

Section 2:

2 In this act (1) accounting year means
3 (i) in relation to corporate; the year ending
4 on the day on which the books and accounts
5 of the corporate are to be closed and
6 balanced.

(ii) in relation to a Company the period in
5 respect of which any profit and loss
6 account of the Company, laid before it in
annual general meeting is made up.

(iii) In another case

(a) the year commencing on 1st day of April

(b) or if the accounts of an establishment
maintained by the employer, thereof
closed and balanced on any day other than
31st day of march,

then at the option of the employer the year
ending on the day on which it accounts
are so closed and balanced.

(2) agricultural income have the same meaning as in the income tax act.

(3) "agricultural income tax law" means any law for the time being in force relating to the levy of tax on agricultural income.

(4) allocable surplus means, employer being a company (other than a banking Co.)

(5) appropriate Government means

(i) in relation to an establishment in respect of which the industrial disputes act 1947 is in force in the central govt.

(ii) in relation to any other establishment, the government of the state in which the establishment is situated.

(6) available surplus means the available surplus under sec 5

(7) "award" means any industrial dispute act settle by the labour court in force in state or arbitration award.

(8) "Banking Company" means a banking Co as defined in the sec 5 of the Banking Companies act and includes state Bank of India and subsidiary bank.

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(9) Company means any company defined in sec 3 of the Companies act.

(10) Co-operative Society means a society registered under the Cooperative Societies act.

(11) Corporation means any body corporate established by or under any central or state act but does not include or a company or a co-operative society.

(12) employer includes in relation to an establishment which is a factory, the owner or occupier of the factory.

(13) employee means any person, employed on a salary or wage not exceeding (Twenty one thousand (Rs 21,000/-) rupees) per in any industry to do any skilled or unskilled manual supervisory, managerial administrative, technical or clerical work for or reward.

(14) "establishment in private sector" means any establishment (other than an establishment in public sector).

(15) "factory" shall have the same meaning as in clause of sec 2 of the factories act

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(16) Gross profits means the gross profit calculated under section 4.

Salary or wage: means all remuneration (other than remuneration in respect of overtime) in terms of money, if the terms of employment, payable to an employee in respect of work done in such employment and includes dearness allowance, paid to an employee on account of a rise in the cost of living) but does not include.

(i) any other allowance which the employee is for the time being entitled to -

(ii) value of house accommodation or supply of light, water, medical attendance or other amenity or any service or any concessional supply of food grains by PDS system, or other like articles.

(iii) Any travelling concession

(iv) Any bonus (including incentive, production and attendance bonus).

(v) Any contribution paid or payable by the employer to any pension fund or provident fund or the benefit of the employee under any law for the time being in force.

(vi) Any retrenchment compensation, or any gratuity or other retirement benefit payable to employee or any other ex gratia payment.

(vii) Any Commission payable to employee

The payment of bonus act 1965, provides for the payment of bonus to persons employed in certain establishments employing 20 or more persons, on the basis of profits or on the basis of production or productivity and matters connected therewith.

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The minimum bonus of 8.33% is payable by every industry and establishment under sect including productivity linked bonus that can be paid in any accounting year shall not exceed under the section 31A of the act.

Details of amendments to the payment of bonus:

S.No:	Year of Amendment	Eligibility Limit (Rs per month)	Calculation ceiling (Rs per month)
1	1965	Rs 1600	Rs 750
2	1985	Rs 2500	Rs 1600
3	1995	Rs 3500	Rs 2500
4	2007	Rs 10,000	Rs 3500
5	2015	Rs 21,000	Rs 7000

The last amendment of 2015 was notified on 1st Jan 2016 and its effective from 2020.

Sec: 3. Establishments to include departments, undertakings and branch:

Where an establishment consists of different departments or undertakings or has branches, whether situated in same place or different places, all such departments or undertakings or branches shall be treated as parts of the same establishment for the purpose of computations of bonus under this act.

Section 4: Computation of gross profits:

The gross profits derived by an employer from an establishment in respect of any accounting year shall be

- (a) in the case of banking company be calculated in the manner specified in the first schedule
- (b) in any other case be calculated in the manner in the second schedule.

Section: 5 Computation of available Surplus

The available surplus in respect of any accounting year shall be the gross profit for that year after deducting therefrom the sums referred to in sec 6.

(a) the gross profits for that accounting year after deducting therefrom the sums referred to in sec 6

(b) an amount equal to the difference between

(i) the direct tax, calculated in accordance with the provisions of sec 7, in respect of an amount equal to the gross profits of the employer for the immediately preceding accounting year.

(ii) the direct tax, calculated in accordance with the provisions of sec 7, in respect of amount equal to the gross profits of the employer for such preceding accounting year after deducting therefrom the a bonus which the employer has paid or is liable to pay to his employee accordance with the provisions of this act for that year.

Sum deductible from gross profits: