कामगार राज्य विमा महामंडळ
(कामगार आणि रोजगार मंत्रालय, भारत सरकार)
कर्मचारी राज्य बीमा निगम
(श्रम एवं रोजगार मंत्रालय, भारत सरकार)
EMPLOYEES' STATE INSURANCE CORPORATION
(Ministry of Labour & Employment, Govt. of India)

क.रा.बी.नि.
ESIC

सत्यमेव जयते

क्षेत्रीय निदेशक/Regional Director
क्षेत्रीय कार्यालय/Regional Office
कर्मचारी राज्य बीमा निगम/Employees' State Insurance Corporation
श्रम एवं रोजगार मंत्रालय, भारत सरकार/Ministry of Labour & Employment, Govt. of India
५वी मंजिल एम जी एम अस्पताल/5th Floor, MGM Hospital
डा. एस. एस. राव मार्ग, परेल/Dr. S.S. Rao Road, Parel
परेल, मुम्बई-४०००१२ /Parel, Mumbai – 400012
Email: rd-maharashtra@esic.nic.in,
Website: www.esic.gov.in

File No: 31/Ins Br II/Miscellaneous File/2025 Date:

सेवा में/To,
All Employer
Insurance Br II

KIND ATTENTION

Subject: Implementation of **"Code on Social Security, 2020"** – reg

We are pleased to inform that the Government of India has implemented **the Code on Social Security, 2020** w.e.f. 21st Nov., 2025 and repealed the ESI Act, 1948.

(You are requested to kindly refer to the Gazette Notification dated 21/11/2025 and on https://labour.gov.in/sites/default/files/ss_code_gazette.pdf)

In this regard, it is informed that the Wage terminology has been redefined in the CoSS 2020. As per the section 2 (88) of CoSS 2020 new definition of wage, coverage of employees under ESI Scheme is expected to extend to many excluded employees also. Now, wages defined as under:

*2 (88) "**wages**" means all remuneration, whether by way of salaries, allowances or otherwise, expressed in terms of money or capable of being so expressed which would, if the terms of employment, express or implied, were fulfilled, be payable to a person employed in respect of his employment or of work done in such employment, and includes, —*

(a) basic pay;

(b) dearness allowance; and

(c) retaining allowance, if any,

but does not include—

(a) any bonus payable under any law for the time being in force, which does not form part of the remuneration payable under the terms of employment;

(b) the value of any house-accommodation, or of the supply of light, water, medical attendance or other amenity or of any service excluded from the computation of wages by a general or special order of the appropriate Government;

(c) any contribution paid by the employer to any pension or provident fund, and the interest which may have accrued thereon;

(d) any conveyance allowance or the value of any travelling concession;

(e) any sum paid to the employed person to defray special expenses entailed on him by the nature of his employment;

(f) house rent allowance;

(g) remuneration payable under any award or settlement between the parties or order of a court or Tribunal;

(h) any overtime allowance;

(i) any commission payable to the employee;

(j) any gratuity payable on the termination of employment;

(k) any retrenchment compensation or other retirement benefit payable to the employee or any ex gratia payment made to him on the termination of employment, under any law for the time being in force:

Provided that for calculating the wages under this clause, if payments made by the employer to the employee under sub-clauses (a) to (i) exceeds one-half, or such other per cent. as may be notified by the Central Government, of the all remuneration calculated under this clause, the amount which exceeds such one-half, or the per cent. so notified, shall be deemed as remuneration and shall be accordingly added in wages under this clause:

Provided further that for the purpose of equal wages to all genders and for the purpose of payment of wages, the emoluments specified in sub-clauses (d), (f), (g) and (h) shall be taken for computation of wage.

Explanation - Where an employee is given in lieu of the whole or part of the wages payable to him, any remuneration in kind by his employer, the value of such remuneration in kind which does not exceed fifteen per cent. of the total wages payable to him, shall be deemed to form part of the wages of such employee;

Immediate compliance is crucial to ensure that employees of your unit can avail of the social security benefits under the new code. Therefore, it is advised that:

a. Register all eligible employees working at their premises (as per the eligibility criteria set out under the Code on Social Security, 2020).

b. Ensure timely payment of the contributions so that their workforce receives the necessary benefits under the Code on Social Security, 2020.

This issue is with the approval of the Regional Director(I/c)

Digitally signed by
DINESH SONKUSARE
Date: 16-12-2025
15:44:08

(Dinesh Sonkusare)

Deputy Director, Ins Br II

Calculation Examples **(TR=Total Remuneration)**

ESI is currently calculated at a rate of **0.75%** of wages for employees and **3.25%** for employers, for eligible employees earning a monthly wage of up to ₹21,000 (or ₹25,000 for persons with disabilities).

Example 1: Compliant Salary Structure (No add-back required)

An employee, Mr. A, has a total monthly remuneration of ₹20,000, which is below the ₹21,000 threshold.

Salary Component	Amount	Included/Excluded for Wages
Basic Pay + DA + RA	₹12,000	Included (60% of TR)
Allowances (HRA, Conveyance, etc.)	₹8,000	Excluded (40% of TR)
Total Remuneration (CTC)	**₹20,000**	
50% of TR *limit for exclusions*	*₹10,000*	
Actual Exclusions	*₹8,000*	

In this case, the actual exclusions (₹8,000) are less than the 50% limit ₹10,000). The ESI "wages" for calculation are the actual included components:

- **Total ESI Wages:** ₹12,000 (Basic + DA + Retaining Allowance)
- **Employee ESI Contribution:** 0.75% of ₹12,000 = ₹90
- **Employer ESI Contribution:** 3.25% of ₹12,000 = ₹390
- **Total ESI Contribution:** ₹480

Example 2: Non-Compliant Salary Structure (Add-back required)

An employee, Ms. B, has a total monthly remuneration (TR) of ₹20,000. Her salary is structured differently.

Salary Component	Amount	Included/Excluded for Wages

Basic Pay + DA+ RA	₹8,000	Included (40% of TR)
Allowances (HRA, Conveyance, etc.)	₹12,000	Excluded (60% of TR)
Total Remuneration (TR**)**	**₹20,000**	
50% of TR *limit for exclusions*	*₹10,000*	
Excess Exclusions	*₹12,000 - ₹10,000 = ₹2,000*	

Here, the actual exclusions (₹12,000) exceed the 50% limit (₹10,000) by ₹2,000. This excess amount must be added back to the "wages":

- **Total ESI Wages:** ₹8,000 (Basic+DA+RA) + ₹2,000 (Excess Add-back) = ₹10,000
- **Employee ESI Contribution:** 0.75% of ₹10,000 = ₹75
- **Employer ESI Contribution:** 3.25% of ₹10,000 = ₹325
- **Total ESI Contribution:** ₹400

The Social Security Code, 2020 aims to standardize the wage base to ensure fair and consistent calculation of social security benefits, including ESI.

Example 3: High Allowances, within ESI Limit

Ms. C earns a total monthly remuneration (TR) of **₹20,000**. Her structure has high allowances.

Salary Component	**Amount (₹)**	**Status (for calculation)**
Basic Pay + DA + RA	₹9,000	Included
Allowances (HRA, Conveyance, etc.)	₹11,000	Excluded components
Total Remuneration (TR**)**	**₹20,000**	

50% of TR limit for exclusions	*₹10,000*
Excess Exclusions (added back to wages)	*₹11,000 (actual) - ₹10,000 (limit) =* **₹1,000**

- **Total ESI Wages:** ₹9,000 (Basic + DA+RA) + ₹1,000 (Add-back) = **₹10,000**
- **Employee ESI Contribution:** 0.75% of ₹10,000 = **₹75**
- **Employer ESI Contribution:** 3.25% of ₹10,000 = **₹325**

Key Takeaway

Even though her actual Basic Pay is low, the 50% rule ensures her statutory ESI wage base is higher, leading to increased contributions compared to the pre-Code era

Example 4: High Allowances, above ESI wage Limit

Ms. E earns a total monthly remuneration (TR) of **₹46,000**, which is above the ₹21,000 threshold. Her structure has also high allowances.

Salary Component	Amount (₹)	Status (for calculation)
Basic Pay + DA	₹ 20,000	Included
Allowances (HRA, Conveyance, etc.)	₹ 26,000	Excluded components
Total Remuneration (TR**)**	**₹ 46,000**	

50% of TR limit for exclusions	*₹ 23,000*
Actual exclusions	*₹ 26,000*
Excess Exclusions (added back to wages)	*₹ 26,000 (actual) - ₹ 23,000 (limit) =* **₹3,000**

- **Total ESI Wages:** ₹ 20,000 (Basic + DA) + ₹3,000 (Add-back) = **₹23,000**
Which is above ₹21,000 ESIC wage limit, hence, Exempted from ESIC.

Example 5: High Allowances, Wages Under Limit, Add- back Required

Ms. F earns a total monthly remuneration (TR) of **₹30,000**, which is above the ₹21,000 threshold. Her structure has also high allowances.

Salary Component	Amount (₹)	Status (for calculation)
Basic Pay + DA + RA	₹ 12,000	Included
Allowances (HRA, Conveyance, etc.)	₹ 18,000	Excluded components
Total Remuneration (TR**)**	**₹ 30,000**	

50% of TR *limit for exclusions*	*₹ 15,000*
Actual exclusions	*₹ 18,000*
Excess Exclusions (added back to wages)	*₹ 18,000 (actual) - ₹ 15,000 (limit)* = **₹3,000**

- **Total ESI Wages:** ₹ 12,000 (Basic + DA+RA) + ₹3,000 (Add-back) = **₹15,000 Which is below ESIC wages limit i.e ₹21,000.**

  Calculate ESI Contributions:

  - **Employee Share:** 0.75% of ₹15,000 = **₹112.5**
  - **Employer Share:** 3.25% of ₹15,000 = **₹487.5**
  - **Total ESI Deposit:** ₹112.5 + ₹487.5 = **₹600**

Example 6: High Allowances, Wages Under Limit, Add- back Required

Ms. F earns a total monthly remuneration (TR) of **₹40,000**, which is above the ₹21,000 threshold. Her structure has also high allowances.

Salary Component	Amount (₹)	Status (for calculation)
Basic Pay + DA + RA	₹ 16,000	Included

Allowances (HRA, Conveyance, etc.)	₹ 24,000	Excluded components
Total Remuneration (TR**)**	**₹ 40,000**	

50% of TR *limit for exclusions*	*₹ 20,000*
Actual exclusions	*₹ 24,000*
Excess Exclusions (added back to wages)	*₹ 24,000 (actual) - ₹ 20,000 (limit)* = **₹4,000**

- **Total ESI Wages:** ₹ 16,000 (Basic + DA) + ₹4,000 (Add-back) = **₹20,000**
  Which is below ESIC wages limit i.e ₹21,000.

Calculate ESI Contributions:

- **Employee Share:** 0.75% of ₹20,000 = **₹150**
- **Employer Share:** 3.25% of ₹20,000 = **₹650**

Total ESI Deposit: ₹112.5 + ₹487.5 = **₹800**