
Act : The Payment of Gratuity Act, 1972
Rules framed thereunder : The Payment of Gratuity (Central) Rules, 1972
and The Payment of Gratuity (Maharashtra)
Rules, 1972

No.	Provision	Brief Description	Periodicity	Authority	Designated Officer
1.	Sec 4	Payment of gratuity on termination of employment after 5 years of continuous service and upon death	As and when	NA	Person having ultimate control over affairs of establishment or factory
2.	Sec 4A	Compulsory insurance to be obtained by employer in respect of their liability to pay gratuity; unless exempted by the government. Establishment of approved gratuity fund	One time		Ditto
3.	Sec 6 (7)	Nomination forms of employees to be kept in safe custody	Ongoing	NA	Ditto
4.	Sec 7	Determination of amount of gratuity to be done by the employer when it becomes payable and payment of the same within 30 days. The employee and controlling authority are to be informed of the fact that gratuity has become payable	As and When (within 30 days)	Controlling authority to deal with disputes	Ditto
5.	Rule 4 of the Central & State Rules	Display of notice at the main entrance regarding authorization to receive notices under this act. Notice to be in English, Marathi and Gujarati	Ongoing		Ditto
6.	Rule 5 r/w Sec 2(h) (ii) & Form D of the Central & State Rules	Notice to be given by any female employee excluding her husband from family/ withdrawing such a notice	As and when required	Controlling authority of the area	NA
7.	Rule 6 r/w Form F of the Central	Verification of service particulars as mentioned in nomination form with reference	Within 30 days of receiving nomination	NA	Person having ultimate control over

	& State Rule	to the records of the establishment and alteration of the same by authorised person	forms		affairs of establishment or factory
8.	Rule 8 r/w Form L and M of the Central & State Rules	Gratuity to be paid in cash or Demand Draft/ Bank Cheque (if payee requires)	As and when required	Intimation about details of payment to be sent to controlling authority	Ditto
9.	Rule 9 of the Central and State Rules	Gratuity to be paid in cash or Demand Draft/ Bank Cheque (if payee requires)	As and when required	Intimation about details of pay men to be sent to the controlling authority	Ditto
10.	Rule 20 of Central and State Rules	Employer to display an abstract of the Act and the rules in accordance with From U, in English and in the languages understood by majority of the employees at a conspicuous place	Ongoing	NA	Ditto

Section 4

Payment of gratuity to employee who has rendered continuous service for at least 5 years (technically 4 years and 8 months – reference Madras High Court Judgment)

- On his superannuation
- On his retirement or resignation
- On his death or disablement due to accident or disease

In case of employee's death, gratuity payable to nominee or heirs – tax exempt/

Gratuity at the rate of 15 days wages based on the rate of wages last drawn by the employee concerned to be paid for every completed year of service or part thereof exceeding six months – exact formula $15/26 \times$ Last drawn basic

As regards piece-rated employees daily wages is to be computed as an average of his daily wages received in the 3 months prior to the termination of his service (wages paid for overtime work not being taken into account)

Tax exemption on Gratuity payable to an employee shall not exceed Rs 3,50,000/- (now Rs. 10,00,000) during lifetime.

Gratuity payable to an employee re-employed after disablement shall be computed in terms of wages received prior to disablement and reduced wages subsequent to his disablement

2) Section 4A

Compulsory insurance to be obtained in manner prescribed for payment of gratuity, unless exempted by the appropriate government by virtue of an already established and approved gratuity fund.

Establishment to be registered with the controlling authority after adhering to the above requirement

Contravention with the provisions of the Section attracts a fine which may extend to Rs 10,000 and in the case of a continuing offence with a further fine which may extend to Rs 1000 for each day during which the default continues

3) Section 6(7)

The following that are given by the employee are to be kept in safe custody

Nominations

Fresh nominations

Alterations of nomination

4) Section 7

Amount of gratuity payable to be determined by the company as soon as it becomes payable

Notice of the amount of gratuity determined has to be given to

The person to whom gratuity is payable

Also to the controlling authority

Gratuity must be paid within 30 days from the date on which it becomes payable

If gratuity is not paid in time it has to be paid with simple interest at the rate which is not more than the rate than has been notified by the Central Government from time to time for the repayment of long-term deposits

5) Section 12

Penalties are attracted in the following cases:-

- If a person makes false statements/representations to avoid making payments under the Act The punishment extends to imprisonment upto 6 months and/or a fine which may extend to Rs 10,000/-
- If an employer contravenes/or fails to comply the provisions of the Act or the rules made hereunder. The punishment extends to imprisonment not less than 3 months but which may extend to 1 year and/or with fine which shall not be less than Rs 10,000/- and not exceeding Rs 20,000/-
- If the offence relates to non-payment of gratuity, the employer shall be punishable with imprisonment not less than 6 months but which may extend to 2 years, unless the court records reasons for imposing a lower punishment or only a fine

Central Rules and State Rules

6) Rule 4

Display of Notice at/near main entrance of establishment in

- English and
- Any other language that is understood by the majority of the employees (Marathi or Gujarati) specifying the name of the person who is authorised to receive notices under this Act
- Fresh notice to be displayed immediately when the displayed notice becomes illegible or requires a change

7) Rule 5 read with Section 2 (H) (ii) and Form D

Notice given by female employee regarding

Exclusion of her husband from family for the purposes of the Act or

Withdrawing such a notice to be sent to the Controlling Authority of the area

8) Rule 6 Read with Form F

Verification of service particulars, as mentioned in the nomination form with reference to records of the establishment and its alteration by a person authorised is to be done within 30 days of receiving the same

9) Rule 8 Read with Form L and M

- Within 15 days of receipt of application for payment of gratuity:-

- If claim is admissible, notice to be issued in Form L for payment of gratuity specifying amount payable and the date for the same (date not being later than 30 days from the date of receipt of the application)
- If claim is not admissible then notice under Form M to be issued specifying why claim is not admissible

In both the situations a copy of either of the notices is to be sent to the Controlling Authority of the area

10) Rule 9

- Gratuity to be paid to the employee, her/his nominees or legal heirs in
- Cash
- Demand Draft/Bank Cheque (if the payee desires)
- The payment may also be made by a postal money order in case it is so desired by the persons concerned and in case the gratuity payable is less than Rs. 1000 and after deducting the commission for the postal order
- Intimation about the details of payment shall also be given by the employer to the controlling officer

11) Rule 20

Employer to display abstract of the Act and rules in accordance with Form U at a conspicuous place of the establishment in English and the language understood by the majority of the workers