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## New Labour Code

(effective from 21<sup>st</sup> Nov 2025)

### Background:

1. The Ministry of Labour & Employment has notified the New Labour Codes, effective 21 November 2025, marking a remarkable milestone in India's labour reforms. These codes replace 29 separate Central labour laws with a simplified and unified framework.
2. Indian economy was Driven by a diverse workforce Govt has undertaken this reform to simplify the regulatory structure, enhance transparency, and strengthen worker rights on the other hand creating a more efficient and business-friendly environment

This four Labour Codes constitute India's most extensive labour reform initiative, consolidating and harmonizing numerous existing laws into a unified and modern legal framework. This reform aligns labour regulation with evolving industry practices, technology-enabled compliance mechanisms, and new forms of employment, including platform-based and gig work

### Results of Labour Law Rationalisation

Element	29 Laws	4 Codes
Rules	1436	351
Returns	31	Single
Forms	181	73
Registers	84	8
Registration	8	Single
License	4	Single
Compounding	NA	Novel
Improvement Notice	NA	Novel

### New Labour Codes

- The Code on Wages, 2019
- The Code on Social Security, 2020
- The Occupational Safety, Health and Working Conditions Code, 2020
- Industrial Relations Code, 2020

The Ministry vide Notification No S.O. 5322(E) has notified the code. This code has replaced the following existing laws:

The Payment of Wages Act, 1936



The Minimum Wages Act, 1948



The Payment of Bonus Act, 1965



The Equal Remuneration Act, 1976

### Major Highlights of the Code:

S. No	Highlights										
(a)	Universal minimum wages now apply to all employees, unlike earlier coverage limited to scheduled jobs										
(b)	Contractors and Sub-contractors are included in the definition of “employer”										
(c)	Central Govt may fix the Floor wage, this ensures that No state can fix wages below this floor wage level										
(d)	<p>The Code prescribes the timelines for wage payments as follows:</p> <table border="1"> <thead> <tr> <th>Payment frequency</th> <th>Wages to be paid</th> </tr> </thead> <tbody> <tr> <td>Daily</td> <td>End of the shift</td> </tr> <tr> <td>Weekly</td> <td>Last working day of the week</td> </tr> <tr> <td>Fortnightly</td> <td>Before the end of the 2<sup>nd</sup> day after the fortnight ends</td> </tr> <tr> <td>Monthly</td> <td>Before the 7<sup>th</sup> day of succeeding month</td> </tr> </tbody> </table>	Payment frequency	Wages to be paid	Daily	End of the shift	Weekly	Last working day of the week	Fortnightly	Before the end of the 2 <sup>nd</sup> day after the fortnight ends	Monthly	Before the 7 <sup>th</sup> day of succeeding month
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(e)	Code mandates overtime must be paid at least twice the normal wage rate.										
(f)	Any contract restricting an employee’s benefits under the Code is null and void.										
(g)	Full and Final settlement shall be payable within 2 working days.										
(h)	The Code establishes a formal system for wage claims and recovery.										
(i)	Traditional role of inspector has been replaced with inspector-cum-facilitator										
(h)	Compounding has been introduced, helps in reducing the trials in criminal court										

## FAQ's on the code

S. No	FAQ's	A3 comments
1.	Applicability of the code	This Code applies to all establishments across the India from 21 <sup>st</sup> November 2025 irrespective of their size
2.	Is Appointment letter is mandatory?	Yes. The Code mandates that the employer must issue an appointment letter to every employee in a prescribed format
3.	Who is responsible for paying wages to workers engaged through contractors?	The contractor is primarily responsible for ensuring the timely payment. However, the principal employer becomes ultimate responsible person for payment.
4.	Can an employer deduct wages for non intimation of leave?	Yes, only if 10 or more employees takes leave collectively without due intimation and reasonable cause then employer can deduct up to 8 days wage
5.	Maximum % that can be deducted as fines	Total deductions from wages, under any head, cannot exceed 50% of the employee's wages
6.	Consequence for non payment of wage with in time?	<ul style="list-style-type: none"> <li>- Employees can file a claim with authorities</li> <li>- Penalty which may extend up to 50,000</li> <li>- In case of repeated offense, the penalty may include imprisonment and a higher fine</li> </ul>
7.	What is the time limit for making a claim	Employee or a Trade Union must file claim with in 3 years from the due
8.	Who is eligible for bonus	Only employees whose salary or wage does not exceed 21,000 p.m are entitled to the minimum bonus of 8.33%.
9	Is bonus payment mandatory for loss making companies?	For the first five years, companies are required to pay bonus only in profit-earning years. Thereafter, bonus liability shall be determined in accordance with the set-on and set-off provisions
10.	What is compounding of offence	Compounding of offences allows an employer to avoid prosecution by paying the prescribed amount

The Ministry vide Notification No S.O. 5320(E) has notified the code. This code has replaced the following existing laws:



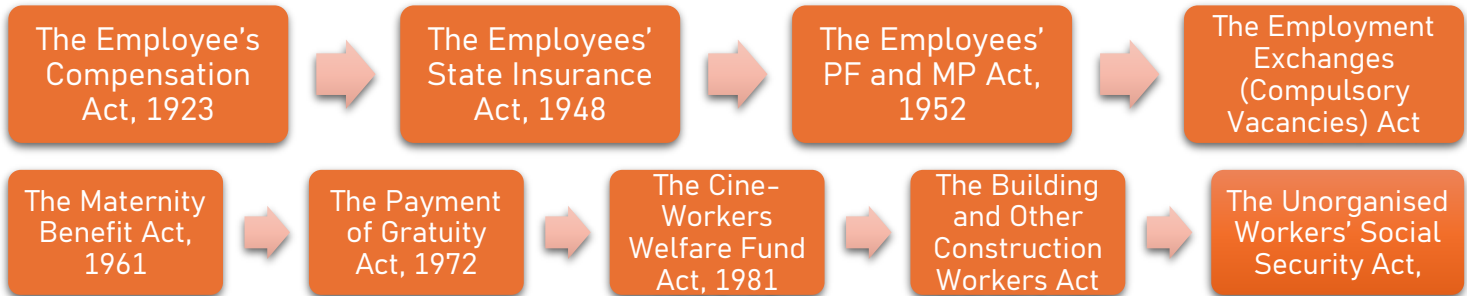
### Major Highlights of the Code:

S. No	Highlights
(a)	The term workman has been replaced with worker
(b)	Worker definition has been expanded to cover sales promotion staff, journalists and supervisory employees earning up to 18,000 p.m
(c)	Wages definition has been elaborated, "If allowances exceed 50% of basic + DA + retaining allowance, the excess will be treated as wages"
(d)	Fixed-term employees are those hired for a specified period and they are eligible for gratuity upon completion of 1 year of service, earlier it was 5 years
(e)	<ul style="list-style-type: none"> <li>- For the retrenched employees, employer is required to contribute 15 days of last drawn wages to reskilling fund, this is in addition to retrenchment compensation paid to employees directly.</li> <li>- Amount contributed shall be credited to the worker's account within 45 days.</li> </ul>
(f)	Strike definition has been revised to include if 50% or more workers takes casual leave on the same day then that day is considered as strike.
(g)	No person is allowed to go for a strike without serving proper notice to the employer.
(h)	Lay-off and retrenchment provisions do not apply to establishments with under 50 workers or to seasonal establishments.
(i)	Any industrial establishment consist of 20 or more workers must have one or more Grievance Redressal Committees (GRC)
(j)	A union with 51% membership becomes the sole Negotiating Union. If no union meets this threshold, a Negotiating Council is formed with unions having at least 20% membership

## FAQ's on the code

S. No	FAQ's	A3 comments
1.	Applicability of the code	<p>The Code applies to establishments as per the formation of committees and unions</p> <ul style="list-style-type: none"> <li>- Works Committee: Mandatory for industrial establishments with 100+ workers employees</li> <li>- Grievance Redressal Committee (GRC): Required for industrial establishments with 20+ workers.</li> <li>- Trade Union Registration: Any union with 7 or more members can register under the Code.</li> <li>- Additional Applicability: Certain provisions apply to industrial establishments with 300+ workers employed at any time in the preceding 12 months</li> </ul>
2.	1 year gratuity rule applies to all employees?	No. Gratuity after 1 year of service applies only to Fixed Term Employees. For all other employee's standard 5-year rule continues
3.	How quickly the GRC to resolve the Issue	GRC must complete its proceedings within 30 days
4.	Can an individual worker's termination be challenged as an Industrial Dispute	Yes. Code explicitly states that a dispute relating to the discharge, dismissal, retrenchment, or termination of an individual worker shall be deemed as Industrial Dispute and the same shall be resolved by conciliation officer.
5.	Penalties for illegal strike	Any worker participating in an illegal strike under the Code may face a fine between 1,000 to 10,000 or imprisonment of up to one month, or both

The Ministry vide Notification No S.O. 5319(E) has notified the code. This code has replaced the following existing laws:



### Major Highlights of the Code:

S. No	Highlights
(a)	Wages definition has been elaborated, "If allowances exceed 50% of basic + DA + retaining allowance, the excess will be treated as wages"
(b)	Any remuneration provided to an employee in kind shall be treated as part of "wages" to the extent it does not exceed 15% of the total wages payable
(c)	ESIC coverage is now pan-India, removing the earlier "notified area" requirement. Establishments with fewer than 10 employees can voluntarily opt in with mutual consent of employer & employee, and coverage is mandatory for hazardous occupations and extended to plantation workers.
(d)	New definitions are included "aggregator," "gig worker," and "platform worker" to enable social security coverage.
(e)	Aggregators are required to contribute 1-2% of annual turnover, but shall not exceed 5% of amount payable to gig workers and platform workers.
(f)	EPFO coverage now extends to all establishments with 20+ workers, as the schedule-based criteria is removed. establishments with fewer than 20 workers and self-employed individuals may also opt in voluntarily
(g)	Dependent term has been broadened to include maternal grandparents and parents- in- law in case of female employee
(h)	A compensation claim will be accepted only if the accident is reported as soon as possible and the claim is filed within two years of the accident (or within two years from the date of death, in case of fatal accidents)
(i)	Employers appealing against the EPF order, pre-deposit percentage reduced to 25% of the assessed amount from 40-70%

## FAQ's on the code

S. No	FAQ's	A3 comments
1.	Applicability of the code	Application of the Code to any establishment can be notified by the Central Government, subject to threshold limits
2.	What if the value of remuneration provided in kind exceeds 15% of an employee's wages?	If the remuneration in kind exceeds 15% of the employee's wages, only up to 15% of the value of such in-kind benefits will be included in "wages" for the purpose of PF, ESI, bonus, gratuity, and other statutory calculations
3.	Is Unorganised workers are required to register?	Yes. Code mandates the registration of unorganised workers, gig workers and platform workers.
4.	How many maternity leaves are allowed?	A woman employee is entitled to 26 weeks of paid maternity benefit. Furthermore, if the establishment has 50 or more employees, the employer is legally mandated to provide a Creche facility.
5.	What are components that are excluded from wages	The Code lists payments that are excluded from the definition of "Wages," such as HRA, conveyance allowance, statutory bonuses, overtime allowance, gratuity, and employer PF contribution.
6.	What if Basic + DA + retaining allowance is less than 50% of the wages	Employers must restructure payrolls to ensure the statutory Wages (Basic Pay + DA + Retaining Allowance) is a minimum of 50% of the total CTC. This enhanced wage base will be considered for calculating PF, ESI, Gratuity, and other statutory social security contributions.
7.	Consequence for non payment of maternity benefits	Imprisonment for a term not less than three months (which may extend up to one year) and / or a fine not less than 2,000 (which may extend to 5,000)

The Ministry vide Notification No S.O. 5321(E) has notified the code. This code has consolidated 13 existing labour laws including the following laws:



## Major Highlights of the Code:

S. No	Highlights
(a)	Factory definition was amended to 20 workers for premises where the process uses power and 40 workers where the process uses no power
(b)	A uniform threshold of 10 employees has been prescribed for electronic registration. Under the new framework, a single registration will replace the six separate registrations required under the earlier laws
(c)	Applicability of contract labour provisions only when 50 or more contract labour are employed
(d)	Employers must conduct annual health check-ups for employees
(e)	Issuance of appointment letters is mandatory for all employees
(f)	Number of working hours restricted to a maximum of 8 Hours in a day and 6 days week
(g)	Overtime requires prior written consent and must be paid at twice the ordinary wage rate.
(h)	Employee shall be entitled to 1 day leave for every 20 days of work and for a adolescent worker leave shall be entitled to 1 day for every 15 days of work
(i)	A worker can carry forward unused leave to the next year, but only up to 30 days. Anything beyond 30 days cannot be carried forward
(j)	Women employees may work between 7 PM–6 AM, subject to their consent and required safety safeguards
(k)	Establishments with 500 or more workers will form safety committees with employer-worker representation, enhancing workplace safety and shared accountability



## FAQ's on the code

S. No	FAQ's	A3 comments
1	Applicability of the code	<p>The Code applies to establishments with 10 or more workers, and to all mines and docks, regardless of worker count.</p> <p>It covers:</p> <ul style="list-style-type: none"> <li>- Any industry, trade, business, manufacturing or occupation with 10+ workers</li> <li>- Motor transport, newspaper, audio-video production, construction work, and plantations with 10+ workers</li> <li>- Factories with 10+ workers</li> <li>- All mines, ports, and areas where dock work is carried out</li> </ul>
2	Is women employees are prohibited to work on night?	<p>No. Code does not prohibit women from working in night, provided the two mandatory conditions:</p> <ul style="list-style-type: none"> <li>- Written concern from the employee</li> <li>- Adequate Safety, Facilities, and Transportation</li> </ul>
3	What are the maximum prescribed daily and weekly working hours under the new codes?	<p>The maximum working hours are fixed at 8 hours per day and 48 hours per week. Employees working beyond this are entitled to overtime wages, which must be paid at least twice the normal rate of wages</p>
4	Is cost of health checkups are part of CTC?	<p>No. The cost is not part of the employee's CTC; it is a mandatory and additional cost borne entirely by the employer.</p>
5	Is issuing an appointment letter mandatory or optional?	<p>Issuance of appointment letters for employees for promoting formalisation is mandatory</p>
6	Is any pay variation based on the gender?	<p>No. Code explicitly prohibits gender-based discrimination and code was built on principle of equal pay for equal work</p>



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HYDERABAD | VIZAG | MUMBAI | NEW DELHI | BANGLORE | CHENNAI  
| VIJAYAWADA |

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[services@a3advisors.in](mailto:services@a3advisors.in)



[www.a3advisors.in](http://www.a3advisors.in)

