

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

The Payment of Bonus act, 1965

Lecture Notes - 1

Introduction

The bonus is a reward that is paid to an employee for his work and dedication towards the organization. The basic objective to give the bonus is to share the profit earned by the organization amongst the employees and staff members.

The Payment of Bonus Act, 1965 is the principal act for the payment of bonus to the employees. It aims to regulate the amount of bonus to be paid to the persons employed in establishments based on its profit and productivity. It was enacted with an objective to give rewards to employees for their good work in the organization. It is a step forward to share the prosperity of the establishment reflected by the profits earned by the contributions made by capital, management and labour with the employees. The act is applicable to the whole of India for all establishments which had twenty or more persons employed on any day during the year.

Objectives

The objectives of the Bonus Act (Payment of bonus Act) are as follows:

- To impose a legal responsibility upon the employer of every establishment covered by the Act to pay the bonus to employees.
- To designate the minimum and maximum percentage of bonus.
- To prescribe the formula for calculating bonus.
- To provide redressal mechanism.

Applicability of the Act

The payment of bonus act applies to the whole of India. The Payment of Bonus Act is implemented to the establishments which fall under any of the below listed:

- It applies to any factory or establishment which had twenty or more workers employed on any day during the year.
- The factory defined under clause section 2 of the factories act 1948.
- The act also applies to public sectors in some cases.
- Part-time employees also included.

Departments, Undertakings and Branches

According to the Bonus Act, any different departments or undertakings or branches of an establishment whether located in the same place or at different areas should be considered as parts of the similar establishment for computation of bonus under the Act. A separate balance sheet regarding profit and loss of the establishment in the year has to be prepared and maintained concerning such department or undertaking, or branch and they should be treated as a separate establishment for computation of bonus for the year.

Exempted establishments

The payment of bonus act will not apply to the following section of employees:

- The employees of Life Insurance company
- Seamen defined under clause 42 of the merchant shipping act 1958.
- Employees who registered or listed under the dock workers Act 1948 and employed by the registered or listed employers.
- The employees of any industry controlled by central or state government.
- Employees from Indian red cross society or education institutions, institutions not for profit.
- Employees employed by the contractor on building operations
- Reserve Bank Of India(RBI) employees
- Employees of any financial corporation under the Section 3 or Section 3a of the State Financial Corporation act (SFC) 1951
- Employees of IFCI, Deposit Insurance Corporation, agriculture Refinance Corporation.
- Any financial institution is an establishment in public sector which central government notifies.
- The employees of inland water transport establishment