

All India Organisation of Employers urges government to apply amended Payment of Bonus Act, 1965 prospectively from 2016-17

NEW DELHI, 29 October 2015: The applicability of enhanced bonus from April 1, 2015 is fraught with serious financial implications for the Indian industry, particularly the MSME sector. Keeping in view both the financial and operational hardship of industry, **All India Organisation of Employers' (AIOE), an allied body of the Federation of Indian Chambers of Commerce and Industry (FICCI)**, has requested the government to apply the amended legislation prospectively i.e. from the financial year 2016-17.

Expressing concerns of the industry, **Mr. Sanjay Bhatia, President of AIOE, has drawn the attention of Mr. Shankar Aggarwal, Secretary, Ministry of Labour and Employment**, on the Union Cabinet's approval to a proposal to amend the Payment of Bonus Act, 1965 enhancing the limit of coverage for payment of bonus from the existing wage limit of INR 10,000 to INR 21,000 as well as the calculation limit for payment of bonus from INR 3500 to INR 7000, respectively. It is understood that the said amendment will be effective from April 1, 2015.

Mr. Bhatia, in a communication to Secretary Aggarwal, has pointed out that apart from the burden of financial implications on the MSME sector, industries will face serious functional problems as the enhanced amount of bonus has not been provided for in the balance-sheet/accounts statement of the previous year i.e. 2014-15, which ended on March 31, 2015.

Since, the allocable surplus for payment of bonus is calculated during the preceding accounting year, out of which bonus is paid in the succeeding financial year, the payable bonus already stands allocated for the present accounting year ending March 31, 2015. Moreover, many industries have already paid bonus to their employees, at the existing rate, before the start of the festival session. The implementation of this proposal effective April 1, 2015 will therefore cause great inconvenience to industries in reallocating the bonus amount retrospectively causing financial and operational hardships.

FICCI MEDIA DIVISION

Shri Sanjay Bhatia
President

Dated: 27 October, 2015

Shri Shankar Aggarwal
Secretary
Ministry of Labour and Employment
New Delhi

Dear Shri. Aggarwal,


I have been given to understand from various media sources that the Union Cabinet has approved a proposal to amend the Payment of Bonus Act, 1965 enhancing the limit of coverage for payment of bonus from the existing wage limit of `10,000 to `21,000 as well as the calculation limit for payment of bonus from `3500 to `7000 respectively. I am also given to understand that the said amendment will be effective from 01st April, 2015.

In this context, let me submit that apart from financial implications, over burdening the MSME sector in particular, industries will face serious functional problems as the enhanced amount of bonus has not been provisioned in the balance-sheet/accounts statement of the previous year i.e. 2014-15, which ended on 31st March, 2015.

Since, the allocable surplus for payment of bonus is calculated during the preceding accounting year, out of which bonus is paid in the succeeding financial year, the payable bonus already stands allocated for the present accounting year ending 31st March, 2015. Moreover, many industries have already paid bonus to their employees, at the existing rate, before the start of the festival session. The implementation of this proposal effective 01st April, 2015 will therefore cause great inconvenience to industries in reallocating the bonus amount retrospectively causing financial as well as operational hardships.

Keeping in view both financial and operational hardship of industry, I would request you to kindly apply the amended legislation prospectively i.e. from the financial year 2016-17.

With warm regards


(Sanjay Bhatia)