

# Payment of Gratuity Act, 1972

## Applicability :

1. Every Factory (As defined in Factories Act) mine, oilfield, plantation, port & railway.
2. Every shop & establishment to which shops & Establishment Act of State applies in which 10 or more persons are employed at any time during the year and
3. Any establishment employing 10 or more persons as may be notified by the central Government.
4. Once, act applies it continues to apply even if employment strength falls below 10

## Eligibility :

- Any person employed on Wages/Salary at the time of retirement pr resignation or on superannuation,
- an employee should have rendered Continuous service of not less than 5 years.
- In case of death or disablement, the gratuity is payable even if he has not completed 5 years of service.

## Wages (Section 2(s):

"wages" means all emoluments which are earned by an employee while on duty or on leave in accordance with the terms and conditions of his employment and which are paid or are payable to him in cash and includes dearness allowance but does not include any bonus, commission, house rent allowance, overtime wages and any other allowance.

## Benefits :

1. The quantum of gratuity is to be computed at the rate of 15 days wages (7days wages in case of seasonal establishment) based on rate of wages last drawn by the employee concerned for every completed year of service or a part thereof exceeding 6 month.
2. The total amount of gratuity payable shall not exceed the prescribed limit.
3. In case where higher benefit of gratuity is available under any gratuity scheme of the co. the employee will be entitled to higher benefit

**Calculation of Gratuity :**  $\text{Gratuity} = \text{Monthly Salary} \times 15 \text{ days} \times \text{No. of years of service}$

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(Maximum Gratuity payable under the Act is Rs. 10,00,000/- ( w.e.f. 24.05.2010)

**Penal Provision :** Non payment of gratuity payable under the Act is punishable with imprisonment up to 2 years (Minimum 6 Months) and /or fine up to Rs. 20,000/- Other contravention /offences attract imprisonment up to 1 year and /or fine up to Rs. 10,000/-