

NEW LABOUR CODE 2025 → 2026 SME CHECKLIST

A quick reference for Indian founders, HR teams and finance managers

Here are the key points to understand about this checklist:

Four Labour Codes

The four labour codes reorganise 29 older laws, simplifying the regulatory landscape. []

Key Changes Timeline

Many changes begin affecting salary structure, PF, gratuity, contracts and records through 2025 and into the 2026 financial year. []

Compliance for SMEs

This checklist highlights the items most SMEs should verify to ensure compliance with the new regulations. []



Section 1

Salary & Wage Structure

Check if at least 50 percent of total CTC is counted as "wages". This affects PF, bonus and gratuity calculations.

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Review all salary structures where allowances are unusually high. Large allowance-heavy splits may not hold under the new wage definition.

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Update offer letters and CTC breakups to reflect balanced wage structures.

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Ensure your FNF (full & final) process pays exiting employees within 2 working days.

Section 2

PF, ESI & Gratuity Impact for 2026

Verify PF eligibility for all roles if you have 20+ employees Industry-based exemptions no longer apply. []

Check whether PF contributions will increase once wages are rebalanced []

Confirm gratuity calculations for fixed-term employees (pro-rata after 1 year). []

Review commuting accident coverage As part of employment injury. []

Keep ESI applicability updated Especially if you have expanding districts or new locations. []

Section 3

Contracts, Hiring & Workforce Structure Checklist

Review fixed-term contracts — they must receive benefits similar to permanent staff. ☐

If you employ 20+ workers, set up a Grievance Redressal Committee. ☐

Check contract labour usage — "core activity" rules may change how you source staff. ☐

Update overtime calculation policies (2x wage rate). ☐

Section 4

Records, Registers & Documentation Checklist

Move to clean digital records — the new codes consolidate many registers/returns. []

Maintain updated attendance, overtime and leave data for audits. []

Keep employment letters, revisions, extensions and confirmations stored centrally. []

Review your shop/establishment, PF, ESI and professional tax documents for consistency. []

Ensure all data is traceable and exportable in case of inspection. []

Section 5

Workplace Facilities & Safety Requirements

Recheck thresholds for rest rooms, canteens, crèche and sanitation. (Several thresholds have been lowered or modernised.) []

Provide inclusive facilities where required, including updated washroom standards. []

If you employ migrant workers, ensure their records and eligibility are updated. []