

AS INTRODUCED IN THE RAJYA SABHA ON
THE 23RD NOVEMBER, 2012

Bill No. LI of 2012

THE PAYMENT OF GRATUITY (AMENDMENT) BILL, 2012

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BILL

further to amend the Payment of Gratuity Act, 1972.

BE it enacted by Parliament in the Sixth-third Year of the Republic of India as follows:—

1. (1) This Act may be called the Payment of Gratuity (Amendment) Act, 2012.

Short title and commencement.

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

2. In sub-section (2) of Section 4 of Payment of Gratuity Act, 1972, for the words “at the rate of fifteen days’ wages” the words “at the rate of thirty days’ wages” shall be substituted.

Amendment of Section 4 of Act 39 of 1972.

STATEMENT OF OBJECTS AND REASONS

The sub-section (2) of Section 4 of the Payment of Gratuity Act, 1972 provides for payment of gratuity to the employees at the rate of fifteen days' wages based on the rate of wages last drawn for every completed year of service. In today's world of high prices and inflation, the gratuity of fifteen days wages for every completed year is too meager. At such a small rate, a person cannot get enough amount for post retirement settlement. It should therefore be atleast at the rate of thirty days' salary for every completed year of service.

The Bill proposing amendments to Section 4 of the Act seeks to achieve the aforesaid objectives.

Hence this Bill.

RAMA CHANDRA KHUNTIA

FINANCIAL MEMORANDUM

Clause 2 of the Bill seeks to revise the rate of gratuity from fifteen days' salary per completed year of service to thirty days' salary for every completed year of service, to all the employees employed on wages in any establishment, whether it is public or private. The Bill, therefore, if enacted, will involve expenditure from the Consolidated Fund of India. It is estimated that an annual recurring expenditure of about rupees one thousand crore will be involved. No non-recurring expenditure is likely to be involved.

EXTRACTS FROM THE PAYMENT OF GRATUITY ACT, 1972

(ACT No. 39 OF 1972)

4. 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.

(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.*

RAJYA SABHA

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further to amend the Payment of Gratuity Act, 1972.

(*Shri Rama Chandra Khuntia, M.P.*)