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OVERVIEW OF THE CODE ON WAGES

The Ministry of Labour and Employment (**Ministry**) has notified¹ that certain provisions of the Code on Wages, 2019 (the “**Code**”), are brought into force on November 21, 2025. The Code subsumes the following four labour laws: the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment of bonus Act, 1965 and the Equal Remuneration Act, 1976.

However, since labour laws are a part of the concurrent list and various states have not yet released the final rules under the Code, the Ministry has clarified that “..[T]he relevant provisions of the existing labour Acts and their respective rules, regulations, notifications, standards, schemes, etc. will continue to remain in force.”

Brief Overview

I. Applicability (Chapter I):

1. The Code applies to all factories and establishments where any industry, trade, business, manufacturing, or occupation is carried out and includes government establishments.
2. It distinguishes between the terms ‘employee’ and ‘worker’.
 - a. ‘Employee’ includes every person, irrespective of their salary, wage, type of employment, or type of employed sector.
 - b. ‘Worker’ is a term used for persons employed in any industry but does not include a person employed at a managerial, administrative and supervisory capacity (if he draws a salary exceeding Rupees 15,000).

The Code applies to all employees and workers irrespective of their wages as the Code prescribes no ceiling on wages.

3. ‘Wages’ includes basic pay, dearness allowance and retaining allowance and excludes any other variables such as statutory contributions, bonus, and other allowances. The Code also mandates that if the total of the exclusions exceeds 50% of the total wage (or any other limit specified by the government), the difference amount shall be deemed to be wages.
4. The Code mandates that overtime wages for employees should be paid at a minimum of twice the normal rate of wages.

¹ Notification No. S.O. 5322(E) dated November 21, 2025 is available [here](#). As per the Press Bureau of India press release ‘Government Makes the Four Labour Codes effective to Simplify and Streamline Labour Laws’ dated November 21, 2025, available [here](#).

5. The Code prohibits any gender-based discrimination in matters relating to wages in respect of similar nature of work.

II. Minimum Wages and Payment of Wages (Chapters II & III):

1. The Code obligates an employer to not pay wages less than the minimum wage which will be fixed by the Government from time to time.
2. An employer must ensure that wages are paid before the 7th of the succeeding month.
3. An employer must pay an employee their wages within 2 working days under the following circumstances:
 - a. When an employee is terminated; or
 - b. When an employee is retrenched, has resigned or on closure of the establishment.
4. An employer can deduct wages only to the extent permitted under the Code and such deduction must not exceed 50% of the wages payable.

III. Payment of Bonus (Chapter IV):

1. Bonus Payable: An employer is required to pay an employee, who has worked for minimum thirty (30) days in an accounting year, a minimum bonus of 8.33% of annual wages or Rs. 100, whichever higher. Maximum bonus payable is 20%.
2. Eligibility for Receiving Bonus:
 - a. Bonus shall be payable only to employees who fall within the wage ceiling as determined by the Government; and
 - b. If an employee has not worked for minimum 30 days, then the bonus receivable shall be reduced proportionately.
 - c. Employees dismissed from their services on account of having committed fraud, violent behaviour, theft or misappropriation of property, or have been convicted for sexual harassment shall be disqualified from receiving bonus.
3. The Code prescribes payment of bonus in the bank account of the employee within 8 months from the close of the financial year.

IV. Payment of Dues and Claims (Chapter VI):

1. An employer is required to pay all such amounts due under the Code.
2. If the amount becomes payable and cannot be paid due to the death of the employee, then it must be paid to the person nominated by the deceased employee. In case there are no nominees, it must be paid to the prescribed authority (to be determined by the Government).

V. Enforcement, Monitoring and Penalties (Chapters VII & VIII):

1. Inspector-cum-Facilitators: The appropriate government must appoint Inspector-cum-Facilitators (ICFs). ICF's are authorized to inspect establishments, require any person to furnish information, search, seize or take copies of register or record of wages as and when required.
2. The following penalties are applicable for violating the Code:

Offence	1 st Contravention	Repeat Contravention
Payment of wage lesser than prescribed amount	Rs 50,000	If repeated within 5 years; 3 months imprisonment or fine of Rs 1,00,000 or both.
No proper maintenance of records	Rs 10,000	If found guilty of subsequent offence within 5 years, shall be punishable with one month imprisonment or fine of Rs 40,000 or both.
Contravention of any other provisions under the COW	Rs 20,000	If repeated within 5 years: 1 month imprisonment or fine of Rs 40,000 or both

VI. Miscellaneous (Chapter IX)

If an agreement requires an employee to relinquish any amount payable under the Code, then such agreement shall be considered *null* and *void*.

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