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Welcome to the seventh edition of the e-Bulletin (Volume VIII) brought to you by the Employment, Labour and Benefits practice group of Khaitan & Co. This e-Bulletin covers regulatory developments, case law updates and insights into industry practices that impact businesses from a sector agnostic standpoint.

Labour Codes: Story So Far

In this section, we help you in understanding the developments that have taken thus far on the implementation of the 4 labour codes on wages, social security, industrial relations, and occupational safety, health, and working conditions, which received the Presidential assent between the years 2019 and 2020. The Government of India has, through a series of notifications dated 21 November 2025, brought into effect the 4 labour codes. We have covered this aspect in detail in our ERGO.

The codes consolidate and consequently replace 29 Central labour laws and bring about a more cohesive and modern framework for compliance. The consolidation exercise in the form of the labour codes does bring with it certain changes in the earlier labour law regime. The digitization of procedures (relating to registration and intimations) and the concept of deemed registration (in case authorities do not register the establishment within the specified timeline) are seen as a positive impact on the ease of commencing business as well as the ease of doing business. Similarly, the substitution of prosecution-oriented framework with facilitation process, whereby an employer would be given an opportunity to rectify any non-compliance, heralds an important change in the approach of the government

Set out below are the updates that we have seen on the labour codes front, recently:

1. **Issuance of final rules and allied notifications by the Central Government:** The Central Government notified and brought into effect the final rules under the labour codes on 8 May 2026. In addition, model standing orders and several other enabling notifications have been issued, including those relating to the establishment of the workers' reskilling fund and the levy and collection of cess in respect of building and other construction activities.

2. **Notification of the schemes under the employees' provident fund (EPF) regime:** The Central Government on 29 June 2026 has notified the Employees' Provident Fund Scheme, 2026, Employees' Pension Scheme, 2026 and the Employee's Deposit Linked Insurance Scheme, 2026, under the Code on Social Security 2020. We have covered this aspect in detail in our ERGO.

3. **Issuance of State rules:** In the past year, several key industrialised states such as Haryana, Delhi, Maharashtra, Andhra Pradesh, Telangana, Tamil Nadu, Bihar, and Karnataka released draft rules under some or all of the labour codes for public consultation. Further, states such as Andhra Pradesh, Bihar and Gujarat have released final rules under all of the 4 labour codes, while, some states such as Rajasthan and Sikkim have notified final rules for only 1 or 2 labour codes. In the month of July, states such as West Bengal, Rajasthan, and Goa have notified their draft rules, along with Andhra Pradesh publishing its final rules under the Occupational Safety Health and Working Conditions Code 2020 on 7 August 2026.

Regulatory Updates

In this section, we bring to your attention, important regulatory developments in the form of notifications, orders, bills, amendments, etc. witnessed in the past one month in the context of employment and labour laws.

Central Government notifies contribution rates under the Code on Social Security, 2020

Through a notification dated 1 July 2026, the Ministry of Labour and Employment (MoLE) has notified different rates for contributions under the overall employees' provident fund (EPF) regime, as set out below:

Rates vis-à-vis pension contributions: The notification prescribes the contribution at 8.33% of the wages payable in respect of employees towards the Pension Fund established under the SS Code. The notified contribution rate will be applicable from 29 June 2026.

Rates vis-à-vis employees' provident fund contributions: The notification prescribes the contribution payable by both the employer and the employee at 12% of wages in respect of establishments covered under the SS Code. The notification supersedes the earlier notification dated 9 April 1997 and excludes certain establishments, including those operating under approved resolution or repayment plans under the Insolvency and Bankruptcy Code, 2016 and establishments in the jute, beedi, brick, coir (other than the spinning sector) and guar gum industries. The notification is deemed to have come into force from 21 November 2025.

Rates vis-à-vis employees' deposit linked insurance contributions: The notification prescribes that every employer shall contribute 0.5% of the wages payable to each employee every month towards the Insurance Fund established under the SS Code. The notified contribution rate has come into effect from 29 June 2026.

EPFO issues circular for credit of 8.25% interest on EPF accumulations for FY 2025-26

The Employees' Provident Fund Organisation (EPFO) has issued a circular dated 1 July 2026 directing all Regional and Zonal Offices to credit interest at the rate of 8.25% to the accounts of EPF members for the financial year 2025-26.

Central Government notifies procedure for determining core activity under the Occupational Safety, Health and Working Conditions Rules, 2026

MoLE has issued an order dated 7 July 2026 notifying the manner and process for making an application to determine whether an activity of an establishment constitutes a core activity under the Occupational Safety, Health and Working Conditions (Central) Rules, 2026. The order provides that an aggrieved party may submit an application, along with supporting documents, to MoLE by email or speed post. The MoLE may refer the application to a designated authority, which is required to examine the matter and submit its recommendations within 60 days of receipt of the application. Thereafter, the MoLE is required to decide the matter within 30 days of receiving the report, while adhering to the principles of natural justice and the final decision is to be communicated to the aggrieved party.

Chhattisgarh amends its shops and establishment legislation to revise applicability threshold and working hour provisions

The Chhattisgarh Shops and Establishments (Regulation of Employment and Conditions of Service) (Amendment) Act, 2025, which was published in the Official Gazette on 8 July 2026 (Amendment Act), has been enacted to amend the Chhattisgarh Shops and Establishments (Regulation of Employment and Conditions of Service) Act, 2017 (Act) and came into force from the date of its publication. The Amendment Act increases the applicability threshold of the Act from establishments employing 10 or more employees to those employing 20 or more employees and permits women to work between 9:00 p.m. and 6:00 a.m., subject to conditions notified by the State Government. It also increases the maximum daily working hours from 9 to 10 hours, raises the weekly overtime limit from 5 to 6 hours, increases the maximum spread-over of working hours from 10 and half hours to 12 hours and enhances the quarterly overtime limit from 125 to 144 hours, while omitting the proviso relating to the daily overtime limit and the separate provision prescribing a 12 hour spread-over for workers engaged in intermittent or urgent work.

EPFO issues operational guidelines for implementation of VISHWAS Scheme

EPFO has issued a circular dated 9 July 2026 prescribing the operational framework for implementation of VISHWAS, 2026 (Vishwas Scheme), a scheme notified under the EPF Scheme for the amicable settlement of disputes relating to damages levied under Section 14B of the erstwhile Employees' Provident Funds

and Miscellaneous Provisions Act, 1952 (EPF Act) and Section 128 of the SS Code. The Vishwas Scheme is valid for six months from 29 June 2026 and applies to ongoing litigations, finalised but unrecovered demand cases, and pre-adjudication matters, subject to certain exclusions including cases involving fraud or where the applicable interest has not been fully remitted. It prescribes reduced rates of damages for defaults occurring prior to 14 June 2024, subject to full payment of interest and an undertaking not to pursue further litigation and lays down the online application, verification and certificate issuance process to be followed through the EPFO Employer Portal.

EPFO launches Amnesty Scheme, 2026 for regularisation of exempted provident fund trusts

On 11 July 2026, the EPFO introduced the Amnesty Scheme, 2026 (Amnesty Scheme), providing a one-time opportunity for establishments operating recognised provident fund trusts without a formal exemption notification to regularise their status. Introduced pursuant to the Finance Act, 2026, which aligns recognition of provident funds under the Income-tax framework with the exemption provisions under the EPF Act, the Amnesty Scheme provides for the grant of retrospective exemption under Section 143 of the SS Code. The Amnesty Scheme, notified on 29 June 2026, shall remain in force for six months and applies to establishments seeking retrospective regularisation while either transitioning to the un-exempted framework or continuing as exempted establishments under the SS Code. It further provides for waiver of certain eligibility requirements and relief from pending assessments, damages and interest proceedings, subject to prescribed conditions, including maintenance of statutory or higher member benefits and completion of the requisite audit.

India and the United Kingdom sign Social Security Agreement to prevent dual social security contributions

On 10 February 2026, the Governments of India and the United Kingdom, signed the Agreement on Social Security relating to Social Security Contributions (Social Security Agreement) between the Governments of India and the United Kingdom, which became operational from 15 July 2026. This Social Security Agreement seeks to coordinate social security obligations for employees working across the two jurisdictions and prevent dual social security contributions by ensuring that an employee is subject to the social security legislation of only one state at a time. It provides, inter alia, that a detached worker sent to the other state may continue to remain covered under the social security system of their home state for a period not exceeding 36 months, subject to prescribed conditions. Eligible employees holding a certificate issued by the competent authority of the home state, i.e., EPFO in India and His Majesty's Revenue and Customs in the United Kingdom and their employers, are correspondingly exempt from making social security contributions in the host state during the permissible period of detachment. The Social Security Agreement also prescribes rules for determining the applicable social security legislation for mariners, aircraft crew and government employees and facilitates administrative cooperation between the competent authorities.

Case Updates

In this section, we share important judicial decisions rendered in the past one month from an employment and labour law standpoint.

Labour court shall first determine the validity of a domestic inquiry before examining the merits of misconduct: Allahabad High Court

In M/s Shahi Export House v Presiding Officer, Labour Court and Another, Writ Civil Number 26630 of 2026, the Allahabad High Court held that where an employer relies on a domestic inquiry to justify disciplinary action, the labour court must first decide, as a preliminary issue, whether the domestic inquiry was fair and valid. Only if the inquiry is held to be defective can the labour court proceed to examine the merits of the charges based on evidence adduced before it.

In the present case, the petitioner had initiated a domestic inquiry against a workman, following which the workman was dismissed from service. The workman challenged the dismissal before the labour court. Instead of first deciding the preliminary issue regarding the fairness of the domestic inquiry, the labour court simultaneously recorded evidence on the merits of the charges, held the domestic inquiry to be unfair, concluded that the charges were not proved and declared the termination illegal. The employer challenged the labour court's award before the Allahabad High Court.

The court observed that the law, as consistently laid down by the Supreme Court of India, requires the labour court to first determine whether the domestic inquiry was fair and valid. If the inquiry is found to be valid, the labour court is not required to re-examine the evidence on merits except to consider the proportionality of the punishment. However, where the inquiry is held to be defective, the employer must be afforded an opportunity to lead evidence before the labour court to establish the charges against the workman, after which the workman must be given an opportunity to rebut such evidence. The High Court further held that the labour court cannot simultaneously adjudicate the validity of the inquiry and the merits of the charges.

Accordingly, the Allahabad High Court set aside the labour court's award to the extent it denied the employer an opportunity to prove the misconduct before the labour court after holding the domestic inquiry to be defective. While upholding the finding that the domestic inquiry was unfair, the High Court remanded the matter to the labour court with directions to permit the employer to adduce evidence, allow the workman to cross-examine such evidence and conclude the proceedings within three months.

Interest, penalty and funeral expenses under the Employees' Compensation Act 1923 cannot be denied where compensation is not paid within the prescribed period: Jharkhand High Court

In Sudama Devi v Amjad Nabib Khan and Others, Miscellaneous Appeal Number 81 of 2015, the Jharkhand High Court held that where an employer fails to pay compensation under the erstwhile Employees' Compensation Act, 1923 (Compensation Act) within one month from the date it falls due, the claimant is entitled to statutory interest, penalty and funeral expenses in accordance with the Compensation Act. The High Court reiterated that the Compensation Act is a beneficial legislation and its provisions must be interpreted and implemented in favour of employees and their dependants.

In the present case, the appellant's husband died in a motor vehicle accident while unloading goods in the course of his employment. The labour court awarded compensation and directed payment of interest but did not specify the date from which interest was payable. It also did not award any penalty under Section 4A of the Compensation Act or funeral expenses. Aggrieved by the omission, the appellant preferred an appeal before the High Court seeking modification of the award.

The High Court observed that Section 4A of the Compensation Act requires an employer to pay compensation within one month from the date it falls due. Where the employer defaults, the commissioner is required to award statutory interest and, in the absence of any justification for the delay, may also direct payment of a penalty of up to 50% of the compensation amount after providing the employer an opportunity of being heard. The High Court further observed that, being a beneficial legislation, the provisions of the Compensation Act must be applied in a manner that adequately protects the rights of employees and their dependants, particularly where the claimant is a widow who may not be fully aware of her statutory entitlements.

Accordingly, the High Court modified the award by directing payment of interest on the compensation amount from 26 May 2012, being the date of the accident, till the date of payment. The High Court also awarded a penalty equivalent to 50% of the compensation amount and directed payment of INR 5,000 towards funeral expenses.

Occupier of premises is not liable as principal employer where the work is not part of its own trade or business: Jharkhand High Court

In the President, Jharkhand State Cricket Association v Maizul Haque and Others, Miscellaneous Appeal Numbers 192, 193 and 194 of 2023 and 84, 85 and 86 of 2024, the Jharkhand High Court held that a person, on whose premises work is carried out by a contractor, is not liable as a "principal employer" under Section 12 of the Compensation Act, unless the work forms part of the trade or business ordinarily carried on by such person.

In the present case, three electrical technicians engaged to repair the floodlights at a cricket stadium died after the trolley on which they were working, at a height of about 60 meters and without adequate safety equipment, broke down. The dependants of the deceased filed claims for compensation under the Compensation Act against the company that had supplied the equipment and against its sub-contractor. The Jharkhand State Cricket Association (JSCA), the occupier of the stadium, was subsequently impleaded as an opposite party and, having proceeded ex-parte, was held liable by the Commissioner to pay compensation as the principal employer, with liberty to recover the amount from the company and the sub-contractor. JSCA and the company both appealed against the order.

The High Court observed that the deceased were employees of the company, which had engaged the sub-contractor to execute the work and that the installation and repair of electrical equipment was the ordinary trade and business of the company and not of JSCA, which was merely a body for managing and administering cricket. The High Court reiterated that the relevant tests for determining an employer-employee relationship include control, integration into the employer's business, the power of appointment and dismissal and the liability to pay remuneration and held that these factors, along with the evidence on record, established that the company was the principal employer and the sub-contractor was the immediate employer of the deceased.

Accordingly, the Jharkhand High Court modified the Commissioner's order to hold that the company is the principal employer and the sub-contractor is the immediate employer of the deceased and granted JSCA liberty to pursue its pending recovery proceedings against the company and the sub-contractor for the amounts already paid to the claimants.

Payment of settlement benefits where the validity of employees' resignations remained undetermined for decades: Bombay High Court

In Shantaram G Choudhary and Others v M/s Teksons Limited and Another, Writ Petition Number 6448 of 2003, the Bombay High Court held that where an Industrial Court leaves open a disputed question of fact concerning the tendering of resignations without adjudicating it and decades have elapsed without resolution, the appropriate course is to grant equitable relief to the workmen who were left without remedy despite having substantially succeeded in their complaint, rather than remand the matter for a fresh factual inquiry.

In the present case, a group of employees had complained before the Industrial Court that the employer's demand for a declaration as a condition for resuming duty amounted to an illegal lockout. By order dated 28 October 1993 (1993 Order), the Industrial Court held that the employer had committed unfair labour practices and that only those employees who had not tendered resignations under a settlement dated 12 October 1990 would be entitled to resume duty with full back wages, but it did not determine which of the employees had, in fact, resigned. When the employer thereafter refused to permit any of the employees to resume duty on the ground that all of them had resigned, a fresh complaint filed by the affected employees

was dismissed as not maintainable and subsequent miscellaneous applications seeking implementation of the 1993 Order were also dismissed for want of jurisdiction to decide the factual question of resignation. The affected employees challenged all three orders before the Bombay High Court.

The High Court observed that the Industrial Court had erred in leaving open the issue of tendering of resignations without conducting a factual inquiry, despite the rival positions taken by the parties and that this omission had deprived the employees of the benefit of their success in the original complaint for over three decades. The High Court further observed that, given the passage of 36 years since the settlement, it would be unjust to direct a fresh factual inquiry into the question of resignation at this stage and noted that the employer had not produced the employees' resignation letters at any stage of the proceedings.

Accordingly, the High Court declined to disturb the earlier orders but directed the employer to pay the petitioners, or their legal heirs, all financial benefits arising out of the settlement dated 12 October 1990, together with simple interest at the rate of 6% per annum from the date of filing of the petition, while permitting the employer to seek a refund from the Labour Welfare Commissioner of any amount already deposited towards the same dues.

Industry Insights

In this section, we delve into interesting human resources related practices and/or initiatives as well as industry trends across various sectors in the past one month.

Pay over perks emerges as the key retention driver for Gen Z employees in India

Recent industry reports indicate that pay has overtaken workplace perks as the primary factor driving Gen Z employee retention in India. Studies have found that a significant proportion of Gen Z workers rank compensation as their top priority, with nearly half of all first-year attrition in this demographic being linked directly to low pay. This marks a shift from the perk-led retention strategies that employers had previously built around earlier generations.

In response, several employers across sectors are recalibrating their approach, moving toward greater pay transparency, more frequent compensation reviews, and milestone-linked salary progressions, rather than relying on office culture initiatives or lifestyle benefits. Some companies report that transparent salary disclosures during hiring have improved offer acceptance rates and reduced early-stage attrition. Others have maintained their existing compensation philosophies, emphasizing internal fairness, employee ownership models, and long-term career growth as equally important retention levers. The trend reflects a broader recognition that competitive and transparent compensation has become a strategic necessity for Indian employers, even amid budgetary pressures, as they seek to address high attrition rates among younger workers.

We hope the e-Bulletin enables you to assess internal practices and procedures in view of recent legal developments and emerging industry trends in the employment and labour law and practice landscape.

The contributors to this edition of the e-Bulletin are Anshul Prakash (Partner), Kruthi Murthy (Principal Associate), Ajeta Anand (Senior Associate), Varsha Sankara Raman (Senior Associate) and Sukriti Shrivastava (Associate).

For any queries in relation to the e-Bulletin, please email to us at **elbebulletin@khaitanco.com**

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