

Payment of Bonous Act, 1965.

CONTENTS

- ❖ INTRODUCTION TO BONUS
- ❖ THE PAYMENT OF BONUS ACT 1965
- ❖ OBJECTIVES
- ❖ SCOPE
- ❖ EXEMPTIONS
- ❖ DEFINITIONS
- ❖ ELIGIBILITY FOR BONUS
- ❖ DISQUALIFICATION FOR BONUS
- ❖ METHOD OF COMPUTING GROSS PROFIT
- ❖ COMPUTATION OF AVAILABLE SURPLUS
- ❖ PAYMENT OF MINIMUM BONUS

CONTENTS

- ❖ PAYMENT OF MAXIMUM BONUS
- ❖ TIME LIMIT FOR PAYMENT OF BONUS
- ❖ INSPECTORS
- ❖ OFFENCES BY THE COMPANIES
- ❖ DUTIES OF EMPLOYER
- ❖ RIGHTS OF EMPLOYER
- ❖ RIGHTS OF EMPLOYEES
- ❖ OFFENCES AND PENALTIES

BONUS

The term '**Bonus**' is not defined under the Payment of Bonus Act, 1965 nor there exists any definition of bonus under any other enactment.

Dictionary Meaning of the word 'Bonus' is something to the good; especially extra dividend to the shareholders of the company; distribution of profits to the insurance policyholders; gratuity to workmen beyond their wages.

THE PAYMENT OF BONUS ACT, 1965

An act to provide for the payment of bonus to persons employed in certain establishments on the basis of profits or on the basis of production or productivity and for matters connected therewith.

- It is an outcome of the recommendation of the Bonus Commission set up by the government of India in 1961.
- It came into force on May 29, 1965 through an ordinance.
- The ordinance was replaced by this Act which came into force on September 25, 1965.

OBJECTIVES

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

SCOPE

The Payment of Bonus Act, 1965, extends to the whole of India including the State of Jammu and Kashmir.

Act applies to:

- Every factory
- Every other establishment in which twenty or more persons are employed.

EXEMPTIONS

- Small factories and establishments having less than twenty or ten persons.
- Establishments excluded by sec.32, e.g., LIC, Hospitals.
- Establishments where employees have entered into an agreement with the employer.
- Establishments specifically exempted by the appropriate government like sick units.

DEFINITIONS [Sec 2]

- ACCOUNTING YEAR [Sec2(1)]
- ALLOCABLE SURPLUS [Sec 2(4)]
- APPROPRIATE GOVERNMENT [Sec 2 (5)]
- AWARD [Sec 2(7)]
- BANKING COMPANY [Sec 2(8)]
- COMPANY [Sec 2(9)]

CONTI...

- CORPORATION [Sec 2(11)]
- DIRECT TAX [Sec 2(12)]
- EMPLOYEES [SECTION 2(13)]
- EMPLOYER [Sec 2(14)]
- ESTABLISHMENT IN PRIVATE SECTOR [Sec 2(15)]
- ESTABLISHMENT IN PUBLIC SECTOR [Sec 2(16)]
- SALARY OR WAGES [Sec 2(21)]

ESTABLISHMENT TO INCLUDE DEPARTMENTS, UNDERTAKING AND BRANCHES [SEC 3]

According to this section all different departments or undertakings or branches of an establishment of whether situated in the same place or at different places should be treated as parts of the same establishment for computation of bonus under the Act.

ELIGIBILITY FOR BONUS [Sec 8]

- Every employee receiving salary or wages up to RS.10,000 p.m.
- He has worked for at least 30 working days in that year.

DISQUALIFICATION FOR BONUS

[Sec 9]

In case of :

- Fraud,
- Violent behavior while on the premises of the establishment,
- Theft, sabotage of any property of establishment.

DETERMINATION OF BONUS

METHOD OF COMPUTING GROSS PROFIT [Sec 4]

Section 4 to 7 together with the schedule 1 and 2. deal with the computation of gross profit and available surplus out of which 67% in case of companies and 60% in other cases would be allocable surplus.

COMPUTATION OF AVAILABLE SURPLUS

For the purpose of computing the available surplus the sums so deductible from the gross profits are:

- All direct taxes under section 7
- The sums specified in the schedule
- Investment allowance or development allowance which the employer is entitled to deduct from his income under the Income Tax Act

CONTI...

Available Surplus = Gross Profit – (deduct)
the following :

- Depreciation admissible u/s 32 of the Income tax Act
- Development allowance

PAYMENT OF MINIMUM BONUS [Sec 10]

- The minimum bonus is 8.33 % of the salary during the accounting year, or
- Rs. 100 in case of employees above 15 years and Rs 60 in case of employees below 15 years, whichever is higher.

PAYMENT OF MAXIMUM BONUS [Sec 11 & 12]

- The maximum bonus is 20 % of the salary during the accounting year.

TIME LIMIT FOR PAYMENT

The bonus should be paid in cash within 8 months from the close of the accounting year or within one month from the date of enforcement of the award.

INSPECTORS [Sec 27]

Section 20 empowers the appropriate government to appoint Inspectors for the purpose of this Act, by notification in the official gazette.

Powers of inspectors:

- To require an employer to furnish information
- To enter any establishment at any reasonable time
- To order the certain of production documents and examine the same

CONTI...

- To take extracts from the records
- To examine the employers, his agent or servant or any other person found incharge of the establishment
- To exercise such other powers as may be prescribed under the rules

OFFENCES BY THE COMPANIES

[Sec 29]

If any person committing an offence under this Act is a company then every person, who at the time the offence was committed was in charge of and responsible to the company for the conduct of its business and also the company would be deemed to be guilty of the offence and liable to the proceedings against and punished accordingly. But such person shall be exonerated from liabilities and incidental punishment, if he proves that offence was committed without his knowledge.

DUTIES OF THE EMPLOYER

- To calculate and pay the annual bonus as required under the Act.
- To maintain the following registers:
 - Register showing the computation of allocate surplus in Form A,
 - Register showing the amount of bonus due to the employees,
 - To co-operate with the Inspector, produce before him the registers/records maintained, and such other information as may be required by them.

RIGHTS OF EMPLOYERS

- Right to refer any disputes relating to application or interpretation of any provision of the Act, to the Labor Court or Labor Tribunal.
- Right to make permissible deduction from the bonus payable to an employee, such as, festival bonus paid and financial loss caused by the misconduct of the employee.
- Right to forfeit bonus of an employee, who has been dismissed from service for fraud, riotous or violent behavior, or theft, misappropriation or sabotage of any property of the establishment.

RIGHTS OF EMPLOYEES

- Right to claim bonus payable under the Act and to make an application to the Government, for the recovery of bonus due and unpaid, within one year of its becoming due.
- Right to refer any dispute to the Labor Court/Tribunal.
- Employees, to whom the Payment of Bonus Act does not apply, cannot raise a dispute regarding bonus under the Industrial Disputes Act.
- Right to seek clarification and obtain information, on any item in the accounts of the establishment.

OFFENCES AND PENALTIES

Offences:

- Contravention of the provisions of the Act or rules.
- Failure to comply with the directions or requisitions made.

Penalties:

- Imprisonment upto 6 months or fine upto Rs 1000 or both.

ANY
QUESTION
????

THANK
YOU