



THE COMPANIES PROFITS (WORKERS PARTICIPATION) ACT, 1968



CONTENTS

1. Short title, extent and commencement.
2. Definitions.
3. Establishment of Fund..
4. Management of the Fund.
5. Penalty.
6. Power to call for information.
7. Settlement of disputes, etc.
8. Delegation of power..
9. Power to make rules.
10. Act to override other laws.

THE SCHEDULE. **Scheme.**

THE COMPANIES PROFITS (WORKERS' PARTICIPATION) ACT, 1968

¹Act No. XII OF 1968

[5th July, 1968]

An Act to provide for participation of workers in the profits of companies.

WHEREAS it is expedient to provide for participation of workers in the profits of companies and for matters ancillary thereto ;

AND WHEREAS the national interest of Pakistan in relation to the achievement of uniformity within the meaning of clause (2) of Article 131 of the Constitution requires Central legislation in the matter ;

It is hereby enacted as follows :—

1. Short title, extent and commencement.—(1) This Act may be called the Companies Profits (Workers' Participation) Act, 1968.

(2) It extends to the whole of Pakistan.

(3) It shall come into force at once.

2. Definitions.— In this Act, unless there is anything repugnant in the subject or context,—

¹For Statement of Objects and Reasons, see Gaz., of P., 1968, Extraordinary, p. 461.

The Act has been applied to the Provincially Administered Tribal Areas or to the parts or those areas to which it does not already apply, see Regulation No. 1 of 1972, s. 2 and Sch.

- (a) “Board” in relation to a Fund means a Board of Trustees constituted under section 4 for the management and administration of the Fund;
- (b) “Company” means a company within the meaning of Companies Act of 1984¹ ([XLVII of 1984](#)), and includes—
- (i) a body corporate established by or under any law for the time being in force;
 - (ii) any institution, organization or association whether incorporated or not, declared by the ²[Federal Government] in the official Gazette to be a company for the purposes of this Act;
- (c) “Fund” means a Workers' Participation Fund established under section 3;
- (d) “profits” in relation to a company means such of the “net profits” as defined in section 87-C of the Companies Act, 1913, ([XLVII of 1984](#)) as are attributable to its business, trade, undertakings or other operations in Pakistan ;
- ³[(dd) “rules” means rules made under this Act ;]
- (e) “scheme” means the scheme set out in the schedule ;
- ⁴[(f) “worker” in relation to a company, means an employee of the company ¹[including employed by or through the contractors.] who falls within the definition of a worker as defined in clause (xxx) of section 2 of the Industrial Relations Ordinance, 2002 ([XCI of 2002](#)) and has been ¹[working for or in] the company for a period of not less than six months.]

¹Subs. and ins. by Act IV of 2007, s. 7 (w.e.f. 1-7-2007).

²Subs. and shall be deemed to have been so subs. by the Labour Laws (Amdt.) Act, 1975 (11 of 1975), s. 2 and Sch., for “Central Government” w.e.f. 14-8-1973).

³Clause (dd) added by the Companies Profit (Workers Participation) (Amdt.) Ordinance, 1970, (12 of 1970), s.2.

⁴Subs. by Act. III of 06, s.7.

¹**3. Establishment of Fund.** — (1) Every company to which the scheme applies shall—

(a) establish a Workers' Participation Fund in accordance with the scheme as soon as the accounts for the year in which the scheme becomes applicable to it are finalized, but not later than nine months after the close of that year; ²[*]

³[(b) subject to adjustments, if any, pay every year to the Fund not later than nine months after the close of that year five percent of its profits during such year, which shall, where the accounts have been audited by an auditor appointed under Section 23 of the Industrial Relations Ordinance, 1969 be assessed on the basis of such audit; and

(c) furnish to the Federal Government and the Board, not later than nine months after the close of every year of account, its audited accounts for that year, duly signed by its auditors.]

(2) The amount paid to the Fund under clause (b) of sub-section (I) in relation to a year shall be deemed to have been allocated to the Fund on the first day of the year next succeeding that year.

4. Management of the Fund.— (1) As soon as may be ⁴[but not later than two months], after the establishment by a company of a Fund under section 3, there shall be constituted a Board of Trustees consisting of the following trustees, namely:—

(a) two persons elected by the workers of the company from amongst themselves; and

(b) two persons nominated by the management of the company of whom at least one shall be a person from the accounts branch of the company.

(2) The person's holding office as trustees shall elect for one year a person to be the Chairman of the Board alternatively from amongst the trustees elected under clause (a) of sub-section (I) and those nominated under clause (b) of that sub-section, the first Chairman being from amongst the latter.

¹*Subs. by the Companies Profits; Workers' Participation) (Amdt.) Ordinance, 1970 (12 of 1970) s. 3, for the original sections 3 and 4.*

²*The word "and" omitted by the Labour Laws (Amdt.) Act, 1977 (17 of 1977), s. 2 and Sch.*

³*Subs. ibid., for Cl. (b), which was previously amended by various enactments.*

⁴*Ins. ibid.*

⁵*Omitted by Act IV of 07, s.7(w.e.f 1-7-07).*

(3) A trustee shall, unless he sooner ceases to represent the interest he was elected or nominated to represent, hold office for such term and on such conditions as may be prescribed by rules.

(4) All decisions of the Board shall be expressed in terms of the opinion of the majority of the trustees and in the event of the trustees being equally divided in their opinion, the Chairman shall have and exercise a second or casting vote.

(5) The Board shall manage and administer the Fund in accordance with the provisions of this Act, the scheme and any rules made in this behalf.

(6) The Board shall, in the exercise of its powers and performance of its functions under this Act, be subject to such directions as the ¹[Federal Government] may from time to time, give.

(7) The ¹[Federal Government], if it is of opinion that a trustee or a Board has been persistently failing in the performance of his or its functions or has generally been acting in a manner inconsistent with the objects and interests of the Fund, may, after giving such trustee or, as the case may be, the Board, an opportunity of showing cause against it, by order,—

- (a) remove such trustee from his office or direct that the Board shall stand superseded for such period as may be specified in the order; and
- (b) direct that, pending the election or nomination of a person in place of the trustee removed from office or, as the case may be, the re-constitution of the Board, the powers and functions of the trustee so removed or the Board shall be exercised and performed by a person specified in the order.

(8) A casual vacancy in the office of a trustee shall be filled as soon as may be by the election or, as the case may be, nomination of another person and the person elected or nominated to fill such vacancy shall hold office for the unexpired term of his predecessor.

(9) Upon the supersession of a Board under sub-section (7) the trustees in that Board shall cease to hold office and references to the Board in this Act, the scheme and the rules shall be construed as references to the officer specified in the order under that sub-section.

¹*Subs. and shall be deemed to have been so subs. by the Labour Laws (Amdt.) Act, 1975 (11 of 1975) s. 2 and Sch. for "Central Government" (w.e.f.14-8-73).*