Karnataka Shops and Commercial Establishments (Amendment) Act, 2026

Reference: Karnataka Act No. 38 of 2026 | **Governor's Assent:** 3 September 2026 | **Gazette Publication:** 4 September 2026

Effective Date: The Act has come into force with immediate effect from the date of gazette publication, 4 September 2026. No separate commencement notification is contemplated under the Act. Employers should treat all provisions below as legally binding from this date.

1. Summary

The Karnataka Shops and Commercial Establishments Act, 1961 has been amended to align the State framework with the Central Labour Codes, enable digital registration processes, strengthen certain employee protections, and substantially increase penalties for non-compliance. Key changes are summarised below

2. Key Amendments

Area	Change under the Act
Registration exemption – 10+ employees	Establishments employing 10 or more workers, if already registered under the Occupational Safety, Health and Working Conditions Code, 2020 (OSH Code), are exempted from separate registration under the Karnataka Act. No separate registration is required for godowns/storage facilities within 100 metres of the principal establishment.
Digital registration	Registration applications, issuance and fee-related processes are to be enabled through digital/electronic/online mode. Notifications to the Inspector are also to be made through digital/online mode.
Registration timeline	The registration-related period under Section 4(3A) is reduced from 30 days to 7 days.
Registration validity	Registration, once issued, remains valid until closure or cessation of business. Periodic renewal is therefore removed.
Service Certificate – NEW	Every employer must issue a Service Certificate within 7 days from receipt of an employee's application, in the prescribed form. Note: The Gazette notification does not prescribe a specific format/template for the Service Certificate. It states that the certificate must be issued within 7 days of receiving the employee's application "in such form as may be prescribed." Accordingly, the Karnataka Government may prescribe the statutory format through subsequent Rules or notification. Until then, employers may adopt an appropriate internal format to comply with the 7-day requirement.
Retention of original documents – NEW	Employers are prohibited from retaining an employee's original educational certificates, experience certificates or any other original documents at the time of appointment or during employment.
Alignment with Labour Codes	References to the Payment of Wages Act, 1936 are replaced by the Code on Wages, 2019, and references to the Workmen's Compensation Act, 1923 are replaced by the Code on Social Security, 2020.
Few Night shift provisions removed	Removal of specified night-shift conditions for women: Clauses (h) to (o) of Section 25(1) have been omitted. These provisions previously imposed detailed operational safeguards for establishments permitting women employees to work during night shifts, including driver background verification, controlled employee transportation routes, confidentiality of employee contact/address details, security arrangements, vehicle monitoring, a travel desk/control room and emergency alert mechanisms. The amendment removes these specific conditions from Section 25(1). Refer the below tabular for remaining mandatory conditions*

Compounding of offences	The jurisdictional Labour Officer may compound offences by collecting 50% of the prescribed fine for the first offence and 75% for the second/subsequent offence. The same nature of offence cannot be compounded more than twice by the same person within one year.
Opportunity of hearing	No penalty can be imposed without providing the concerned person a reasonable opportunity of being heard.
Appeal mechanism	Appeal against an order under Section 33-A can be filed within 30 days of receipt of the order. The fine must be deposited before the appeal is entertained. The appeal is to be disposed of within 60 days, and the Appellate Authority must be at least of the rank of Assistant Labour Commissioner.

The 2026 Act specifically omits only clauses (h), (i), (j), (k), (l), (m), (n) and (o) from Section 25(1).

***What remains mandatory for women working night shifts**

Under the remaining clauses (a)–(g) of Section 25(1), the following obligations continue:

Clause	Obligation that continues
(a)	Compliance with the applicable requirements relating to daily/weekly working hours, overtime, rest intervals, spread-over and weekly holidays under Sections 7, 8, 9, 10 and 12.
(b)	Written willingness/consent of the woman employee must be obtained before permitting night-shift work.
(c)	Employer must provide free transport from residence to workplace and back, with adequate security and GPS tracking/monitoring.
(d)	Women employees must be employed on a rotation basis.
(e)	Adequate security guards must be posted during the night shift.
(f)	Separate adequate restrooms, electricity, latrines, lockers, dispensary and washing facilities with adequate water supply must be provided to women employees to ensure privacy.
(g)	Crèche cost: Where women employees work during night shifts, the employer must bear the cost of crèche facilities obtained by them from voluntary or other organisations.

Penalties — Substantially Increased

Provision	Covers	Earlier	Now
Sec. 30(1) — first offence	Registration, appointment orders, service certificate, document retention, hours, rest intervals, leave, women/young persons at night, notice of dismissal (Ss. 4-6, 6-A, 6-B, 6-C, 7, 9-13, 15-16, 25, 39)	₹1,000	₹3,000
Sec. 30(1) — repeat offence	Same as above	₹2,000	₹5,000
Sec. 30(2)	Overtime wages, advance payment, register production, register/notice display (Ss. 8, 17, 29, 34)	₹250	₹2,000
Sec. 30(3) (substituted)	Child employment prohibition and women/young persons at night (Ss. 24, 25)	Imprisonment 3-6 months + fine ₹10,000-20,000	Minimum fine ₹10,000 (imprisonment removed)
Sec. 33	Obstructing an Inspector / non-compliance with lawful direction	₹500	₹10,000
Sec. 4(8)	Registration default	Imprisonment up to 6 months + fine up to ₹5,000	Fine up to ₹50,000 (imprisonment removed)

Compounding of Offences and Appeal (New Sections 33-A, 33-B)

- The jurisdictional Labour Officer may compound an offence by collecting 50% of the prescribed fine for a first offence, and 75% for a second or subsequent offence.
- An offence of the same nature by the same person cannot be compounded more than twice within a period of one year.
- No penalty may be imposed without giving the concerned person a reasonable opportunity of being heard.
- A person aggrieved by a compounding order may appeal within 30 days to a notified appellate authority (not below the rank of Assistant Labour Commissioner). The fine amount must be deposited before the appeal is entertained. The appeal is to be disposed of within 60 days.

Recommended Action Plan

1. Any new premise, building, or establishment registration to be initiated should be planned in advance to meet the 7-day application filing timeline.
2. Return any original employee documents currently retained on file, and update onboarding processes to stop this practice with immediate effect.
3. Implement a documented process to issue service certificates within 7 days of any employee request.
4. Where applicable, migrate registration applications, amendments/updates and Inspector communications to electronic/digital mode, subject to the relevant department portal being operational.
5. OSH Code Registration Exemption – Karnataka: Establishments employing 10 or more workers that are already registered under the Occupational Safety, Health and Working Conditions Code, 2020 (OSH Code) are exempt from separate registration under the Karnataka Shops and Commercial Establishments Act.

   For establishments falling under the Karnataka State Government's jurisdiction, the Karnataka OSH Rules and corresponding State registration framework are currently pending final notification. Accordingly, employers should first verify whether the establishment has actually obtained a valid OSH Code registration before relying on the Section 3(1)(k) exemption. Mere coverage under the OSH Code or eligibility for registration should not be treated as sufficient to claim the exemption.

   Further, the exemption under Section 3(1)(k) expressly relates to separate registration under the Karnataka Shops and Commercial Establishments Act. Until the scope of the provision is clarified through the applicable Rules, Government guidance or legal interpretation, employers should not assume that it provides a blanket exemption from other substantive obligations under the Karnataka Act and should continue to assess and comply with such applicable requirements.
6. Update internal compliance risk assessments to reflect the substantially higher penalty exposure under the amended Act.