



138. What is the 15% provision regarding “remuneration in kind” under the Code on Wages, 2019, and how is it applied when calculating wages?

The Explanation in Section 2(y) of the Code on Wages, 2019, deals with the treatment of “remuneration in kind” as part of "wages." According to the Explanation, if an employee receives remuneration in kind from their employer instead of the entire wages in money, **then up to 15% of that in-kind payment is considered part of their wages for the purpose of calculating wages under this Code.**

Breakdown of Wages Definition:

- **Wages** include basic pay, dearness allowance, and retaining allowance. The Code excludes certain payments/benefits from being considered part of wages. These include:
 - (a) **Bonus:** Performance or statutory bonuses are not part of regular wages.
 - (b) **House Accommodation and Amenities:** Benefits like housing, electricity, water, and medical services.
 - (c) **Employer Contributions:** Payments to pension or provident funds, including interest.
 - (d) **Travel Allowances:** Payments for transport or travel, such as fuel reimbursements.
 - (e) **Expense Reimbursements:** Payments for job-related expenses, like uniforms or tools.
 - (f) **House Rent Allowance:** Allowance to cover rental costs.
 - (g) **Legal Settlements:** Payments under awards or court orders.
 - (h) **Overtime Pay:** Payments for extra hours worked.
 - (i) **Commission:** Payments for services like sales commissions.
 - (j) **Gratuity:** Paid at the end of employment.
 - (k) **Retirement/Retrenchment Payments:** Includes retirement benefits or severance.
- However, **in-kind benefits** (e.g., Meals or Food Allowance, Free or subsidized transportation services, Clothing or Uniforms, Medical Benefits, Vouchers or Coupons, Educational Benefits, etc.) are considered "**remuneration in kind.**"

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The value of these benefits should be taken into account, but only up to a specific limit, which is **15% of total wages**.

Example

Let's say an employee's total wages (before adding the value of in-kind benefits) are ₹50,000 per month. The employer provides some non-cash benefits, such as free transportation, and meals, worth ₹12,000 per month.

Step 1: Calculate 15% of the total wages.

15% of ₹50,000 = ₹7,500.

Step 2: Determine how much of the in-kind benefits should be included.

The total value of the in-kind benefits is ₹12,000, but only ₹7,500 can be considered as part of the wages (since this is 15% of the total wages). The remaining ₹4,500 of the in-kind benefits (i.e., ₹12,000 - ₹7,500) will not be included in the computation of wages for the purposes of the Code.

Final Computation:

- **Wages in cash:** ₹50,000.
- **In-kind benefits to be included:** ₹7,500 (even though the actual value is ₹12,000, only 15% is considered).
- **Total wages:** ₹50,000 + ₹7,500 = ₹57,500.

In this case, the employee's wages would be ₹57,500 for the purposes of calculations under the Code on Wages, even though the in-kind benefits provided exceed ₹7,500. The limitation on in-kind remuneration ensures that employees are not excessively compensated in non-monetary forms, which could affect their cash earnings.

The purpose of this Provision:

- This provision ensures that employers cannot reduce the cash component of wages excessively by providing in-kind benefits, while maintaining compliance with the law. It protects the employee's rights to receive a substantial portion of their wages in cash.

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