

THE PAYMENT OF BONUS ACT, 1965

ACT NO. 21 OF 1965¹

[25th September, 1965.]

²[An Act to provide for the payment of bonus to persons employed in certain establishments and for matters connected therewith.]

BE it enacted by Parliament in the Sixteenth Year of the Republic of India as follows:—

1. Short title, extent and application.—(1) This Act may be called the Payment of Bonus Act, 1965.

(2) It extends to the whole of India ^{3***}.

(3) Save as otherwise provided in this Act, it shall apply to—

(a) every factory; and

(b) every other establishment in which twenty or more persons are employed on any day during an accounting year:

⁴[Provided that the appropriate Government may, after giving not less than two months' notice of its intention so to do, by notification in the Official Gazette, apply the provisions of this Act with effect from such accounting year as may be specified in the notification, to any establishment or class of establishments [including an establishment being a factory within the meaning of sub-clause (ii) of clause (m) of section 2 of the Factories Act, 1948 (63 of 1948)] employing such number of persons less than twenty as may be specified in the notification; so, however, that the number of persons so specified shall in no case be less than ten.]

(4) Save as otherwise provided in this Act, the provisions of this Act shall, in relation to a factory or other establishment to which this Act applies, have effect in respect of the accounting year commencing on any day in the year 1964 and in respect of every subsequent accounting year:

⁵[Provided that in relation to the State of Jammu and Kashmir*, the reference to the accounting year commencing on any day in the year 1964 and every subsequent accounting year shall be construed as reference to the accounting year commencing on any day in the year 1968 and every subsequent accounting year:]

⁶[Provided further that when the provisions of this Act have been made applicable to any establishment or class of establishments by the issue of a notification under the proviso to sub-section (3), the reference to the accounting year commencing on any day in the year 1964 and every subsequent accounting year or, as the case may be, the reference to the accounting year commencing on any day in the year 1968 and every subsequent accounting year, shall, in relation to such establishment or class of establishments, be construed as a reference to the accounting year specified in such notification and every subsequent accounting year.]

(5) An establishment to which this Act applies ^{7***} shall continue to be governed by this Act notwithstanding that the number of person employed therein falls below twenty ⁸[or, as the case may be, the number specified in the notification issued under the proviso to sub-section (3)].

1. The Act has been extended to Goa, Daman and Diu by Act 6 of 1977, s. 2 and the Schedule.

2. Subs. by Act 43 of 1977, s. 3, for the long title (w.e.f. 3-9-1977).

3. The words "except the State of Jammu and Kashmir" omitted by Act 51 of 1970, s. 2 and the Schedule (w.e.f. 1-9-1971).

4. The proviso added by Act 23 of 1976, s. 3 (w.e.f. 25-9-1975).

5. The proviso added by Act 51 of 1970, s. 2 and the Schedule (w.e.f. 1-9-1971).

6. The proviso inserted by Act 23 of 1976, s. 3 (w.e.f. 25-9-1975).

7. The words, brackets, letter and figure "under clause (b) of sub-section (3)" omitted by s. 3, *ibid.* (w.e.f. 25-9-1975).

8. Certain words, brackets and figure added by s. 3, *ibid.* (w.e.f. 25-9-1975).

*. *Vide* notification No. S.O. 3912(E), dated 30th October, 2019, this Act is made applicable to the Union territory of Jammu and Kashmir and the Union territory of Ladakh.

¹[Provided further that] such employees shall not be entitled to be paid such bonus in excess of twenty per cent. of the salary or wage earned by them during the relevant accounting year.

32. Act not to apply to certain classes of employees.—Nothing in this Act shall apply to—

(i) ²[employees employed by any insurer carrying on general insurance business and the employees employed by the Life Insurance Corporation of India;

(ii) seamen as defined in clause (42) of section 3 of the Merchant Shipping Act, 1958 (44 of 1958);

(iii) employees registered or listed under any scheme made under the Dock Workers (Regulation of Employment) Act, 1948 (9 of 1948), and employed by registered or listed employers;

(iv) employees employed by an establishment engaged in any industry carried on by or under the authority of any department of the Central Government or a State Government or a local authority;

(v) employees employed by—

(a) the Indian Red Cross Society or any other institution of a like nature (including its branches);

(b) universities and other educational institutions;

(c) institutions (including hospitals, chambers of commerce and social welfare institutions) established not for purposes of profit;

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(viii) employees employed by the Reserve Bank of India;

(ix) employees employed by—

(a) the Industrial Finance Corporation of India;

(b) any Financial Corporation established under section 3, or any Joint Financial Corporation established under section 3A, of the State Financial Corporations Act, 1951 (63 of 1951);

(c) the Deposit Insurance Corporation;

⁵[(d) the National Bank for Agriculture and Rural Development;]

(e) the Unit Trust of India;

(f) the Industrial Development Bank of India;

⁶[(fa) the Small Industries Development Bank of India established under section 3 of the Small Industries Development Bank of India Act, 1989 (39 of 1989);]

⁷[(ff) the National Housing Bank;]

1. Subs. by Act 66 of 1980, s. 17, for "Provided that" (w.e.f. 21-7-1980).

2. The words in brackets shall stand omitted (date to be notified) by Act 62 of 1968, s. 41.

3. Clause (vi) omitted by Act 45 of 2007, s. 4 (w.e.f. 1-4-2006).

4. Clause (vii) omitted by Act 66 of 1980, s. 18 (w.e.f. 21-7-1980).

5. Subs. by Act 61 of 1981, s. 61 and the Second Schedule, for sub-clause (d) (w.e.f. 2-7-1982).

6. Ins. by Act 39 of 1989, s. 53 and the Second Schedule (w.e.f. 7-3-1990).

7. Ins. by Act 53 of 1987, s. 56 and the Second Schedule (w.e.f. 9-7-1988).