



Key Questions Businesses Are  
Asking About

# The Code on Wages, 2019

**(Wage Code)**

The Wage Code is applicable *across sectors, and extends to all categories of employees* regardless of their wage level.

*\*Subject to limited exceptions such as members of armed forces and apprentices.*



# When Does This Apply To You?



## Notification

**All four Labour Codes were notified on 21 November 2025. While implementation is contingent upon state-specific rules, compliance obligations apply immediately.**

## Consolidation

The new Wage Code consolidates and replaces four predecessor statutes: **the Payment of Wages Act, 1936; the Minimum Wages Act, 1948; the Payment of Bonus Act, 1965; and the Equal Remuneration Act, 1976.**

## Implementation Period

The time for action is now- as states continue to notify rules as per the new code. That said, while the codes are legally in force, the practical compliance regime operates on a transitional basis, the old rules continue to apply where new rules haven't yet been notified.

## Applicability and Exclusions

Every employer and every employee in India across all sectors, all roles, and no wage ceiling, with limited statutory exclusions like members of the Armed Forces and apprentices.

# Cost of Non-Compliance

The penalties for failing to comply with the Wage Code range from INR 10,000 to INR 1,00,000, with the possibility of imprisonment for repeat offenders.

Sl. No.	Breach of provisions of this Act or rules made thereunder	Penalty (INR)
1	Paying any employee less than the amount due under the Code (S.54(1)(a))	Fine up to INR 50,000
2	Repeat offence of the nature as mentioned in Sl. No. 1 within 5 years (S.54(1)(b))	Imprisonment up to 3 months or fine up to INR 1,00,000 or both
3	Contravention of any other provision of the Code (S.54(1)(c))	Fine up to INR 20,000
4	Repeat contravention within 5 years (S.54(1)(d))	Imprisonment up to 1 month or fine up to INR 40,000 or both
5	Non-maintenance or improper maintenance of records (S.54(2))	Fine up to INR 10,000

***The Code empowers the appropriate government to appoint officers to impose penalties administratively, without court proceedings, for underpayment of wages, general contraventions, and non-compliance with compounding orders.***



# Definition of Wages

## 1. What constitutes 'Wages'

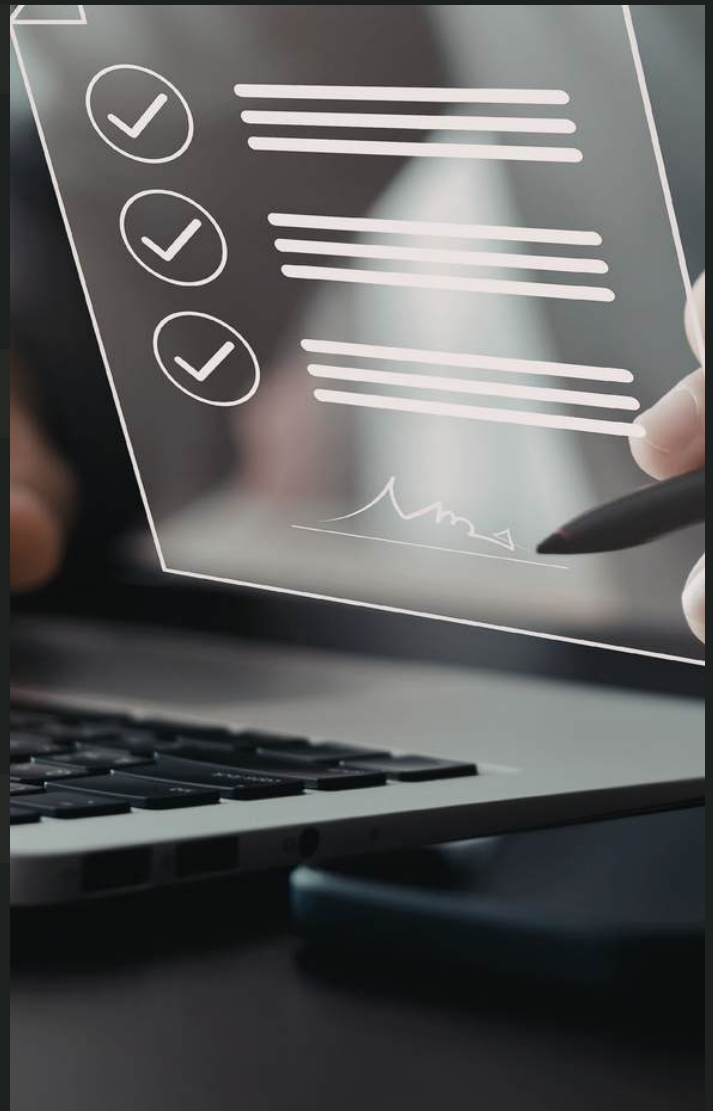
Wages include all remuneration in monetary terms, subject to specified exclusions, with a statutory 50% cap on exclusions beyond which the excess is deemed to be wages.

## 2. What is excluded?

House rent allowance, conveyance allowance, overtime allowance, employer PF contributions, bonuses not forming part of the terms of employment, and certain other components are excluded from the definition of wages.

## 3. The 50% Rule

If the aggregate of all excluded allowances exceeds 50% of an employee's total remuneration, the excess is deemed to be wages. Salary structures built on a low basic and high allowances are now directly at risk.



# Applicability & Scope

## 1.No Size or Sectoral Threshold

The Wage Code applies to all establishments across every sector, regardless of size, nature of business, or industry. There is no de minimis exemption and no distinction between organised and unorganised sectors.

## 2.Every Employee Is Covered

The Wage Code now encompasses anyone employed on wages in any capacity, including managerial, administrative, supervisory, technical, and clerical roles, with the only exclusions being members of the Armed Forces and apprentices

## 3. Protections Extend to the Entire Workforce

Payment timelines, restrictions on deductions, and access to claim authorities now extends broadly across employee categories.



# *Pre & Post* implementation of the Wage Code

## Before

Senior managerial, administrative, and supervisory staff were largely outside the protections relating to wages, deductions, and dispute resolution

Minimum wage protections applied only to scheduled employments notified by the appropriate government, leaving large categories of workers unprotected

Salary structures built on low basic pay and high allowances reduced statutory liabilities with no restriction on the proportion of allowances

No standard and uniform definition of Wages.

## After

The definition of employee now encompasses anyone employed on wages in any capacity, with no wage ceiling and no carve out for seniority or role

Minimum wage protections now apply to all employers and all employees across every sector and nature of work, with no scheduled employment requirement

If excluded allowances exceed 50% of total remuneration, the excess is deemed wages, will most likely increase PF, gratuity, bonus, and separation liabilities

Standard, uniform and harmonised definition of what constitutes as wages.

# Minimum Floor Wage

-The concept of “scheduled employments” under the repealed Minimum Wages Act is now removed. Minimum wage protections now apply to all employers and all employees, regardless of sector or nature of work.

-The Central Government is empowered to fix a “floor wage” based on living standards and geographic location. State governments cannot fix minimum wages below this floor, even where their existing notified wages are already higher.

## Important

This creates a binding national wage floor beneath which no employer in India can lawfully pay, regardless of the State in which the establishment is located



**We pay our workers a basic wage along with some designation specific allowances that they can claim. Does this still fall under the Wage Code?**

**A.** Under the Code on Wages, wages include basic pay, dearness allowance and retaining allowance, along with other remuneration, subject to specified exclusions. Where the aggregate of such excluded components exceeds 50% of total remuneration, the excess is deemed to be wages.

Salary structures built on a low basic and high allowances were a common practice under the old regime, but under the Wage Code such structures may increase the wage base, increasing statutory liabilities across provident fund contributions, gratuity, bonus calculations, leave encashment, and retrenchment compensation. Employers should audit every compensation package against this threshold without delay.

**Q** One of our employees resigned yesterday. When do we need to settle their full and final payment as per the new code?

**A** The Code on Wages, 2019 **was notified on 21 November 2025 and applies with immediate effect.** Accordingly, the two-working-day settlement obligation the Code applies to this resignation.

All wages payable to an employee who has resigned, been dismissed, retrenched, or separated on account of closure of the establishment **must be settled within two working days of such separation.**

This obligation applies to all employees regardless of their salary level, unlike the erstwhile Payment of Wages Act which applied only to those earning up to INR 24,000 per month, and any delay beyond this window exposes the employer to a claim with the burden of proof lying primarily with the employer to demonstrate that payment was made.

**Our payroll and HR policies were structured around the INR 24,000 per month wage ceiling under the old Payment of Wages Act. Do we need to revisit this?**

**A.**

Yes. Under the Payment of Wages Act, 1936, the statutory protections relating to payment timelines, permissible deductions, and dispute resolution applied only to employees earning up to INR 24,000 per month.

The new Wage Code removes this ceiling entirely. Every obligation under the Code, including the prescribed timelines for wage payment, the exhaustive list of permissible deductions, the two working day settlement requirement on separation, and access to claim authorities, now applies to all employees regardless of what they earn.

**We are a manufacturing company and have always paid minimum wages only to our factory workers under scheduled employments. Do we need to extend this to our office and administrative staff as well?**

**A.** Yes. Under the Minimum Wages Act, 1948, minimum wage protections applied only to scheduled employments notified by the appropriate government, which meant that large categories of workers, particularly those in office, administrative, and clerical roles, fell outside its scope.

The Wage Code removes the concept of scheduled employments entirely. Minimum wage protections now apply to all employers and all employees across every sector and every nature of work, with no threshold, no scheduled employment requirement, and no distinction between factory floor and office.

**Our compensation structures include a fixed basic pay component and several allowances. How does the Wage Code affect how wages are computed for statutory purposes?**

**A.**

Wages now include basic pay, dearness allowance, and retaining allowance, along with other remuneration, subject to specified exclusions. If excluded allowances exceed 50% of total remuneration, the excess is deemed to be wages, which may increase liabilities towards provident fund, gratuity, bonus, and separation-related payments.

Compensation structures compliant under the predecessor statutes may no longer meet the requirements of the Code.

# Pay Within the *Prescribed Deadline*



## Weekly Workers

Pay before  
weekly holiday

## Fortnightly Workers

Pay before the  
end of the  
second day after  
the fortnight  
ends.

## Monthly Workers

Pay by the 7<sup>th</sup> of  
the succeeding  
month in  
establishments  
with **fewer than  
1,000 employees**  
and by 10<sup>th</sup> in all  
other  
organisations

## Document & Records

Every employer  
must maintain a  
register of  
persons  
employed,  
muster roll, and  
wages in the  
prescribed  
manner, and  
issue wage slips  
to all  
employees.  
**Failure to  
maintain  
records  
attracts a fine  
of up to INR  
10,000.**

# Key *Takeaways* and New *Changes*

1. The Wage Code introduces an ***Inspector-cum-Facilitator*** model, where inspectors are mandated to advise and guide employers toward compliance before initiating prosecution.
2. Every person in charge of and responsible for the conduct of the company at the time of the offence ***may be held personally liable***.
3. The Wage Code ***prohibits wage discrimination*** on the ground of gender for the same work or work of a similar nature.
4. Where a claim is filed for non-payment, underpayment, or unauthorised deductions, the ***burden of proof lies primarily with the employer and not the employee***.
5. The claims limitation period has been ***extended to three years, up from the six-month to two-year window*** under the erstwhile legislation
6. Sexual harassment-related dismissal is now an ***additional ground for bonus disqualification***.

# Immediate Action Items *for employers*

1. Map every remuneration component against the Code's wage definition and **apply the 50% test**. Model downstream statutory cost impact.
2. **Review all contracts, offer letters, and HR policies** against the Code's restrictions on deductions and the expanded scope of "employee
3. On resignation, dismissal, retrenchment, or closure, all wages due must be paid within **two working days** of the employee's separation, with no exceptions.
4. Employers with multi-state operations **must actively track state-specific rule finalisation** and adjust compliance accordingly.
5. Conduct a structured review of compensation across comparable roles and **address unjustified gender-based pay** differentials proactively

Have a doubt?  
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