Gratuity amendment bill

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Why in news?

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The Union Cabinet has given approval to the introduction of the Payment of Gratuity (Amendment) Bill, 2017 in the Parliament.

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What is gratuity bill?

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- Gratuity is a sum of money paid to an employee at the end of a period of employment.
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- The Payment of Gratuity Act, 1972 applies to establishments employing 10 or more persons.
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- It considers the inflation and wage increase even in case of employees engaged in private sector.
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- With implementation of 7th Central Pay Commission, in case of Government servants, the ceiling now is Rs. 20 Lakh, where the present upper ceiling on gratuity amount under the Act is Rs. 10 Lakh.
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- There will also be an additional 1 per cent dearness allowance that is from, 4 per cent to 5 per cent applicable from July 1, 2017, to all central government employees and pensioners.
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- And it also seeks to double tax-free gratuity for private sector.
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- The gratuity will be completely tax free if the bill approved by the cabinet gets passed in the parliament.
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How this bill benefits workers?

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- Gratuity is not just paid to the employee on his retirement as commonly perceived.
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- The gratuity rules are lenient, it can be paid at any of these cases if claimed
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1. If employee has tendered his resignation after serving the organisation for continuous service five years,
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2. On his death, even if the employee hasn't served the organization for five years.
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3. If employee becomes disabled due to accident or disease.
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- The main purpose for enacting this act is to provide social security to workmen after retirement.
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- The amendment will increase the maximum limit of gratuity of employees, in the private sector and in Public Sector Undertakings/ Autonomous Organizations under Government who are not covered under CCS (Pension) Rules, at par with Central Government employees.
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What will be the financial impacts?

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- The combined impact on the exchequer on this account would be Rs.3,068.26 crore a year and Rs.2,045.50 crore in 2017-18.
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- Earlier, employers could limit their liability to the statutory cap of Rs.10 lakh even if the calculation of gratuity for an eligible employee resulted in a

higher figure but the limitation has been expanded.
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- Many industries would be impacted if this proposal becomes the law, due to extra financial burden.
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Source: Business Standard, Business Line

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