

Bill No. 15 of 2010

THE PAYMENT OF BONUS (AMENDMENT)
BILL, 2010

By

ADV. P.T. THOMAS, M.P.

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BILL

further to amend the Payment of Bonus Act, 1965.

BE it enacted by Parliament in the Sixty-first Year of the Republic of India as follows:—

1. (1) This Act may be called the Payment of Bonus (Amendment) Act, 2010.
- (2) It shall come into force on such date as the Central Government may, by notification
5 in the Official Gazette, appoint.

Short title and
com-
mencement.

- Amendment of section 2. **2. In section 2 of the Payment of Bonus Act, 1965 (hereinafter referred to as the principal Act), in clause (13) for the words "ten thousand rupees", the words "fifteen thousand rupees" shall be substituted.** 21 of 1965.
- Substitution of new section for section 10. 3. For section 10 of the principal Act, the following section shall be substituted, namely:— 5
- Payment of minimum bonus. **"10. Subject to the other provisions of this Act, every employer shall be bound to pay to every employee in respect of the accounting year commencing on any day in the year 2009 and in respect of every subsequent accounting year, a minimum bonus which shall be 11 per cent. of the salary or wage earned by the employee during the accounting year or one hundred rupees, whichever is higher, whether or not the employer has any allocable surplus in the accounting year:** 10
- Provided that where an employee has not completed fifteen years of age at the beginning of the accounting year, the provisions of this section shall have effect in relation to such employees as if for the words "one hundred rupees", the words "sixty rupees" were substituted."** 15
- Amendment of section 12. **4. In section 12 of the principal Act, for the words "three thousand and five hundred rupees", at both the places where they occur, the words "five thousand rupees" shall, respectively, be substituted.**

STATEMENT OF OBJECTS AND REASONS

The Payment of Bonus Act, 1965 provides for payment of bonus to employees covered under the Act. According to clause (13) of section 2 of the Act, employee means any person (other than an apprentice) employed on a salary or wage not exceeding ten thousand per mensem in any industry to do any skilled or unskilled, manual, supervisory, managerial, administrative, technical or clerical work for hire or reward, whether the terms of employment be expressed or implied. According to section 12 of the Act, the bonus payable to an employee whose salary or wage exceeds three thousand and five hundred rupees per mensem shall be calculated as if his salary or wage were three thousand and five hundred rupees per mensem.

The Act, therefore, at present provides for payment of bonus to only those employees whose salary or wage does not exceed ten thousand rupees per mensem. Further, section 12 read with section 10 provides that the percentage of minimum bonus, which at present is 8.33 per cent., payable to an employee shall be calculated by taking the maximum salary or wage as three thousand and five hundred rupees per mensem even if the salary or wage exceeds Rs. 3500/-.

The existing provisions are not adequate in the present scenario of rising inflation. The Bill, therefore, seeks to amend the definition of employee so as to make all such employees, whose salary or wage does not exceed fifteen thousand rupees, eligible for payment of bonus. The Bill also seeks to enhance the calculation ceiling of bonus from three thousand five hundred rupees to five thousand rupees and to enhance the minimum bonus payable from 8.33 per cent. to 11 per cent. of the salary or wage earned by the employee during the accounting year for which the bonus is being paid.

Hence this Bill.

NEW DELHI;
December 16, 2009.

P.T. THOMAS

FINANCIAL MEMORANDUM

Clause 2 of the Bill seeks to amend clause (13) of section 2 of the Payment of Bonus Act, 1965 to enhance the eligibility limit for the payment of bonus from ten thousand rupees per mensem to fifteen thousand rupees per mensem. Clause 3 seeks to increase the minimum bonus payable from 8.33 per cent. to 11 per cent. of the salary or wage earned by the employee during the accounting year. Clause 4 seeks to provide for enhancing the calculation ceiling of bonus from three thousand and five hundred rupees per mensem to five thousand rupees per mensem.

The additional expenditure on this account, from the Consolidated Fund of India will be due to increase in percentage of minimum bonus payable from 8.33 to 11 per cent., calculation ceiling from three thousand and five hundred rupees per mensem to five thousand rupees per mensem and eligibility limit from ten thousand rupees to fifteen thousand rupees per mensem. The additional approximate expenditure for payment of *ad hoc* bonus to the Central Government employees and in respect of employees belonging to Railways, Post, etc. (Productivity Linked Bonus) will be to the tune of rupees two hundred crore and rupees five hundred crore, respectively. The additional approximate expenditure for payment of bonus to the employees of Central Public Sector Undertakings would be around rupees three hundred crore.

The Bill does not involve any other recurring or non-recurring expenditure.

ANNEXURE

EXTRACTS FROM THE PAYMENT OF BONUS ACT, 1965

(21 of 1965)

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2. In this Act, unless the context otherwise requires,—

Definitions.

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(13) "employee" means any person (other than an apprentice) employed on a salary or wage not exceeding ten thousand rupees per mensem in any industry to do any skilled or unskilled, manual, supervisory, managerial, administrative, technical or clerical work for hire or reward, whether the terms of employment be express or implied;

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10. Subject to the other provisions of this Act, every employer shall be bound to pay to every employee in respect of the accounting year commencing on any day in the year 1979 and in respect of every subsequent accounting year, a minimum bonus which shall be 8.33 per cent. of the salary or wage earned by the employee during the accounting year or one hundred rupees, whichever is higher, whether or not the employer has any allocable surplus in the accounting year:

Payment of minimum bonus.

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12. Where the salary or wage of an employee exceeds three thousand and five hundred rupees per mensem, the bonus payable to such employee under section 10 or, as the case may be, under section 11, shall be calculated as if his salary or wage were three thousand and five hundred rupees per mensem.

Calculation of bonus with respect to certain employees.

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LOK SABHA

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BILL

further to amend the Payment of Bonus Act, 1965.

(Adv. P.T. Thomas, M.P.)