

# Payment C Gratuity Act -

# Introduc

- Latin word – Gratu



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

# Object Of T

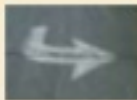
➤ Retiring benefit-Long and Un  
service



# 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 by 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 the surface or underground in a mine*

✓ *190 Days, if the employee was employed in an establishment which works for less than 100 days in a year*

✓ *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 less  
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 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 10 years of service, is compulsorily required to make a nomination.*
- *The nomination must be made within 30 days of the completion of 10 years of service.*

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

➤ *If at the time of making nomination the employee does not have family, the nomination can be made 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 had made a nomination)*
- *Legal heir of the employee(if the deceased 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 recovery order 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

$$\frac{\text{Your last drawn monthly salary}}{26} \times 15 \times \text{Number of years in service} = \text{Gratuity}$$

1 Month = 26 days

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

# Monthly rate employed

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

## NOTE:

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



# 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*