



Tax alert: Central Government notifies the final rules under Labour Codes

12 May 2026

The Central Government has notified the final rules of the four Labour Codes through the publication in the Official Gazette on **8 May 2026**. This notification marks the formal enforcement of the updated labour codes regulatory framework. The Central Labour Codes Rules shall apply to all the specified Central Government establishments including railways, mines, oilfields, major ports, air transport, telecom, banking, insurance, and Central PSUs. Additionally, in relation to establishments having departments or branches in more than one State, the Social Security (Central) Rules would be applicable. For all other establishments, the rules to be notified by the relevant State Governments shall apply.

In a nutshell



Code on Wages

- **Normal working day** to comprise of 8 hours for employees whose wage period is daily, weekly working hours cap of 48 hours for others.
- **Overtime** at twice the normal rate of wages for those to whom minimum rate of wages is prescribed.
- **Minimum rate of wages to be fixed** by the appropriate Government based on criteria to be specified by the Central Government.
- Schedule E in respect of categorization of occupations into Skilled, semi-skilled, and unskilled occupations - removed.



Code on Social Security:

- **Change in limits:**
 - Medical Bonus under ESI
 - Funeral Expenses
 - Income threshold for dependents
 - Reduction in PF appeal filing fee
- **Removal of explanation on wages** for gratuity calculations
- The final rules focus on **timely resolution** of claim related disputes such as gratuity and maternity benefits.
- These rules also address areas to **promote ease of doing business** by removing auto-expiry of registrations, allowing additional time for annual return filings



Industrial Relations Code

- **Bi-Partite Forums & Unions:** Detailed procedures prescribed for Works Committees, GRCs, negotiating union recognition, and union facilities.
- **Standing Orders Compliance:** Specify adoption process, multilingual display, worker records, ID/service cards, and service certificate
- **Administrative and operational guidelines-** Prescribed timelines and modes for notices relating to service conditions, shifts, strikes, and lock-outs.
- **Retrenchment & Digital Compliance:** Detailed retrenchment procedure, re-skilling fund, electronic records, and digital communication.



Occupational Safety Health and Working Conditions Code

- **Digital & Registration Compliance:** for registration, intimations
- **Employee Documentation:** Appointment letter format notified with mandatory statutory disclosures; unified annual return by 28/29 February.
- **Health, Safety & Welfare Measures:** Detailed requirements introduced for women night shifts, annual health examinations, safety committees, crèche, ambulance rooms, shelters/rest rooms, and accident reporting.
- **Contract Labour & Wage Compliance:** Principal employer responsibilities clarified for amenities and grievance redressal; annual increment requirement and overtime eligibility provisions prescribed for workers.

Key highlights of the Code on Wages (Central) Rules, 2026

- **Definition of skilled, semi-skilled and unskilled occupations¹:** The rules lay down guidelines on classifying occupations based on parameters such as technical competence, experience and expertise. However, the detailed listing of occupations into distinct categories that was provided through Schedule E in the draft rules has been omitted in the final version. It is to be seen whether this would be issued through a separate notification.
- **Hours of work, rest and overtime:**

Normal Working Day²: A normal working day is defined as 8 hours for those whose wage period is on a daily basis with rest intervals as notified under the Occupational Safety, Health and Working Conditions Code, 2020 by the appropriate government. For others, weekly working hours must not exceed forty-eight. This prevents extremely long work days that may adversely impact employees health and wellbeing.

Weekly Day of Rest³: Employees are entitled to one rest day per week (usually Sunday) provided they have worked at least 6 consecutive days. Working on a rest day entitles the employee to overtime pay and a substituted rest day.

Overtime: Work performed on a rest day or beyond normal working hours must be paid at an overtime rate, which is at least **twice** the normal rate of wages, i.e. wages as defined under the Code⁴. This is applicable to employees for whom minimum rate of wages is prescribed and ensures that extra work is appropriately compensated.
- **Obligations relating to contract employees:**

Payment of wages⁵: Where individuals are engaged through a contractor, the principal employer must ensure payment to the contractor the full amount due for employee wages in accordance with the provisions of the Code. This would enable the contractor to pay the contract employees their wages within the prescribed timelines.

Payment of Bonus⁶: Primary liability to pay statutory bonus to contract employees is on the contractor. However, when the contractor fails to discharge this liability and if the employees inform the failure to the principal employer in writing either directly or through the recognized trade union, then the onus falls on the principal employer to pay the minimum bonus to the employees post confirmation of such failure. Accordingly, eligible contract employees would not be deprived of minimum bonus.
- **Deduction Limit⁷:** Total authorized deductions cannot exceed 50% of an employee's total wages. Excess amounts shall be carried forward and adjusted in subsequent months. This ensures that employees have reasonable amount on hand to meet day-to-day expenses.
- **Nominations⁸:** Every employee must file a nomination (Form 7) for undisbursed wages in case of death. Dues are paid to the nominee on the event of death of the employee or where whereabouts are unknown. If dues remain unpaid to a nominee for 3 months, the employer must deposit the money with the Deputy

¹ Rule 2 of Code on Wages (Central) Rules, 2026

² Rule 5 of Code on Wages (Central) Rules, 2026

³ Rule 6 of Code on Wages (Central) Rules, 2026

⁴ Section 2(y) of Code on Wages, 2019

⁵ Rule 11 of Code on Wages (Central) Rules, 2026

⁶ Rule 21 of Code on Wages (Central) Rules, 2026

⁷ Rule 13 of Code on Wages (Central) Rules, 2026

⁸ Rule 45 of Code on Wages (Central) Rules, 2026

Chief Labour Commissioner (Central). Once deposited, the Commissioner shall disburse the amount to the nominee within 2 months after ascertaining the latter's identity.

- **Compliance:**

Display of notice (Rule 15): Notices regarding wage rates, working hours, and rest days must be displayed in physical form or electronically in Hindi, English and local language at the conspicuous place in the premises of the workplace.

Annual Returns (Rule 48) – Integrated annual returns for a calendar year must be filed electronically by every covered establishment in the Forms under the OSH Code on or before the last day of February of the following year.

Key highlights of the Social Security (Central) Rules, 2026

- **Expansion of definition of dependents for ESIC benefits⁹:** The final rules have expanded the definition of dependents to include parents and parents-in-law whose gross aggregate income does not exceed ₹14,000 per month. In the draft rules, this threshold was ₹9,000 per month. The increase in the income limit broadens the coverage and enables more individuals to qualify for ESIC benefits.
- **Removal of automatic expiry of registration¹⁰:** The draft rules earlier provided that the registration of an establishment would automatically lapse if no compliance was reported within 24 months from the date of registration. This provision has now been removed, thereby offering relief to establishments by eliminating the risk of automatic cancellation due to non-reporting of compliance.
- **Reduction in appeal filing fee for Provident Fund matters¹¹:** The draft rules have been amended to reduce the fee for filing appeals in Provident Fund matters from INR 5,000 to 2,000. This change lowers the financial burden on applicants and enhances accessibility to the appellate mechanism.
- **Increase in funeral expenses benefit under ESIC¹²:** The payment towards funeral expenses for an insured person has been increased under Rule 21 from INR 15,000 (as provided in the draft rules) to INR 20,000. This enhanced benefit offers better financial support to the eligible person in meeting the funeral expenses of the deceased insured individual.
- **Increase in medical bonus under ESIC¹³:** The limit for medical bonus has been increased from INR 7,500 to INR 15,000 per case and will be payable to insured woman / insured person in respect of his wife, towards confinement expenses. This enhancement provides improved financial support to beneficiaries for maternity-related expenses.
- **Time-bound disposal of gratuity-related disputes (Rule 33):** Rule 33 provides for the disposal of gratuity-related disputes within a defined timeframe. It has been stipulated that the Competent Authority shall dispose of an application for gratuity within six months from the date of receipt of the application. This ensures timely resolution and improves efficiency in handling gratuity claims.
- **Addressed the inconsistency in the definition of Wages for determining gratuity by removing the explanation under Rule 34 of the Draft Rules:** To derive monthly wages, Code provides for the definition of Wages. However, in the draft rules issued, an explanation was incorporated excluding certain items such as reimbursement of medical expenses, stock option benefit or cash equivalent of

⁹ Rule 4 of the Social Security (Central) Rules, 2026

¹⁰ Rule 5 of the Social Security (Central) Rules, 2026

¹¹ Rule 13 of of the Social Security (Central) Rules, 2026

¹² Rule 21 of the Social Security (Central) Rules, 2026

¹³ Rule 22 of the Social Security (Central) Rules, 2026

stock award, crèche allowance etc. for the purpose of computing gratuity. This has been addressed under the final rules by removing the explanation to avoid any inconsistency and ambiguity to follow different basis for different purposes under the Code.

- **Timely settlement of disputed maternity claims (Rule 35):** In case of disputes, the employer must deposit the maternity benefit within two months with the Competent Authority. The Authority must complete its enquiry within three months (extendable by another three months) and ensure payment to the rightful claimant, enabling timely resolution.
- **Time-bound registration of building workers (Rule 45):** Rule now mandates that employers or contractors must register eligible building workers on the designated government portal within 30 days of their eligibility. This requirement, absent in the draft rules, ensures timely registration and improved access to welfare benefits.
- **Registration of gig/ platform workers within defined timeframe (Rule 48):** Provision requires aggregators to share details of engaged gig and platform workers on the designated Central Government portal within 45 days of commencement of the rules. This enables timely generation of a Universal Account Number (UAN) or similar unique ID, improving worker coverage under the framework. Under the final guidelines, aggregators must register new workers and update exit details on the Central portal on a real-time or daily basis, ensuring accurate workforce records.
- **Extended deadline for annual return filing (Rule 53):** The due date for filing the unified annual return has been extended to 28th/ 29th February from 1st February (as proposed in the draft rules), providing additional time for compliance to the establishments.
- **Emphasis on action against misuse of benefits (Rule 69):** Rule 69 reiterates Section 148 of the Code, empowering the appropriate Government to withdraw benefits from any establishment or person found to have misused them, after providing an opportunity of being heard.

Key Highlights of the for Industrial Relations (Central) Rules, 2026

- **Constitution of Bi-Partite Forums**
 - **Works Committee:** A twenty-member committee is required to be constituted with equal representation of workers and proportionate representation of women. The objective of the committee is to promote measures for securing and preserving amity and good relations between the employer and workers and comment upon matters of common interest or concern. The procedure for nomination from worker and trade union has been specified in the Rules. comprising equal representatives of the employer and workers. The employer is required to submit details of its constitution and functioning as part of a unified annual return under the OSH Code.
 - **Grievance Redressal Committee (GRC):** Every establishment employing twenty or more workers must establish a GRC with a maximum of ten members and equal representation from the employer and workers. Employer representative shall preferably include the heads of major departments of the industrial establishment. The constitution and application process is detailed in the Rules.
- **Trade Union and Negotiating Council Recognition**
 - **Recognition Process:** Employers must initiate the process to recognize a "negotiating union" or "negotiating council" three months before the expiry of the current recognition period. Manner of recognition of trade union as negotiation union: Establishments with multiple unions will need to determine the trade union having 51% or more workers by verification via secret ballot supervised by a verification officer. Matters for negotiation by negotiating union or negotiating council have been prescribed.

- **Facilities for Unions:** Employers must provide facilities such as notice boards and venue for discussions. Establishments with three hundred or more workers must provide suitable office accommodation to the negotiating union or council.
- **Standing Orders Compliance**
 - **Adoption and Intimation:** Employers adopting the Model Standing Orders must inform the Certifying Officer electronically or by speed post, specifying the date of adoption. Applicable for manufacturing, mines and services sector.
 - **Language and Display:** Certified standing orders must be maintained in Hindi, English, and the local language. They must be displayed on a special board at or near the main entrance and on the establishment's website or portal.
 - **Worker Records:** Under the Model Standing Orders, employers must:
 - Issue an Identity Badge or Card to every worker.
 - Maintain a Service Card in prescribed format for each worker, updated periodically and attested by an authorised officer if maintained manually.
 - Issue a Service Certificate within ten days of a worker's discharge, retirement, or resignation.
 - Record a worker's confirmation entry in their service card within thirty days of confirmation.
- **Operational Notices and Changes**
 - **Notice of Change:** Any change in service conditions (as per the Third Schedule of the Code) requires a notice to be served electronically, by speed post, or in person to affected workers and their unions.
 - **Shift Working:** A twenty-one day notice is mandatory for starting, restarting, discontinuing, or altering shifts. Notices of shift changes must be given and sent via speed post or designated email to the union and authorities.
 - **Strike and Lock-out:** Workers must provide strike notice, and employers must provide lock-out notice. Upon receiving a strike notice, the employer must intimate the Conciliation Officer and Chief Labour Commissioner (Central) within five days.
- **Lay-off, Retrenchment, and Closure**
 - **Notices to Government:** Employers must serve notice in or apply for permission regarding intended lay-offs, retrenchments, or closures.
 - **Seniority Lists:** At least seven days before retrenchment, the employer must display a list of all workers in the category, arranged by seniority, on the notice board.
 - **Worker Re-skilling Fund:** Employers must electronically transfer an amount equal to fifteen days of last drawn wages for every retrenched worker into the re-skilling fund within ten days of the retrenchment.
- **Administrative and Miscellaneous Compliances**
 - **Protected Workers:** Employers must recognize a specific number of "protected workers" as communicated by the Trade Union and confirm this recognition in writing within fifteen days.
 - **Electronic Record Maintenance:** All registers records, and forms must be maintained in an electronic manner.
 - **Communication Details:** The Central Government, Tribunals, and all employers/Trade Unions must specify their email ID, website, or portal on their official letterheads for the service of documents.

Key Highlights of the Occupational Safety, Health and Working Conditions (Central) Rules, 2026

- **Digital form for registrations and registers:** Digitised form for registration, amendments, commencement, cessation and intimations have been notified. Formats for Employee Register, an Attendance Register, and a Wage Register have been prescribed.
- **Letter of appointment:** The appointment letter format has been notified specifying disclosure of particulars including, inter alia, the employee's name, date of birth, Aadhaar number (**only with consent**), designation, and category or nature of employment and details of Maternity Benefits for women employees under the Social Security Code.
- **Unified Annual Return:** Employer is required to upload an integrated annual return on or before the 28th or 29th of February following the calendar year.
- **Women's Safety in Night Shifts:** Employment of women between 7:00 PM and 6:00 AM requires written consent, adequate transportation, and CCTV surveillance in facilities.
- **Annual health examination:** Employers of every dock work and building or other construction work are mandated to provide free medical examinations to employees who have completed forty years of age. For sectors where state Govt is the appropriate Government, the same shall be notified under the State Rules.
- **Safety Committee:** To be constituted in every establishment employing five hundred or more workers and in case of mines employing one hundred or more workers. Further, Central Government may prescribe different threshold limits which could be industry specific and updated from time to time. For sectors where state Govt is the appropriate Government, the same shall be notified under the State Rules.
- **Overtime:** Daily-wagers are eligible for overtime wages for number of hours worked beyond eight hours in a day. For all other workers, entitlement to overtime wages arises only when work exceeds forty-eight hours in a week. For sectors where state Govt is the appropriate Government, the same shall be notified under the State Rules.
- **Crèche Facility:** Employers of every factory, mine, building or other construction work, industrial premises engaged in manufacture of beedi and cigar, motor transport undertaking, dock work and plantation employing more than fifty workers are required to provide crèche facilities for children below the age of six years. Mobile crèche arrangements are to be made wherever such provision is necessary. Standards include CCTV monitoring, mandatory police verification for staff, and nutrition standards.
- **Principal employers** remain responsible for providing basic amenities like toilets, drinking water, canteen and first aid
- **Annual increment of regular worker of a contractor:** Contractors are required to ensure that workers regularly employed by them receive an annual wage increment of not less than two per cent.
- **Grievance redressal mechanism for contract labour:** Contract workers can submit grievance relating to health, working conditions, and wages at the level of the Principal Employer. Principal employer to constitute a committee, with representatives of principal employer and contractor to hear and dispose of grievances within 30 days. Any grievance not redressed within the stipulated time to be forwarded to Inspector-cum-Facilitator electronically.
- **Ambulance Rooms:** Establishments in factories, mines, and construction, ordinarily employing more than 500 workers must provide a dedicated ambulance room or dispensary under the charge of a qualified medical practitioner.

- **Shelters and Rest Rooms:** Establishments with more than 50 workers (Factories/Mines) and motor vehicle undertakings must provide suitable lunchrooms and rest shelters with drinking water and seating arrangements
- **Appropriate reporting:** Reporting Accidents, dangerous occurrences, notifiable diseases have been notified

Comments

The notification of final rules paves the way for full-fledged implementation of the Codes. While the Codes were brought into effect from 21 November 2025, there was dependency on rules for operationalizing numerous provisions leading to a wait and watch situation. As regards the final Social Security (Central) Rules, these bring in greater clarity and introduce key relaxations such as removal of automatic expiry of registration, extension of timelines for annual return filing, and time-bound disposal of gratuity and maternity benefit claims, along with timely registration of building workers and gig/ platform workers.

Establishments need to ensure compliance with the operational and statutory requirements detailed through the Codes read with rules. Towards this, they should perform a gap analysis of current payroll policies, transitioning to the mandated digital forms, and reconfiguring internal systems to meet the updated compliance and reporting standards.



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