Attendo

LETTER FORMATS

Salary Increment & Appraisal Letter Kit

Eight formats covering a whole appraisal cycle, from a straightforward rise to a restructure and a no-increment conversation. Written to the labour codes and the Income-tax Act 2025.

Updated August 2026   13 Pages

8
Letter formats
Fill the brackets and print

50%
Wages floor
What a restructure has to clear

21 days
Notice on a restructure
Industrial Relations Code, s.40

What's Inside

01 Which letter, and when

Eight documents, each doing a different job

An appraisal cycle produces more than one kind of letter, and the commonest mistake is sending the wrong one. Someone told their pay has not moved needs a different document from someone being promoted, and both need something different again from someone whose salary is being restructured.

Letter	Use it when	Watch for	Format
Salary increment	Pay goes up, structure unchanged	The revised basic still clears the wages floor	01
Increment with revised breakup	Pay goes up and the split changes	This is the one that trips the 50% rule	02
Promotion with increment	Role and pay both change	New designation must match what you report elsewhere	03
Confirmation with increment	Probation ends and pay rises	Confirm first, then revise; two events, one letter	04
Backdated increment	Effective date is in the past	Arrears, and the employee's relief on them	05
Appraisal outcome, no rise	Cycle closes with pay unchanged	Say why, and say what would change it	06
Performance bonus	One-off payment, not a salary change	Do not let it read as a permanent rise	07
Salary restructure	Composition changes, cost to company may not	Notice under the Industrial Relations Code	08

The one that causes trouble

Format 02 and Format 08 both rewrite the salary structure. That is where the wages floor and the notice requirement bite. Formats 01, 03 and 04 raise pay without touching the split and are much simpler.

02 Before you write anything

Four things a revised salary moves

A salary revision is not a single number changing. Four other figures move with it, and if payroll finds out from the letter rather than before it, something downstream will be wrong for a month.

What moves	Because	Where it shows up
Provident fund base	PF is calculated on wages as the codes define them, subject to the 50% floor	The month the revision takes effect
Gratuity accrual	The Ministry confirmed the revised wages definition applies to gratuity from 21 November 2025	On exit, and in the provision you carry
Leave encashment rate	Encashment is paid as wages in lieu, on the same definition	At year end and on exit
The wage slip	Form V has to show the revised figures from the effective month	The first payroll run after the letter

Worked example, monthly	Amount
Basic and dearness allowance	24,000
All other allowances	36,000
Total pay	60,000
Half of total pay	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

The wages floor, in one line

If basic and dearness allowance come to less than half of total pay, the shortfall is treated as wages anyway. Granting an increment mostly as allowances no longer keeps the provident fund and gratuity base down once you are past that halfway point.

There is a second reason to be careful with a restructure. Section 40 of the Industrial Relations Code 2020 says no employer proposing any change in the conditions of service of a worker, in a matter specified in the Third Schedule, may effect it without written notice and twenty one days. The first three items in that Schedule are wages, the employer's provident fund contribution, and compensatory and other allowances, so a restructure moves all three at once. The section says any change, not any adverse change. Nobody serves notice before paying somebody more and it is not aimed at that, but a revision that cuts basic pay or leaves someone worse off on retirement benefits is squarely within it. Note that worker excludes anyone employed mainly in a managerial or administrative role, and supervisors paid over eighteen thousand rupees a month.

03 Format 01 · Salary increment

Pay rises, structure stays as it is

The plain one. Use it when the revised salary keeps the same proportions and you are simply paying more.

[YOUR COMPANY LETTERHEAD]

Ref: [HR/2026-27/000]

Date: [DD-MMM-YYYY]

[Employee Name]
[Designation], [Department]
Employee Code: [Employee Code]

Subject: Revision in Salary with effect from [Effective Date]

Dear [First Name],

We are pleased to inform you that following the annual review for [Review Period], your salary has been revised with effect from [Effective Date].

Your revised annual cost to company is [Revised CTC in figures] ([Revised CTC in words]), from [Previous CTC in figures]. The revised monthly breakup is set out below and takes effect from the payroll for [Effective Month].

All other terms and conditions of your employment remain unchanged. This revision reflects your contribution over the review period and we look forward to your continued association with [Company Name].

Basic pay, monthly	[Existing] to [Revised]
Dearness allowance	[Existing] to [Revised]
House rent allowance	[Existing] to [Revised]
Other allowances	[Existing] to [Revised]
Gross monthly	[Existing] to [Revised]

Yours sincerely,
For [Company Name]

[Authorised Signatory]
[Name] · [Designation] · [Company Seal]

Note *Keep basic and dearness allowance at or above half of total pay in the revised column. Below that, the shortfall counts as wages anyway for provident fund and gratuity, and the saving you were aiming for does not exist.*

04 Format 02 · Increment with revised breakup

Pay rises and the split changes

For when the components are rebalanced as well as raised.

[YOUR COMPANY LETTERHEAD]

Ref: [HR/2026-27/000]

Date: [DD-MMM-YYYY]

[Employee Name]
[Designation], [Department]
Employee Code: [Employee Code]

Subject: Revised Salary Structure with effect from [Effective Date]

Dear [First Name],

Further to the review for [Review Period], your salary has been revised with effect from [Effective Date]. Both the amount and the structure have changed.

Your revised annual cost to company is [Revised CTC in figures] ([Revised CTC in words]). Deductions are computed on the revised figures, so your net pay may move by more or less than the headline increase.

Please sign and return the acknowledgement copy. If anything here does not match what was discussed, tell us before the effective date.

Basic pay, monthly	[Existing] to [Revised]
Dearness allowance	[Existing] to [Revised]
House rent allowance	[Existing] to [Revised]
Other allowances	[Existing] to [Revised]
Gross monthly	[Existing] to [Revised]
Basic and DA as a share of gross	[%] to [%]
Employer provident fund	[Existing] to [Revised]

Yours sincerely,
For [Company Name]

[Authorised Signatory]
[Name] · [Designation] · [Company Seal]

Note *Net pay can fall even when cost to company rises. Say that in the conversation, not only in the letter, and check the revised basic and dearness allowance against half of total pay first.*

05

Format 03 · Promotion with increment

Role and pay both change

Two changes in one letter. Keep them distinct so the record is clear about what was promoted and what was paid.

[YOUR COMPANY LETTERHEAD]

Ref: [HR/2026-27/000]   Date: [DD-MMM-YYYY]

[Employee Name]
[Current Designation], [Department]
Employee Code: [Employee Code]

Subject: Promotion to [New Designation] and Revision in Salary

Dear [First Name],

We are pleased to confirm your promotion to [New Designation] in [Department], with effect from [Effective Date]. You will report to [Reporting Manager, Designation].

In recognition of the additional responsibility, your annual cost to company has been revised to [Revised CTC in figures] ([Revised CTC in words]) with effect from the same date.

Your revised responsibilities are set out in the attached role description. All other terms of your employment, including your date of joining for the purpose of continuous service, remain unchanged.

- New designation: [New Designation]
- Effective date: [Effective Date]
- Revised annual cost to company: [Revised CTC]
- Reporting to: [Reporting Manager, Designation]

Yours sincerely,
For [Company Name]

[Authorised Signatory]
[Name] · [Designation] · [Company Seal]

Note *Say explicitly that the original date of joining stands. A promotion letter that reads like a fresh appointment can be used years later to argue that continuous service restarted, which matters for gratuity.*

06

Format 04 · Confirmation with increment

Probation ends and pay rises

Two events on the same date. Confirm the employment first, then revise the salary, so the sequence is unambiguous.

[YOUR COMPANY LETTERHEAD]

Ref: [HR/2026-27/000] Date: [DD-MMM-YYYY]

[Employee Name]
[Designation], [Department]
Employee Code: [Employee Code]

Subject: Confirmation of Employment and Revision in Salary

Dear [First Name],

Your probation period, which began on [Date of Joining], has been completed satisfactorily. We are pleased to confirm your employment with [Company Name] as [Designation] with effect from [Confirmation Date].

On confirmation, your annual cost to company has been revised to [Revised CTC in figures] ([Revised CTC in words]) with effect from the same date.

The notice period applicable to you from the date of confirmation is [Notice Period]. All other terms and conditions of your appointment letter dated [Appointment Letter Date] continue to apply.

Yours sincerely,
For [Company Name]

[Authorised Signatory]
[Name] · [Designation] · [Company Seal]

Note *Name the appointment letter by date. Confirmation changes the notice period in most contracts, and the letter should say what it becomes rather than leaving the reader to find the clause.*

07 Format 05 · Backdated increment with arrears

Effective date is in the past

Common when appraisals run late. The letter should state the arrears separately from the revised salary, and point the employee at the relief they can claim on them.

[YOUR COMPANY LETTERHEAD]

Ref: [HR/2026-27/000]

Date: [DD-MMM-YYYY]

[Employee Name]
[Designation], [Department]
Employee Code: [Employee Code]

Subject: Revision in Salary with effect from [Effective Date] and Payment of Arrears

Dear [First Name],

Your salary has been revised with effect from [Effective Date]. As the revision is being processed in [Current Month], the difference for the intervening period will be paid as arrears in the payroll for [Arrears Payment Month].

The arrears amount to [Arrears Amount in figures] ([Arrears Amount in words]) before statutory deductions, covering [Number] months from [Effective Date] to [End Date].

Arrears are taxed in the year they are received. If this pushes you into a higher rate than would have applied had the money been paid when it was due, you may claim relief so that the tax is worked out as though it had been. Please speak to your tax adviser if you wish to do so.

Period covered	[Month] to [Month]
Revised monthly salary	[Amount]
Salary already paid, monthly	[Amount]
Difference per month	[Amount]
Number of months	[Number]
Total arrears, before deductions	[Amount]

Yours sincerely,
For [Company Name]

[Authorised Signatory]
[Name] · [Designation] · [Company Seal]

Note *The relief is claimed by the employee, not by you, on Form No. 39 under rule 73 of the Income-tax Rules 2026, for relief under section 157(1) of the Income-tax Act 2025. It was Form 10E and section 89 until the 1961 Act was repealed on 1 April 2026. The calculation has not changed. Do not fill it in for them; do tell them it exists.*

08

Format 06 · Appraisal outcome, no increment

The cycle closes and pay does not move

The hardest letter in the kit, and the one most often not written at all. Silence is worse: it reads as an oversight and invites the question anyway, and leaves nothing on file about what was decided or why.

[YOUR COMPANY LETTERHEAD]

Ref: [HR/2026-27/000] Date: [DD-MMM-YYYY]

[Employee Name]
[Designation], [Department]
Employee Code: [Employee Code]

Subject: Appraisal Outcome for [Review Period]

Dear [First Name],

Thank you for taking part in the review for [Review Period]. Your overall rating for the period is [Rating], and your manager's feedback has been shared with you separately.

There will be no revision to your salary in this cycle. [State the reason plainly: the business-wide position, the rating band, or the specific objectives not met. Do not leave this sentence out.]

The next review is scheduled for [Next Review Date]. The areas set out below are what your manager and you have agreed to focus on before then, and they are the basis on which the next cycle will be assessed.

- [Area 1, with what good looks like and by when]
- [Area 2, with what good looks like and by when]
- [Support or training the company will provide]

Yours sincerely,
For [Company Name]

[Authorised Signatory]
[Name] · [Designation] · [Company Seal]

Note *Two things make this letter land better. Give a reason rather than a rating alone, and say what would produce a different outcome next time. A letter that does neither is read as a no with no route back.*

09 Format 07 · Performance bonus

A payment, not a pay rise

Use this for a one-off. The wording matters more than usual, because a bonus letter that reads like a salary revision can be argued into an expectation of the same next year.

[YOUR COMPANY LETTERHEAD]

Ref: [HR/2026-27/000]

Date: [DD-MMM-YYYY]

[Employee Name]
[Designation], [Department]
Employee Code: [Employee Code]

Subject: Performance Bonus for [Review Period]

Dear [First Name],

In recognition of your performance during [Review Period], you have been awarded a one-time performance bonus of [Bonus Amount in figures] ([Bonus Amount in words]), before statutory deductions.

The bonus will be paid with the salary for [Payment Month] and is subject to tax deduction at source. It is a discretionary, one-time payment linked to performance in the period stated. It does not form part of your fixed salary, is not an entitlement for any future period, and does not alter your cost to company.

Yours sincerely,
For [Company Name]

[Authorised Signatory]
[Name] · [Designation] · [Company Seal]

Note *The last sentence is the whole point of the letter. Without it, a bonus paid three years running becomes very hard to withdraw in the fourth. Note also that a discretionary bonus of this kind is separate from any statutory bonus you may owe.*

10

Format 08 · Salary restructure

The composition changes, the total may not

For a change of structure rather than a rise. This is the format that attracts the notice requirement, and the one to think hardest about before issuing.

[YOUR COMPANY LETTERHEAD]

Ref: [HR/2026-27/000]

Date: [DD-MMM-YYYY]

[Employee Name]
[Designation], [Department]
Employee Code: [Employee Code]

Subject: Change in Salary Structure with effect from [Effective Date]

Dear [First Name],

With effect from [Effective Date], the structure of your salary will change as set out below. [State whether the annual cost to company is unchanged, or what it becomes.]

The reason for the change is [state it plainly]. Because the composition affects statutory contributions, your provident fund and net pay may change even where the total does not.

To discuss it before the effective date, speak to [Name, Designation] by [Date].

Basic pay, monthly	[Existing] to [Revised]
Dearness allowance	[Existing] to [Revised]
House rent allowance	[Existing] to [Revised]
Other allowances	[Existing] to [Revised]
Gross monthly	[Existing] to [Revised]
Basic and DA as a share of gross	[%] to [%]
Employer provident fund	[Existing] to [Revised]

Yours sincerely,
For [Company Name]

[Authorised Signatory]
[Name] · [Designation] · [Company Seal]

Note *Wages, the employer's provident fund contribution and other allowances are items 1 to 3 of the Third Schedule to the Industrial Relations Code 2020, and section 40 requires written notice and twenty one days before changing any of them for a worker. Managers and supervisors over eighteen thousand a month are outside that definition. Give real time to respond.*

11

Before you sign

Ten things to confirm

Run this before the letters go out, not after payroll has processed them. Half of these are cheap to fix now and expensive to fix in three months.

- [ ] **Name spelled as it appears on the employee's records, not as it is spelled in the office**
- [ ] **Effective date agreed with payroll before the letter is dated**
- [ ] **Revised basic and dearness allowance are at least half of total pay, or you have taken a deliberate decision otherwise**
- [ ] **Revised provident fund contribution calculated on the revised wages, and the employee told if their net pay falls**
- [ ] **Gratuity provision updated for the revised wages**
- [ ] **Arrears, if any, stated separately from the revised monthly figure**
- [ ] **Original date of joining restated wherever a promotion or confirmation is involved**
- [ ] **Bonus letters say the payment is one-time and discretionary**
- [ ] **Any restructure to a worker's disadvantage checked against section 40 of the Industrial Relations Code before issue**
- [ ] **Wage slip for the effective month reflects the revised figures**

What this file is not

These are working drafts, not legal advice. Your contracts, your standing orders and your state's rules sit on top of them. Where a letter here conflicts with something you have already agreed with an employee, the agreement wins.

Attendo

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Increments that *reach payroll on their own*

Attendo holds the revised salary, the effective date and the arrears, so the provident fund base and the wage slip move with the letter instead of after it.

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