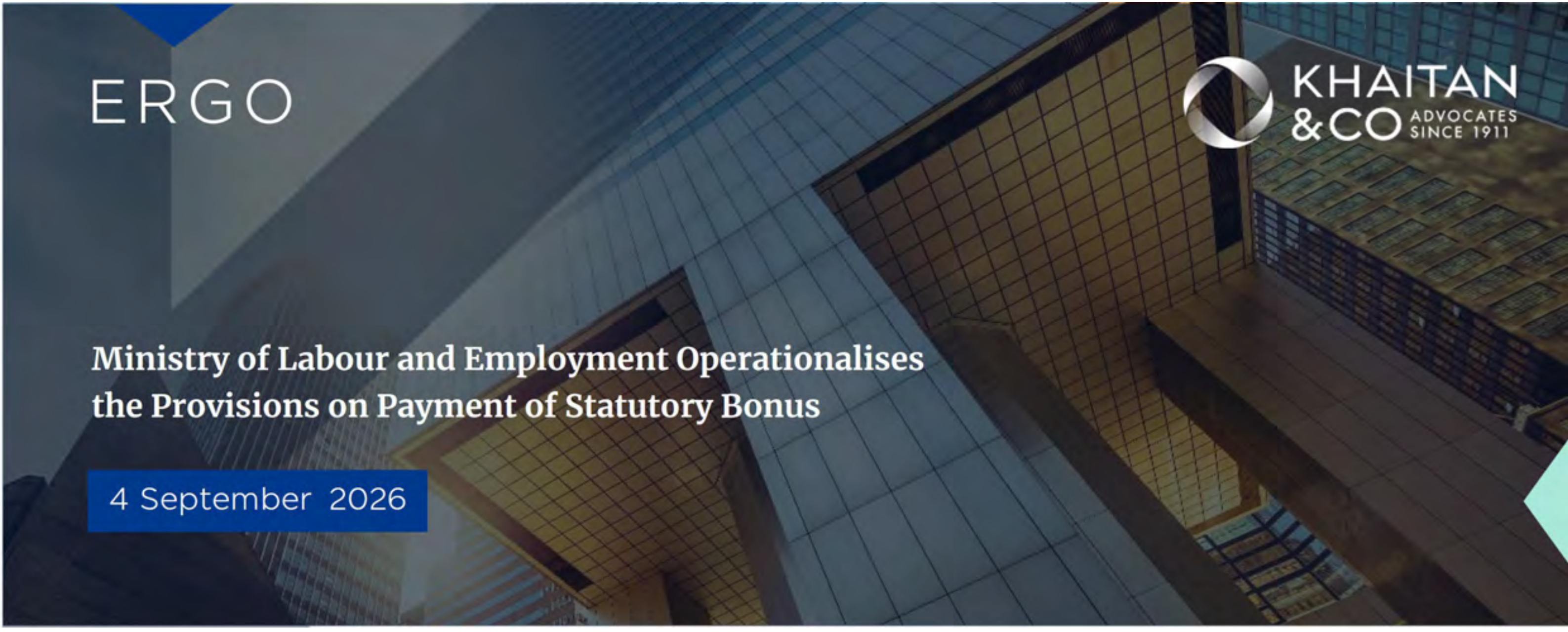

ERGO

Ministry of Labour and Employment Operationalises the Provisions on Payment of Statutory Bonus

4 September 2026

Introduction

On 25 August 2026, the Ministry of Labour and Employment issued two notifications (Notifications)[1] under the Code on Wages, 2019 (Wage Code), thereby operationalising specified provisions relating to payment of statutory bonus for establishments for which the appropriate government is the Central Government. The Wage Code consolidates the legislative framework governing wages and related employee entitlements, including the regime previously governed by the Payment of Bonus Act, 1965.

The Notifications specify, among other things, the wage threshold for determining employee eligibility for statutory bonus and the wage ceiling to be considered for computing the bonus payable to eligible employees.

Key Considerations in Relation to the Notifications

The key considerations regarding the Notifications have been stated below:

(a) The Notifications are applicable to establishments for which the appropriate government is the Central Government (railways, mines, oilfields, major ports, air transport services, telecommunications, banking and insurance companies, corporations /authorities established under a Central Act, and contractors for the purposes of such establishments. This also includes autonomous bodies owned or controlled by the Central Government).

(b) Employees who have worked in an establishment for 30 days in the financial year and who draw wages not more than INR 21,000 per month will be eligible for statutory bonus under Section 26(1) of the Wage Code.

(c) Where the wages of an employee who is eligible for bonus exceeds INR 7,000 per month, the statutory bonus payable to such employee will be calculated as if the employee's wages is INR 7,000 per month or the minimum wages fixed by the Central Government, whichever is higher.

(d) The above provisions shall be in effect retrospectively from 21 November 2025.

Impact for Employers

While the monetary thresholds for payment of statutory bonus remain the same under the new legal regime, the key implication under the Notifications is that the statutory bonus is now required to be computed based on the revised definition of wages for employees in the covered establishments.

[1] Notification S.O. 4710 (E), Ministry of Labour and Employment, 2026.
[1] Notification S.O. 4711 (E), Ministry of Labour and Employment, 2026.

Given that the provisions apply retrospectively from 21 November 2025, employers to whom the Notifications are applicable should assess whether their existing payroll practices and statutory bonus calculations are aligned with the prescribed framework and whether any adjustments are required for the period from that date. In particular, such employers should review their employee base now to identify individuals who fall within the statutory eligibility threshold, validate the wage components considered for bonus purposes, and assess any potential impact on bonus accruals and payroll costs. Employers should also consider updating their payroll systems, policies and internal processes to ensure that statutory bonus is computed consistently in accordance with the Notifications going forward. Where there is any shortfall in payments for the retrospective period, employers should evaluate the appropriate steps to ensure compliance.

It is important to note that similar notifications operationalising the provisions on payment of statutory bonus are expected to be issued by the respective State Governments. Establishments that are covered under the jurisdiction of their respective State Governments should closely monitor any developments in this regard.

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