

SAMVĀD: PARTNERS

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PAYMENT OF WAGES ACT – SALARY THRESHOLD REVISED

The Government has *vide* notification dated August 28, 2017 revised the salary threshold for the applicability of the Payment Wages Act, 1936 (“**Wages Act**”) from Rs. 18,000/- (Rupees Eighteen Thousand Only) per month to Rs. 24,000/- (Rupees Twenty Four Thousand Only) per month. Consequently, the provisions contained under the Wages Act will now be applicable to employees earning wages up to Rs. 24,000/- (Rupees Twenty Four Thousand Only) per month, covering a significantly larger number of employees within the purview of the Wages Act.

The Wages Act regulates the payment of wages to persons employed in factories, railways, industrial and other establishments specified under the Wages Act. It contains provisions with respect to the responsibility for payment of wages, fixing of wage-periods, time of payment of wages, permissible deductions, maintenance of records and registers and penal consequences for non-compliances of the provisions stipulated under the Wages Act.

For the purposes of the Wages Act, ‘wages’ include:

- remuneration payable under any award or settlement between parties or an order of a Court;
- remuneration in respect of overtime work / holiday / leave period;
- additional remuneration payable under the terms of employment (whether called a bonus or by any other name);
- termination dues; and
- any sum to which the person employed is entitled under any scheme framed under any law for the time being in force,

but does not include the following:

- any bonus (whether under a scheme of profit sharing or otherwise) which does not form part of the remuneration payable under the terms of employment or which is not payable under any award or settlement between the parties or an order of a Court;

- the value of any house-accommodation, supply of light, water, medical attendance or other amenity or service excluded from the computation of wages by a general or special order issued by an appropriate government;
- pension or provident fund contribution paid by the employer;
- travel allowance / any travel concession; or
- special allowances.

Key Takeaway - Organizations to which the Wages Act applies will now need to take into account the revised 'salary threshold' while ascertaining compliance under the Wages Act.

The consequential impact, if any, of the revised 'salary threshold' under the Wages Act on *pari materia* legislations in India will need to be analyzed in the time to come, especially given that the Parliament is currently deliberating enacting the Labour Code on Wages, which will consolidate the Wages Act, the Minimum Wages Act, 1948, Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976.

The details pertaining to the notification is available at <http://egazette.nic.in/WriteReadData/2017/178375.pdf>.

****This is an update for general information purposes only and does not constitute legal advice. Please contact us if you require further clarifications on this subject.***

BENGALURU
+91 80 4268 6000

CHENNAI
+91 44 4306 3208

HYDERABAD
+91 40 6721 6500

MUMBAI
+91 22 6104 4000

NEW DELHI
+91 11 4172 6200

www.samvadpartners.com