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**Government notifies the  
Payment of Gratuity  
(Amendment) Act, 2018;  
Gratuity ceiling raised to  
INR 20 lakhs**

**Issue no:** GES/08/2018

**In this issue:**

[Background](#)

[Key Changes](#)

[Comments](#)

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## Background

- Upon implementation of 7th Central Pay Commission, the ceiling on gratuity under Central Civil Services (Pension) Rules, 1972 was raised from INR 10 lakhs to INR 20 lakhs for central government employees, effective January 1, 2016.
- At present, private sector employees covered under the Payment of Gratuity Act, 1972 (the Act) with five or more years of continuous service, are eligible for gratuity computed as per the provisions of the Act, subject to ceiling of INR 10 lakh upon retirement, resignation or on superannuation.
- Considering inflation and wage increases, the government introduced the Payment of Gratuity (Amendment) Bill, 2018 in the Parliament, empowering the government to notify (i) the maternity leave period eligible for computing continuous service period; and (ii) the maximum amount of gratuity payable to employees.
- The said Bill has received the Presidential assent and became a law effective March 29, 2018.
- The central government has notified key changes in the Act effective from March 29, 2018.

## Key Changes

- The maximum amount of gratuity payable to an employee under the Act has been increased from INR 10 lakhs to INR 20 lakhs.
- The period of maternity leave of 26 weeks shall be considered for the purpose of computing continuous service as against current 12 weeks, in the case of women employees. This is in line with the Maternity Benefit (Amendment) Act, 2017.

## Comments

With delegation of power to the central government, future changes to the gratuity ceiling and maternity leave period for computing continuous service would be possible by notifications issued by the central government, without going through the parliamentary process.

This change would place private sector employees covered under the Act, at par with central government employees.

While tax exemption for private sector employees covered under the Act stands increased automatically to INR 20 lakhs with this amendment, employees not covered by the Act will have to wait for further notification from the government for enhanced tax exemption ceiling.

### Source :

Published in The Gazette of India

Notification S.O.1419( E ) dated 29<sup>th</sup> March 2018

Notification S.O.1420( E ) dated 29<sup>th</sup> March 2018

Notification S.O.1421( E ) dated 29<sup>th</sup> March 2018

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