

**MINISTRY OF LABOUR AND EMPLOYMENT**

**Notifications dated 29<sup>th</sup> March, 2018**

**Amendments to Payment of Gratuity Act, 1972**

The Payment of Gratuity (Amendment) Bill, 2018 has been passed by Lok Sabha on 15<sup>th</sup> March, 2018 and by the Rajya Sabha on 22<sup>nd</sup> March, 2018. Payment of Gratuity (Amendment) Act, 2018 has come into force on 29<sup>th</sup> March, 2018. The amendment bill has increased the maximum limit of gratuity for private and public-sector employees from Rs 10 Lakhs to Rs 20 Lakhs. This will make employees in the private sector as well as public undertakings and autonomous organisations under the government who are not covered under the Central Civil Services (Pensions) rules, to be statutorily eligible to receive higher amount of gratuity.

This change has also brought parity with respect to the maximum limit of gratuity applicable for Central Government employees under the Central Civil Services (Pension) Rules, 1972. The Government had earlier increased the gratuity ceiling limit from Rs 10 lakhs to Rs 20 lakhs for Government employees with effect from 1 January, 2016.

In addition, the Act has amended 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.

### THE KEY

The Payment of Gratuity Act, 1972 statutory requires for the payment of gratuity to employees in any establishment, factory, mine, oilfield, plantation, port, railways, company, or shop employing 10 or more workers. Employees are paid gratuity if they have provided at least five years of continuous service at the time of termination. The amended Act removes the existing ceiling on Gratuity amount and states that the ceiling may be notified by the Central Government. Thus in future the Central Government can increase the notified maximum Gratuity amount of Rs. 20 lakhs by way of notification and without obtaining the parliament approval through amendment of the Act.

The Companies who are making gratuity provisions in their annual financial statements based upon the limit of Rs. 10 lakhs as per Payment of Gratuity Act now need to consider the revised limits to determine gratuity provision as per revised AS 15 or as Ind AS 19 whichever is applicable.