

## **PAYMENT OF GRATUITY**

### **A) Payment of Gratuity under “The Payment of Gratuity Act, 1972”** **(Both Workmen & Officers):**

1. The Payment of Gratuity Act, 1972 came into force w.e.f. 16.9.1972 and provides for payment of gratuity to all employees irrespective of their cadre/scale. The gratuity as per the Gratuity Act is payable to all employees in the event of their superannuation/retirement/resignation/death/discharge on the ground of total disablement due to an accident or a disease. Minimum continuous service of not less than 5 years is required so as to entitle an employee for gratuity except where the termination of employment of any employee is due to death or disablement. The length of service shall be calculated as the total period from the day of initial appointment in the bank (on scale wages or otherwise) to the day of cessation of the bank's service. Quantum of gratuity payable under the Gratuity Act is 15 days wages based on the rate of wages last drawn, for each completed year of service or part thereof, in excess of 6 months, subject to maximum of Rs.20.00 lakhs w.e.f. 29.03.2018.

2. An employee shall be said to be in continuous service for a period if he/she has, for that period, been in uninterrupted service including service which may be interrupted on account of sickness, accident, leave, absence from duty without leave (not being absence in respect of which an order treating the absence as break in service has been passed in accordance with the standing orders, rules and regulations governing the employees of the establishment), lay-off, strike or a lockout or cessation of work not due to any fault of the employees, whether such uninterrupted service was rendered before or after the commencement of this Act.

3. The term "wages", for the purpose of determining the amount of gratuity payable under the Act, 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 and includes Basic Pay, Special Allowance, Personal Qualification Pay, Fixed Personal Pay (only Basic Component ranking for PF), Officiating Allowance (Basic Component, in case of Award staff only) and Dearness Allowance but does not include any Bonus, HRA, CCA, Honorarium, Overtime and any other allowance including Conveyance Allowance etc. Hence, the terms “wage” includes Substantive Salary and Dearness Allowance only, excluding Officiating Allowance paid/payable to an employee in officer cadre.

4. Daily wages should be ascertained by dividing the monthly wages by 26 working days and not by 30 working days for the purpose of computing 15 days wages payable as gratuity.

5. Accordingly, calculation for arriving at the total amount of gratuity payable under “The Payment of Gratuity Act, 1972” is given below:

#### **ILLUSTRATION-1:**

‘A’ joined the bank on 14.11.1983 and retired from service of the bank on 30.09.2020. His total length of service is 36 years 10 months and 17 days. For Calculation of Gratuity, service of 37 years will be taken.

At the time of his retirement he was drawing monthly emolument comprising of Substantive Pay (excluding officiating pay in case of an employee in officer cadre) and Dearness Allowance aggregating to Rs. 199322/-. Keeping in view the Supreme Court decisions and the modifications in the Payment of Gratuity Act, gratuity payable to him shall be calculated as under: