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READINESS CHECKLIST

New Labour Codes Readiness Kit

What has to be true in your payroll and your paperwork now that the four codes are in force. Every item sourced, including the Ministry's own FAQs that almost nobody cites.

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01

What actually changed

Four codes in, twenty-nine Acts out

On 21 November 2025 the four labour codes came into force and 29 central Acts were repealed. If a policy, a template or a payroll note in your business still cites one of the old Acts, it is pointing at something that no longer exists.

If you still cite	You now want	Covers
Payment of Wages Act 1936, Minimum Wages Act 1948	Code on Wages 2019	What wages means, payment timing, bonus
Factories Act 1948, Shops rules on hours and leave	OSH Code 2020	Leave, hours, welfare, who is a worker
Industrial Disputes Act 1947, Standing Orders Act 1946	Industrial Relations Code 2020	Standing orders, notice of change, disputes
EPF Act 1952, ESI Act 1948, Payment of Gratuity Act 1972	Code on Social Security 2020	Provident fund, ESI, gratuity

The one that changes numbers

Most of the codes reorganise. One of them changes arithmetic: the definition of wages is now common across all four, and it carries a 50% floor. That single change moves your provident fund base, your gratuity provision and your leave encashment rate. Everything else on this checklist is paperwork by comparison.

There is a second date worth knowing. The Income-tax Act 1961 was repealed on 1 April 2026 and replaced by the Income-tax Act 2025. That is a separate change from the labour codes, but it lands on the same payroll team in the same year, and it renamed things people type every month. Form 16 is now Form No. 130. Form 12BB is Form No. 124. Form 10E is Form No. 39.

02 Who the codes actually cover

Two thresholds worth checking before anything else

A large part of the codes runs on the word worker, and worker is a defined term that excludes a good part of most office payrolls. Establishing who you are talking about first saves arguing about rules that do not apply to them.

Test	Threshold	If you are under it
Is it an establishment?	Ten or more workers	The OSH Code does not apply; your state Shops and Establishments Act governs
Is the person a worker?	Excludes managerial and administrative roles, and supervisors paid over ₹18,000 a month	Their contract governs, not the Code

State law did not disappear

Where a state provision is inconsistent with the Code, the Code prevails. But the Ministry has confirmed that an employee remains entitled to a benefit under state law where it is more favourable to them than the Code. So a state that allows more leave still gives more leave. Check yours rather than assuming the Code replaced it.

- [ ] **Headcount confirmed against the ten-worker threshold**
- [ ] **Every employee classified as worker or not, in writing**
- [ ] **Supervisors near ₹18,000 a month reviewed, since the threshold is notifiable and can move**
- [ ] **Your state's Shops and Establishments Act read for anything more favourable than the Code**

03 The 50% wages floor

The change that moves real money

Wages now means basic pay plus dearness allowance plus retaining allowance. If everything excluded from that definition comes to more than half of total remuneration, the excess is added back and counts as wages anyway. There is no way to structure around it.

Worked example, monthly	Amount
Basic and dearness allowance	24,000
All other allowances	36,000
Total remuneration	60,000
Half of total remuneration	30,000
Allowances above half, added back to wages	6,000
Wages for provident fund and gratuity	30,000
Provident fund at 12%	3,600, not 2,880

Goes into the 50% test	Stays out
Employer provident fund and pension contributions	Gratuity
Statutory bonus	ESI
Overtime allowance	Other retirement benefits
Remuneration in kind: food coupons, ration items, mobile recharge	-

Two that catch people

Overtime counts. A month of heavy overtime can push an employer over the line who is comfortably under it in a normal month. And remuneration in kind counts: food coupons, ration items and mobile recharge are in the denominator, so perks that never touch a bank transfer still move the calculation.

- [ ] **Basic and dearness allowance measured against half of total remuneration, for every employee, not just the low-basic ones**
- [ ] **Overtime included in the test where it is paid**
- [ ] **Remuneration in kind valued and included**
- [ ] **Provident fund recalculated on the revised wages from 21 November 2025**
- [ ] **Gratuity provision restated on the revised wages, which the Ministry has confirmed applies from the same date**
- [ ] **Leave encashment rate updated, since encashment is paid as wages**

04 Leave

Accrual, carry-forward and three ways it gets encashed

Leave under the OSH Code is more prescriptive than most policies written before it. The carry-forward ceiling and the encashment triggers are the parts that create liability quietly.

Rule	What it says	Source
Accrual	One day for every twenty days worked	OSH Code s.32(1)(ii)
Eligibility in a running year	180 days worked	OSH Code s.32(1)(i)
Someone who joined mid-year	Qualifies on a quarter of the days left in the year	OSH Code s.32(1)(v)
Carry forward	Thirty days maximum	OSH Code s.32(1)(vii)(a)
Leave the employer refused	Carries forward with no limit at all	OSH Code s.32(1)(vii)(b)
Balance above thirty days	The worker may encash the excess	OSH Code s.32(1)(ix)
On exit, and on death	Wages in lieu, to the worker or the nominee, even if the 180 days were not worked	OSH Code s.32(1)(vi)

How much can be encashed

There is no prescribed maximum. The Ministry has confirmed that on separation a worker is entitled to encash the leave to their credit, whatever it has grown to. A policy that caps encashment at a number of days is capping something the Code does not.

- ☐ **Leave policy accrual rate reconciled with one day per twenty worked**
- ☐ **Balances above thirty days identified before 31 December**
- ☐ **Refused leave tracked separately, because it carries without limit**
- ☐ **Exit encashment paid even where the employee worked under 180 days that year**
- ☐ **Any cap on encashment days in your policy reviewed against the Code**

05 Exits, and changing anything

Two clocks and one notice period

The codes put short deadlines on the end of employment, and a twenty-one day notice requirement on changing the terms of it.

Event	Deadline	Source
Wages on removal, dismissal, retrenchment or resignation	Two working days	Code on Wages s.17(2)
Service certificate on leaving	Ten days, at 300 or more workers	Model Standing Orders 2026
Changing wages, the employer's provident fund contribution, or allowances	Twenty-one days' written notice first	IR Code s.40, Third Schedule items 1 to 3

Section 40 is worth reading carefully, because it says any change in the conditions of service of a worker in a Third Schedule matter, not any adverse change. Nobody serves notice before paying somebody more and the provision is not aimed at that. But the first three items in that Schedule are wages, the employer's contribution to a provident or pension fund, and compensatory and other allowances. A salary restructure moves all three at once, and appraisal season is when restructures happen.

- [ ] **Full and final settlement process completes within two working days**
- [ ] **Service certificate issued within ten days of leaving, which binds at 300 or more workers and is good practice below that**
- [ ] **Any restructure that reduces basic pay or benefits checked against section 40 before the letter goes out**
- [ ] **Standing orders reviewed against the Model Standing Orders 2026**

06 Gratuity and social security

One threshold that dropped from five years to one

Gratuity now runs on the revised definition of wages, and fixed term employees reach it far sooner than anyone used to.

Question	Answer	Source
From when does gratuity use the revised wages?	21 November 2025, prospectively	MoLE FAQ 16-03-2026, Q6 and Q11
When does a fixed term employee earn gratuity?	One year under the contract, not five	MoLE FAQ 16-03-2026, Q14 and Q19
Who pays gratuity for contract labour?	The contractor, as employer	MoLE FAQ 16-03-2026, Q16
Is the creche facility gender dependent?	No, it is available to employees irrespective of gender	MoLE FAQ 16-03-2026, Q23

The fixed-term change is a cost, not a formality

If you use fixed term contracts to avoid a five-year gratuity liability, that no longer works. One year under the contract is enough. Anyone on an eleven-month contract that gets renewed is worth looking at closely.

- [ ] **Gratuity provision restated on the revised wages from 21 November 2025**
- [ ] **Every fixed term contract reviewed for the one-year gratuity point**
- [ ] **Contract labour gratuity liability confirmed with your contractors in writing**
- [ ] **Provident fund at 12% and ESI at 0.75% employee and 3.25% employer reconciled against the revised wage base**

07 Paperwork that has to exist

The documents an inspector asks for

Most of the readiness work is arithmetic. This part is not: it is whether the documents exist, say the right thing, and are issued on time.

- [ ] **Wage slip issued every wage period, showing the revised figures**
- [ ] **Appointment letter for every employee, stating the terms**
- [ ] **Standing orders reviewed against the Model Standing Orders 2026**
- [ ] **Registers of employees maintained and retained**
- [ ] **Service certificate template ready, so ten days is achievable**
- [ ] **Leave records showing accrual, availed, carried forward and refused separately**
- [ ] **Salary structure documented so the 50% test can be evidenced, not just asserted**
- [ ] **Records of any notice given under section 40 before a change took effect**

Evidence beats intention

The difference between compliant and defensible is usually a record. If you can show the 50% test being run each month, a wage slip that matches it, and a notice served before a change, the conversation with an inspector is short.

08 The whole thing on one page

Twelve checks, in the order worth doing them

If you do nothing else from this document, work down this list. It is ordered by what costs most to get wrong, not by which code it comes from.

- [ ] **Basic and dearness allowance measured against half of total remuneration, for every employee**
- [ ] **Overtime and remuneration in kind included in that test**
- [ ] **Provident fund recalculated on the revised wages from 21 November 2025**
- [ ] **Gratuity provision restated on the same basis, from the same date**
- [ ] **Every fixed term contract checked for the one-year gratuity point**
- [ ] **Leave balances above thirty days identified before the year ends**
- [ ] **Refused leave tracked separately from ordinary carry-forward**
- [ ] **Exit settlements completing within two working days**
- [ ] **Service certificates issued within ten days**
- [ ] **Section 40 notice served before any restructure that cuts basic pay or benefits**
- [ ] **Wage slips showing the revised figures every period**
- [ ] **Your state's rules checked for anything more favourable than the Code, which still applies**

What this document is not

A readiness checklist, not legal advice. It points at what to look at and where the rule comes from, so that a conversation with your adviser starts from a list rather than a blank page. Your contracts, your standing orders and your state's rules sit on top of everything here.

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Provided by Attendo for general guidance. Sources read at origin on 06-Aug-2026: the OSH Code 2020 and Industrial Relations Code 2020 as published, the Income-tax Rules 2026 as notified by G.S.R. 198(E), and the Ministry of Labour and Employment's Additional FAQs dated 16 March 2026. Establishment size, state rules and your own contracts change what applies. Have anything contentious reviewed before you act on it.

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Compliance you can *evidence, not just claim*

Attendo runs the wages test every month, keeps the leave record the Code asks for, and produces the wage slip that matches. The evidence exists because the software made it, not because somebody remembered to.

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