**Eligibility for Bonus

Section 8 – Eligibility of Bonus**
Section 8 of the Payment of Bonus Act, 1965, states that – Every employee shall be entitled to be paid by his employer in an accounting year, bonus, in accordance with the provisions of this Act, provided he has worked in the establishment for not less than 30 working days in that year.

The act simply means that every employee who has completed 30 working days in any establishment in that year is entitled to receive bonus from the employer given that all the provisions of this Act are satisfied.

Under this Act, every employee who is receiving salary or wages up to Rs. 3,500 p.m. (amended to Rs. 10,000 p.m. w.e.f. 01.10.2010\*) and is engaged in any kind of work whether skilled, unskilled, managerial, supervisory etc. is entitled to bonus for every accounting year if he has worked for at least 30 working days in that year. However, employees of L.I.C., Universities and Educational institutions, Hospitals, Chamber of Commerce, R.B.I., IFCI, U.T.I. Social Welfare institutions are not entitled to bonus under this Act.

**Section 9 – Disqualification for Bonus**
Section 9 of the Act provides for conditions under which an employee can be disqualified from receiving a bonus under the Payment of Bonus Act, 1965. The Act states that –

Notwithstanding anything contained in this Act, an employee shall be disqualified from receiving bonus under this Act, if he is dismissed from service for –

a. Fraud;
b. Riotous or violent behavior while on the premises of the establishment; or
c. Theft, misappropriation or sabotage of any property of the establishment.

Thus, if an employee is terminated from his job because of his inappropriate behavior on the establishment’s premises, then such an employee would not be eligible for any bonus.

**Section 16 – Special Provision**
In case an establishment is newly set-up, the eligibility and payment of bonus of employees would differentiate. The employees shall be entitled to be paid bonus in accordance to the following provisions:

1. In the first 5 years, the employees will be eligible to and shall be paid the bonus of only those accounting years in which the employer derives profit from such establishment and such bonus shall be calculated in accordance with the provisions of this act in relation to that year.

2. For 6th and 7th accounting years, the employees will be eligible to and shall be paid bonus of their respective accounting years including the consideration of set-on or set-off as illustrated in schedule 4.

3. From 8th accounting year, the employees shall be eligible to and entitled to be paid bonus in accordance to the provisions of section 15 (set-on and set-off of allocable surplus) from the 8th accounting year, Section 15 shall be applicable in relation to such establishment as they are applicable in relation to any other establishment.
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\* New Delhi, Oct 1 : The Union Cabinet today amended the Bonus Act, 1965, thus raising the eligibility limit for payment of bonus from the salary or wage of 3, 500 rupees to 10,000 rupees per month.

The Cabinet also amended the section 12 of the Act, raising the ceiling for calculation purpose from the salary or wage of Rs.2, 500 to Rs.3, 500 per month.

Section 32(vi) of the Act has been deleted to cover the employees employed through contractors on building operations.