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Weekly Newsletter from HR Vidyalaya Corporate Services LLP

## New finds this week

- by Anandan Subramaniam

### Dominos Effect and Team Activity - A Critical analysis

**Commitment**

**Patience**

**Concentration**

Three valuable factors determine the success of Domino's effect or a Team Activity in any Organization. Any medium or large enterprise is divided into small segments and each team must have the above three qualities, for success of each segment and ultimately the success of the Organization.

If the Team is having the above THREE, then it may reap the following THREE

**Productivity**

**Quality**

**Timeline delivery**

PDCA (Plan, Do, Check/Correct and Act) cycle is most important for control and continuous improvement, in each segmented process.

Communication is the key between the TEAMS, as each team needs to know what others are doing. Communication leads to Collaboration.

Each team has a 'set goal or target', and they need to know how to hand-shake with other team (like the link in Dominos). The goal of such team does not end there, but these goals need to be combined to achieve a bigger goal, the big picture of, achieving the Organizational Goal. So, the concentration or the focus is required to achieve the final Goal, like end of Dominos.

With change in team dynamics, there shall neither be long distance nor proximity to the other. Appropriate distance needs to be maintained, like in Dominos, to ensure that there is no communication gap because of distance or privacy invasion due to closeness, of the teams.

Diversity and inclusiveness play a significant role in involving ALL (without exception to age, experience, skills, and competencies etc.) the Trigger to start (commence the project) and end (complete the delivery) shall be equal throughout the process.

One needs to Trust other and even if one team fails, the entire activity fails.

## Time to Pay Statutory Bonus

**Objective of the Payment of Bonus Act is** - to make an equitable distribution of surplus profits

### Applicability

- HR-V Every Factory with 10 or more employees
- HR-V An Establishment with 20 or more employees
- HR-V If Profit and Loss accounts are prepared and maintained separately that such branch is treated separately

### Eligibility

- HR-V Any person employed for wages, not exceeding Rs.21,000/month
- HR-V Salary or wages includes Dearness allowance but no other allowances
- HR-V Apprentice under Apprentices Act are not eligible for Bonus
- HR-V Pro-rate if eligibility is for few months of the Accounting Year

### Payment of Bonus

- HR-V Eligible employee, if he/she/they had completed 30 working days in that Accounting Year
- HR-V A minimum Bonus of 8.33% of wage or Rs.100 whichever is higher.
- HR-V A maximum of 20%
- HR-V Within 8 months of close of the accounting year (i.e. before November 30)

### Disqualification of Bonus

- HR-V Dismissed employee for Fraud, theft, misappropriation or sabotage of property
- HR-V Misconduct of financial loss or Sexual Harassment

**Payment of Statutory Bonus is not mandatory for those who are above eligibility (if paid shall be treated as ex-gratia)**

### Act is not applicable to:

**Life Insurance Corporation, General Insurance Companies, Dock Yards, Red Cross, Chambers of Commerce and Universities & Educational Institutions where there is no PROFIT, Hospitals, Contractors on building operations, RBI, Financial Corporations, NABARD, UTI and IDBI**

Details of amendments to Bonus Act – just for Academic purpose

Sl.No.	Year of Amendment	Eligibility limit ( Per month )	Calculation ceiling
1	1965	Rs.1,600	Rs.750
2	1985	Rs.2,500	Rs.1,600
3	1995	Rs.3,500	Rs.2,500
4	2007	Rs.10,000	Rs.3,500
5	2015	Rs.21,000	Rs.7,000 or Minimum wages whichever is higher

Bonus (whether 8.33% or any other percentage upto 20%) is decided as per the below:

**Computation of Gross profits**



**Available Surplus**

Gross profit (-) Depreciation (-) Direct Taxes (-) further sums



**Allocable Surplus**

**67% of Available Surplus**

Payment of Bonus (percentage) is determined on this 67%

**What is Set-On and Set-off?**

Set On	Excess allocable surplus remains after paying the maximum bonus of 20% on the wage or salary of the employee, should be carried forward to the next following year to be utilized for the purpose of payment of bonus in case of the shortage of the allocable surplus or losses occur
Set Off	When there are no profits (available surplus or allocable surplus) or the amount falls short or deficiency for payment of minimum bonus to employees 8.33%, such deficiency amount should be adjusted to the current accounting year from the Set-On amount which was carried forward in case of excess allocable surplus in the previous year.

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## How statutory bonus is calculated? Sample computation

- Bonus is paid for those who worked for 30 days in the previous financial year
- Bonus is calculated for the previous financial year - % of bonus is declared

1. Eligibility for bonus: A monthly salary of Rs.21,000/- or below (Basic+ DA)

2. Basic+DA considered for

Payment of bonus, if eligible      Rs.7000/- per month (or)  
Minimum Wages, whichever is higher

3. Annual salary for calculation      Rs.7000 x 12 = Rs.84,000.00

4. If it is declared at 8.33%      Rs.84,000 x 8.33% = Rs.7000.00 (Bonus)

5. If it is declared at 12%      Rs.84,000 x 12% = Rs.10080.00 (Bonus)

6. If it is declared at 15%      Rs.84,000 x 15% = Rs.12600.00 (Bonus)

7. If it is declared at 20%      Rs.84,000 x 20% = Rs.16800.00 (Bonus)

If the Minimum wages is Rs.12,000 then,

Annual salary for calculation is Rs.12000 x 12 = Rs,1,44,000

If it is declared at 8.33%      Rs.1,44,000 x 8.33% = Rs.11995 (Bonus)

If it is declared at 10%      Rs.1,44,000 x 10% = Rs.14400 (Bonus)

If it is declared at 20%      Rs.1,44,000 x 20% = Rs.28800 (Bonus)

If bonus paid as monthly, (Rs.7000 / 12 = Rs.583.00), then at the end of the year, it needs to be reconciled with the bonus declared.

Statutory Bonus for those who get Rs.21,000/month Basic+DA and above - Statutorily it is not payable. If the management pays bonus for them, it is recorded as Ex-gratia. And there is no necessity to show it in the bonus register or return.

