

# Payment of Gratuity Act, 1972

An Act to provide for a scheme for the payment of gratuity to employees engaged in factories, mines, oilfields, plantations, ports, railway companies, shops or other establishments and for matters connected therewith or incidental thereto. BE it enacted by Parliament in the Twenty-third Year of Republic of India as follows :

## **Section: 1**

### **Short title, extent, application and commencement.**

(1) This Act may be called the Payment of Grataity Act, 1972.

(2) It extends to the whole of India:

**Provided** that in so far as it relates to plantations or ports, it shall not extend to the State of Jammu and Kashmir.

(3) It shall apply to -

(a) every factory, mine, oilfield, plantation, port and railway company;

(b) every shop or establishment within the meaning of any law for the time being in force in relation to shops and establishments in a State, in which ten or more persons are employed, or were employed, on any day of the preceding twelve months;

(c) such other establishments or class of establishments, in which ten or more employees are employed, or were employed, or, any day of the preceding twelve months, as the Central Government may, by notification, specify in this behalf.

(3A) A shop or establishment to which this Act has become applicable shall continue to be governed by this Act notwithstanding that the number of persons employed therein at any time after it has become so applicable falls below ten.]

(4) It shall come into force on such date as the Central Government may, by notification, appoint.

# FORM 'U'

## ABSTRACT OF THE ACT AND RULES

**1. Extent the Act.**---The Act extends to the whole of India:

Provided that in so far as it relates to plantations a ports, it shall not extent to the State of Jammu and Kashmir. Section 1(2).

**2. To whom the Act Applies.**--- The Act applies to (a) every factory, mine, oilfield, plantation, port and railway company; (b) every shop or establishment within the meaning of any law for the time being in force in relation to shops and establishments in a State, in which ten or mote persons are employed, or were employed, on any day of the preceding twelve months; and (c) such other establishments a class of establishments, in which, ten or more employees are employed, or were employed, on any day of the preceding twelve months, as the Central Government may, by notification, specify in this behalf. Section 1(3).

**3. Definitions**---(a) "Appropriate Government" means (i) in relation to an establishment--

- (a) belonging to, or under the control of, the Central Government,
- (b) having branches in more than one State,
- (c) of a factory belonging to, or under the control of, the Central Government,
- (d) of a major port, mine, oilfield or railway company, the Central Government,
- (ii) in any other case, the State Government. Section 2(a).

(b) "Completed year of service" means continuos service for one year. Section 2(b).

(c) "Continuos Service" means uninterrupted service and includes service which is interrupted by sickness, accident, leave, lay-off, strike or a lock-out or cessation of work not due to any fault of the employees concerned, whether such uninterrupted or interrupted service was rendered before or after the commencement of this Act.

**Explanation I.**---In the cease of an employee who is not in uninterrupted service for one year, he shall be deemed to be in continuous service if he has been actually employed by an employer during the twelve months immediately preceding the year for not less than--

- (i) 190 days, if employed below the ground in a mine, or
- (ii) 240 days, in any other case, except when he is employed in a seasonal establishment.

**Explanation II.**--- An employee of a establishment shall be deemed to be in continuos service if he has actually worked for not less than seventy-five per cent of the number of days on which the establishment was in operation during the year. Section 2(d).

(d) "Controlling authority" means an authority appointed by an appropriate Government under Section 3. Section 2(d).

(e) "Family", in relation to an employee, shall be deemed to consist of---

- (i) in the case of a male employee, himself, his wife, his children, whether married or unmarried, his dependent parents and the widow and children, of his predeceased son, if any,
- (ii) in the case of a female employee, herself, her husband, her children, whether married or unmarried, her dependent parents and the dependent parents of her husband and the widow and children of her predeceased son, if any:

Provided that if a female employee, by a notice in writing to the Controlling Authority, expresses to her desire to exclude her husband from her family, the husband and his dependent parents shall no longer be deemed, for the purposes of this Act, to be included in the family of such female employee unless the said notice is subsequently withdrawn by such female employee.

**Explanation:--** Where the personal law of an employee permits the adoption by him of a child, any child lawfully adopted by him shall be deemed to be included in his family, and where a child of an employee has been adopted by another person and such adoption is under the personal law of the person making such adoption, lawful, such child shall be deemed to be excluded from the family of the employee. Section 2(h).

**4. Nomination.**---(1) Each employee, who has completed one year of service, after the commencement of the Payment of Gratuity (Central) Rules, 1972 shall make within thirty days of completion of one year of service, a nomination. Section 6(1) read with Rule 86(11)

(2) If an employee has a family at the time of making a nomination, the nomination shall be made in favour of one or more members of his family and any nomination made by such employee in favour of a person who is not a member of his family shall be void. Section 6(3).

(3) If at the time of making a nomination, the employee has no family, the nomination can be made in favour of any person or persons, but if the employee subsequently acquires a family, such nomination shall forthwith become invalid and the employee shall make within 90 days fresh nomination in favour of one or more members of his family. Section 6(4) read with Rule 6(3).

(4) A nomination or a fresh nomination or a notice of modification of nomination shall be signed by the employee or, if illiterate, shall bear his thumb-impression in the presence of two witnesses, who shall also sign a declaration to that effect in the nomination, fresh nomination or notice of modification of nomination as the case may be. Rule 6(5).

(5) A nomination may, subject to the provisions of sub-sections (3) and (4) of Section 6, be modified by an employee any time after giving to his employer a written notice of his intention to do so. Section 6(5).

(6) A nomination or fresh nomination or notice of modification of nomination shall take effect from the date of receipt of the same by the employer. Rule 6(6).

**5. Application for gratuity.**---(1) An employee who is eligible for payment of gratuity under the Act, or any person authorised, in writing, to act on his behalf, shall apply ordinarily within thirty days from the date gratuity becomes payable:

Provided that where the date of superannuation or retirement of an employee is known, the employee may apply to such employer before thirty days of the date of superannuation or retirement. Rule 7(1).

(2) A nominee of an employee who is eligible for payment of gratuity shall apply, ordinarily within thirty days from the date the gratuity became payable to him, to the employer. Rule 7(2).

(3) A legal heir of an employee who is eligible for payment of gratuity shall apply, ordinarily within one year from the date the gratuity became payable to him, to the employer. Rule 7(3).

(4) An application for payment of gratuity filed after the expiry of the periods specified above shall also be entertained by the employer if the applicant adduces a sufficient cause for the delay. Rule 7(5).

**6. Payment of gratuity.**---(1) Gratuity shall be payable to an employee on the termination of his employment after he has rendered continuous service for not less than five years--

- (a) on his superannuation, or
- (b) on his retirement or resignation, or
- (c) on his death or disablement due to accident or disease:

Provided that the completion of continuous service of five years shall not be necessary where the termination of the employment of any employee is due to death or disablement.

Disablement means such disablement which incapacitates an employee for the work which he was capable of performing before the accident or disease resulting in such disablement. Section 4(1).

- (2) For every completed year of service or part thereof in excess of six months, the employer shall pay gratuity to an employee at the rate of fifteen days' wages based on the rate of wages last drawn by the employee concerned:

Provided that in the case of a piece-rated employee, daily wages shall be computed on the average of the total wages received by him for a period of three months immediately preceding the termination of his employment, and, for this purpose, the wages paid for any overtime work shall not be taken into account:

Provided further that in the case of an employee employed in a seasonal establishment, the employer shall pay the gratuity at the rate of seven days' wages for each season. Section 4(2).

- (3) The amount of gratuity payable to an employee shall not exceed twenty months wages. Section 4(3).

**7. Forfeiture of gratuity.--**(1) The gratuity of an employee, whose services have been terminated for any act, wilful omission or negligence causing any damage or loss to, or destruction of, property belonging to the employer, shall be forfeited to the extent of the damage or loss so caused.

- (2) The gratuity payable to an employee shall wholly be forfeited--

- (a) if the services of such employee have been terminated for his riotous or disorder conduct or of any other act of violence on his part, or
- (b) if the services of such employee have been terminated for any act which constitutes an offence involving moral turpitude, provided that such offence is committed by him in the course of his employment. Section 4(6).

**8: Notice of opening, change or closure of the establishment.--**(1) A notice shall be submitted by the employer to the controlling authority of the area within thirty days of any change in the name, address, employer or nature of business. Rule 3(2).

- (2) Where an employer intends to close down the business he shall submit a notice to the controlling authority of the area at least sixty days before the intended closure. Rule 3(3).

**9. Application to Controlling Authority for direction: If an employer---**

- (i) refuses to accept a nomination or to entertain an application for payment of gratuity, or
- (ii) issues a notice either specifying an amount of gratuity which is considered by the applicant less than what is payable or rejecting eligibility to payment of gratuity, or
- (iii) having received an application for payment of gratuity, fails to issue notice within fifteen days; the claimant employee, nominee, or legal heir, as the case may be, may within ninety days of the occurrence of the cause for the application, apply to the controlling authority for issuing a direction under sub-section (4) of Section 7 with as many extra copies as are the opposite party:

Provided that the controlling authority may accept any application on sufficient cause being shown by the applicant, after the expiry of the period of ninety days. Rule 10.

**10. Appeal.**--- Any person aggrieved by an order of the controlling authority may, within sixty days from the date of the receipt of the order, prefer an appeal to the Regional Labour Commissioner (Central) of the area, who has been appointed as the appellate authority by the Central Government:

Provided that the appellate authority may, if it is satisfied that the appellant was prevented by sufficient cause from preferring the appeal within the said period of sixty days, extend the said period by a further period of sixty days. Section 7(7).

**11 Machinery for enforcement of the Act or Rules in Central sphere:**---All Assistant Labour Commissioners (Central) have been appointed as Controlling Authorities and all the Regional Labour Commissioners (Central) as Appellate Authorities.

**12. Powers of the Controlling Authority:**--- The Controlling Authority for the purpose of conducting an inquiry as to the amount of gratuity payable to an employee or as to the admissibility of any claim of, or in relation to, an employee for payment of gratuity, or as to the person entitled to receive the gratuity, shall have the same powers as are vested in a court, under the Code of Civil Procedure, 1908, in respect of the following matters, namely---

- (a) enforcing the attendance of any person or examining him on oath;
- (b) requiring the discovery and production of documents;
- (c) receiving evidence on affidavits; and
- (d) issuing commissions for the examination of witnesses. Section 7(5).

**13. Recovery of gratuity.**--If the amount of gratuity payable is not paid by the employer, within the prescribed time to the person entitled thereto, the controlling authority shall, on an application made to it in this behalf by the aggrieved person, issue a certificate for that amount to the Collector, who shall recover the same, together with compound interest thereon at the rate of nine per cent per annum, from the date of expiry of the prescribed time, as arrears of land revenue and pay the same to the person entitled thereto. Section 8.

**14. Protection of gratuity:** No gratuity payable under the Payment of Gratuity Act and the rules made thereunder shall be liable to attachment in execution of any decree or order of any civil, revenue or criminal court. Section 13.

**15. Penalties for offences.**-(1) Whoever, for the purpose of avoiding any payment to be made by himself or of enabling any other persons to avoid such payment, knowingly makes or causes to be made any false statement or false representation, shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both. Section 9(1).

- (2) An employer who contravenes, or makes default in complying with, any of the provisions of the Act or any rule or order made thereunder shall be punishable with imprisonment for a term which may extend to one year, or with fine which may extend to one thousand rupees, or with both:

Provided that if the offence relates to non-payment of any gratuity payable under the Payment of Gratuity Act, the employer shall be punishable with imprisonment for a term which shall not be less than three months unless the court trying the offence for reasons to be recorded by it in writing, is of opinion that a lesser term of imprisonment or the imposition of a fine would meet the ends of justice. Section 9(2).

**16. Display of Notice:** The employer shall display conspicuously a notice at or near the main entrance of the establishment in bold letters in English and in the language understood by the majority of the employees specifying the name of the Officer with designation authorised by the employer to receive on his behalf notices under the Payment of Gratuity Act or the rules made thereunder. Rule 4.

**17. Display of Abstract of the Act and Rules:** The employer shall display an abstract of the Payment of Gratuity Act and the rules made thereunder in English and in the language understood by the majority of the employees at a conspicuous place at or near the main entrance of the establishment. Rule 20.