

* → Chapter 18

Unit - III Payment of Bonus Act, 1965

* Object and Scope of this act :-

- The Bonus Act aims to regulate the payment of Bonuses to employees in specific establishments promoting harmony betⁿ Labour and Management by allowing workers to share in Company Profits.
- it establishes minimum and Max. bonus Rates fostering fairness

* Type of Bonuses :-

- (i) Profit Base Bonus → The Most Common Type, determined by Company's profit
- (ii) Customary Bonus → Derive from long standing practices and employee expectations.
- (iii) Attendance Bonus → Awarded for consistent attendance among other forms.

* The Act primarily addresses profit base Bonuses But does not negate Claims for Customary Bonuses.

* This was highlighted in *Mumbai Kamgar Sabha v. Abdul bhai faizullah bhai*.

- Where S.C stated that term bonus encompasses various types and that the act doesn't eliminate other forms like Customary Bonus.

* In *Hukam Chand Jute Mills Ltd. vs. Second Industrial Tribunal West Bengal*.

- The Court confirm that Statutory and Customary bonuses operate in separate domain allowing both to co-exist without conflict

* Meaning of Employee as per POBA Act.

- Employee means any person other than apprentice employed on salary or wages not exceeding 21000/- per month in any industry to do any skilled or unskilled, Manual, Supervisory, Managerial, administrative, technical or clerical work of higher or reward whether terms of employment be express or implied.

* Computation of available Surplus :-

- Available Surplus in respect of accounting year commencing on any day in year 1965 and in respect of every subsequent accounting year shall be the aggregate of -

(a) Gross profit for that accounting year after deducting sum referred in Sec 6, which typically includes direct taxes and certain expenditure and liabilities and,

(b) Difference betⁿ direct tax on gross profit for previous year and direct tax after deducting bonus paid for previous year.

Question →

Gross profit for Current year	106
Deductions under Sec 33L	
gross profit for previous year	96000
direct tax on previous year G.P	150,000
direct tax after bonus deduction	120,000
=	<u><u>780,000</u></u>

* Meaning of allocable Surplus :-

• it means :

(i) for non banking Co. → if Co. has not made necessary arrangement under income tax act for declaring and paying dividend within india.

→ Allocable Surpluses 67% of available Surplus for that accounting year.

In All other Cases allocable Surpluses 60% of available Surplus