



## Tax alert: Government pre-publishes Draft Central Rules under the four Labour Codes

**7 January 2026**

The Central Government notified the effective date of four Labour Codes viz. the Code on Wages, 2019, the Industrial Relations Code, 2020, the Code on Social Security, 2020 and the Occupational Safety, Health and Working Conditions Code, 2020 - as 21 November 2025. Pursuant to that, on 30 December 2025, it pre-published the draft central rules under the four Labour Codes, inviting objections and suggestions for the Code on Industrial Relations (Central) Rules by 30 January 2026 and by 14 February 2026 for the Rules on the other three Codes. This paves the path for the operationalisation of the Codes.

### In a nutshell

#### Code on Wages (Central) Rules

##### Key changes:

- A national floor wage based on living costs
- Classification of occupations
- Concept of rest day and substituted day
- Defined limits, pay, and shift rules for overtime work
- Nominations
- Focus on digitisation

#### Code on Social Security (Central) Rules

##### Key changes:

- Expanded coverage, clarification on wages for gratuity
- Provision of maternity benefit and creche facility for establishments with 50 employees
- ESIC facility for free medical examinations
- 90/ 120 days engagement with single/ multiple aggregators in the FY for platform-based gig worker to be eligible for social security benefits
- Electronic registration on the Shram Suvidha Portal by the establishments

#### Industrial Relations Code (Central) Rules

##### Prescribes:

- Procedure and condition for constitution of Works Committee, Grievance Redressal committee and Trade Union Recognition.
- 3 Model Standing Orders for mines, manufacturing and services sector, the retirement age as 58 years, allocating casual leave of up to 10 days, exclusivity of employment, transfer policy and the provision of one-month prior notice for termination.
- For the purpose of Standing Order, classification of worker also includes apprentices.
- Procedure for contribution to re-skilling fund
- Procedure of reporting and handling disputes, retrenchment, layoff, closure, strikes

#### Occupational safety, Health & working conditions Code (Central) Rules

##### Prescribes:

- Transition provision of 60 days for new and 6 months for existing establishments
- Annual health checkup for employees who are 40 years and older, in specified industry
- Weekly limit of 48 hours and quarterly limit of 144 hours
- Prescriptive obligations of safety committee, medical officer
- License, payment and compliance obligations for contractors and Principal employers & detailed explanation of core activity
- Detailed disclosure in appointment letter, annual returns, reporting of accidents

## Background

The four new Labour Codes were brought into force in November 2025<sup>1</sup>, following consultations with stakeholders. Under the framework of the Labour Codes, the appropriate government is empowered to notify rules governing specific operational and procedural aspects. In this context, the Ministry of Labour and Employment has recently released<sup>2</sup> draft Central Rules across all four Labour Codes, marking a significant step towards their operationalisation.

The notification provides for 30-45 days' time for suggestions to be provided to the Government. After the consultation period closes, the central government will examine stakeholder submissions and notify the final rules. During the transitional phase, the existing provisions, rules, etc. would continue to remain in force.

Once notified, the central rules will apply to Railways, including metro railways, mines, oil fields, major ports, air transport service, telecommunication, banking or insurance company, all sectors under the Central Government and to establishments having departments or branches in more than one state (under Code on Social Security). New establishments must comply within 60 days; existing establishments have a 6-month transition period under the new OSH Code.

## Significant changes

- **Concept of minimum wages:** The 2020 rules allowed Central Government to set a “floor wage” below which no state can set minimum wages. This is retained in the 2025 rules along with an additional clarification for a five-day working week – i.e. the hourly rate of minimum wages so calculated shall be used to derive the minimum wages for the day.
- **Variable dearness allowance:** The draft rules issued recently provide for the revision of variable dearness allowance (applicable for minimum wages) by considering the average consumer price index for industrial workers. Time interval for this revision will be the same as in the previous draft rules - twice a year, in April and in October.
- **Classification of occupations:** The present rules provide for unskilled, semi-skilled, skilled, highly skilled, with a technical committee advising on skill categorisation. These would be considered while determining minimum wages, in addition to geographical area and employment experience.
- **Rest Day:** If an employee is required to work on a rest day, he needs to be provided with a substituted rest day in the week prior or after.
- **Overtime:** Applicable for work done beyond 8 hours in any day, or 48 hours in any week, at the rate of twice the rate of wages at the end of each wage period. Accordingly, ‘workers’ shall be entitled to overtime for working beyond 48 hours in a week (without any daily working hour limit for applicability of overtime). Additionally, a quarterly working limit of 144 hours are also prescribed in rules.
- **“Family” definition:** CoW Draft Rules provide for the definition of the term “family” to include spouse, dependent child, dependent parents (including father-in-law and mother-in-law of a woman employee). Dependent parents’ income cannot be more than ₹9,000 per month or as notified.
- **Nominations:** The CoW Rules cover provisions for nomination to be obtained from employees in a specific format for payment of dues in case of employee’s death/ whereabouts not being known.
- **Digitisation:** The CoW rules currently permit digital wage slips, electronic records, and returns.
- **Calculation of Gratuity:** The CoSS rules specify that gratuity will be calculated on ‘wages’ last drawn,

---

<sup>1</sup> November 21, 2025

<sup>2</sup> December 30, 2025

excluding components such as annual performance-linked pay, medical reimbursements, stock options, meal vouchers, creche allowance and telephone and internet reimbursements. As per the FAQs released by the Ministry, all these components would be excluded from the definition of “wages”, unless it exceeds 50% of all remuneration.

- **Maternity benefit:** The CoSS rules state that every establishment where 50 or more employees are ordinarily employed, a creche for the use of children of the employees (less than 6 years of age) has to be provided. This has been changed from the former rules where 50 ‘women’ employees was the requirement for an employer to set up a creche. The CoSS rules allow the medical bonus to be paid along with the second instalment of the maternity benefit.

The employer and negotiating union / council or majority of employees of the establishment (in the absence of negotiating union / council) may enter into agreements for provision of creche facility in the establishment and if not provided, then for payment of creche allowance, which shall not be less than INR 500 per month per child.

- **ESIC benefit:** Under the CoSS Rules, an employer may avail facility for medical examination of the employee (s) through Employees' State Insurance Corporation (ESIC).
- **Letter of appointment:** To be issued to all employees in the establishment within 3 months of the rules coming into force covering personal details, social security details, wages breakup, designation, skill category and avenue for higher wage and position.
- **Registers under the Codes:** To be preserved in original for a period of 5 calendar years in English and Hindi or in a language understood by majority of persons employed.
- **Transition period:** About 6 months for registration of existing establishments under the new Code; within 60 days for new establishments set up post implementation of the Code.
- **Detailed reporting:** With category-wise break-up, and details regarding manufacturing, mining and construction business – such as maximum number of workers, manufacturing process etc.
- **Annual health check:** Mandatory for employees in factories, mines, for dock workers and construction workers, within 120 days and for all employees aged 40 years and above.
- **Reporting for accidents:** Reporting with relevant officers and timelines for reporting are also prescribed in relevant formats. Similar details are also prescribed for reporting about diseases prescribed in third Schedule, and are prescribed both for employer and employees.
- **Duties for Safety officer:** These cover study of job safety, investigation of accidents and diseases, running campaigns on safety conditions and in training and education programs. Safety committee constitution (for hazardous process factory, construction workers having more than 250 workers or other factories with more than 500 workers or for mine workers with more than 100 workers) requirements are also prescribed with up to 20 members from employer, medical officer, department heads and worker representatives. Number of safety officers may increase with increase in number of workers in construction sector.
- **Detailed obligation on employer:** For display of notice in three languages (English, Hindi and Local Language) at conspicuous place regarding weekly and holiday, period of work, Group-wise work period, accident in 5 years, Inspector cum facilitator name, date of payment of wages, unpaid wages
- **Annual return:** Detailed reporting regarding category of employees, health facility, retrenchment, committees.
- **Women in night shifts:** Detailed obligations and compliance obligations
- **Medical Officer appointment:** Obligations for factory, mines, dangerous occupation, plantations, motor

transport, to issue survey report and age and fitness certificate for adolescent

- **Competent officers to be designated/appointed by every establishment:** For the purposes of compliance of provisions of hours of work and annual leave with wages.
- **For contractors providing contract labour (more than 50 in a year):** Procedure for registration including unified registration for multi-state presence, obligation of reporting, payment of wages, obligation of principle employer for providing facilities, hours of work, holidays for contract workers doing same work as regular employees. Annual increment for a worker who is regularly employed by the contractor (other than contract labour) prescribed to be minimum 2%. In case contractor fails to make payment within 7 days from last wage period, Principal Employer is obligated to make payment within 15 days and recover from contractor. Additional half yearly reporting is required for all contractors and that of annual return for Principal Employer.
- **Clarity on core activity:** For any clarity, reference can be made to Joint Secretary Labour with reason and supporting documents.
- **Interstate migrant workers:** 2nd class train or bus journey fare allowance once in 12 months has been prescribed.
- **Detailed rules prescribing constitution of Works Committee, Grievance Redressal committee and Trade Union Recognition:** Minimum 30% members being workers for single trade union and appointment of a negotiation union including the proceedings and the annual returns. Negotiation Union has a critical role in designing worker classification, wage breakup, standing order, promotion and transfer policy, leave policy and other terms of employment.
- **3 Model Standing Orders for mines, manufacturing and services sector:** In case an organisation adopts model code, only intimation is required; otherwise post approval from the Negotiation Union, certification from Certifying Officer is needed. It is interesting to note that Standing Order has determined the retirement age as 58 years, and allocation of casual leave of up to 10 days in a calendar year, exclusivity of employment, transfer policy, with one-month prior notice for termination and indicative situations of misconduct. As per the standing order, classification of worker also includes apprentices.
- **Strikes, lockouts, retrenchments, layoffs, and closure:** Procedure for arbitration and appointing a counselling officer also provided, including reporting, payment of suspension allowance and providing prior notice.
- **Procedure for contribution to the re-skilling fund:** Employer is obligated to pay 15 days wages to common re-skilling account within 10 days; Labour Commissioner shall transfer such money to retrenched employee in 45 days for re-skilling purpose.

#### Next steps:

Based on the press release, it is expected that the government will commence discussions and consultations prior to finalising rules and notifications. However, organisations will have to quickly gear up to aligning with the provisions of the Labour Codes, given that the effective date has been notified. Organisations are encouraged to develop strong internal review systems to conduct periodic diagnostics reviews, and maintain effective governance across HR, Finance, Payroll, and Legal functions, to ensure ongoing compliance under the new Labour Codes framework.

#### Key action areas for organisations

- **Revisit definition of “wages” and realign salary structures**

Organisations should review existing compensation structures to ensure compliance with the harmonised

definition of wages under the Labour Codes. This may require re-aligning salary components, particularly where a significant portion of remuneration is paid through allowances, to ensure statutory wage thresholds and exclusions are appropriately met.

- **Assess financial impact on cost-to-company and employee take-home pay**

The revised wage definition as per Code on Wages, 2019 and expanded social security framework may increase statutory contributions and terminal benefit liabilities (such as gratuity and leave encashment). Employers should conduct impact assessments to evaluate incremental costs and understand potential implications on employee take-home pay, supported by clear employee communication.

- **Evaluate cost implications linked to working hours and welfare benefits**

Organisations should assess additional cost exposure arising from working beyond 48 hours per week (i.e. overtime obligations) and provision of crèche facilities versus payment of crèche allowance. Additionally, they need to duly take care the requirement for payment of journey allowance to inter-state migrant workers. Operational feasibility and cost-benefit considerations should guide policy decisions in these areas.

- **Enable free annual medical examinations under ESIC**

Employers covered under the Employees' State Insurance framework should ensure processes are in place for facilitating free annual medical examinations for insured persons aged forty years and above, in coordination with ESIC requirements.

- **Upgrade payroll processes and systems**

Organisations must review their payroll systems and upgrade the same to issue appointment letters and payslips in prescribed formats, capture revised wage components accurately, and ensure adherence to statutory timelines for payment and remittance of wages and contributions. System readiness will be critical given the increased emphasis on digitisation and reporting

- **Strengthen compliance framework for contract labour**

Organisations engaging contract labour should conduct periodic audits to ensure contractor compliance with statutory obligations. Additionally, the organisations must re-evaluate engagement models in light of restrictions on engaging contract labour for core activities (subject to the permitted exceptions) and update contractual and governance mechanisms to mitigate principal employer exposure.

- **Identify workforce categories and align compliance requirements**

Employers should map different workforce segments (such as women employees, contract labour, gig and platform workers) and align work allocation, safety standards, welfare measures, and statutory compliances specific to each category, including enhanced occupational safety and health protocols.

- **Establish robust grievance redressal mechanisms**

Clear Standard Operating Procedures should be implemented for grievance redressal covering both on-roll employees and contract labour. These mechanisms should align with prescribed timelines and escalation processes under the Codes to reduce dispute risk and regulatory scrutiny.

- **Review standing orders framework**

Employers should evaluate whether to adopt the Model Standing Orders notified by the Central Government or prepare and certify draft standing orders within six months from commencement of the Industrial Relations Code, 2020, or continue with their existing standing orders, provided they are not inconsistent with the provisions of the Code. Early review on this front is advisable to avoid certification and

implementation challenges later.

- **Ensure compliance with re-skilling obligations on retrenchment**

Establishments should put in place processes to comply with re-skilling fund contributions and related obligations triggered in the event of retrenchment, including budgeting, documentation, and employee communication.



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see <http://www.deloitte.com/about> to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.

© 2026 Deloitte Touche Tohmatsu India LLP. Member of Deloitte Touche Tohmatsu Limited.