

ESIC Applicability, Wage Limit and Contribution Rates (3.25% + 0.75%)

Description

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Quick summary

- ESI is a social security scheme giving medical care and cash benefits to employees earning up to Rs 21,000 a month (Rs 25,000 for a person with disability).
- Contribution is 4% of wages in total: 3.25% by the employer and 0.75% by the employee.
- Under the Code on Social Security it applies to every establishment with 10 or more persons (other than a seasonal factory), and to hazardous establishments even with one employee.
- Contribution is due by the 15th of the next month. Employees earning up to Rs 176 a day pay no employee share.

The Employees' State Insurance Corporation (ESIC) runs the ESI scheme, a self-financed social security scheme for employees against sickness, maternity, disablement and death caused by employment injury. It was set up under the Employees' State Insurance Act, 1948. Since 21/11/2025 the Code on Social Security, 2020 has replaced that Act, but the scheme, the rates and the wage limit continue to be applied by ESIC in the same way.

Who is covered?

- **Establishments:** every establishment in which ten or more persons are employed, other than a seasonal factory (First Schedule to the Code). Establishments doing notified hazardous or life threatening work are covered even with one employee. Employees earning above the wage ceiling are still counted for the head count.
- **Employees:** those whose gross monthly wages are Rs 21,000 or less. For a person with disability the limit is Rs 25,000.
- **Once covered, always covered:** an employee who crosses the wage limit mid-way through a contribution period stays covered until the end of that period.

Contribution rates

Particulars	Rate on gross wages
Employer share	3.25%
Employee share	0.75%
Total	**4%**

These rates have applied since 01/07/2019, when they were reduced from 4.75% and 1.75%.

Employees whose average daily wage is up to Rs 176 pay no employee share; the employer pays only its own 3.25%.

Example

An employee earns Rs 20,000 a month. The employee share is Rs 150 and the employer share is Rs 650, so Rs 800 is deposited with ESIC. At Rs 22,000 a month the employee is outside the scheme.

Benefits

- **Medical care** for the insured person and family, including hospital and specialist care.
- **Cash benefits:** sickness, maternity, temporary and permanent disablement, dependants' benefit, funeral expenses.

Due date and filing

The employer deducts the employee share from wages and deposits both shares by the **15th of the following month**. Late payment attracts interest and damages. Payment and the monthly contribution details are filed through the ESIC portal.

Wages for ESI under the Code (section 2(88))

"Wages" means basic pay, dearness allowance and retaining allowance, and all other remuneration, but the Code leaves out items such as statutory bonus, house rent allowance, conveyance allowance, overtime, commission, the employer's PF contribution and gratuity. There is a cap: if these exclusions together exceed one-half (or the percentage the Central Government notifies) of total remuneration, the excess is added back to wages.

Example 1: total remuneration Rs 30,000 a month: basic Rs 12,000, HRA Rs 10,000, conveyance Rs 4,000 and a special allowance of Rs 4,000 that is not an excluded item. Exclusions come to Rs 14,000, below half (Rs 15,000), so wages are Rs 16,000.

Example 2: same Rs 30,000 with basic Rs 8,000, HRA Rs 12,000 and conveyance Rs 10,000. Exclusions are Rs 22,000, which is Rs 7,000 over half. That Rs 7,000 is added back, so wages are Rs 8,000 plus Rs 7,000 = Rs 15,000.

The wages figure decides both whether the employee is within the ceiling and the contribution payable.

Points to check

- The Code says contributions are paid at the rates prescribed by the Central Government and ordinarily fall due on the last day of the wage period, with exact days set in regulations. ESIC's present practice is payment by the 15th of the next month; check current ESIC instructions.
- The Rs 21,000 ceiling and the rates are set by notification, not by the Code, so verify them on the ESIC site when paying.

Frequently asked questions

What is the ESIC contribution rate?

4% of gross wages: 3.25% paid by the employer and 0.75% deducted from the employee.

What is the ESI wage limit?

Employees whose gross monthly wages are Rs 21,000 or less are covered. The limit is Rs 25,000 for a person with disability.

Which establishments must register?

Under the First Schedule to the Code on Social Security, 2020, every establishment in which ten or more persons are employed, other than a seasonal factory. An establishment doing notified hazardous or life threatening work is covered even with a single employee.

When is ESI contribution due?

By the 15th day of the month following the month for which wages are paid.

Does an employee earning Rs 150 a day pay ESI?

No employee share is deducted if the average daily wage is up to Rs 176, but the employer still pays 3.25%.

What changed with the new Labour Codes?

The Code on Social Security, 2020 came into force on 21/11/2025 and repealed the ESI Act, 1948. The Code leaves the rates and the wage ceiling to be prescribed by the Central Government. The Rs 21,000 ceiling and the 3.25% and 0.75% rates are the existing notified figures; we found no new notification changing them.

Official sources

- Employees State Insurance Corporation
- Ministry of Labour and Employment

Related reading

- PF and ESIC Compliance for Employers under the Code on Social Security: Registration, Deduction, Interest, Damages and Penalties
- Gujarat Minimum Wages Revised (01 April 2026 to 30 September 2026): What Employers Must Do

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