

Ad. Deepak M. Tiwari

Advocate, High Court & Subordinate Courts

PRACTICE NOTE — LABOUR & EMPLOYMENT LAW (1 OF 4 NEW LABOUR CODES)

The Code on Wages, 2019 — Key Points

Unified law on wages, minimum wages, timely payment, bonus and equal remuneration — one of the four new Labour Codes

STRUCTURE

9 Chapters, 69 Sections

REPLACES

Payment of Wages Act 1936; Minimum Wages Act 1948; Payment of Bonus Act 1965; Equal Remuneration Act 1976

CENTRAL RULES

Notified and in effect from 21 November 2025

STATE ROLLOUT

Uneven — most major States have notified rules; no uniform pan-India commencement date yet

APPLIES TO

All employees in all sectors, organised and unorganised — no wage ceiling for core protections

DEFINITION OF WAGES — THE FOUNDATIONAL CHANGE

SECTION 2(Y) — "WAGES" DEFINED

- All remuneration by way of salary, allowances or otherwise, expressed in money terms, payable if employment terms were fulfilled — includes basic pay, dearness allowance, and retaining allowance.
- Specifically excludes items such as statutory bonus, employer's PF/pension contribution, HRA, conveyance, and certain other allowances — **but only up to a cap.**

THE 50% RULE

- Excluded components (HRA, conveyance, special allowances, etc.) cannot together exceed **50%** of an employee's total remuneration/CTC.
- Any excess over 50% is added back and treated as "wages" for statutory purposes — directly affects PF, gratuity, and other wage-linked calculations. Employers must re-structure CTC/ salary breakups accordingly.

FLOOR WAGE & MINIMUM WAGES — S.6–S.9

FLOOR WAGE — S.9

- Central Government fixes a **floor wage** for different geographical areas, having regard to minimum living standards.
- State Governments **cannot fix minimum wages below** the applicable floor wage; if an existing State minimum wage is higher, it must be maintained.

MINIMUM WAGES — S.6–S.8

- Universal minimum wage protection extended to **all employments**, not just "scheduled employments" as under the old Minimum Wages Act.
- Minimum wages to be revised/reviewed by the appropriate Government at intervals not exceeding **5 years**.

EQUAL REMUNERATION — S.3

NO GENDER/IDENTITY-BASED DISCRIMINATION IN WAGES

- Employer must pay equal remuneration to all employees for the same work or work of a similar nature — no discrimination on the ground of gender (the Code's language now also reads consistently with recognition of the transgender category) in wages or in recruitment for the same/similar work.

TIMELY PAYMENT OF WAGES — S.15–S.17

WAGE PERIOD & MODE OF PAYMENT (S.15–S.16)

- Employer fixes the wage period as **daily, weekly, fortnightly, or monthly** — no wage period shall exceed a month.
- Wages may be paid in coin/currency notes, by cheque, credited to a bank account, or through electronic mode.

TIME LIMIT FOR PAYMENT (S.17)

- Daily-wage: payable at the end of the shift; weekly: on the last working day of the week; fortnightly: within 2 days of the fortnight ending; monthly: within 7th/10th of the succeeding month (per applicable rules).
- On **separation** (resignation, termination, retrenchment): full and final settlement within **2 working days** of the last working day — a significant tightening from the earlier position.

DEDUCTIONS FROM WAGES

PERMITTED GROUNDS & CAP

- Deductions permitted only on specified grounds — fines, absence from duty, damage/loss caused by employee's neglect, accommodation/amenities provided by employer, recovery of advances/loans, PF/pension/insurance contributions, income tax, and orders of a court/authority.
- **Total deductions in any wage period cannot exceed 50%** of the employee's total wages for that period.

PAYMENT OF BONUS — CHAPTER IV

Eligibility

Employee must have worked at least 30 days in the accounting year, and draws wages not exceeding a notified monthly ceiling, to claim a statutory bonus.

Minimum & Maximum Bonus

Minimum bonus: **8.33%** of wages or ₹100, whichever is higher, payable irrespective of profit/allocable surplus. Maximum bonus, where allocable surplus permits: **20%** of wages.

Disqualification

An employee dismissed for fraud, riotous/violent behaviour at the establishment, or theft/misappropriation/sabotage of any establishment property is disqualified from bonus for that year.

ADMINISTRATION, ADVISORY BOARDS & ENFORCEMENT

ADVISORY BOARDS

- Central and State Advisory Boards constituted to advise on fixation/revision of minimum wages, increasing employment opportunities for women, and related issues — with representation of employers, employees, and independent persons.

INSPECTOR-CUM-FACILITATORS

- Replaces the earlier "Inspector" concept with an "Inspector-cum-Facilitator" role, combining enforcement with an advisory/facilitative function; web-based inspection scheme and randomised inspections contemplated under the Rules.

PENALTIES (ILLUSTRATIVE)

EMPLOYER CONTRAVENTIONS

- Non-payment of dues/wages below minimum/floor wage: fine up to ₹50,000; repeat offence within 5 years — imprisonment up to 3 months and/or fine up to ₹1 lakh.
- Other contraventions (e.g. non-maintenance of records) attract graded fines, generally with an opportunity to comply before penal action for a first offence.

COMPOUNDING

- Most offences under the Code (other than repeat offences within 5 years, or those also punishable with imprisonment as the sole punishment) are compoundable, on payment of a prescribed sum.

PRACTICE NOTES

Re-Check Every CTC Structure

The 50% wage-definition rule requires most standard CTC breakups (with HRA/conveyance/special allowance loaded above 50%) to be restructured — advise corporate clients to audit salary structures for PF, gratuity, and bonus exposure.

Full & Final Settlement — 2-Day Rule

The 2-working-day settlement timeline on separation is a major compliance tightening — advise HR clients to build this into offboarding workflows to avoid penal exposure.

Confirm State Rules Before Advising

Central rules are in force, but State-level notification and effective dates vary — always confirm the applicable State's rules and commencement date for the specific establishment before advising on compliance.

For internal practice reference only — this note highlights select, frequently used provisions and does not cover all 69 sections. Cross-check exact section text, applicable State Rules, and the latest notifications before relying in advice or proceedings. Prepared 28 July 2026.

Primary sources: The Code on Wages, 2019 (indiacode.nic.in); PRS Legislative Research Bill Summary; Ministry of Labour & Employment notifications and FAQs on the Labour Codes (2025–26).