

Payroll-Relevant Labour Law Sections: Old vs New Labour Codes (India)

Meticulous and Detailed Explanation with Exact Norms and Ceilings

I. In-Depth Analysis of Relevant Sections from Existing (Pre-Code) Labour Laws

1. Employees' Provident Funds and Miscellaneous Provisions Act, 1952

- Section 6:
 - Employer and employee each contribute 12% of Basic + DA + Retaining Allowance.
 - Ceiling: Mandatory up to ₹15,000/month (basic + DA). Above that, voluntary coverage.
 - Admin Charges: Employer pays 0.50% for admin + 0.50% for EDLI.
- Section 2(b):
 - Basic wages exclude HRA, overtime, bonus, etc. This enabled low PF wage structuring.

2. Employees' State Insurance Act, 1948

- Section 2(9):
 - Applicable to employees earning up to ₹21,000/month (or ₹25,000 for disabled workers).
- Section 39:
 - Employer: 3.25%, Employee: 0.75%, Total: 4% of gross wages.
 - Due by the 15th of next month.

3. Payment of Wages Act, 1936

- Section 6:
 - Payment must be in cash, cheque, or electronic transfer.
- Section 7:
 - Deductions allowed for PF, ESI, IT, fines (max 3%), recovery, loans, housing, etc.
 - Total deductions cannot exceed 50% of wages.

4. Minimum Wages Act, 1948

- Section 3 & 4:
 - States define minimum wages by category & region.
 - Includes Basic + VDA (Variable Dearness Allowance).
 - Must be paid regardless of performance.

5. Payment of Bonus Act, 1965

- Section 10 & 11:
 - Minimum bonus: 8.33% | Maximum: 20%
 - Applicable to those earning up to ₹21,000/month
 - Bonus calculated on ₹7,000/month or state minimum wage (higher of the two)
 - Must work 30 days in the accounting year.

6. Payment of Gratuity Act, 1972

- Section 4:
 - Eligible after 5 years of service.
 - Formula: $(15/26) \times \text{Basic} + \text{DA} \times \text{Years of Service}$
 - Max gratuity: ₹20,00,000
 - Exempt from income tax up to ₹20 lakh.

II. Payroll-Relevant Sections Under New Labour Codes (Post 2020)

1. Code on Wages, 2019

- Section 2(y):
 - “Wages” = Basic + DA + Retaining Allowance
 - Exclusions like HRA, bonus, commissions, etc., cannot exceed 50% of total remuneration.
- Section 6 & 15:
 - Wages must be paid within 7 days of next month.
 - Deductions cannot exceed 50% of wages.

2. Code on Social Security, 2020

- Section 16(1) (PF):
 - Employer: 12%, Employee: 12% of wages.
 - Ceiling: ₹15,000/month for mandatory PF.
- Section 29:
 - Gratuity remains same but calculated on higher base due to new “wages” definition.
- Section 32 (ESI):
 - Same limits: 3.25% (employer) + 0.75% (employee) = 4%
 - Coverage ceiling: ₹21,000/month

3. Industrial Relations Code, 2020

- Section 2(l):
 - Worker definition includes wage ceiling of ₹18,000/month
- Section 62:
 - Employer to pay 15 days’ average wages into worker reskilling fund during retrenchment.

4. OSHWC Code, 2020 (Occupational Safety & Health)

- Section 6:
 - Max 8 hours/day, 48 hours/week. Overtime at 2x rate.
- Section 25:
 - Leave with wages: 1 for every 20 days worked.

III. Key Payroll Calculation Examples (Old vs New)

1. PF Impact

- Old: Basic = ₹15,000 → PF = ₹1,800/month
- New: Basic = ₹25,000 → PF = ₹3,000/month
- Annual employer PF increase: ₹14,400

2. Bonus Calculation

- Eligible Salary = ₹21,000
- Bonus base = ₹7,000 or State MW
- Minimum Bonus (8.33%) = ₹9,996/year
- Maximum (20%) = ₹16,800/year

3. Gratuity Calculation (New Code)

- Basic + DA = ₹30,000
- Years = 20
- Gratuity = $(15/26) \times 30,000 \times 20 = ₹3,46,153$