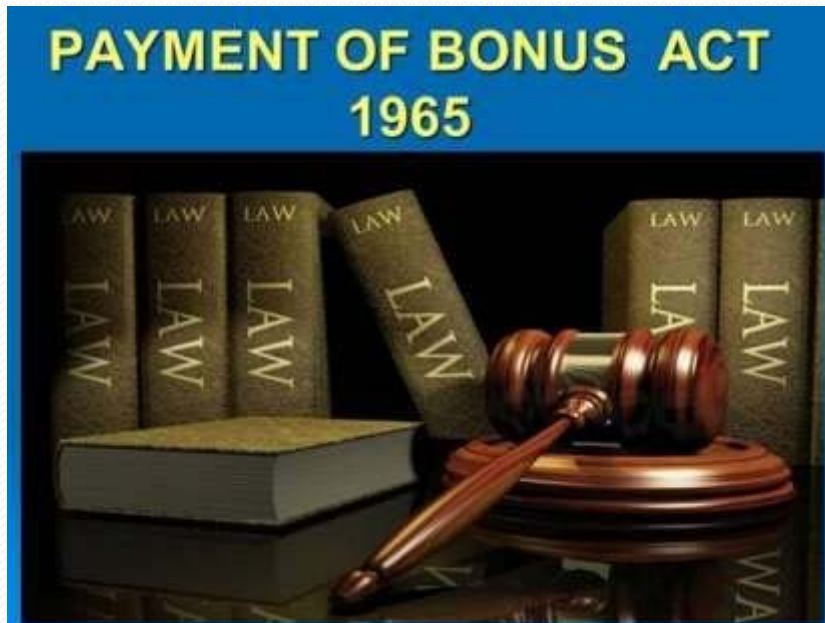


Payment of Bonus Act, 1965




Neha Garg

- ❖ Bonus is a concept referring to ex gratia payment or bounty or payment by way of gift.
- ❖ Normally the term bonus implies an extra payment over and above what is due to the person concerned given as a voluntary gift.
- ❖ Bonus is also a method of sharing of profits with the workers.
- ❖ However, with enactment of the Payment of Bonus Act, 1965 the concept of bonus has undergone considerable change.
- ❖ The obligation to pay a minimum bonus irrespective of the financial results has turned bonus into additional statutory payment by an employer to his employees.



- The term “Bonus” is not defined under the Payment of Bonus Act, 1965, nor there exists any definition of bonus under any other enactment. However, the attempt to define Bonus is not lacking.
- The dictionary meaning of the word “bonus” is something to the good, especially the extra dividend to the shareholders of the company, the distribution of profits to the insurance policyholders, gratuity to workmen beyond their wages.
- It is the last meaning that has acquired importance in the labor management relations in India.



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- ✓ **The Payment of Bonus Act, 1965 is an outcome of the recommendation of the Bonus Commission set up by the Government of India in 1961.**
 - ✓ **Its objective is to provide for the Payment of Bonus to persons employed in certain establishments and for the matters connected therewith.**
 - ✓ **The Act creates a statutory liability on the employers for the payment of bonus.**
 - ✓ **Bonus is no longer linked with production or profitability.**
 - ✓ **It is the socio-economic legislation intended to achieve the object to meeting the challenge which necessarily flows from the unsatisfied human desires and ambitions.**

Eligibility for Bonus [Section 8]

Every employee shall be entitled to be paid by his employer in an accounting year, in accordance with the provisions of the Act, provided he has worked in this establishment for not less than 30 working days in that year.

Where an employee has not worked for all the working days in an accounting year, the minimum bonus of ₹ 100 or as the case may be, of sixty rupees, if such bonus is higher than 8.33% of his salary or wage for the days he has worked in that accounting year, shall be proportionately reduced [Section 13].



Disqualification for Bonus [Section 9]

An employee shall be disqualified from receiving bonus, if he is dismissed from service for:

❖ Fraud;

❖ Riotous or violent behavior while on the premises of the establishments;

❖ Theft, misappropriation or sabotage of any property of the establishment.



Payment of Maximum Bonus [Section 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% of the salary or wage earned by the employee during the accounting year or ₹ 100 , whichever is higher, whether or not the employer has any allocable surplus in the accounting year.

It is provided that where an employee has not completed 15 years of age at the beginning of the accounting year, the provisions of this section shall have effect in relation to such employee as if for the words “one hundred rupees” the words “sixty rupees” were substituted.



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