



કર્મચારી રાજ્ય વીમા નિગમ
(શ્રમ અને રોજગાર મંત્રાલય, ભારત સરકાર)
કર્મચારી રાજ્ય વીમા નિગમ
(શ્રમ અને રોજગાર મંત્રાલય, ભારત સરકાર)
EMPLOYEES' STATE INSURANCE CORPORATION
(Ministry of Labour & Employment, Govt. of India)



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Dear Valued Employer,

The Employees' State Insurance Corporation (ESIC), operating under the Ministry of Labour & Employment, Government of India, is committed to expanding social security coverage to every eligible worker across the nation. In light of recent legislative reforms and special initiatives, we wish to highlight two immediate and essential compliance requirements.

In this regard, your kind attention is solicited towards **Chapter I Section 2(88) of Code on Social Security, 2020**. The same has been briefly described below for kind information:

Harmonization of "Wages" under the Code on Social Security, 2020

What is Included in "Wages":

Basic pay, Dearness allowance (DA) & Retaining allowance, if any

Conditional inclusions (the 50% rule): If certain excluded payments exceed one-half (50%) of the total remuneration, the excess amount is "deemed as remuneration" and is added back into the definition of "wages" for social security calculations.

What is Excluded from "Wages":

The following components are excluded from the definition, provided they do not exceed the 50% cap of the total remuneration:

House Rent Allowance (HRA), Conveyance allowance or the value of any traveling concession, Overtime allowance, Any commission, Any bonus payable under any law not forming part of the employment terms, Employer's contribution to any pension or provident fund, Gratuity payable on employment termination, Value of house accommodation, light, water, medical attendance, or other amenities/services & Any sum paid to the employee for special expenses incurred due to the nature of employment

SPREE 2025 (Scheme for Promotion of Registration of Employers and Employees)

To facilitate universal social protection and encourage voluntary compliance, ESIC launched a special one-time opportunity: SPREE 2025. SPREE (Scheme to Promote Registration of Employers/Employees) is a special initiative by the Employees' State Insurance Corporation (ESIC), offering a one-time window from 1st July to 31st December 2025 for employers to register their factory/establishments and all eligible employees without any demand of dues for the past period.

Key benefits of registering under SPREE 2025:

- **Immunity from Penal Action:** Employers who register under SPREE are granted immunity from inspections, punitive actions, and demands for past dues or penalties for the period prior to registration.
- **Hassle-Free Registration:** The process is hassle-free and digital via the [Shram Suvidha portal](#), [ESIC portal](#), or MCA portal.
- **Ensuring Employee Welfare:** Registration provides employees and their families immediate access to comprehensive medical care, sickness benefits, maternity benefits, and disablement compensation.

The window for this one-time opportunity is closing rapidly.

The last date for availing the benefits of the SPREE 2025 scheme is **December 31, 2025**. After this date, normal enforcement provisions under the CoSS 2020, including retrospective coverage and penalties, will apply to non-compliant establishments.

We urge all eligible employers to act promptly:

- A. Register all establishments as per the definition of establishment under section 2(29) of *Code on Social Security, 2020*.
- B. Register all employees, working in ESIC already registered establishments as well as registered during SPREE-2025, who are eligible as per the definition of wage under section 2(88) of *Code on Social Security, 2020*.
- C. Ensure compliance with the new "wage" definition to correctly calculate and deposit monthly ESI contribution in time.

EMPLOYERS MAY KINDLY NOTE THAT EMPLOYEES DRAWING TOTAL REMUNERATION MORE THAN ₹21,000 MAY ALSO BE ELIGIBLE AS PER THE NEW DEFINITION OF WAGE UNDER SECTION 2(88) OF CODE ON SOCIAL SECURITY, 2020.

For assistance in registration, guidance, clarification, a Help Desk has been set up in all Branch Offices and Regional Office. Please contact your nearest ESIC Branch /Regional Office.

Your proactive cooperation ensures social security protection for the workforce and helps build a stronger, compliant labour ecosystem in India.

Sincerely,
**Employees' State Insurance Corporation (ESIC) Regional
Office, Ahmedabad,
Gujarat.**

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	
<i>50% of TR limit for exclusions</i>	<i>₹10,000</i>	
<i>Actual Exclusions</i>	<i>₹8,000</i>	

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
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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	
<i>50% of TR limit for exclusions</i>	<i>₹10,000</i>	
<i>Excess Exclusions</i>	<i>₹12,000 - ₹10,000 = ₹2,000</i>	

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	

<i>50% of TR limit for exclusions</i>	₹ 20,000
<i>Actual exclusions</i>	₹ 24,000
<i>Excess Exclusions (added back to wages)</i>	₹ 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**

 सत्यमेव जयते	 पेटा प्रादेशिक क्षेत्री/उपक्षेत्रीयकार्यालय /Sub Regional Office कर्मचारी राज्य बीमा निगम/कर्मचारी राज्य बीमा निगम Employees' State Insurance Corporation (श्रम एवं रोजगार मंत्रालय, भारत सरकार) (Min. of Labour & Employment, Govt. of India)
બીજો માળ, "સમર્થ હાઉસ", સમર્થ સર્કલ, ન્યુ પાલ લેક રોડ, પાલ, સુરત, ગુજરાત - 394510 द्वितीयतल, "समर्थ हाउस", समर्थ सर्कल, न्यू पाल लेक रोड, पाल, सूरत, गुजरात-394510 2nd Floor, "Samarth House", Samarth Circle, New Pal Lake Road, Pal, Surat, Gujarat - 394510 ☎ (0261)-2730124/5/6/7/8/9 📧 dir-surat@esic.gov.in www.esic.gov.in ; www.esic.in	

No: 39/Surat/SPREE2025/2025/IC-2

Dated : 13/12/2025

परिपत्र/circular

सेवा में,

Kind attention : कर्मचारी राज्य बीमा निगम, उप क्षेत्रीय कार्यालय – सूरत के क्षेत्राधिकार के अंतर्गत सभी नियोक्ता संस्थानों के कार्यकारी अधिकारी/*Executive officers of all the employer institutions situated under jurisdiction of ESIC – SRO Surat*

विषय	सोशल सेक्युरिटी कोड 2020 का लागू होने पर Wages की परिभाषा में परिवर्तन और तदनुसार ESI कम्प्लायंस
Sub	Change in ESI compliance subsequent to change in definition of term "Wages" after implementation of the Code on Social Security'2020

महोदया/महोदय,

कर्मचारी राज्य बीमा निगम द्वारा प्रदान की जा रही सेवाओं में सुधार के प्रयास में विषय पर अधोहस्ताक्षरी आपके सम्मुख निम्न वस्तुस्थिति प्रस्तुत करने का अभिलाषी है :

2.1 Kind attention is invited to the fact of pan-India implementation of the four Labour Codes including the Code on Wages, 2019, the Industrial Relations Code, 2020, the Code on Social Security, 2020 (CoSS) and the Occupational Safety, Health and Working Conditions Code, 2020 **with effect from 21st November 2025**, rationalising 29 existing labour laws.

2.2 Subsequent to implementation of the CoSS 2020, the definition of term "Wages" has been redefined. The employers are required to change the manner of compliance of the ESI Scheme and amount of contribution thereof in accordance with the amended provisions. The definition of "Wages" envisaged in subsection 88 of section 2 is reproduced below for reference: -

"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;

3. The above change in definition impacts the coverability of the employee and the amount of contribution payable. An illustrative status of compliance in different scenarios is given below for assistance: -

Case	Basic Pay	DA+RA	Other Allow.	Gross Salary	Coverability and Contribution as per ESI Act		Coverability and contribution as per CoSS			
					Yes/No	Contri @ 4%	50 % of Gross	OA in Excess of 50%	Yes/No	Contri @ 4%
A	B	C	D	D	F	G	H	I	J	K
1	21500	0	0	21500	No	0	10750	0	No	0
2	16000	2000	8000	26000	No	0	13000	0	Yes	720
3	18000	2000	30000	50000	No	0	25000	5000	No	0
4	15000	3000	6000	24000	No	0	12000	0	Yes	720
5	20000	0	20000	40000	No	0	20000	0	Yes	800
6	15000	0	6000	21000	Yes	840	10500	0	Yes	600

4. In light of the above-mentioned provisions, the executive authorities of the factories/establishment covered/coverable under ESIC are advised to bring-in necessary changes in their record keeping for correct compliance of the Scheme.

5. It is also reminded that the SPREE-2025 scheme is ending shortly on 31.12.2025. The employers shall be entitled for immunity from retrospective liabilities in respect of employees registered during this SPREE period. It is strongly recommended to take advantage of this limited-time opportunity and complete the online registration of all the coverable employees without any further delay.

6. धन्यवाद सहित यह प्रस्तुत किया जाता है कि इस योजना को सभी संबंधित के संज्ञान हेतु यथा संभव प्रचार प्रसार किया जाए जिससे इस विशेष योजना का अधिकतर लाभ लिया जा सके । इस विषय पर किसी भी सहायता की आवश्यकता होने पर ESIC की वेबसाइट पर उपलब्ध विस्तृत दिशा निर्देश का संदर्भ लिया जा सकता है । अन्यथा अधोहस्ताक्षरी/ ESI के किसी भी कार्यालय से संपर्क किया जा सकता है ।

भवदीय,

**Digitally signed by
DEEPAK MALIK
Date: 13-12-2025
18:24:02**

(दीपक मलिक)
संयुक्त निदेशक और उप क्षेत्रीय कार्यालय प्रभारी