

CHAPTER 10 · COMPLIANCE MANUAL · 2024 EDITION

GRATUITY (Payment of Gratuity Act, 1972)

*This chapter is an extract from **The RST Compliance Manual**, a regulator-mapped reference for Indian business entities curated by the partners of R S T & Co.*

The Payment of Gratuity Act, 1972 is **an Indian law that makes certain industries pay a one-time gratuity to retired employees.**

The law applies to railways, ports, factories, oilfields, plantations, mines and shops. The gratuity is 15 days' wages for every year of employee service, or partial year over six months.

10.1 Applicability

All employees engaged in factories, mines, oil fields, plantations, ports, railway companies, shops or other establishments and for matters connected therewith or incidental with.

Every shop or other establishments or such other establishment specified by CG by notification where **10 or more employees*** are/were employed on any day of the preceding twelve months.

*The term 'Employee' doesn't include -

Apprentice.

Any such person who holds a post under the Central Govt or State Govt.

Any person governed by any other Act or other rules providing for payment of Gratuity.

10.2 Compliances

10.2.1 Eligibility

Every employee who has rendered continuous service# for not less than **5 years** shall be entitled on his superannuation, retirement, resignation, death or disablement.

#Completion of continuous service of 5 years is not necessary in case of employment termination due to death/ disablement due to accident or disease.

10.2.2 Maintenance of Records

Notice in Form A & B.

Notice in Form C (Closure of units).

Display of the abstract of the Act and Rules.

Nomination in Form-F.

10.2.3 Gratuity amount

For every completed year of service or part thereof in excess of 6 months, the employer shall pay gratuity to an employee at the rate of 15 days' wages based on the rate of wages last drawn by the employee concerned.

In case of seasonal establishments, 7 days wages for each season.

10.2.4 Forms

Form No.	Purpose	Responsible	Due Date
F	Nomination	Employee	30 days after completing 1 year service
I	Payment of Gratuity	Employee	30 days from the date gratuity becomes payable
J	Payment of Gratuity	Nominee	30 days from the date gratuity becomes payable
K	Payment of Gratuity	Legal heir	1 year from the date gratuity becomes payable

NOTES

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End of Chapter. For the complete Compliance Manual, additional chapters, or a tailored briefing for your finance and compliance teams, contact info@rstandco.co.in.