

Payment C Gratuity Act -

Introduction

- Latin word – Gratuity



- *Gratuity means a lump sum payment made by an employer as the retirement reward for his employment is terminated*



Object Of T

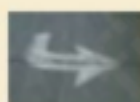
➤ Retiring benefit-Long and Un
service



Applicab



except



- ✓ Shop and establishment covered under ESTABLISHMENT ACT- 10 or more persons preceding to 12 months.
- ✓ Once this act applies – continue to be g irrespective of no of persons
- ✓ It shall come into force on such date as may by notification , appoint

Empl means



- ✓ Employee does not include- holds post u
or state government
- ✓ Teacher cannot be called as employee du
of this act

Continuous Service (Sec.2A)

- *Continuous Service” means uninterrupted service which may be interrupted on account of accident, leave, absence from duty (not being treated as break in service), lay off or cessation of work not due to termination of employee.*
- *Whether such uninterrupted or interrupted service was rendered before or after the commencement of the Act*



(Sec.2A)... Cont

❖ *If an employee is not in continuous service of CLASS-1 he shall be deemed to be in continuous service*

For a period of 1 year :

✓ *190 Days, if the employee was employed on a full-time basis in a mine*

✓ *190 Days, if the employee was employed in an establishment which works for less than 1000 persons*

✓ *240 Days, in any other case*

(Sec.2A)... Con

For a period of 6 months :

✓ **95 Days** , if the employee was e
the ground in a mine

✓ **95 Days** , If the employee was e
establishment which works for les.
week

✓ **120 Days** , In any other case

Payment Of Gr



Gratuity is payable when there is :-

- **Continuous service of 5 yrs** (not necessary disablement)
- *Incase of death ,the amount shall be paid*
- **Time limit-** Within 30 days of gratuity bec
- **Maximum Amount-** The gratuity payable to exceed Rs. 10,00,000



Compulsory Ins

- ✓ *It is mandatory where number of employees is more than 500*
- ✓ *The registration shall be done in prescribed manner*
- ✓ *The insurance shall be taken from LIC or any other prescribed insurance company*
- ✓ *However, employer of an establishment in which the operations are under the control of CG or SG are exempted from the operations of sec.4A.*

Nominati



- *Every employee, who has completed 1*
compulsorily required to make a nomin
- *The nomination must be made within 3*

➤ *The nomination must be made in favor of more members of the family (nomination is not valid if it is made in favor of a person who is not a member of his family)*

➤ *If at the time of making nomination the employee does not have family, the nomination is valid in favor of any person*

➤ *The employee may distribute the nomination amongst more than one nominee*



Application for the payment of gratuity (sec.7)

➤ *Application can be made by :-*

- *An employee who is eligible for payment*
- *Any person authorized in writing by such employee*
- *Nominee of the employee(if the deceased employee had made a nomination)*
- *Legal heir of the employee(if the deceased employee had not made any nomination)*

Recovery Of Gratuity

- ❖ *If the employer fails to pay the gratuity within time (i.e., within 30 days of termination of service) the controlling authority is empowered to issue a writ to the collector to recover the amount of gratuity.*
- ❖ *The employer shall also be liable to pay CG interest at such rate as may be notified by CG from time to time.*
- ❖ *The interest shall be paid from the date of termination of service period & ending with actual date of payment of gratuity.*
- ❖ *The interest payable shall not exceed the amount of gratuity payable.*

PENALTIES



OFFENCE

PENALTY

*False statement to
avoid payment*



*6 months
Rs 10,000*

*Default in complying
with Act*



*3 months
imprisonment
or both*

*Non-payment of
Gratuity*



*6 months
imprisonment*

Calculation of amount of gratuity (Sec.4A)

How is gratuity calculated?

Salary = Basic + Dearness Allowance

Your last drawn
monthly salary

26

1 Month = 26 days

X

15

X

X

Number of years
in service

- ❖ Monthly Rated Employee
- ❖ Piece rated employee
- ❖ Employee of a Seasonal



Monthly rate employed

- *Last drawn wages \times 15/26 \times Complete
(incl. a part of year in excess of 6 months)*

NOTE:

- *Wages = Last drawn*
- *Month = Period of 26 Days*
- *15 days wages = Last drawn wages \times 15,*



Piece-rated em

- *Last drawn wages x 15/26 x Completed Service (incl. a part of year in excess of 6*

NOTE:

- *Last drawn wages = Total wages received immediately preceding termination/Days*
- *Last drawn wages shall not include over*



Seasonal Establishment

- *Such an employee shall be paid at a rate of **7 days wages** for each season.*