

CTC SCENARIO CALCULATOR

Modelling the New Basic + DA \geq 50% Rule

Impact on PF Contributions · Gratuity Accrual · Take-Home Pay · Fully-Loaded Employer Cost

3 worked salary scenarios · Side-by-side old vs. new regime tables · HR cost impact dashboard · Implementation playbook

NEW WAGE CODE 2019 — SALARY STRUCTURE IMPACT EDITION | FY 2025–26

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SECTION 1 · THE NEW WAGE CODE

Understanding the New Wage Code

The Code on Wages 2019 (New Wage Code) mandates that Basic Salary plus Dearness Allowance (DA) must constitute at least 50% of an employee's gross CTC. This single rule restructures the entire Indian private-sector payroll architecture, with cascading consequences for Provident Fund, Gratuity, take-home pay, and total employer cost.

What Changed and Why It Matters

For decades, Indian employers have minimised PF and gratuity liabilities by keeping Basic Salary artificially low — often 25–40% of gross CTC — and inflating allowances (HRA, special allowance, LTA, etc.) which are excluded from PF and gratuity calculations. The New Wage Code closes this structural loophole:

- **Old approach:** Basic = 25–40% of CTC. PF computed on low base. Gratuity calculated on low basic. Employee take-home higher. Employer cost lower.
- **New requirement:** Basic + DA must be $\geq 50\%$ of gross CTC. Higher PF base. Higher gratuity. Lower net take-home. Higher employer cost.
- **Effective date:** Subject to central government notification. States are expected to follow the central code progressively.
- **Who is affected:** All establishments and employees covered under the existing Minimum Wages Act, Payment of Wages Act, Payment of Bonus Act, and Equal Remuneration Act.

The core impact in one line: raising Basic from 30% to 50% of gross on a Rs. 15 LPA CTC increases annual employer PF+gratuity cost by approximately Rs. 1.08 lakhs — and reduces employee take-home by Rs. 90,000+.

This document calculates the exact numbers across three salary levels.

The 50% Basic+DA Rule — Precisely Defined

RULE	Basic Salary + Dearness Allowance $\geq 50\%$ of Gross CTC
Gross CTC includes	Basic, DA, HRA, all allowances, employer PF, gratuity provision, bonus, ESIC, all perquisites
Excluded from 'wages'	Provident Fund contributions, gratuity, statutory bonus, HRA if $>50\%$ of basic, conveyance & travel allowances up to prescribed limits
PF contribution base	Basic + DA (no longer limited to Rs. 15,000 ceiling for coverage; ceiling only for non-coverage threshold)
Gratuity base	Basic + DA — same as PF base. Higher basic = materially higher gratuity payout at exit.

Table 1.1 — The 50% wage rule: scope, inclusions, and exclusions.

Compliance Deadlines & Status

Milestone	Status	Notes
Code on Wages 2019 — Enacted	DONE — Sep 2019	Passed by Parliament; awaits central notification to take effect

Milestone	Status	Notes
Draft rules published (Central)	DONE — Jul 2020	Ministry published model rules; state rules pending in many states
State rules — leading states	Partial	Maharashtra, UP, Karnataka, Telangana have published draft rules
Expected notification	Pending	Government has not yet set a final effective date; widely expected FY26
Grace / transition period	TBD	Expected 6–12 month transition window post-notification
Payroll restructuring deadline	Prepare Now	Advisable to model and prepare restructuring plans immediately

Table 1.2 — New Wage Code status and implementation timeline.

SECTION 2 · CALCULATION FRAMEWORK

The CTC Calculation Framework

Before diving into scenarios, this section establishes the exact formulas used throughout this calculator. All figures are computed on a monthly basis then annualised. Employer statutory contributions are calculated on the post-restructured Basic + DA base.

CTC Structure: Old Regime vs. New Regime

Component	Old Regime (Typical)	New Regime (>=50% Basic+DA)	Change
Basic Salary	25–40% of gross CTC	Minimum 50% of gross CTC	Higher
Dearness Allowance (DA)	0% (private sector, typically)	0% (Basic alone >= 50%)	No change
House Rent Allowance (HRA)	~40–50% of gross	~20–30% of gross (compressed)	Lower
Special Allowance	Residual balancing component	Residual (further reduced)	Lower
LTA / Medical / Other	Included as tax-saving components	Same — no change to these	No change
PF Base (EE + ER)	Basic + DA (capped at Rs.15K statutory)	Basic + DA (higher base; cap unchanged)	Higher cost
Gratuity Accrual	15/26 x Basic x (1/12)	15/26 x New Basic x (1/12)	Higher cost
Employee Take-Home	Higher (lower PF deduction)	Lower (higher PF deduction)	Decreases
Fully-Loaded Employer Cost	Lower	Higher	Increases

Table 2.1 — Structural changes in CTC components under new vs. old regime.

Mathematical Formulations of Statutory Levies

1. Provident Fund Base & Contribution Mechanics

The standard employee and employer PF contributions are both set at 12% of the basic statutory salary framework.

$$\text{PF Contribution (Employee \& Employer Shares)} = (\text{Basic} + \text{DA}) \times 12\%$$

Statutory capped threshold is dynamically applied up to Rs. 15,000 monthly.

2. Gratuity Accrual Provisioning Formula

Gratuity is recognized as an accounting provision calculated using a standard 26-day working month multiplier.

$$\text{Monthly Gratuity Provision} = (\text{Basic} + \text{DA}) / 26 \times 15 / 12$$

This recognizes 15 days of wages for every year of completed service provisioned monthly.

3. Fully-Loaded Employer Cost Accumulation

The true macro operational outgo includes standard gross allocations supplemented by statutory compliance line-items.

Total Loaded Cost = Gross Salary + Employer PF + EDLI + Gratuity Provision

This represents the full internal ledger reality of the compensation system.

COMPLIANCE ANALYSIS FOR RS.6.00L CTC

Scenario A — Junior / Entry Level

Scenario A Annual CTC: Rs.6.00L | Old Basic: 30% | New Basic: 50%

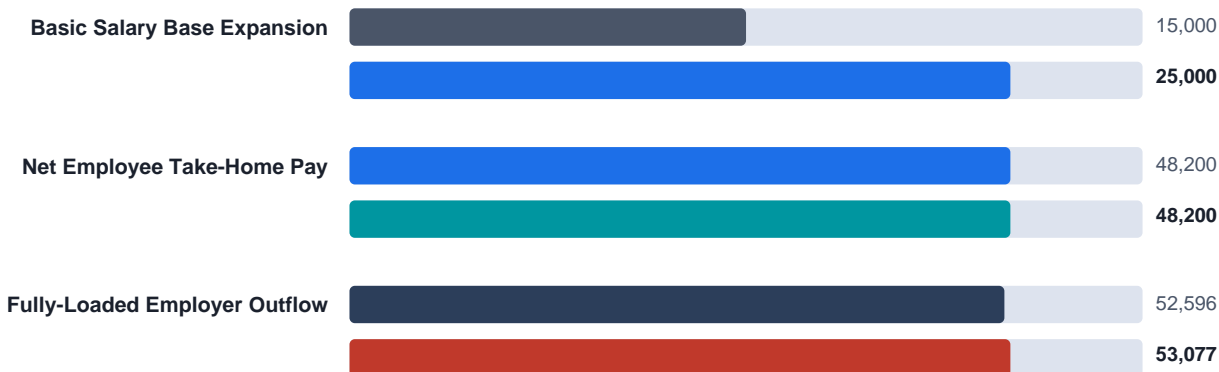
Rs.0 Take-Home Monthly Δ Capped Basis	Rs.481 Employer Cost Monthly Δ Statutory Provisions	Rs.25,000 New Basic Salary 50% Gross Monthly	Rs.1,202 New Gratuity Provision Monthly Accrual Base
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Salary Component Breakdown (Monthly)

Component	Old Regime	New Regime (Capped)	New Regime (Uncapped)	Monthly Variance
Basic Salary	Rs.15,000	Rs.25,000	Rs.25,000	Rs.10,000
HRA (House Rent Allowance)	Rs.20,000	Rs.10,000	Rs.10,000	-Rs.10,000
Special Allowance	Rs.15,000	Rs.15,000	Rs.15,000	Rs.0
Employee PF Contribution	Rs.1,800	Rs.1,800	Rs.3,000	Rs.0
Employer PF Contribution	Rs.1,800	Rs.1,800	Rs.3,000	Rs.0
Gratuity Provision	Rs.721	Rs.1,202	Rs.1,202	Rs.481
Net Take-Home Pay	Rs.48,200	Rs.48,200	Rs.47,000	Rs.0
Total Loaded Employer Cost	Rs.52,596	Rs.53,077	Rs.54,277	Rs.481

Table — Side-by-side comparative ledger details for Junior / Entry Level.

Structural Shifts & Impact Analysis



COMPLIANCE ANALYSIS FOR RS.15.00L CTC

Scenario B — Mid-Level Professional

Scenario B Annual CTC: Rs.15.00L | Old Basic: 35% | New Basic: 50%

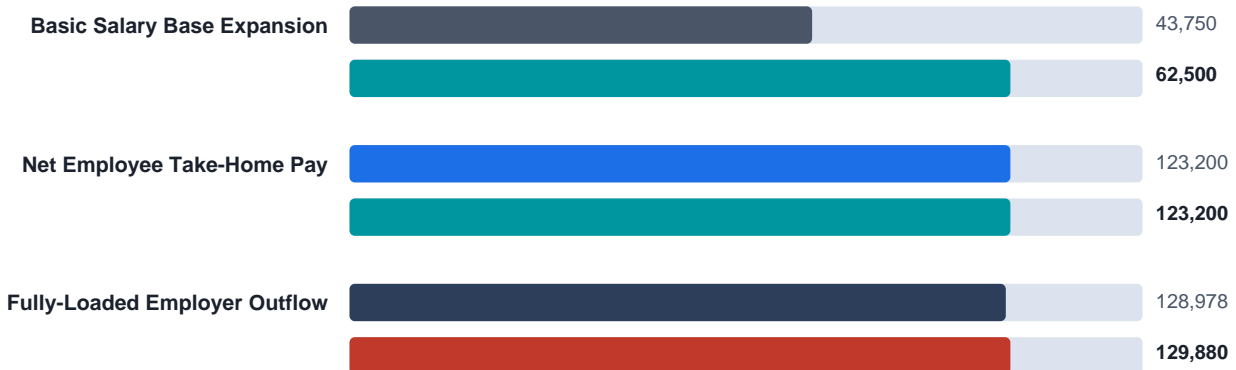
Rs.0 Take-Home Monthly Δ Capped Basis	Rs.901 Employer Cost Monthly Δ Statutory Provisions	Rs.62,500 New Basic Salary 50% Gross Monthly	Rs.3,005 New Gratuity Provision Monthly Accrual Base
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Salary Component Breakdown (Monthly)

Component	Old Regime	New Regime (Capped)	New Regime (Uncapped)	Monthly Variance
Basic Salary	Rs.43,750	Rs.62,500	Rs.62,500	Rs.18,750
HRA (House Rent Allowance)	Rs.50,000	Rs.25,000	Rs.25,000	-Rs.25,000
Special Allowance	Rs.31,250	Rs.37,500	Rs.37,500	Rs.6,250
Employee PF Contribution	Rs.1,800	Rs.1,800	Rs.7,500	Rs.0
Employer PF Contribution	Rs.1,800	Rs.1,800	Rs.7,500	Rs.0
Gratuity Provision	Rs.2,103	Rs.3,005	Rs.3,005	Rs.901
Net Take-Home Pay	Rs.123,200	Rs.123,200	Rs.117,500	Rs.0
Total Loaded Employer Cost	Rs.128,978	Rs.129,880	Rs.135,580	Rs.901

Table — Side-by-side comparative ledger details for Mid-Level Professional.

Structural Shifts & Impact Analysis



COMPLIANCE ANALYSIS FOR RS.30.00L CTC

Scenario C — Senior / Manager Level

Scenario C Annual CTC: Rs.30.00L | Old Basic: 40% | New Basic: 50%

Rs.0 Take-Home Monthly Δ Capped Basis	Rs.1,202 Employer Cost Monthly Δ Statutory Provisions	Rs.125,000 New Basic Salary 50% Gross Monthly	Rs.6,010 New Gratuity Provision Monthly Accrual Base
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Salary Component Breakdown (Monthly)

Component	Old Regime	New Regime (Capped)	New Regime (Uncapped)	Monthly Variance
Basic Salary	Rs.100,000	Rs.125,000	Rs.125,000	Rs.25,000
HRA (House Rent Allowance)	Rs.100,000	Rs.50,000	Rs.50,000	-Rs.50,000
Special Allowance	Rs.50,000	Rs.75,000	Rs.75,000	Rs.25,000
Employee PF Contribution	Rs.1,800	Rs.1,800	Rs.15,000	Rs.0
Employer PF Contribution	Rs.1,800	Rs.1,800	Rs.15,000	Rs.0
Gratuity Provision	Rs.4,808	Rs.6,010	Rs.6,010	Rs.1,202
Net Take-Home Pay	Rs.248,200	Rs.248,200	Rs.235,000	Rs.0
Total Loaded Employer Cost	Rs.256,683	Rs.257,885	Rs.271,085	Rs.1,202

Table — Side-by-side comparative ledger details for Senior / Manager Level.

Structural Shifts & Impact Analysis



SECTION 6 · CROSS-SCENARIO DASHBOARD

Cross-Scenario Impact Dashboard

A macro view across all organizational cohorts reveals that while lower-income bands experience minimum shifts due to standard statutory limit protection ceilings, high-income tiers encounter extensive alterations in liquidity profiles.

Scenario cohort	Annual CTC	Old Take-Home	New Take-Home	Take-Home Δ	Annual Employer Cost Volatility
Junior / Entry Level	Rs.6.00L	Rs.578,400	Rs.578,400	Rs.0	Rs.5,769
Mid-Level Professional	Rs.15.00L	Rs.1,478,400	Rs.1,478,400	Rs.0	Rs.10,817
Senior / Manager Level	Rs.30.00L	Rs.2,978,400	Rs.2,978,400	Rs.0	Rs.14,423

Table 6.1 — Multi-tiered comparative summary ledger index.

Granular Volatility Analysis Waterfall

Junior / Entry Level — Net Shift Profile	Rs.52,596	+Rs.481
Mid-Level Professional — Net Shift Profile	Rs.128,978	+Rs.901
Senior / Manager Level — Net Shift Profile	Rs.256,683	+Rs.1,202

Long-Term Retirement Corpus Capital Appreciation Metrics

A significant advantage of this legislative pivot is the immense accumulation speed inside statutory investment accounts.

Scenario Band	Old Annual PF (ER+EE)	New Annual PF (ER+EE)	Annual Gratuity Delta	Estimated 5-Yr Wealth Premium
Junior / Entry Level	Rs.43,200	Rs.43,200	Rs.5,769	Rs.33,808
Mid-Level Professional	Rs.43,200	Rs.43,200	Rs.10,817	Rs.63,389
Senior / Manager Level	Rs.43,200	Rs.43,200	Rs.14,423	Rs.84,519

Table 6.2 — Enhanced retirement wealth creation projections (compounded at standard index rates).

SECTION 7 · HR STRATEGY PLAYBOOK

HR Implementation Playbook

Navigating this compliance shift demands structured, legal framework realignments. Management teams must select architecture routes that balance compliance with retention requirements.

Structural Redesign Strategic Options

Option 1: The Absorption Model (CTC Neutral Option)

Employers compress variable buffers and Special Allowances to cover increased statutory costs, keeping the absolute CTC unchanged for the employee.

Strategic Impact: Complete Corporate P&L; Insulation.

Result: Net employee take-home falls due to increased personal PF withholdings.

Option 2: The Parallel Expansion Model (Take-Home Protection Option)

Companies absorb the compliance expense additions over and above old gross levels to shield employee take-home from reductions.

Strategic Impact: Complete Talent Compensation Preservation.

Result: P&L; payroll cost expands across organizational lines.

Establishment Compliance Checklist

Audit Checklist Action Item	Department Owner	Urgency Status
Audit database to map current basic component weightings.	HR Operations	CRITICAL / IMMEDIATE
Simulate enterprise-wide P&L; budget delta risks.	Corporate Finance	HIGH PRIORITY
Update custom payroll software scripts and enterprise databases.	Information Technology	MEDIUM PRIORITY
Draft employee transition transparency advisories.	Internal Communications	PLANNING PHASE
Review employment contracts for modification allowance terms.	Legal Counsel	HIGH PRIORITY

Table 7.1 — Corporate administrative step-by-step master compliance guide.