

			<a href="#">effect-from-april-find-out-what-will-be-the-effect-on-your-salary/</a>	April, find out what will be the effect on your salary?
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Benefit plans such as graduation and leave encashment may require companies to review their salary increment budgets with a later date increase and additional PF contributions. If, however, the government applies the new definition of wage, the PF contribution will increase. Previously PF was calculated only on Basic Salary, DA and other special allowances. Under the new rule, all allowances cannot be more than 50 per cent of the total salary, i.e., from April 2021, the share of the basic salary in the total salary will have to be 50 per cent or more. The new wage rule will see a major change in the salary structure.

#### 29 Code 4 made by Labor Law

The government has combined 29 central labor laws to create four new codes, including the Wage and Social Security codes. Vikram Shroff, Head (HR Law) at Nishith Desai Associates, said some new concepts have been introduced in the Labor Codes, but the biggest change is that the definition of wage has been expanded. That said, the definition is the same across all four Labor Codes. It will have a far-reaching effect on workers and employers. This can have a huge impact on the salary in the hands of the employee.

#### The definition of wedge

The new codes include basic pay, retaining and special allowances in Wage. HRA, convention, bonus, overtime allowance and commissions are excluded from it. Under the new rule, all allowances will not exceed 50 per cent of the total salary. If it is more

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than 50 per cent, the extra amount will be treated as part of the wage. For example, earlier the graduation was calculated according to the basic salary i.e. basic salary, but now it will be calculated according to the wage. This can increase the employer's pay and increase the employer's costs.

What is the current structure?

Compensation structure in most of the industries in India includes basic salary and allowance. Basic salary accounts for 30 to 50 percent of gross. Experts say that some companies want to do 50 per cent of basic pay remuneration so that the rest is limited to 50 per cent.

How much will the burden increase?

Nitin Sethi, CEO of Aon India, said that if a company's basic salary is 20 to 30 per cent of the total compensation, its wage bill will go up by 6 to 10 per cent. Companies that account for 40 per cent of basic salary gross will have their wage bill increased by 3 to 4 per cent.

Graduation will be required

"If the basic pay-to-gross ratio is around 30 per cent and is increased to 60 per cent after the Wage Code is implemented, there could be a double burden on companies," said Vishal Grover, practice litter at Aon India. Also fixed term employees will have to be given graduation, even if they have not completed 5 years of service. The new code allows employees to take advantage of leave encashment at the end of each year.

How much will the company's bill increase?

RP Yadav, CMD, Genius Consultants, said the cost of fixed-term employees would go up as graduation would become mandatory. High salary and mid salary group will have less burden. But in the lower salary range group, the company's costs will increase by 25 to 30 per cent, he said, adding that this could affect increments this year.

### Media Coverage

Publication	Date	Edition	Link	Headline
Muhabari shaji	10 Feb 2020	Online	<a href="https://www.muhabarishaji.com/2021/02/will-new-wage-code-">https://www.muhabarishaji.com/2021/02/will-new-wage-code-</a>	Will new wage code hit your take-home

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