

Business Standard

Budget 2018: Soon, tax-free Rs 2-mn gratuity for employees may be a reality

At present, formal sector workers with 5 or more years of service are eligible for Rs 1 mn tax-free gratuity after leaving a job or at time of superannuation

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Representative image

gratuity after leaving a job or at time of superannuation.

"The Payment of Gratuity (Amendment) Bill, 2017, will be passed in the Budget session of Parliament, expected to begin by the end of this month," a source said.

The source further said, "The government wants to provide tax-free gratuity of Rs 2 million (Rs 20 lakh) to organised sector workers at par with central government."

The Bill was introduced in the Lok Sabha in the winter session of Parliament last month. Once the Bill is passed

Payment of Gratuity Amendment Bill 2017 is likely to be passed in the forthcoming Budget session, which will make formal sector workers eligible for tax-free Rs 2 million (Rs 20 lakh) gratuity.

At present, formal sector workers with five or more years of service are eligible for Rs 1 million (Rs 10 lakh) tax-free

by Parliament, the government will not be required to go to it again for deciding the quantum of tax-free gratuity.

The Bill seeks to allow the government to notify the period of maternity leave and gratuity that can be availed by employees under a central law.

The Payment of Gratuity (Amendment) Bill, 2017, was introduced by labour minister Santosh Kumar Gangwar in the Lok Sabha on December 18, 2017.

The Payment of Gratuity Act, 1972, was enacted to provide for gratuity payment to employees engaged in factories, mines, oilfields, plantations, ports, railway companies, shops or other establishments.

The law is applicable to employees who have completed at least five years of continuous service in an establishment that has ten or more persons.

The amendment will also allow the central government to notify the maternity leave period for "female employees as deemed to be in continuous service in place of existing twelve weeks".

The proposal comes against the backdrop of the Maternity Benefit (Amendment) Act, 2017, enhancing the maximum maternity leave period to 26 weeks.

With respect to gratuity, the amount is calculated on the basis of a formula which is 15 days of wages for each year of completed services, subject to the ceiling of Rs 1 million (Rs 10 lakh). This limit was fixed in 2010.

After implementation of the 7th Central Pay Commission, the ceiling of gratuity amount for central government employees has been increased from Rs 1 million (Rs 10 lakh) to Rs 2 million (Rs 20 lakh).