opportunity for CA

Statutory Audit

Payroll audit, benefit obligation review, disclosures

Payroll Restructuring

CTC redesign, wage definition compliance

Accounting Advisory

Ind AS 19 / AS 15 — past service cost

Labour Law Due Diligence

M&A, investments, restructuring

Tax Advisory

TDS, PF tax, CTC optimisation

Compliance Certification

Statutory certificates, internal audit

Training & Consulting

Workshops, guides for corporates/SMEs

Litigation Support

Representation before labour authorities

THANK YOU

CA JEEN PAUL

9961455521

cajeenpaul@gmail.com



SS For Building Workers

An establishment can maintain its own Provident Fund in lieu of the EPFO-managed fund. This is known as an "**Exempted Establishment.**"

In this model, the company forms a **Private PF Trust** to manage the contributions of its employees. However, it is not a "free hand"—the trust must follow strict government regulations that ensure the benefits provided to employees are at least equal to, if not better than, the statutory EPF scheme.

1. Legal Basis for Exemption

- **Under the Old Act:** This was governed by **Section 17** of the *EPF & MP Act, 1952*.
- **Under the New SS Code (2020):** This is now covered under **Section 143** of the *Code on Social Security, 2020*.

2. Eligibility Criteria for a Private Trust (2026 Guidelines)

As of 2026, the requirements for an establishment to seek and maintain an exemption have become more stringent to protect workers' savings:

- **Minimum Membership:** The establishment must typically have at least **500 contributory members**.
- **Financial Health:** The establishment must have a **positive net worth** for each of the last three years.
- **Consent:** For the initial application, the employer must obtain the **consent of the majority** of the employees.
- **Corpus Size:** Under the New Code, the establishment should have a cumulative balance in the members' accounts of **₹50 crore or more**.

3. Mandatory Conditions for Management

Even if an establishment maintains its own fund, it must comply with these "Parallel Compliance" rules:

- **Pattern of Investment:** The Trust cannot invest the money as it pleases. It **must strictly follow the investment pattern** notified by the Ministry of Finance (e.g., specific percentages in Government Securities, Debt Instruments, and Equity).
 - **Interest Rate:** The interest rate credited to employees' accounts **cannot be lower** than the rate declared by the Central Government for EPFO members.
 - **Inspection Charges:** The establishment must pay monthly **inspection charges** (currently 0.18% of basic wages) to the EPFO for the oversight of the private trust.
 - **Audit & Returns:** The trust's accounts must be audited annually by a Chartered Accountant, and monthly/annual returns must be filed electronically with the EPFO.
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Comparison: EPFO vs. Private PF Trust

Feature	EPFO Managed Fund	Private PF Trust (Exempted)
Management	Central Board of Trustees (EPFO)	Board of Trustees (Employer + Employees)
Withdrawal Speed	Dependent on EPFO Portal	Usually faster (Internal Company Process)
Investment Risk	Borne by the Government	Borne by the Employer (Trustee Liability)
Tax Status	Recognized (Section 10 of IT Act)	Must be "Recognized" by the CIT
Contribution	12% + 12%	12% + 12% (Can be higher if agreed)

Strategic Advice for Your Technical Session

"**The Liability Factor:**" For your CA audience, emphasize that a Private Trust is a **fiduciary responsibility**. If the trust's investments underperform, the **Employer must make good the loss** out of company profits to ensure the statutory interest rate is paid. It is not just an administrative choice; it is a financial commitment.

Compliance Note for Binnex Solutions:

If any of your clients are looking to set up a trust, remind them that **Aadhaar seeding** is now a mandatory prerequisite for every member of the private trust under the 2026 digital compliance rules.

Would you like a sample **Trust Deed draft** or the current **Investment Pattern (2026)** to include in your session handouts?

For your upcoming sessions on the **Code on Social Security (SS Code), 2020**, Chapter VIII is a high-impact topic. It replaces the *Building and Other Construction Workers' Welfare Cess Act, 1996*, and is crucial for any client in real estate, infrastructure, or large-scale industrial construction.

Here is a structured summary of **Chapter VIII (Sections 100–108)** for your faculty notes:

1. Levy and Collection of Cess (Section 100)

- **Purpose:** The cess is levied specifically to fund social security and welfare schemes for building and other construction workers (BOCW).
- **The Rate:** * Minimum: **1%**
 - Maximum: **2%** of the cost of construction.
 - The specific rate within this band is notified by the Central Government.
- **Exclusions from "Cost of Construction":**
 - Cost of **Land**.

- Any **Compensation** paid to employees under Chapter VII (Employee's Compensation).

2. Self-Assessment and Payment (Section 103)

This is a vital "Audit Point" for your sessions:

- **Employer's Duty:** Every employer must self-assess the cess payable and pay it within **60 days** of the completion of the project (or as otherwise notified for ongoing projects).
- **Advance Payment:** The Government may require advance payment of cess based on the estimated cost of construction, subject to final assessment.
- **Interest on Delay:** If an employer fails to pay the cess within the specified time, they are liable to pay interest (rate as prescribed) from the date the cess was due until the date of payment.

3. Registration of Workers as Beneficiaries (Section 106)

For the cess to reach the intended recipients, workers must be registered:

- **Eligibility:** Workers aged **18 to 60** who have been engaged in construction work for at least **90 days** in the preceding 12 months.
- **Aadhaar Requirement:** Registration is now mandatory via **Aadhaar-based authentication**, facilitating the "Portability of Benefits" for migrant workers across states.

4. BOCW Welfare Fund & Board (Section 104)

The proceeds of the cess are deposited into the **Building Workers' Welfare Fund**, managed by a State-level Board.

- **Utilization:** The fund covers medical expenses, maternity benefits, pensions, insurance premiums, and educational assistance for children of registered workers.
- **Administrative Ceiling:** The administrative expenses of the Board cannot exceed **5%** of its total annual expenditure.

Strategic "Jeen Paul" Audit Checklist for Chapter VIII

Compliance Area	Verification Step for Auditors
Cess Calculation	Verify that the 1-2% rate is applied after deducting land cost.
Payment Timeline	Ensure cess is paid within 60 days of project completion/milestone.
Worker Register	Check if all eligible site workers (including contractors) are registered.
Portability	Confirm if migrant workers' registration is active on the central portal.

Key Thematic Link for Your Session

"In the previous regime, BOCW was seen as a fragmented, state-level tax. Under Chapter VIII of the SS Code, it is transformed into a **centralized welfare architecture**. For your clients, the focus shifts from just 'paying the tax' to ensuring their labor force is **digitally registered** so that benefits like insurance and pensions follow the worker, not the site."

Would you like me to draft a "**Cess Assessment Letter**" template that your clients can use to document their self-assessment for the authorities?

Under the **Code on Social Security (SS Code), 2020**, a building worker registered under **Section 106** (often referred to as a "beneficiary") is entitled to a comprehensive safety net funded by the BOCW Cess you've been calculating.

The primary shift in 2026 is the **Digital Portability** of these benefits—meaning a worker registered in Kerala can now more easily claim benefits even if they migrate to a project in Coimbatore or elsewhere.

Core Benefits for Registered Workers

The State Welfare Boards utilize the Cess fund to provide the following statutory benefits:

- **Pension & Old Age Protection:** * Monthly pension for workers who have completed 60 years of age (typically requiring a minimum of 5 years of active membership).
 - Disability pension for those permanently incapacitated due to workplace accidents or chronic illness.
- **Health & Medical Assistance:**
 - **Annual Health Check-ups:** Mandatory free check-ups provided under the OSH Code integration.
 - **Hospitalization Coverage:** Financial aid for major ailments (often up to ₹50,000 for fatal diseases in states like Kerala).
 - **Accident Relief:** Immediate ex-gratia payment for on-site injuries.
- **Education Support:**
 - Scholarships and financial aid for the children of registered workers, ranging from primary school to professional courses (Medical/Engineering coaching).
- **Family & Life Cycle Benefits:**
 - **Marriage Assistance:** Financial grants for the worker's own marriage or the marriage of their children.
 - **Maternity Benefit:** Cash assistance for female workers or the wives of registered male workers.
 - **Death Benefit:** Immediate payment to nominees in the event of a worker's death, plus funeral expenses.
- **Housing Loans:** * Provision for low-interest loans or grants for the purchase or construction of a house.

Eligibility "Must-Knows" for Your Session

To maintain access to these benefits, the worker must satisfy three operational criteria:

1. **Age:** Must be between **18 and 60** years.
 2. **Engagement:** Must have worked for at least **90 days** in construction in the preceding 12 months.
 3. **Active Status:** Must pay a nominal monthly subscription (e.g., ₹20–₹50 depending on the state) to the Welfare Fund.
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Bonus

Chapter IV of the **Code on Wages, 2019** (Sections 26 to 41) essentially subsumes the old **Payment of Bonus Act, 1965**. While it retains the core arithmetic of the previous regime.

1. Eligibility and Applicability (Sections 26 & 28)

- **Establishment Threshold:** Applies to every establishment employing **20 or more persons** on any day during an accounting year.
- **Employee Eligibility:** * Must have worked for at least **30 working days** in an accounting year.
 - **The Wage Ceiling:** Eligible if "Wages" (Basic + DA) do not exceed a specific monthly limit notified by the Government. (Currently **₹21,000**, though you should watch for state-specific notifications in 2026).
- **Working Days Calculation:** Includes days of layoff, paid leave, maternity leave, and absence due to temporary disablement caused by an employment injury.

2. The Quantum of Bonus (Section 26)

- **Minimum Bonus:** **8.33%** of the wages earned during the year or **₹100**, whichever is higher. This must be paid even if the company suffers a loss.
- **Maximum Bonus:** Up to **20%** of the annual wages, depending on the "allocable surplus."
- **The Calculation Ceiling:** Even if an employee earns ₹20,000, the bonus is calculated on a capped amount: **₹7,000 or the Minimum Wage** (whichever is higher).
 - *Note for CAs:* This is a critical audit point. In states where the minimum wage is ₹12,000, the bonus calculation base is ₹12,000, not ₹7,000.

3. Disqualification (Section 29) — *The New Addition*

The Code adds a significant new ground for disqualification. An employee is disqualified from receiving a bonus if dismissed for:

1. Fraud;
2. Riotous or violent behavior on the premises;
3. Theft, misappropriation, or sabotage of property; **OR**
4. **Conviction for Sexual Harassment** (This is the new provision in the 2019 Code).

4. Payment Timelines and Mode (Sections 39 & 40)

- **Time Limit:** Must be paid within **8 months** from the close of the accounting year.
- **Extension:** The "Appropriate Government" can extend this up to a maximum of **2 years** upon application by the employer for valid reasons.
- **Mode of Payment:** Under the New Code, the bonus **must be credited to the bank account** of the employee.

5. Special Provisions for New Establishments (Section 26(6))

To help new businesses (like the startups you might consult for at Binnex Solutions), the Code offers a "Grace Period":

- In the first **5 years** of existence, a new establishment is only required to pay bonus for the years in which it **derives profit**.
- From the **6th year** onwards, the normal rules of "Set-on and Set-off" of profits apply.

Strategic Audit Summary for Your Handout

Feature	Statutory Rule under Chapter IV
Applicability	20+ Employees
Eligibility	Wages ₹21,000/month & 30 days work
Calculation Base	Actual Wage or ₹7,000/Min Wage (whichever is higher)
Payment Mode	Strictly Bank Transfer
Limitation Period	Claims can be filed up to 3 years (enhanced from 1 year)

Faculty Pro-Tip for your Kozhikode Session:

"The shift from physical payment to **mandatory bank transfer** is a major deterrent for 'cash-back' practices in labour-contracting. As auditors, we must now verify the **Bank Statement** against the **Bonus Register (Form C)** to ensure absolute compliance. If the payment isn't in the bank, it's technically not paid under the new Code."

For an auditor or a technical presenter, the "Calculation of Profit" in the context of Chapter IV (Bonus) is a rigorous 4-step process. It moves from the **Accounting Profit** to the **Allocable Surplus** (the actual money available to pay workers).

Here is the technical workflow for your sessions:

Step 1: Computation of Gross Profit (Section 32)

You start with the Net Profit from the P&L account, but you must "add back" certain items to arrive at the **Gross Profit** for bonus purposes.

- **Add back:** Provisions for bonus, depreciation, direct taxes, and capital losses.
- **Subtract:** Capital gains and any profit from businesses outside India.
- **Schedules:** * **First Schedule:** For Banking Companies.
 - **Second Schedule:** For all other Establishments.

Step 2: Deductions from Gross Profit (Section 34)

Once you have the Gross Profit, you subtract "Prior Charges" to find the **Available Surplus**. These deductions include:

1. **Depreciation:** As admissible under Section 32 of the Income Tax Act.
2. **Direct Taxes:** The income tax the employer is liable to pay for that year.
3. **Investment Allowance/Development Rebate:** As specified in the Income Tax Act.
4. **Third Schedule Deductions: * For Companies:** A return on paid-up equity capital (usually **8.5%**) and a return on reserves (**6%**).
 - o **For Employers (other than companies):** 8.5% of the capital invested.

Step 3: Finding the Available Surplus (Section 33)

Gross Profit (Depreciation + Direct Taxes + Other Prior Charges) = Available Surplus

Step 4: Finding the Allocable Surplus (Section 31)

This is the final figure used to decide if you pay more than the 8.33% minimum.

- **For Banking Companies:** 60% of the Available Surplus.
- **For Other Establishments:** 67% of the Available Surplus.

The "Set-On" and "Set-Off" Mechanism (Section 36)

This is vital for your "Financial Literacy" session. It ensures that bonus payments stay stable even if profits fluctuate year to year.

- **Set-On:** If the allocable surplus exceeds the 20% maximum bonus, the excess is carried forward (up to 4th year) to be used in leaner years.
- **Set-Off:** If there is a loss or a very small surplus, the "deficiency" is carried forward to be adjusted against future profits.

Technical Summary for Your Coimbatore Presentation

Step	Calculation	Audit Checkpoint
GP	Net Profit + Add-backs	Ensure "Provision for Bonus" is added back.
AS	GP Prior Charges	Check if Income Tax is calculated correctly.
Allocable	67% of AS (Non-Banking)	Apply the correct % based on industry type.
Quantum	If Allocable > 8.33%	Increase bonus up to 20% cap.

Pro-Tip for CAs: When auditing, always reconcile the **Schedule III (Companies Act)** profit with the **Second Schedule (Code on Wages)** calculation. Most discrepancies occur because "Direct Tax" for bonus purposes is often different from the tax provision in the balance sheet.