

Press Note

Subject: Payment of Gratuity (Amendment) Act, 2018.

Decision: The Payment of Gratuity (Amendment) Bill, 2018 has been passed by Lok Sabha on 15th March, 2018 and by the Rajya Sabha on 22nd March, 2018, has been brought in force on 29th March, 2018.

Background: The Payment of Gratuity Act, 1972 applies to establishments employing 10 or more persons. The main purpose for enacting this Act is to provide social security to workman after retirement, whether retirement is a result of superannuation, or physical disablement or impairment of vital part of the body. Therefore, the Payment of Gratuity Act, 1972 is an important social security legislation to wage earning population in industries, factories and establishments.

2. The present upper ceiling on gratuity amount under the Act is Rs. 10 Lakh. The provisions for Central Government employees under Central Civil Services (Pension) Rules, 1972 with regard to gratuity are also similar. Before implementation of 7th Central Pay Commission, the ceiling under CCS (Pension) Rules, 1972 was Rs. 10 Lakh. However, with implementation of 7th Central Pay Commission, in case of Government servants, the ceiling has been raised to Rs. 20 Lakhs.

3. Therefore, considering the inflation and wage increase even in case of employees engaged in private sector, this Government decided that the entitlement of gratuity should also be revised in respect of employees who are covered under the Payment of Gratuity Act, 1972. Accordingly, the Government initiated the process for amendment to Payment of Gratuity Act, 1972 to increase the maximum limit of gratuity to such amount as may be notified by the Central Government from time to time. Now, the Government has issued the notification specifying the maximum limit to Rs. 20 Lakh.

4. In addition, the Bill also envisages to amend the provisions relating to calculation of continuous service for the purpose of gratuity in case of female employees who are on maternity leave from 'twelve weeks' to 'such period as may be notified by the Central Government from time to time'. This period has also been notified as twenty six weeks.

Major Impact: The Bill as passed by both the Houses of Parliament, and assented to by the Hon'ble President and notified by the Government. This will ensure harmony amongst employees in the private sector and in Public Sector Undertakings/ Autonomous Organizations under Government who are not covered under CCS (Pension) Rules. These employees will be entitled to receive higher amount of gratuity at par with their counterparts in Government sector.
