

# PAYAMENT OF BONUS ACT, 1965

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## Guidelines to be followed by the Employer regarding payment of bonus to its employees as per the Payment of Bonus Act, 1965:

The Payment of Bonus Act, 1965, gives to the employees as statutory right to a share in the profits of his employer. The Act enables the employees to get a minimum bonus equivalent to one month's salary or wages (8.33% of annual earnings) whether the employer makes any profit or not. But the Act also puts a ceiling on the bonus and the maximum bonus payable under the Act is equivalent to about 2 1/2 months' salary or wage (20% of annual earnings).

1. Following is the applicability of the Act :
  - a) Every factory (as defined in Factories Act);
  - b) Every other establishment in which 20 or more persons are employed on any day during accounting year.
  - c) Special provisions with respect to certain establishment are provided.
  - d) Once the Act applies, it shall continue to be governed, notwithstanding the number of

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persons employed falls below 10 - 20 as the case may be.

2. Following are the eligibility for the employees to be covered under the benefits of the Act:-

(a) Employees (other than apprentice) who have worked for not less than 30 days on that accounting year.

(b) Employees drawing salary/ wages upto Rs. 3500

(c) For persons drawing salary between Rs. 2500 and Rs. 3500 per month, eligible amount of bonus payable will be based on the basis of salary of Rs. 2500 only.

3. The provisions of the Act are not applicable on certain employees employed in:-

- a) Life Insurance Corporation
- b) General Corporation
- c) Dockyards, Dockyards
- d) Red Cross
- e) Universities & Educational Institutions
- f) Chambers of Commerce
- g) Social Welfare Institutions
- h) Building Contractors, etc.

4. Following the are disqualifications which results in deduction or non payment of bonus to the employees:-

- a) Where employee has committed the offence of fraud;
- b) Where employee is charged with riotous or violent behavior while in the premises of the establishment;

c) Where the employee has committed the offence of theft, misappropriation or sabotage of any property of the establishment;

d) Where the employee is charged with misconduct of causing financial loss to the Employer to the extent that bonus can be deducted for that year.

5. For contravention of any provision of the Act or the Rule the penalty prescribed under the Act is- imprisonment upto 6 months or with fine upto Rs.1000

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