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Statutory Bonus for FY 2025-26 under the Labour Codes

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Financial Year 2025-26 is not a routine bonus year. The Labour Codes came into force on 21 November 2025, which means the same accounting year (1 April 2025 to 31 March 2026) is now governed by two different laws: the Payment of Bonus Act, 1965 for the first part, and Chapter IV of the Code on Wages, 2019 for the remainder.

The Central Government has since issued two notifications, both dated 25 August 2026 and effective retrospectively from 21 November 2025. These notifications prescribe the wage ceiling for bonus eligibility and the ceiling on which bonus is calculated. With the statutory payment deadline of 30 November 2026 approaching, employers need to finalize their approach now.

Key Factors Under the Act and the Code on Wages for FY 2025-26

Eligibility

The Central Government has specified a wage ceiling of ₹21,000 per month for bonus eligibility under Section 26(1) of the Code on Wages. Employees drawing wages up to this limit, subject to the other statutory conditions, are covered.

Calculation

Where the wages of an eligible employee exceed ₹7,000 per month, bonus is calculated as if the employee's wages were ₹7,000 per month or the applicable State minimum wage, whichever is higher.

Both notifications apply retrospectively from 21 November 2025. The appropriate Government for the establishment (Central or State) determines which minimum wage and notification framework applies.





Who Is Eligible?

An employee qualifies for statutory bonus if:

1. Monthly wages do not exceed ₹21,000, tested separately for each of the two periods referred to above; and
2. The employee has worked for at least 30 days during the accounting year.

Under the Code, an employee is disqualified from receiving bonus if dismissed for:

- fraud;
- riotous or violent behaviour on the establishment's premises;
- theft, misappropriation, or sabotage of the employer's property; or
- conviction for sexual harassment.

The Wage Definition Shift

Under the Payment of Bonus Act, eligibility was tested using the bonus wages definition. Under the Code on Wages, the test uses the new wages definition.

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Where excluded allowances form a significant share of total remuneration, the Code's wage computation may bring part of that remuneration back into wages. In practice, an employee who qualifies under the ₹21,000 test using the old definition may not qualify under the new definition, and vice versa. Employees whose wages are close to the ceiling should be reviewed individually.





Your Internal Restructuring Date Does Not Matter

Many employers restructured salary components on dates of their own choosing, in some cases after 21 November 2025. For bonus purposes, those dates are irrelevant.

Eligibility for the period from 21 November 2025 to 31 March 2026 must be determined using the Code's wage definition and the applicable notifications, even if payroll continued to reflect the old salary structure during those months. Payroll teams will therefore need to re-test eligibility for the Code period retrospectively.

How Bonus Is Calculated

For eligible employees, statutory bonus is not calculated on actual salary. Instead, it is calculated on the notified ceiling:

Statutory Bonus Formula = (₹7,000 or the applicable minimum wage) × Number of months worked during the financial year × Applicable bonus percentage

Deciding the Bonus Percentage

The bonus percentage is a finance decision, subject to the statutory range of 8.33% to 20%, depending on allocable surplus and the set-on/set-off provisions.

Two registers support this determination:

1. Form A – Computation of allocable surplus
2. Form B – Set-on and set-off of allocable surplus

As these registers are derived from financial statement information, they should be maintained internally, retained as records, and produced to the Labour Authority upon request.



Other Payments: What Counts and What Does Not

Only statutory bonus is within the scope of this exercise. Internal performance bonuses, incentives, productivity-linked bonuses, and other discretionary payments need not be reported or adjusted.

There is, however, one exception: advance or customary bonus payments, such as festival or Puja bonuses, may be adjusted against the statutory bonus payable.

Timeline and What to Do Now

Bonus for FY 2025-26 must be paid within eight months of the close of the accounting year. For establishments following an April-March financial year, the payment deadline is 30 November 2026, regardless of whether they fall under the State or Central sphere.

What differs is the annual return filing requirement, which depends on the authority governing the establishment.

State Sphere

- Pay bonus by 30 November 2026.
- File Form D within 30 days thereafter, i.e., by 30 December 2026.
- If the State's Occupational Safety, Health and Working Conditions (OSH) Code Rules are in force by then, the prescribed format under those rules will apply to annual returns and registers.

Central Sphere

- Pay bonus by 30 November 2026.
- No separate Form D is required, as the Code on Wages (Central) Rules, 2026 supersede the Payment of Bonus Rules, 1975.
- The bonus-related information must be reported through the unified annual return (Form XVII under the OSH Central Rules) on the Shram Suvidha Portal by 28 February 2027.

The introduction of the Labour Codes has not changed the fact that statutory bonus remains a valuable benefit for eligible employees in India. It is now governed by Chapter IV of the Code on Wages, 2019, and FY 2025-26 spans both the Payment of Bonus Act, 1965 and the Code on Wages. Understanding the key provisions and the notifications issued under the Code, and ensuring compliance by 30 November 2026, is essential for employers to avoid penalties and maintain positive labour relations.

EPFO extends ECR deadline to October 31, 2026: Employers to get 16 more days to file employees' EPF, EPS and EDLI data



The Employees' Provident Fund Organisation (EPFO) has extended the deadline for employers to file ECRs from October 15, 2026 to October 31. In a social media post today (October 14), the EPFO said that the deadline for filing the ECR for September 2026 has been extended.

"Considering the additional time required for filing the ECR due to the revision of the wage ceiling, the deadline for filing the ECR for September 2026 has been extended from October 15 to October 31, 2026," says the EPFO in the tweet.

The ECR stands for Electronic Challan Cum Return, which is an electronic monthly return to be uploaded by an employer through the EPFO portal.

An ECR has member-wise details of wages and contributions to the Employees' Provident Fund (EPF) scheme, the Employees' Pension Scheme (EPS) and Employees' Deposit Linked Scheme (EDLI).

Why is the ECR for September 2026 important for employers?

The government notified the increased wage ceiling of Rs 25,000 on September 17. It means contributions to the EPF, EPS and EDLI will be calculated at increased rates from that date. So, practically, contributions from September 1-16 will be calculated at the earlier wage ceiling of Rs 15,000, while contributions from September 17-30 will be calculated at the Rs 25,000 ceiling.

Doing away with the practice where ECRs were filed at a single wage ceiling, the September filing may be a time taking task for many employers. So, the EPFO first announced October 15 as the deadline to file the ECR for September. But the organisation later extended the deadline to October 31.

The EPFO has also tweeted, describing how employers can file the ECR for an employee earning Rs 20,000 as the basic salary.

Amnesty Scheme for PF trusts' retrospective regularisation of exempt status

Meanwhile, the EPFO has reminded eligible establishments of the December 28 deadline for the retrospective regularisation of exempt status of PF trusts through Amnesty Scheme, 2026.





In a statement dated October 13, 2026, the Ministry of Labour & Employment says, "With less than three months remaining before the deadline, the EPFO is urging eligible establishments pan-India to expedite their submissions. Besides the retrospective regularisation of exempt status, key benefits under the scheme include waivers of statutory requirements, such as the minimum employee headcount, corpus size, and the 3-year compliance rule—along with complete operational flexibility post regularisation to comply either as an exempt or an unexempt establishment."

To ensure maximum awareness, the EPFO has also rolled out multi-channel initiatives across the country, where it is conducting strategic meetings and seminars in collaboration with key industry and market bodies, including the Confederation of Indian Industry (CII), the Institute of Chartered Accountants of India (ICAI), and the Bombay Stock Exchange (BSE).

The Ministry says that chartered accountants and statutory auditors have also been engaged to identify and assist qualifying PF Trusts.

“In parallel, EPFO zonal and regional offices pan-India have organised nationwide seminars and workshops to engage directly with local establishments, employers, and trust members, supported by multi-media campaigns, social media outreach, and explanatory infographics simplifying procedural compliance guidelines,” says the ministry in its statement.

Source - Economic Times

Govt extends Amnesty Scheme under ESIC for three month till December 31

The ministry of labour and employment has extended the Amnesty Scheme 2025 for three months until December 31, 2026, under the Employees' State Insurance Corporation (ESIC), giving more time to employers to settle disputes with ESIC out of the court, thus reducing the backlog of court cases.
The 'New Amnesty Scheme 2025' is a one-time dispute resolution initiative aimed at reducing the backlog of court cases and promoting compliance under the erstwhile ESI Act, the ministry said recently.

The scheme provides a structured mechanism for employers to resolve legal disputes with ESIC for an out-of-court settlement.
As per the ministry, court cases filed up to 31.03.2025 are eligible under this scheme. The scheme ran from October 1, 2025 to September 30, 2026.

The scheme allows for settlement of ad-hoc assessments by paying actual contributions and interest without any damages. Besides, it allows for withdrawal of cases where employers have already paid dues, subject to payment of 10% of disputed damages.

Cases filed by ESIC for non-submission of records or delayed payments, which were later complied with, will also be withdrawn with court permission.

With the extension of this scheme, eligible employers and insured persons will have additional time to avail themselves of the benefits of the scheme, it added.

The 'New Amnesty Scheme, 2025' is a practical and employer-friendly route to dispute resolution and supports the government's broader goal of enhancing ease of doing business while upholding the rights of citizens served by ESIC, it added.

Source - Economic Times



EPS contribution: Govt's 1.16% share is still limited to Rs 15,000 wages

The government has amended the Employees' Pension Scheme, 2026, to specify a monthly wage limit of Rs 15,000 in the provision governing its contribution to the pension scheme. This comes after the statutory wage ceiling for mandatory coverage under the Employees' Provident Fund Organisation (EPFO), was raised from Rs 15,000 to Rs 25,000 per month, effective September 17, 2026.



The Ministry of Labour and Employment issued the amendment through Notification No. G.S.R. 890(E) on October 15, 2026. The notification amends paragraph 4, sub-paragraph 2 of the Employees' Pension Scheme, 2026. It replaces the earlier wording referring to an amount specified by the Central Government with the words "wages upto rupees fifteen thousand (Rs. 15,000/-) per month". It also removes the words "and the Central Government" from the first proviso to the same provision.

The notification states that the amendment will come into force from September 17, 2026.

The distinction between the two wage limits is important for employees. The increase in the statutory wage ceiling to Rs 25,000 expands the scope of mandatory social security coverage under EPF, EPS and the Employees' Deposit Linked Insurance Scheme, or EDLI. However, the EPFO's FAQs state that the government's contribution to EPS remains limited to 1.16% of wages up to Rs 15,000 per month.

Here is what the notification says and how it fits into the recent changes to EPFO's wage ceiling.

What has changed under the Employees' Pension Scheme, 2026?

The October 15 notification makes two changes to paragraph 4, sub-paragraph 2 of the Employees' Pension Scheme, 2026.

First, it replaces the words "such sum as may be specified by the Central Government" with "wages upto rupees fifteen thousand (Rs. 15,000/-) per month".

Second, it removes the words "and the Central Government" from the first proviso to that provision.

The notification does not provide a separate explanation for the deletion of these words. It also does not announce a change in the pension calculation formula or specify any increase or reduction in the pension payable to members.

The amendment should therefore be read in the context of the specific provision it changes. It should not be interpreted as an announcement of a new pension benefit or a change in the employee's or employer's contribution rates.

Why is the Rs 15,000 limit important when the EPFO wage ceiling is Rs 25,000?

The government recently raised the statutory wage ceiling for mandatory EPFO coverage from Rs 15,000 to Rs 25,000 per month. The revision took effect on September 17, 2026, under Notification No. S.O. 5109(E), dated September 17, 2026.

According to the EPFO FAQs, the revised ceiling applies to the statutory coverage framework under EPF, EPS and EDLI, subject to the applicable scheme provisions.

The change is significant for employees earning more than Rs 15,000 and up to Rs 25,000 per month who meet the relevant eligibility conditions. These employees can now come within the expanded mandatory coverage framework.

Does the revised ceiling affect the Government's EPS contribution?

According to FAQs, the government's EPS contribution remains limited to 1.16% of wages up to Rs 15,000 per month. The revision of the statutory ceiling to Rs 25,000 does not, by itself, increase the government's contribution beyond Rs 174 per month per member. However, this will not have any impact on the member's pension as it is dependent on the pensionable wages and pensionable service.

The EPFO estimates that the revision will bring more than 51 lakh additional employees under mandatory coverage. It may also increase contributions for existing members whose applicable contribution wages rise because of the revised ceiling.

However, the Rs 25,000 figure is the revised statutory



However, the Rs 25,000 figure is the revised statutory wage ceiling for mandatory coverage. It does not mean that every employee must contribute on Rs 25,000, irrespective of their actual wages or existing contribution arrangements.

The applicable contribution depends on the employee's wages and the relevant statutory and scheme provisions.

How much does the government contribute to EPS?

The EPFO FAQs state that the government's contribution to EPS remains at 1.16% of wages up to Rs 15,000 per month.

This means the maximum government contribution under the provision described in the FAQs remains Rs 174 per month per member.

The calculation is straightforward:

- Monthly wage limit for the government's contribution: Rs 15,000
- Government contribution rate: 1.16%
- Maximum monthly government contribution: Rs 174

The FAQs clarify that raising the statutory wage ceiling for EPFO coverage to Rs 25,000 does not, by itself, increase the government's contribution beyond Rs 174 per month per member.

This is separate from the employer's contribution to EPS. Under the contribution framework described in the FAQs, the employer contributes 12% towards the applicable EPF and EPS components, with 8.33% allocated to EPS and the balance generally going towards EPF, subject to the applicable provisions.

The employee's contribution is generally 12% of applicable EPF wages.

The employer's contribution and the government's contribution are separate. The Rs 15,000 limit referred to in the government's contribution provision should not be confused with the revised Rs 25,000 statutory wage ceiling for mandatory EPFO coverage.

What does the Rs 25,000 wage ceiling mean for employees?
The revised ceiling is intended to bring more employees within the statutory social security framework.
According to the EPFO FAQs, employees earning above Rs 15,000 and up to Rs 25,000 per month who meet the applicable conditions will come within the expanded mandatory coverage.
The revision may also affect existing members whose contributions were previously restricted to the Rs 15,000 ceiling, even though their applicable wages were higher.

Will the revised wage ceiling increase the pension an employee receives?
The higher wage ceiling may affect pensionable wages for eligible members, but it does not mean that every employee will automatically receive a higher pension.

According to the EPFO FAQs, the pension payable to an individual member depends on pensionable salary, pensionable service and the other applicable conditions under EPS.

The FAQs state that the revised ceiling expands the scope for pensionable wages to be considered up to the revised statutory ceiling, subject to the applicable EPS provisions.

However, the October 15 notification does not announce a change in the pension calculation formula or a specific increase in monthly pension.

Employees should therefore distinguish between the expansion of statutory coverage, the wages on which contributions are calculated and the pension benefits ultimately payable under the scheme.
These are related matters, but they are not interchangeable.

What should employees keep in mind?
The October 15 notification amends a specific provision of the Employees' Pension Scheme, 2026, by replacing the earlier wording with an explicit reference to wages of up to Rs 15,000 per month. It also deletes certain words from the first proviso.
Separately, the statutory wage ceiling for mandatory EPFO coverage has increased from Rs 15,000 to Rs 25,000 per month, effective September 17, 2026.

The EPFO FAQs clarify that the revised wage ceiling expands coverage under EPF, EPS and EDLI, subject to the applicable conditions. They also state that the government's EPS contribution remains limited to 1.16% of wages up to Rs 15,000 per month, or Rs 174 per month per member.

The notification does not, by itself, announce a change in the pension calculation formula or a specific increase in pension benefits.

For employees, the key point is to understand the difference between the statutory wage ceiling for EPFO coverage and the wage limit applicable to the government's contribution to EPS.

Source - Financial Express



Highlights

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