

<b>College:</b> J D Women's College	<b>Subject:</b> Labor & Employment Laws in India
<b>Dept:</b> MBA	<b>Unit/Topic:</b> IV/Payment of Bonus Act, 1965
<b>Semester:</b> 3 <sup>rd</sup> (HR specialization)	<b>Faculty Member:</b> Kundan Kumar Gautam

## **The Payment of Bonus act, 1965**

### **Lecture Note - 2**

#### **Eligibility for Bonus**

Any employee is eligible for availing bonus if the following conditions are satisfied:

- The employee receiving salary or wages up to Rs.21,000 per month
- The employee engaged in any work whether skilled, unskilled, managerial, supervisory etc.
- The employee who have worked not less than 30 working days in the same year.

#### **Disqualification of Bonus**

The employees cannot avail the bonus if any action has been taken by the management in case of dishonesty, theft, sabotage of any property of establishment, violent behavior while on the duty within premises of the establishment.

#### **Number of Working Days**

An employee will be considered "working" in a year if the following conditions are satisfied:

- The employee who is under an agreement or as permitted by standing orders under the Industrial Employment (Standing orders), Act 1946, the Industrial Disputes Act, 1947 or any other law applicable to the establishment.

- The employee during employment has taken leave with salary.
- The employee who has been absent due to temporary disablement caused by accident during the work.
- The employee has been on maternity leave with salary in the accounting year.

### **Payment of Minimum and Maximum Bonus**

- The minimum bonus will be 8.33% of the salary during the year, or
- 100 rupees will be given in case of employees is above 15 years and sixty rupees in the case of employees is below 15 years, whichever is higher.
- The maximum bonus is 20% of the salary during the accounting year.

### **Timeline for Payment of Bonus**

The payment of bonus should be paid in cash within eight months from the end of the accounting year or within a month from the date of enforcement of the act.

### **Calculation of Bonus as per Bonus Act (Amendment of 2015)**

If the gross earning of your employees is below Rs.21000 you are eligible to pay bonus.

Calculation of bonus will be as follows:

If Basic + DA is below Rs.7000 then bonus will be calculated on the actual amount.

If Basic + DA is above Rs.7000 then the bonus will be calculated on Rs.7000.

*Examples of calculation of bonus*

**If the Basic salary of the employee is less than or equal to Rs 7,000**

Rohan is working as an accountant in a Company in Bangalore. His basic salary is Rs. 6,500 per month.

**Formula:** Basic Salary\*8.33% = Bonus per month

$6500 * 8.33\% = 541.45$  (6497.4 per annum)

**If the Basic salary of the employee is higher than Rs 7,000**

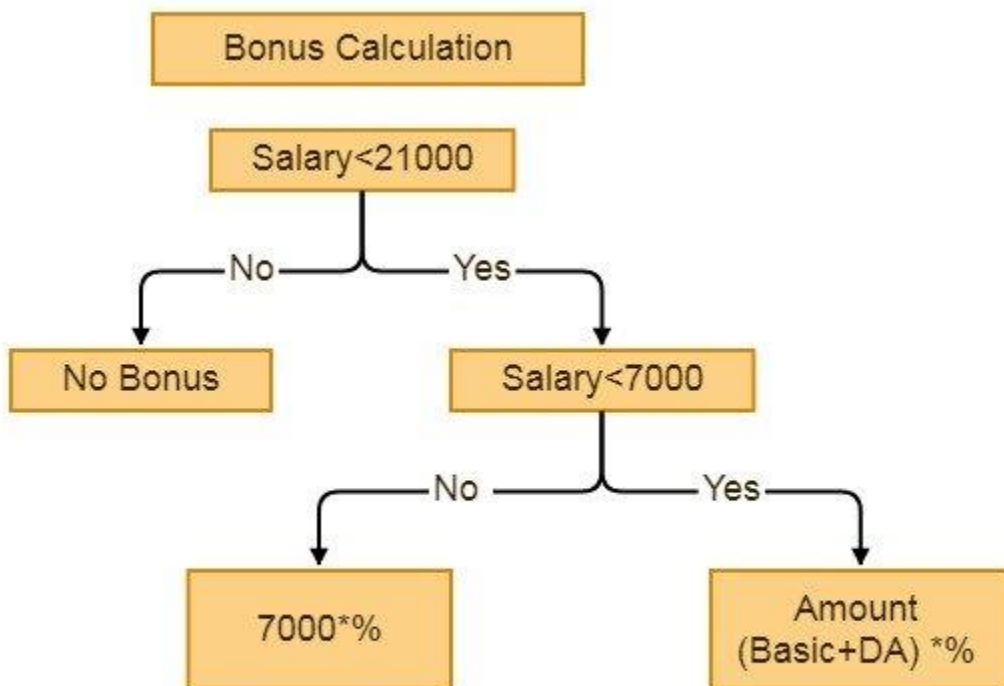
Rohit is working as a Sales executive in one of the shops in Delhi. His basic salary is Rs. 18,000 per month.

**Formula:** Basic Salary\*20% = Bonus per month

$7,000 * 20\% = 1400$  per month

**If the Basic salary of the employee is higher than Rs 21,000**

There is no bonus applicable to employees having a basic salary of more than Rs 21,000.



Note: Minimum bonus = 8.33%; Maximum bonus = 20%