

FAQs on Code on Wages, 2019 and the Code on Wages (Central) Rules, 2026

These FAQs have been prepared to provide clarity on key aspects of the Code on Wages, 2019 (“**Code on Wages**” or “**Code**”) (effective from November 21, 2025) and the Code on Wages (Central) Rules, 2026 (effective from 8 May 2026) (“**Wage Rules**”). They are intended as a practical guide for employers, HR professionals, and industry stakeholders navigating the evolving wage law framework in India.

1. What purpose does the Code on Wages, 2019 fulfil?

The Code on Wages is a landmark legislation which works towards consolidating, simplifying and rationalising India’s fragmented labour law framework. Its primary objective is to universalise wage protections, ensuring that all employees, regardless of sector or industry are entitled to fair wages and minimum wage protection.

2. What laws has it subsumed?

The Code on Wages consolidates and repeals the following 4 (four) central labour laws:

- (i) The Payment of Wages Act, 1936;
- (ii) The Minimum Wages Act, 1948;
- (iii) The Payment of Bonus Act, 1965; and
- (iv) The Equal Remuneration Act, 1976.

3. Who is covered under the Code on Wages?

The Code on Wages is applicable to all establishments across India, irrespective of the number of workers or employees employed.

The expression “Establishment” has been defined under the Code on Wages as any place where any industry, trade, business, manufacture or occupation is carried on and includes any Government Establishment (defined to mean any office or department of the Government or a local authority). This wide definition of Establishment increases the universal applicability of the Code on Wages.

The beneficial coverage under the Code on Wages is expanded to all “employees”, meaning any person (other than an apprentice under the Apprentices Act, 1961) employed on wages by an establishment to perform any skilled, semi-skilled, unskilled, manual, operational, supervisory, managerial, administrative, technical, or clerical work for hire or reward, whether the terms of employment be express or implied. Workers engaged directly or through contractors are also covered.

4. Does the Code on Wages apply to contract workers and workers engaged through third-party service providers?

Yes, the Code on Wages applies to all employees, including those engaged through contractors or third-party service providers.

Rule 11 of the Wage Rules specifically provides that where employees are employed through a contractor, the principal employer (i.e., the company or firm or the proprietor of the establishment) shall be pay the contractor, the wages which are payable to the employees in accordance with the Code on Wages. While the employer is not directly liable for such payment, the said Rule imposes a financial and supervisory obligation.

5. How are “wages” defined under the Code on Wages?

Section 2(y) of the Code on Wages defines “wages” to mean all remuneration, whether by way of salaries, allowances, or otherwise, expressed in terms of money or capable of being so expressed, which would be payable to a person in respect of their employment or work done, if the terms of employment (express or implied) were fulfilled. Additionally, “Wages” expressly includes: (i) basic pay; (ii) dearness allowance; and (iii) retaining allowance, if any.

6. What components of salary are excluded from “wages”?

The following components are excluded from “wages”:

- (i) any bonus not forming part of remuneration payable under the terms of employment;
- (ii) the value of house-accommodation, supply of light, water, medical attendance or other amenities/services excluded by government order;

- (iii) employer's contribution to any pension or provident fund and interest accrued thereon;
- (iv) conveyance allowance or the value of travelling concession;
- (v) sum paid to defray special expenses entailed by the nature of employment;
- (vi) house rent allowance;
- (vii) remuneration payable under an award, settlement, or court/tribunal order;
- (viii) overtime allowance;
- (ix) any commission payable to the employee;
- (x) gratuity payable on termination;
- (xi) retrenchment compensation, retirement benefits, or ex gratia payments; and
- (xii) any amount payable in lieu of notice of termination.

7. What is the significance of the 50% cap on exclusions from wages?

The Code on Wages introduces a crucial protective mechanism i.e. if the total of excluded components (i.e., items (i) to (xii) stipulated in Q 6 above) cumulatively exceeds 50% of all remuneration payable to an employee, then the excess amount over the 50% threshold shall be deemed to be "wages" for all purposes under the Code on wages.

This has significant practical implications for employers. Many organisations structure compensation packages with a high proportion of allowances (house rent allowance, special allowances, conveyance allowances, etc.) in order to reduce the "wage" base and thereby lower the provident fund, bonus, gratuity, and overtime calculations payable to an employee basis / calculable on their wages. The introduction of the 50% cap marks a significant shift from the earlier regime and effectively ensures that at least 50% of an employee's total remuneration is treated as "wages," and that minimum wage protections and bonus computations apply on this broader base. Employers must promptly review their existing pay structures to ensure compliance with this cap.

8. How does the Code on Wages interact with existing employment contracts that provide for salary structures inconsistent with the 50% cap?

The provisions of the Code on Wages have overriding effect over any agreement or contract to the contrary. If an existing employment contract or salary structure results in the "wages" component falling below 50% of total remuneration owing to excluded components such as HRA, special allowances, and other allowances collectively exceed 50% of total pay, the excess will be deemed "wages", under the Code on Wages. It is pertinent to note that employers cannot contractually opt out of this provision. Employers should conduct an urgent audit of all existing pay structures and employment contracts to identify and remediate any non-compliance.

9. What is the distinction between "minimum wages" and "wages" under the Code on Wages?

"Wages" is the broad concept under the Code on Wages (as defined in Q 5 above) encompassing all remuneration payable to an employee, and serves as the basis for computing gratuity, bonus and other obligations.

"Minimum wages," on the other hand, is the specific mandatory rate of remuneration that employers must pay to employees in particular categories and geographical areas. Such rates are fixed by the appropriate State government and mandatory to be complied with by establishments registered in such State. The employers are prohibited from paying any employee wages below the prescribed minimum wage for their category.

10. What is the concept of a "floor wage," and how is it determined under the Code on Wages?

The Code on Wages introduces the concept of a "floor wage" under Section 9, as a uniform national minimum, below which no State government can fix minimum wages. The floor wage is fixed by the Central Government, taking into account the living standards of workers, including food, clothing and housing. The floor wage may be revised periodically, with an interval of not more than 5 years and in consultation with the Central Advisory Board and the State Governments.

11. What is the distinction between floor wage and minimum wage? Can minimum wage be less than the floor wage?

The floor wage is the national baseline fixed by the Central Government, establishing the absolute minimum, below which no state can fix minimum wages. Minimum wages are the specific rates fixed by the State governments for categories of workers basis the floor wage and will typically be higher than

the floor wage. Section 9(2) of the Code on Wages explicitly provides that minimum rates of wages fixed by the State governments shall not be less than the floor wage.

Further, if minimum wages already notified by any State government are higher than the floor wage, those minimum wages cannot be reduced. In effect, the floor wage operates as an absolute lower bound, while minimum wages operate as the actual legal obligation of employers for specific worker categories.

12. Are apprentices and trainees covered under minimum wage provisions?

The Code on Wages explicitly excludes “apprentices” engaged under the Apprentices Act, 1961 from the definition of “employee.” As a result, individuals engaged as apprentices are not entitled to statutory benefits under the Code on Wages, such as minimum wages or payment of wages protections.

However, this exclusion is narrowly construed and is specific to *genuine* apprenticeships. Any persons who are labelled as “apprentices” but function as regular employment in substance or who are designated as “trainees” or “probationers”, not engaged under a formal apprenticeship framework may still qualify as employee under the Code on Wages. Employers should therefore carefully examine the nature of the engagement to determine coverage.

13. Are part-time employees entitled to wages for a full normal working day?

Rule 12 of the Wage Rules clarifies that an employee shall not be entitled to receive wages for a full normal working day if: (i) the employee has agreed to work on a part-time basis as per the terms of employment; or (ii) the employee is not entitled to receive full wages under any other applicable labour law.

In such cases, wages shall be paid proportionate to the actual hours worked. Employers engaging part-time workers should ensure that the terms of employment explicitly document the part-time arrangement and that wages are computed accordingly.

14. Who is eligible for overtime wages and at what rate must overtime be paid?

Section 13 of the Code on Wages empowers the appropriate Government (i.e. the Central or the State government, subject to the type of industry as prescribed under Section 2 (d) of the Code on Wages) to prescribe the working hours constituting a normal working day. Rule 5 (1) of the Wage Rules defines the wage period on a daily basis as 8 hours. Any work performed beyond such hours attracts overtime. Section 14 of the Code on Wages mandates that such overtime be paid at a rate not less than twice the normal rate of wages.

Additionally, Section 13 (2) of the Code on Wages prescribes the circumstances under which overtime may arise, including situations involving emergencies that are not foreseeable or preventable, preparatory or complementary work that must be carried out beyond normal hours, inherently continuous employment, work that must be completed before a duty shift ends for technical reasons, and work dependent on irregular natural forces.

15. What deductions to wages are permissible under the Code on Wages?

Section 18(2) of the Code on Wages lists exhaustively the deductions that may be made from wages, which include: (i) fines; (ii) deductions for absence from duty; (iii) deductions for damage to or loss of goods entrusted to the employee or loss of money for which the employee is accountable; (iv) deductions for house accommodation supplied by the employer; (v) deductions for amenities and services supplied by the employer (*as approved by the appropriate government*); (vi) deductions for recovery of advances or adjustment of overpayment of wages; (vii) deductions for recovery of loans from approved labour welfare funds; (viii) income tax deductions; (ix) deductions for subscriptions/repayments to approved cooperative societies (*with employee’s written consent*); (x) deductions for payment to approved insurance or welfare schemes; and (xi) deductions for Employees’ Provident Fund and Employees’ State Insurance contributions.

The total of all deductions in any wage period shall not exceed 50% of the employee’s wages for that period and in the case where deductions exceed 50%, the excess must be recovered in subsequent wage period(s).

Rules 17 and 18 of the Wage Rules prescribe procedural safeguards for deductions on account of absence, damages or losses i.e., the employer must inform the employee in writing of the alleged loss and its amount, and the employee must be afforded an opportunity to offer explanation before any deduction is made.

16. Are there any changes to bonus payment obligations?

The Code on Wages has retained and restated the bonus provisions from the erstwhile Payment of Bonus Act, 1965. With respect to the payment of bonus, the following provisions are noteworthy:

- (i) **Eligibility:** An employee is eligible for bonus if they have worked for at least 30 (thirty) working days in the accounting year and are drawing wages/salary not exceeding Rs. 21,000 (twenty-one thousand) per month.
- (ii) **Minimum Bonus:** 8.33% of wages earned during the accounting year, or Rs. 100, whichever is higher.
- (iii) **Maximum Bonus:** 20% of wages earned during the accounting year.
- (iv) **Calculation:** The bonus payable is determined by the allocable surplus (60% of available surplus for non-banking establishments; 67% for banking companies), subject to the set-on/set-off mechanism provided under Section 36 of the Code on Wages.

However, one such change as reflected under Rule 21 of the Wage Rules is the payment of bonus to contractual employees. Rule 21 states that in the case wherein employees employed through a contractor are not paid bonus by the contractor, the company, firm, association etc. shall be liable to pay minimum bonus to such employees, subject to receiving in writing from the employees or any registered trade union, information and confirmation of such failure of payment of bonus by the contractor.

Further, the Wage Rules prescribe the methodology for computing set-on and set-off of allocable surplus across accounting years. The threshold for applicability in establishments employing 20 (twenty) or more employees remain in line with the erstwhile Payment of Bonus Act, 1965. Employers should note that, once the Code of Wages becomes applicable to an establishment, it continues to remain applicable even if the number of employees subsequently falls below 20 (twenty).

17. What are the payment obligations on employers under the Code on Wages?

Employers are obligated to pay wages for periods not exceeding one month and before the expiry of the 7th day after the end of the wage period for establishments with fewer than 1,000 workers, and before the 10th day for establishments with 1,000 or more workers. Upon termination of employment, final wages must be paid within 2 working days of termination.

Wages may be paid in coins or currency notes, by cheque, or by direct credit to the employee's bank account, or through electronic or digital payment modes. Further, the Wage Rules requires every employer to issue wage slips to employees in the prescribed form (i.e., Form V) at the time of or before payment of wages, either electronically or physically.

18. What records must the employers maintain?

Under Section 50 of the Code on Wages and Rule 51 of the Wage Rules, every employer of an establishment to which the Code on Wages applies must maintain the following registers (either electronically or in physical form):

- (i) Employee Register - in Form I;
- (ii) Register of Wages, Overtime, Advances, Fines, and Deductions for Damages and Loss- in Form IV; and
- (iii) Attendance/Muster Roll - in Form IX.

These records must be maintained for a period of 5 (Five) years from the date of the last entry and the Inspector-cum-Facilitator appointed under the Code on Wages has the authority to inspect these records.

19. Does the Code on Wages address gender-based wage discrimination?

Yes, Section 3 of the Code of Wages prohibits gender-based discrimination in wages. No employer shall pay to any employee a remuneration lower than that paid to an employee of a different gender for

the same work or work of a similar nature. This obligation carries forward the protections under the Equal Remuneration Act, 1976, which has been repealed and subsumed into the Code on Wages.

“Same work or work of a similar nature” refers to work in respect of which the skill, effort, experience, and responsibility required are the same, performed under similar working conditions, by a person of any gender. Any difference in pay between such persons must not be attributable to gender. Non-compliance constitutes an offence under the Code on Wages. Employers must also ensure non-discrimination in recruitment and promotion.

20. Have the rules under the Code on Wages come into force?

The Code on Wages (Central) Rules, 2026 have been notified into effect by publication in the Official Gazette of India by the Ministry of Labour and Employment, Government of India dated May 08, 2026.

The Wage Rules will replace numerous older rules previously in force under the 4 (four) subsumed Acts, including the Payment of Wages (Mines) Rules, 1956; the Payment of Wages (Air Transport Services) Rules, 1968; the Minimum Wages (Central) Rules, 1950; the Bonus Rules, 1975; the Equal Remuneration Rules, 1976; among many others.

Employers who were compliant with these older rules must transition to the unified Wage Rules. State governments are separately required to frame their own state-level rules under the Code of Wages governing the state sphere.

21. How do the Rules impact the calculation and fixation of minimum wages and floor wages?

Rule 3 of the Wage Rules prescribes a scientific, needs-based methodology for computing minimum wages. Minimum wages shall be fixed keeping in mind the following benchmarks for a “standard worker class family” consisting of the working earner, a spouse, and two children, equivalent to three adult consumption units:

- (i) **Food:** 2,700 (Two thousand seven hundred) calories per consumption unit per day;
- (ii) **Clothing:** 66 (Sixty-six) metres of cloth per standard working class family per year;
- (iii) **Housing:** rental value equal to 10% of food and clothing expenditure;
- (iv) **Fuel, electricity, and other miscellaneous items:** 20% of minimum wages; and
- (v) **Children’s education, medical needs, recreation, and contingencies:** 25% of minimum wages.

22. How are minimum wage rates determined across different categories of workers?

Rule 4 of the Wage Rules prescribes the criteria to be considered by the Central Government when fixing minimum wages under Section 6 of the Code on Wages. The Central Government shall have regard to: (i) geographical area; (ii) experience in the field of employment; and (iii) the level of skill required, categorised as unskilled, semi-skilled, skilled, and highly skilled.

The four categories of skills are defined under the Wage Rules, as follows:

- (i) **Unskilled:** work requiring only operational experience, with no additional skill involved.
- (ii) **Semi-Skilled:** work requiring skill gained on the job through experience, requiring the use of skill under supervision or guidance of a skilled worker and includes supervision of unskilled workers.
- (iii) **Skilled:** work requiring technical knowledge and capability acquired through training or vocational institution, requiring initiative and judgement.
- (iv) **Highly Skilled:** work demanding a very high level of excellence with specialised, technical, or professional experience and capability; full personal responsibility for judgement and decisions is required.

The Central Government will also constitute a technical committee to advise on skill categorisation, hazardous processes, underground and underground-adjacent work, and other work classifications for the purpose of fixing minimum wages.

23. What are the provisions relating to revision of dearness allowance?

Rule 4 of the Wage Rules provides for the revision of Variable Dearness Allowance (**VDA**). The cost-of-living allowance and the cash value of concessions in respect of essential commodities shall be revised twice a year, once before 1st April and then before 1st October in every year to revise the variable dearness allowance.

This bi-annual revision mechanism is designed to ensure that the purchasing power of minimum wages is maintained in line with inflation. Employers paying minimum wages must factor in these revisions and make appropriate upward adjustments to wages on the relevant dates.

24. What do the Rules state for weekly rest days?

As prescribed under Rule 6 of the Wage Rules, every employee is entitled to at least one rest day per week. For a 6 (Six) day working week, the rest day shall ordinarily be Sunday, and for a 5 (five) day working week, Saturday and Sunday shall be rest days. However, the employer may designate any other day as the rest day for any employee or class of employees, provided adequate notice is given at the workplace. Where an employee works on a rest day, he shall be given a substitute rest day on one of the working days in a week immediately before or after the rest day, and such rest day shall be counted in the week in which the substitute rest day falls for purposes of computing weekly working hours.

25. What are the obligations of an employer upon termination of employment?

Upon termination of employment (whether by resignation, dismissal, retrenchment, or otherwise), the employer is required, under Section 17(2) of the Code on Wages, to pay all wages due to the employee within 2 (two) working days of such termination. Failure to comply with this requirement may attract penalties under the Code.

Employers must also ensure that any unpaid or unclaimed wages are dealt in accordance with the claims and recovery framework.

26. What are an employer's obligations regarding wages that remain undisbursed on account of the death of an employee?

Under Rules 45 of the Wages Rules, every employee shall make a declaration in Form-VII nominating a person that shall hold the right to receive the employee's outstanding dues, in the event of his death. Accordingly, paid to the nominee of the employee until the expiry of 3 (three) months from the date the amount had become payable.

In the event that the employer is unable to ascertain the nominee's whereabouts or identity, the employer must deposit the amount with the Deputy Chief Labour Commissioner (Central) ("DCLC") having jurisdiction, who shall disburse such amount.

If no nomination has been made or the amount cannot be paid to the nominee for any other reason, the employer must deposit the undisbursed amount with the DCLC after the expiry of 6 (six) months from the date the amount became payable, within 15 (fifteen) days after the end such period.

27. What are the penalties and consequences for non-compliance with the Code on Wages?

Sections 54 of the Code on Wages prescribe penalties for non-compliance as provided below:

Offence	First Offence	Repeat Offence (within 5 (Five) years)
Paying wages below minimum rate / floor wage	Fine up to Rs. 50,000 (Fifty thousand)	Fine up to Rs. 1,00,000 (One lakh) and/or imprisonment up to 3 (Three) months
Unauthorised deductions / non-payment of wages	Fine up to Rs. 50,000 (Fifty thousand)	Fine up to Rs. 1,00,000 (One lakh) and/or imprisonment up to 3 (Three) months
Contravention of any other provision or any rule made, or order issued under the Code on Wages	Fine up to Rs. 20,000 (Twenty thousand)	Fine up to Rs. 40,000 (Forty thousand) and/or imprisonment up to 1 (One) month
Failure to maintain registers / issue wage slips	Fine up to Rs. 10,000 (Ten thousand)	-

The Code on Wages also permits compounding (settlement by payment of a composition fee) of specified offences, enabling employers to regularise minor defaults without prosecution. This mechanism is an important compliance tool for employers seeking to remedy inadvertent non-compliances.

28. What recourse does an employee have if wages are not paid?

The Code of Wages provides a streamlined grievance mechanism for employees as follows:

- (i) An aggrieved employee (or their trade union or legal representative) may file an application before the Authority designated by the appropriate government (typically a senior labour officer or Assistant Labour Commissioner), in the prescribed form (i.e., Form II).
- (ii) The Authority, after hearing both parties, may direct payment of wages due and impose compensation of up to 10 (ten) times the unpaid wages.
- (iii) Appeals against Authority orders lie to the Appellate Authority designated by the appropriate government, in the prescribed form (i.e., Form III), within 60 (Sixty) days of the order.
- (iv) Further appeals may be made to the High Court on questions of law.

29. Can an employer be prosecuted for wage offences?

Yes, in addition to directions by the Authority, the Code provides for criminal prosecution of employers for offences such as:

- (i) Paying wages below the minimum rate;
- (ii) Making unauthorised deductions;
- (iii) Failing to pay wages on time;
- (iv) Gender discrimination in wages; and
- (v) Obstructing inspector-cum-facilitators

Prosecution may be initiated by the inspector-cum-facilitator after giving the employer an opportunity to comply. The Code of Wages also allows for compounding of specified offences to avoid prosecution, which is a significant mechanism for employers to regularise non-compliances without criminal proceedings.

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