



No. P-11/12/Clarification on CoSS,2020/2025-Rev.I

Date: .08.2026

To,

The Regional Director/Jt. Director In-charges
Regional Office/Sub Regional Office
Employees State Insurance Corporation,

Sub: Standard Operating Procedure (SOP) for compounding of offences u/s. 138 of Code on Social Security, 2020(CoSS,2020)-reg.

Sir/Madam,

It is hereby informed that the Standard Operating Procedure (SOP) for compounding of offences under section 138 the Code on Social Security, 2020 read with Rule 54 of Social Security (Central) Rules 2026 has been formulated at Headquarters Office.

Copy of the SoP is enclosed herewith for information and compliance of all concerned.

Further, ICT, Branch HQ Office is being advised to make the requisite system functionality in the Revenue Module for implementation of the provisions relating to compounding of offences.

This issues with the approval Director General.

Encl.: As above

Digitally signed by
Ashish Dixit
Date: 31-08-2026
16:59:04

Yours faithfully,

(Ashish Dixit)

Asstt Director(Revenue)

Copy to:- (1) ICT, Branch HQ office for information and necessary
action please.
(2) Web site Manager with the request to upload it on the
ESIC web site.

Standard Operating Procedure (SOP)

Compounding of Offences under Section 138 of the Code on Social Security, 2020 read with Rule 54 of the Social Security (Central), Rules 2026.

1. Objective

The objective of this SOP is to prescribe the procedure for compounding of offences under Section 138 of the Code on Social Security, 2020, in accordance with Rule 54 of the CoSS Rules, 2020 through issuance and processing of Compounding Notice in Form-XXIV via the electronic system.

2. Legal Framework

Compounding of offences shall be governed by: -

- Code on Social Security, 2020 – Section 138 reproduced as under:-

(1) Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974), any offence committed for the first time, punishable under this Chapter, being an offence—

(i) punishable with fine only; or

(ii) punishable with imprisonment for a term which is not more than one year and also with fine, may, on an application made, either before or after the institution of any prosecution, be compounded by an officer authorised by the Central Government for the purposes of offences relating to Chapter III and

83 Chapter IV and the rules, regulations or schemes made or framed under this Code relating to those Chapters, by the Central Government; and for the purposes of offences relating to other provisions of this Code and

the rules, regulations or schemes made or framed under this Code relating thereto, by the appropriate Government, in such manner as may be prescribed by the Central Government on payment by the offender to the appropriate Government the amount—

(i) in the case of an offence punishable with fine only, the half of the maximum fine provided for that offence; and

(ii) in the case of an offence punishable with imprisonment for a term which is not more than one year and also with fine, the three-fourth of the maximum fine provided for that offence.

- (2) *Nothing contained in sub-section (1) shall apply to an offence committed by a person for the second time or thereafter within a period of three years from the date—*
- (i) *of commission of a similar offence which was earlier compounded; or*
 - (ii) *of commission of similar offence for which such person was earlier convicted.*
- (3) *Every officer referred to in sub-section (1) shall exercise the powers to compound an offence, subject to the direction, control and supervision of the Central Government for the purposes of offences relating to Chapter III and Chapter IV and the rules, regulations or schemes made or framed under this Code relating to those Chapters; and for the purposes of offences relating to other provisions of this Code and the rules, regulations or schemes made or framed under this Code relating thereto, by the appropriate Government.*
- (4) *Every application for the compounding of an offence shall be made in such form and in such manner as may be prescribed by the appropriate Government.*
- (5) *Where any offence is compounded before the institution of any prosecution, no prosecution shall be instituted in relation to such offence, against the offender in relation to whom the offence is so compounded.*
- (6) *Where the compounding of any offence is made after the institution of any prosecution, such compounding shall be brought to the notice of the court in which the prosecution is pending in writing by the officer referred to in sub-section (1), and on such notice of the compounding of the offence being given to the court, the person against whom the offence is so compounded shall be discharged.*
- (7) *Any person who fails to comply with the order made by the officer referred to in sub-section (1), shall be liable to pay a sum equivalent to twenty per cent. of the maximum fine provided for the offence, in addition to such fine.*
- Rules framed under the Code – Rule 54 (Compounding of Offences) as under:-
- (1) *The officer authorised by the Central Government, (hereinafter in this rule referred to as the —compounding officer) by notification, for the purposes of compounding of offences under sub-section (1) of section 138 shall issue electronically a compounding notice in Form-XXIV for the offences which are compoundable under section 138.*

(2) The person so noticed under sub-section(1) may apply in Part III of the Form-XXIV to the officer electronically and deposit the entire compounding amount by electronic transfer or otherwise, within fifteen days of the receipt of the notice.

(3) The Compounding Officer shall issue a composition certificate in Part IV of Form-XXIV within ten days of receipt of the composition amount, to such person from whom such amount has been received in satisfaction of the composition notice.

(4) If a person so noticed fails to deposit the composition amount within the time specified by the Officer, the prosecution shall be instituted after one month from the last date of specified time before the Competent Court against such person for the offences in respect of which the compounding notice was issued.

(5) For the compounding of an offence after the institution of prosecution in a Competent Court in respect thereof, the provisions of sub-section (6) of section 138 shall apply.

These provisions empower the authorized officer to compound certain offences either before or after institution of prosecution, subject to payment of the prescribed compounding amount.

3. Scope

This SOP applies to: -

- All compoundable offences under Section 138(1) of the Code.
- Cases identified by the enforcement authority where compounding is permissible.
- Processing of such cases through the Revenue Module / electronic system.

4. Definitions

I. **Compounding Officer**

“‘Compounding Officer’ means an officer duly notified by the Central Government [vide notification no. S.O. 2362(E) dated 08.05.2026] under Section 138 of the Code on Social Security, 2020.”

II. **Compounding Notice**

An electronic notice issued in **Form-XXIV** requiring the person committing the offence to pay the prescribed compounding amount.

III. Composition Certificate

A certificate issued after receipt of the compounding amount confirming settlement of the offence.

5. Roles and Responsibilities**5.1 Compounding Officer**

The Compounding Officer shall: -

- Examine the offence and verify whether it is compoundable.
- Issue Compounding Notice in Form-XXIV (Part I & II) electronically.
- Verify receipt of the compounding amount if paid within 15 days from the issue of compounding notice.
- Issue Composition Certificate (Part IV of Form-XXIV) within 10 days of the receipt of compounding amount.
- Initiate prosecution if the compounding amount is not paid within the prescribed time.

5.2 ICT Branch

The ICT Branch shall: -

- Provide system functionality in the Revenue Module for: -
 - Generation of Form-XXIV (Compounding Notice).
 - Electronic submission of application for compounding.
 - Online payment of compounding amount.
 - Auto-generation of Composition Certificate.
 - Online workflow as per flowchart.

6. Procedure for Compounding of Offences**Step I: Identification of Offence**

- IcF will identify an offence under the Code that is compoundable under Section 138(1).
- List of offences which shall be compoundable as under:-

Table

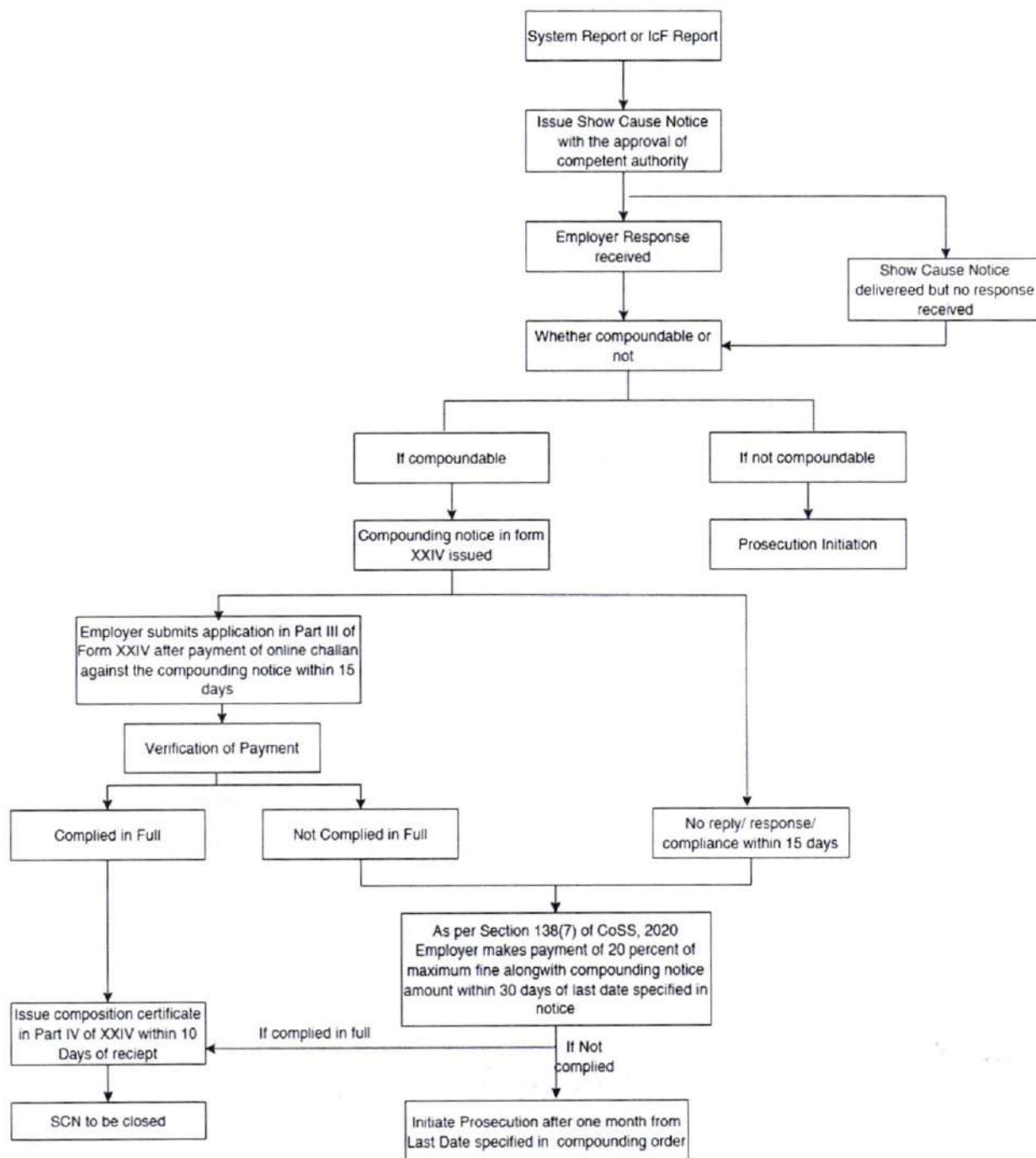
S. No	Offences	Whether fall under Compoundable or Not
133 (a)	Fails to pay any contribution (excluding the offences under 133(i)(a))	Yes
133 (b)	Deducts or attempts to deduct from the wages of employee , the whole or part of employers' contribution	Yes

133 (c)	Reduces the wages or any privilege or benefits admissible to an employee;	Yes
133 (d)	In contravention of the provisions of Chapter IV or rules, regulation or schemes, dismisses, discharges, reduces in rank or otherwise penalises	Yes
133 (e)	Fails or refuses to submit any return, report, statement or any other information	Yes
133 (f)	Obstructs any IcF or other officer or staff in the discharge of his duties	Yes
133 (k)	Fails to produce on demand by the IcF any register or document	Yes
133 (m)	Is guilty of any contravention of or non-compliance with any of the requirements of this Code or the rules or the regulations or scheme in r/o which no special penalty is provided	Yes
133 (o)	Dishonestly makes a false return, report, statement or information to be submitted thereunder	Yes
133 (p)	Fails or makes default in complying with any condition subject to which exemption under section 143 was granted.	Yes

NOTE- The compounding of offences u/s 138(1) of the CoSS,2020 shall not apply in case of an offence committed by a person for the second time or thereafter within a period of three years from the date:-

- i) Of commission of a similar offence which was earlier compoundable or
- ii) Of commission of similar offence for which such person was earlier convicted.

FLOW CHART FOR COMPOUNDING OF OFFENCES



- The case is submitted to the Compounding Officer through the system.

Step II: Issue of Compounding Notice

- The Compounding Officer shall issue Compounding Notice electronically in Form-XXIV to the employer through insurance module.
- The notice shall include: -
 - Details of the offender
 - Nature of offence
 - Relevant legal provisions
 - Amount payable for compounding. It shall be determined in accordance with Section 138(1) of CoSS, 2020 and Rules & Regulations made thereunder.
 - Time limit for payment

The notice shall be transmitted through the electronic system/email/portal.

Note: - The Compounding Officer shall record brief reasons in writing while determining eligibility for compounding and the compounding amount.

Step III: Application for Compounding

- The person receiving the notice may submit an application in Part-III of Form-XXIV after payment of the compounding amount electronically.
- The application must be filed within 15 days from the receipt of the notice.
- As per Section 138(7) of CoSS,2020, any person who fails to comply with the order made by the compounding officer shall be liable to pay a sum equivalent to twenty percent of the maximum fine provided for the offence, in addition to such fine.

Step IV: Payment of Compounding Amount

- The applicant shall deposit the entire compounding amount through:
 - Online payment gateway or any other approved electronic method to be linked against the Compounding notice issued.
 - The fund received from the composition offences u/s 138 shall be credited to separate account of the Social Security fund established u/s 141(1)(iii) of CoSS,2020 for social security and welfare of the unorganized workers, gig workers and platform workers.

The payment must be completed within 15 days of receipt of the compounding notice.

Step V: Verification of Payment

- The system shall confirm payment through the Revenue Module.
 - The Challan payment shall reflect in the C-6 ledger against the Compounding notice as well as in defaulter history sheet of the Employer.
 - The Compounding Officer shall verify:
 - Amount paid
 - Case details
 - Timeline of the payment
-

Step VI: Issue of Composition Certificate

- Upon receipt of the compounding amount, the Compounding Officer shall issue a Composition Certificate in Part-IV of Form-XXIV.
 - The certificate must be issued within 10 days from receipt of the compounding amount.
 - The certificate shall be digitally generated and stored in the system.
-

Step VII: Closure of Proceedings

- After issuance of the Composition Certificate:
 - The offence shall be deemed compounded.
 - No further proceedings shall be initiated in respect of the offence.
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Step VIII: Failure to Pay Compounding Amount

If the person fails to deposit the compounding amount within the prescribed time:

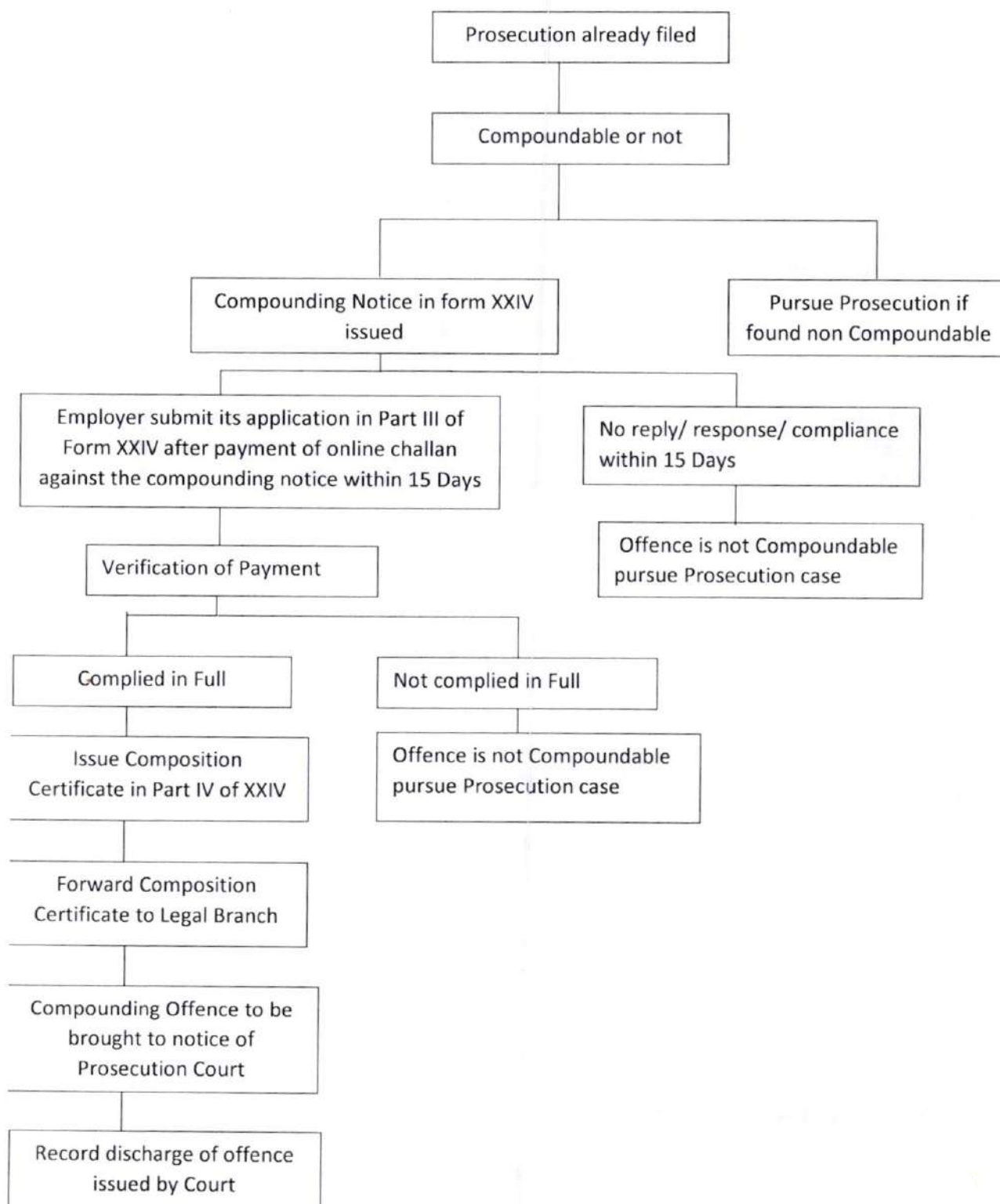
- The Compounding Officer shall record non-compliance.
 - Shall be liable to pay a sum equivalent to twenty percent of the maximum fine provided for the offence, in addition to such fine, u/s 138(7) of the CoSS,2020.
 - Prosecution shall be initiated before the Competent Court for the offence after one month from the last date of specified time.
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7. Compounding After Institution of Prosecution

Where prosecution has already been initiated:

Compounding shall be governed by Section 138(6) of the Code.

"Where the compounding of any offence is made after the institution of any prosecution, such compounding shall be brought to the notice of the court in which the prosecution is pending in writing by the officer referred to in sub-section (1), and on such notice of the compounding of the offence being given to the court, the person against whom the offence is so compounded shall be discharged."



8. System Requirements (Revenue Module)

The system shall include the following functionalities:

1. Issuance of SCN based on system report/ IcF report of offence
2. Employer response to SCN
3. Examination of case for Compounding of offences (*)
4. Electronic issuance of Form-XXIV.
5. Online submission of application (Part-III).
6. Online payment integration linked to the compounding notice issued.
7. Payment of challan to reflect in the c-6 ledger against the compounding notice and in default history of Employer.
8. Auto-generation of Composition Certificate (Part-IV) shall be issued only after due verification and approval by the Compounding officer.
9. Digital record management and audit trail.

(*)- In cases governed u/s 138(6) of the Code (i.e. Compounding after institution of prosecution), the provision for issuance of Compounding notice in Form XXIV to be linked to the prosecution case.

9. Record Maintenance

The following records shall be maintained electronically:

- Compounding Notice (Form-XXIV)
- Application for compounding (Part II of Form XXIV)
- Payment receipt
- Composition Certificate (Part IV of Form XXIV)

Records shall be retained as per applicable Statutory provisions and Record Retention policy of ESIC.

10. Monitoring and Reporting

- Periodic reports shall be generated from the Revenue Module.
- Reports shall include:

- Number of compounding notices issued
 - Number of compounding application pending
 - Amount recovered
 - Cases compounded
 - Cases referred for prosecution
 - Reflection of Compounding of offences with relevant section of offence u/s 133 to be reflected in C-6 ledger against individual employer code.
 - Report of pending Prosecution Cases (mentioning section of offence)
-

FORM-XXIV*[See rule 54 (1), (2) and (3)]***Notice to the employer for an offence committed under the provisions of the Code for the first time for compounding of offences under sub-section (1) of section 138****Notice No.....****Date:**

On the basis of records and documents produced before me, the undersigned has reasons to believe that you, being the employer of the establishment..... (Registration No.....), have committed an offence for the violation of provision of the Code or the Schemes or the Rules or the Regulations framed thereunder as per the details given below:-

PART – I

1.	Name of the person:	
2.	Name and Address of the establishment:	
3.	Registration No. of the establishment:	
4.	Particulars of the offence:	
5.	Provisions of the Code/Scheme/Rules/Regulations under which the offence is committed:	
6.	Compounding amount required to be paid towards composition of the offence:	
7.	Name and details of account for depositing the amount specified in serial no. 6:	

PART – II

In view of the above, you have an option to pay the entire amount mentioned in serial no. 6 in Part-I within fifteen days from the date of issue of this notice and return the application duly filled in Part – III of this notice.

In case the said amount is not paid within the specified time, necessary action for filing of prosecution shall be initiated without giving any further opportunity in this regard.

(Signature)**(Name and designation of Officer)****Date:**

Place:

To:

.....(Employer/Establishment)
(Name and registration number)
(Address)

PART – III *[See rule 54 (2)]*

Application under sub-section (4) of section 138 for compounding of offence

Ref: Notice No.....

Date:

The undersigned has deposited the entire amount as specified in serial 6 of Part-I and the details of payment are given below with a request to compound the offences mentioned in Part-I.

8. Details of the compounding amount deposited (Copy of electronically generated receipt to be attached):

9. Details of the prosecution, if filed for the violation of above-mentioned offences may be given:

10. Whether the offence is first offence or the applicant had committed any other offence prior to this offence, if committed, then, full details of the offence:

11. Any other information which the applicant desires to provide:

Signature of the applicant
(Name and Designation)

Date:

Place:

To:

.....(Compounding Officer)
(Name of the Office)
(Address)

PART – IV *[See rule 54 (3)]*

Composition Certificate

Ref: Notice No.....

Date:

This is to certify that the offence under sub-section of section 133 in respect of which Notice No.

Dated: _____ was issued to Sh..... (Applicant), the employer of (name and registration number of establishment) has been compounded on account of remission of full amount of Rs (Rupees _____) towards the composition of offences to the satisfaction of the said notice.

(Signature)
Name and Designation of the Officer

Date:

Place:

To:

.....(Employer/Establishment)
.....(Name and registration number)
.....(Address)

MINISTRY OF LABOUR AND EMPLOYMENT

NOTIFICATION

New Delhi, the 8th May, 2026

S.O. 2362(E).— In exercise of the powers conferred by sub-section (1) of section 138 of the Code on Social Security, 2020 (36 of 2020) read with sub-rule (1) of rule 54 of the Social Security (Central) Rules, 2026, the Central Government hereby authorises the **Director General or Insurance Commissioner or Additional Commissioner or Regional Director Grade 'A'/Director or Regional Director Grade 'B'/Joint Director of Employees' State Insurance Corporation** to exercise the powers of **compounding officer** under the said Code from the date of publication of this notification in the official gazette, in relation to all establishments covered under the provisions of the said Code relating to Chapter IV.

[F. No. R-19025/16/2026-SS-I]

ASHUTOSH A.T. PEDNEKAR, Jt. Secy.