

Dear Sirs,

Cabinet have notified Payment of Wages Ordinance 2016 asking employers to pay wages/ salary by cheque or bank transfer. After going through same we have prepared synopsis of Ordinance which is detailed as follows.

The Union Cabinet cleared an ordinance allowing for payment of salaries/wages by cheque or credit to employee accounts, and empowering states and the Centre to designate industries or establishments that would have to provide cashless wages.

The ordinance implements the Payment of Wages (Amendment) Bill, 2016, which is currently with Parliament. It amends Section 6 of the principal Act to enable the cashless payment.

Under the previous law, wages were to be paid in currency notes and coins, though employers could transfer the money to bank accounts or pay by cheque after getting a written permission from the employee.

Employers will now have the option of cashless payment without seeking such permission. The option of payment in cash still exists, but the law will allow state governments to specify industrial units or other establishments that should go the cashless way. It means that only those Industrial establishments can pay wages/ salary in cash which will be specified by UT Administration.

Relevant provision of ordinance is as under:-

"Provided that the appropriate government may, by notification in the official gazette, specify the industrial or other establishment, the employer of which shall pay to every person employed in such industrial or other establishment, the wages only by cheque or by crediting the wages in his bank account," the Bill tabled in Parliament had said.

The original Act had come into force on April 23, 1936, providing for payment of wages in coin or currency notes, or in both. The provision for payment of wages by cheque or crediting it into bank account after obtaining the authorisation of employee was inserted in 1975. Currently, the Act covers all employees in certain categories of establishments whose wages do not exceed Rs. 18,000/- per month.

The Centre can make rules regarding payment of wages in relation to railways, air transport services, mines, oilfields and its establishments, while states need to take a call on all other cases. Andhra Pradesh, Uttarakhand, Punjab, Kerala and Haryana have already made provisions for payment of wages through cheque and electronic transfer.

The law will ensure transparency in payment of wages and ensure that minimum wages are paid to the employees and that their social security rights are protected. When the wages are paid electronically or by cheque, employers will not be able to underquote the number of employees employed by them in their establishments to avoid becoming a subscriber to the EPFO or ESIC schemes.

Even after that if any clarification is required please feel free to contact undersigned on 9723822688.

Regards,

Ravi Pandey