

THE PAYMENT OF GRATUITY ACT

(Act 39 of 1972)

(ONLY A FEW RELEVANT PROVISIONS)

The Act provides a scheme to ensure uniform pattern for the payment of gratuity to employees throughout the country in order to avoid different treatment to the employees of establishments having branches in more than one State when, under the conditions of the service, the employees are liable to transfer from one State to another. For details the original Act may please be referred.

The important sections of the Act are as follows:

Sec 1(3). Applicability : It shall apply to, ---

- (a) every factory, mine, oil-field, plantation, port and railway company ;
- (b) every shop or establishment within the meaning of any law for the time being in force in relation to shops and establishments in a State, in which ten or more persons are employed, or were employed, on any day of the preceding twelve months;
- (c) such other establishments or class of establishments, in which ten or more employees are employed, or were employed, on any day of the preceding twelve months, as the Central Government may, by notification, specify in this behalf.

Sec 2 Definitions :

- (b) **“Completed year of service”** means continuance service for one year.
- (e) **“employee”** means any person (other than an apprentice) employed on wages, in any establishment, factory, mine, oilfield, plantation, port, railway company or shop, to do any skilled, semi-skilled, or unskilled, manual, supervisory, technical or clerical work, whether the terms of such employment are express or implied, and whether or not such person is employed in a managerial or administrative capacity, but does not include any

such person who holds a post under the Central Government or a State Government and is governed by any other Act or by any rules providing for payment of gratuity.

- (s) “**Wages**” means all emoluments which are earned by an employee while on duty or on leave in accordance with the terms & conditions of his employment and which are paid or are payable to him in cash and includes dearness allowance but does not include bonus, commission, House Rent Allowance, overtime wages and any other allowance.

Sec 2 A - Continuous Service : For the purposes of this Act ;

(1) An employee shall be said to be in continuous service for the period if he has, for that period, been in un-interrupted service, including service which may be interrupted on account of sickness, accident, leave, absence from duty without leave, (not being absence in respect of which an order treating the order as break in service has been passed, in accordance with Standing Orders, Rules or regulations governing the employees of the establishments), lay-off, strike, lock-out or cessation of work not due to any fault of the employee, whether such uninterrupted service or interrupted service was rendered before or after the commencement of the Act;

(2) Where an employee (not being an employee, employed in seasonal establishment) is not in continuous service within the meaning of the clause (i) or any period of one months or six months he shall be deemed to be in continuous service under the employer –

(a) for the said period one year, if the employee during the period of twelve calendar months preceding the date with reference to which calculation is to be made, has actually worked under the employer for not less than—

(i) one hundred and ninety days, in the case of an employee employed below the ground in a mine or in an establishment which works for less than six days in a week; and

(ii) two hundred and forty days, in any other case;

(b) for the said period of six months, if the employee during the period of six calendar months preceding the date with



reference to which the calculation is to be made, has actually worked under the employer for not less than—

- (i) ninety-five days, in the case of an employee employed below the ground in a mine or in an establishment which works for less than six days in a week; and
- (ii) one hundred and twenty days, in any other case.

Explanation:-- For the purposes of clause(2), the number of days on which an employee has actually worked under an employer shall include the days on which,--

- (i) he has been laid-off under an agreement or as permitted by standing orders made under the Industrial Employment (Standing Orders) Act, 1947 (14 of 1947), or under any other law applicable to the establishment;
- (ii) he has been on leave with full wages, earned in the previous year;
- (iii) he has been absent due to temporary disablement caused by accident arising out of and in the course of his employment; and
- (iv) in the case of a female, she has been on maternity leave; so, however, that the total period of such maternity leave does not exceed twelve weeks.

(3) where an employee, employed in a seasonal establishment, is not in continuous service within the meaning of clause(1), for any period of one year or six months, he shall be deemed to be in continuous service under the employer for such period if he has actually worked for not less than seventy – five per cent, of the number of days on which the establishment was in operation during such period.

Sec 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;



Provided that the completion of continuous service of five years shall not be necessary where the termination of the employment of any employee is due to death or disablement:

Provided further that in the case of death of the employee, gratuity payable to him shall be paid to his nominee or, if no nomination has been made, to his heirs, and where any such nominee or heir is a minor, the share of such minor, shall be deposited with the controlling authority who shall invest the same for the benefit of such minor in such bank or other financial institution, as may be prescribed, until such minor attains majority, if no nomination has been made, to his heirs.

Explanation:-- For the purposes of this section, disablement means such disablement as incapacitates an employee for the work which he was capable of performing before the accident or disease resulting in such disablement.

(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:

Provided that in the case of a piece-rated employee, daily wages shall be computed on the average of the average of the total wages received by him for a period of three months immediately preceding the termination of his employment, and, for this purpose, the wages paid for any overtime work shall not be taken into account:

Provided further that in the case of an employee who is employed in a seasonal establishment shall pay the gratuity at the rate of seven days' wages for each season.

Explanation:-- In the case of a monthly rated employee, 'the fifteen days' wages shall be calculated by dividing the monthly rate of wages last drawn by him by twenty-six and multiplying the quotient by fifteen.

(3) The amount of gratuity payable to an employee shall not exceed three lakhs and fifty thousand rupees.



(4) For the purpose of computing the gratuity payable to an employee who is employed, after his disablement, on reduced wages, his wages for the period preceding his disablement shall be taken to be the wages as so reduced.

(5) Nothing in this section shall affect the right of an employee to receive better terms of gratuity under any award or agreement or contract with the employer.

(6) Notwithstanding anything contained in sub-section(1)—

(a) the gratuity of an employee, whose services have been terminated for any act, willful omission or negligence causing any damage or loss to, or destruction of, property belonging to the employer, shall be forfeited to the extent of the damage or loss so caused;

(b) the gratuity payable to an employee may be wholly or partially forfeited—

(i) if the services of such employee have been terminated for his riotous or disorderly conduct or any other act of violence on his part, or

(ii) if the services of such employee have been terminated for any act which constitutes an offence involving moral turpitude, provided that such offence is committed by him in the course of his employment.

6. Nomination:-- (1) Each employee, who has completed one year of service, shall make, within such time, in such form and in such manner, as may be prescribed, nomination for the purpose of the second proviso to sub-section (1) of Section 4.

Different Forms used are:--

<u>Form</u>	<u>Central Rules</u> <u>Rule:</u>	<u>of 1972</u> <u>Sub-Rule:</u>	<u>Particulars</u>
'D'	(1)	5	Notice for excluding Husband from family.
'E'	(2)	5	Notice of withdrawal of Notice excluding husband from family.



'F'	(1)	6	Nomination.
'G'	(3)	6	Fresh nomination.
'H'	(4)	6	Notification of nomination.

7. Determination of the amount of gratuity:-- (1) A person who is eligible for payment of gratuity under this Act or any person authorized, in writing, to act on his behalf shall send a written application the employer, within such time and in such form, as may be prescribed, for payment of such gratuity.

(2) As soon as gratuity becomes payable, the employer shall, whether an application referred to in sub-section (1) has been made or not, determine the amount of gratuity and give notice in writing to the person to whom the gratuity is payable and also the controlling authority specifying the amount of gratuity so determined.

(3) The employer shall arrange to pay the amount of gratuity within thirty days from the date it becomes payable to the person to whom the gratuity is payable.

(3A) If the amount of gratuity payable under sub-section (3) is not paid by the employer within the period specified in sub-section (3), the employer shall pay, from the date on which the gratuity becomes payable to the date on which it is paid, simple interest at such rate, not exceeding the rate notified by the Central Government from time to time for repayment of long-term deposits, as that Government may, by notification specify:

Provided that no such interest shall be payable if the delay in the payment is due to the fault of the employee and the employer has obtained permission in writing from the controlling authority for the delayed payment on this ground.

(4)(a) If there is any dispute as to the amount of gratuity payable to an employee under this Act or as to the admissibility of any claim of, or in relation to, an employee for payment of gratuity, or as to the person entitled to receive the gratuity, the employer shall deposit with the controlling authority such amount as he admits to be payable by him as gratuity.



(b) Where there is a dispute with regard to any matter or matters specified in Clause(a), the employer or employee or any other person raising the dispute may make an application to the controlling authority for deciding the dispute.

(c) The controlling authority shall, after due inquiry and after giving the parties to the dispute a reasonable opportunity of being heard, determine the matter or matters in dispute and if, as a result of such inquiry any amount is found to be payable to the employee, the controlling authority shall direct the employer to pay such amount or, as the case may be, such amount as reduced by the amount already deposited by the employer.

(d) The controlling authority shall pay the amount deposited, including the excess amount, deposited by the employer, to the person entitled thereto.

(e) As soon as may be after a deposit is made under clause (a), the controlling authority shall pay the amount of the deposit—

(i) to the applicant where he is the employee; or

(ii) where the applicant is not the employee, to the nominee or, as the case may be, the guardian of such nominee or] heir of the employee if the controlling authority is satisfied that there is no dispute as to the right of the applicant to receive the amount of gratuity.

(5) For the purpose of conducting an inquiry under sub-section (4), the controlling authority shall have the same powers as are vested in a court, while trying a suit, under the Code of Civil Procedure, 1908 (5 of 1908), in respect of the following matters, namely:--

- (a) enforcing the attendance of any person or examining him on oath ;
- (b) requiring the discovery and production of documents;
- (c) receiving evidence on affidavits ;
- (d) issuing commissioner for the examination of witnesses.

(6) Any inquiry under this section shall be a judicial proceeding within the meaning of Sections 193 and 228, and for the purpose of Section 196, of the Indian Penal Code (45 of 1860).

(7) Any person aggrieved by an order under sub-section (4) may, within sixty days from the date of the receipt of the order, prefer an appeal to the appropriate Government or such other authority as may be specified by the appropriate Government in this behalf.

Provided that the appropriate Government or the appellate authority, as the case may be, may, if it is satisfied that the appellant was prevented by sufficient cause from preferring the appeal within the said period of sixty days, extend the said period by a further period of sixty days.

Provided further that non appeal by an employer shall be admitted unless at the time of preferring the appeal, the appellant either produces a certificate of the controlling authority to the effect that the appellant has deposited with him an amount equal to the amount of gratuity required to be deposited under sub-section (4), or deposits with the appellant authority such amount.

(8) The appropriate Government or the appellate authority, as the case may be, may, after giving the parties to the appeal a reasonable opportunity of being heard, confirm, modify or reverse the decision of the controlling authority.

Sec 8. Recovery of gratuity:-- If the amount of gratuity payable under this Act is not paid by the employer, within the prescribe time, to the person entitled thereto, the controlling authority shall, on an application made to it in this behalf by the aggrieved person, issue a certificate for that amount to the Controller, who shall recover the same, together with compound interest thereon at such rate as the Central Government may, by notification, specify] from the date of expiry of the prescribed time, as arrears of land revenue and pay the same to the person entitled thereto.

Provided that the controlling authority shall, before issuing a certificate under this section, give the employer a reasonable opportunity of showing cause against the issue of such certificate.

Provided further that the amount of interest payable under this section shall, in no case exceed the amount of gratuity payable under this Act.

Sec 9. Penalties:-- (1) Whoever, for the purpose of avoiding any payment to be made by himself under this Act or of enabling any other person to avoid such payment, knowingly makes or causes to be made any false statement or false representation shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to ten thousand rupees or with both.



(2) An employer who contravenes, or makes default in complying with, any of the provisions of this Act or any rule or order made thereunder shall be punishable with imprisonment for a term which shall not be less than three months but which may extend to one year, or with fine which shall not be less than ten thousand rupees but which may extend to twenty thousand rupees, or with both:

Provided that where the offence relates to non-payment of any gratuity payable under this Act, the employer shall be punishable with imprisonment for a term which shall not be less than six months but which may extend to two years unless the court trying the offence, for reasons to be recorded by it in writing, is of opinion that a lesser term of imprisonment or the imposition of a fine would meet the ends of justice.

Sec 13. Protection of gratuity:-- No gratuity payable under this Act and no gratuity payable to an employee employed in any establishment, factory, mine, oilfield, plantation, port, railway company or shop exempted under Section 5 shall be liable to attachment in executing of any decree or order of any civil, revenue or criminal court.

BDL GRATUITY RULES**Authority***BDL/03/21/186**Dt.02-01-1989*

The BDL Gratuity Rules applicable to the employees not covered by the Payment of Gratuity Act were revised in 1989. The Revised BDL Gratuity Rules are as under and became effective from 1st January, 1986.

1. These rules may be called BDL Gratuity Rules.
2. These Rules shall apply to all the employees of the Company including Chief Executive and full time Functional Directors excluding the following categories of employees:-
 - (a) Employees entitled to gratuity under the Payment of Gratuity Act, 1972 as amended from time to time.
 - (b) Casual employees.
 - (c) Employees on contract with less than 5 years service.
 - (d) Apprentices and Trainees.
 - (e) Government employees on deputation.
 - (f) Re-employed persons.
3. In these Rules unless the context otherwise requires –
 - (a) “Continuous service” means uninterrupted service and includes service which is interrupted by leave, layoff, strike or lockout or cessation of work not due to any fault of the employee but does not include periods of unauthorised absence, leave without pay, pre-employment training and apprenticeship.
(**Clarification** given in Annexure – I)
 - (b) “Completed year of service” means continuous service for one year. An employee shall be deemed to be in continuous service if he was actually employed during 12 months preceeding the year for not less than 240 days.



- (c) "Emoluments" means, the monthly basic pay, special pay plus dearness allowance last drawn by the employee.
- (d) "Re-employed persons" means individuals employed in the Company after retirement/superannuation from Govt./BDL. Employees who have rejoined in Company's service after having had an earlier spell of service in BDL, not terminated by retirement/superannuation, are not to be treated as re-employed persons. Similarly, absorbed deputationists will not be treated as re-employed persons as also service officers who retire from the Armed Forces before attaining the age of superannuation (i.e., 60 years) and are appointed in BDL.

4. CIRCUMSTANCES UNDER WHICH PAYABLE:

4.1 Gratuity will be payable to all employees who have rendered not less than five years continuous service in the Company and whose service ceases in the following circumstances:

- (a) Superannuation;
- (b) Termination of employment on the ground "services no longer required";
- (c) Death or disablement;
- (d) Premature retirement, as provided for in the Company's Premature Retirement Scheme;
- (e) Resignation after putting in a minimum of 5 years of continuous service provided that –
 - (i) The completion of continuous service of 5 years shall not be necessary, if any employee dies or leaves service on account of disablement due to accident or disease;
 - (ii) In the case of death of the employee, gratuity payable to him shall be paid to his nominee or if no nomination is made to his legal heir or heirs;
 - (iii) Gratuity will not be admissible to an employee whose services are terminated for misconduct, insolvency or inefficiency;



- (iv) An employee against whom disciplinary action/proceedings is contemplated or pending at the time of resignation/ retirement etc. will not be paid gratuity unless the action/ proceedings against him have finalised. On finalisation of the disciplinary proceedings, the release of payment of amount of gratuity will depend on the final outcome of the disciplinary proceedings and keeping in view the orders of the disciplinary authority;
- (v) Any amount due by the employee to the Company or any loss or damage caused by him to the Company will be recoverable from gratuity;
- (vi) Employee who resign from service and take up employment in another public sector undertaking with the consent of the management of the concerned public enterprises, the former would extinguish its liability towards gratuity payment in respect of the service rendered by the concerned employee by making a lump-sum payment equivalent to the gratuity earned by him to the latter as if the employee has retired from its service on the date of transfer under the rule applicable to him. The condition of minimum qualifying service of 5 years specified above would not be invoked when such transfer takes place with the consent of both the employers.

Note: (a) Gratuity amount for the period of service rendered to the company will be transferred to the new organisation even though an employee has not rendered 5 years of service in BDL;

(b) Before the gratuity of an ex-employee is transferred to another organisation, an undertaking shall be obtained from that organisation to the effect that in the event of the concerned employee leaving the service before he becomes eligible for payment of gratuity under their rules by joining a private organisation or some other organisation where the facility of carry forward of gratuity is not admissible, the amount of gratuity transferred by BDL should be refunded back to BDL;

(c) In the case of an employee who has joined from another Public Sector Undertaking and who has had his gratuity transferred to BDL, the service in the other undertaking will be treated as service in BDL for purpose of determining the liability for gratuity and the quantum of gratuity payable at the time of termination of



service will be determined with reference to the emoluments drawn at that time subject to the maximum under BDL rules;

- (vii) In respect of the Central Government employees who have been appointed in public enterprises on permanent/ immediate absorption basis, the previous service rendered under the Government should not be taken into account while computing the qualifying service for payment of gratuity.

5. AMOUNT OF GRATUITY PAYABLE:

5.1 (a) Gratuity will be equal to 15/26 of a months' emoluments for each completed year of service or part thereof in excess of six months subject to a maximum of 16 ½ times the monthly emoluments or Rs.10,00,000/- whichever is less.

(*enhanced **Authority : PC No.27/2010 dt. : 04-Jan-2010**)

(b) In the case of death, the amount of gratuity will be calculated as under (a) above or as worked out below, whichever is more:-

- | | |
|---|---|
| (i) During the first year of service | 2 months' emoluments |
| (ii) After one year but before 5 years' service | 6 months' emoluments |
| (iii) After completion of 5 years' but before 20 years' service | 12 months' emoluments |
| (iv) Service of 20 years and more | half a month's emoluments for completed half-year of qualifying service subject to a maximum of 33 times the emoluments provided the amount of death Gratuity shall in no case exceed three and a half lakh rupees. |

6. NOMINATIONS:

- (a) Every employee shall make a nomination conferring on one or more persons of his family the right to receive the gratuity in the event of his death while in service or after quitting service but before payment of the gratuity is made, indicating the shares payable to each member. In the case of an employee having no family, the nomination may be made in favour of a person or persons, or a body of persons corporate or incorporate.
- (b) In the event of there being no nomination, the gratuity on death may be paid in the manner indicated below:
 - (a) If there are one or more surviving members of the family as in (i) to (iv) below, it may be paid to all such members other than any such member who is a widowed daughter, in equal shares.
 - (b) If there are no such surviving members of the family, but there are one or more surviving widowed daughters and/or one or more surviving members of the family as in (v) to (x) below, the gratuity may be paid to all such members, in equal shares.

Family shall include the following:-

- (i) Wife in the case of a male employee;
- (ii) Husband in the case of a female employee;
- (iii) Sons, including step children and adopted children
- (iv) Unmarried and widowed daughters including step children and adopted children
- (v) Brothers below the age of 18 years, and unmarried and widowed sisters including step brothers and step sisters.
- (vi) Father;
- (vii) Mother;
- (viii) Married daughters;
- (ix) Children of a pre-deceased son and
- (x) Wife of a pre-deceased son.

7. CALCULATION OF GRATUITY FOR RE-EMPLOYED_PENSIONERS:

The gratuity amount payable to re-employed pensioners will be calculated on the basis of Gross Pay drawn by them (viz., pay fixed in BDL in the scale of pay without deducting the pension and pensionery element determined at the time of fixation of pay on re-employment) as is being done in case of calculation of contribution to Provident Fund.



ANNEXURE –I
(Rule – 3(a))

PAYMENT OF GRATUITY – CLARIFICATIONS :

Authority The following doubts in connection with the payment
IDN No.BDL/ of gratuity which have been raised are clarified as
04/51/006/C-P&A under :
Dt.09-12-1998

1. Treatment of Strike period covering 26-12-1980 to 15-03-1981

In respect of the said strike period, the principle 'no work, no pay' was followed but to the best of our information, no order as to the break in service in respect of any employee for this period was passed. Hence, benefits of continuous service for this period has to be given, provided the employee has worked for 240 days/120 days in the period of one year/six months as explained in para-2 below :

2. Calculation of continuous service for getting eligibility for gratuity :

- (a) An employee rendered continuous service for not less than five years is eligible for gratuity on superannuation or retirement or death or disablement due to accident or disease. However, the completion of continuous service of five years is not necessary if termination of employment is due to death or disablement.

The Act came into force on 16.09.1972 and as such it applies to all those employees in service as on 16.09.1972 and on subsequent thereto. The Act thus applies on and from 16-09-1972 to the employees who have the credit of five years' service. The BDL Gratuity Rules first came into force w.e.f. 05-05-1972 vide PC No.12 dated 05-05-1972, before the enforcement of the Act and completion of five years of service was not emphasized. However, the condition of rendering five years continuous service has been included in the Revised Gratuity Rules (notified Vide PC No.BDL/03/21/186 dated 2-1-1989) which were made effective from 01-01-1986. The provision of the Act, as a general rule, is to prevail if beneficial.

It is necessary that an employee must have worked for five years in order to claim gratuity. In one case, where an employee had worked



for 4 years 11 months 10 days, the AP High Court held that he will not be eligible for gratuity for want of completion of five years.

- (b) The meaning of the continuous service is, according to Section – 2 (A) (1) of the Payment of Gratuity Act, every service rendered by the employee shall be continuous service for a period, even if there is an interruption during that period on account of (a) sickness or (b) accident or (c) leave or (d) absence from duty without leave except when there is break of service under orders passed as per the standing orders, rules or regulations or (e) lay off, strike or lock out or a cessation of work not due to any fault of the employee concerned. All interruption of the above types have to be ignored and will not result in depriving the employee of the benefit of continuous service.

According to Section – 2A(2), an employee, who is not in continuous service as per Section 2A (1), shall be deemed to be in continuous service for one year or six months, if the said employee has actually worked for not less than 240 days or 120 days respectively and for this purpose the following are to be included.

- (i) Lay Off
 - (ii) Leave with wages earned in the previous year (i.e. leave sanctioned);
 - (iii) Absent due to temporary disablement caused by employment injury;
 - (iv) Maternity leave (for female employees); and
 - (v) Public holidays and Sundays (i.e. Paid holidays and weekly off days)
- (c) Ordinarily, calculation for the purpose is to be made from the date of termination (because reference is to the period of 12 calendar months preceding the date with reference to which calculation is to be made).

3. Calculation of years of service for computation of total service for payment of gratuity.

4. Computation of 240 days/120 days in period of one year/six months

Clarifications in respect of the doubts in para 3 & 4 are explained in para 2 above.

5. Effect of PC No.34/96 & 35/96 dt.14-07-1996.



(a) According to the contents of these two PCs:

unauthorized absence (i.e. absence without sanctioned leave or over staying the sanctioned leave) for more than –

- (i) Four consecutive days, within the meaning of Rule – 5 (7) of the Company's CDA Rules, an executive; and
- (ii) Ten consecutive days, within the meaning of the Company's Standing Orders No.14 (b) & 14(c), an employee in non-executive cadre.

would be deemed break in service.

(b) This is without prejudice to the usual consequences of violating the CDA Rules/Standing Orders that may ensue.

(c) This break in service would be taken into account for payment of gratuity.

(d) The employee will be in continuous service if he satisfies the conditions laid in Section 2A(1) & 2A (2) as clarified in para-2 above.



**TRANSFER OF GRATUITY OF EMPLOYEES WHO
MOVE FROM ONE PSU TO ANOTHER.**

Authority*PC No.29/90**Dt.22-06-1990*

BDL has extended the facility regarding transfer of Gratuity to such of those employees who left BDL and joined HAL or other PSUs or vice versa subject to the following conditions :

- (i) When an employee left BDL and joined another Public Enterprise between 5-5-1972 and 1-8-1977 the employee may be granted the facility of carrying forward the gratuity earned during the service in BDL, which shall be transferred to other Public Enterprise subject to the conditions as mentioned below :
 - (a) The movement should have taken place with the consent of both the PSUs.
 - (b) The gratuity for service of BDL will be calculated at the rate of emoluments last drawn at the time of movement and without interest.
 - (c) The above dispensation is limited only to those who are continuing with the PSU to which they have moved and not to persons who have either retired or have already left the PSU for any reason, except in case they have joined another PSU without any break in service.
 - (d) This dispensation will be allowed based on individual requests.
- (ii) The Management is also pleased to approve transfer of gratuity to BDL in the case of employees who left other PSUs including HAL and joined BDL between 16-07-1970 and 01-08-1977.



BDL EMPLOYEES GROUP GRATUITY SCHEME**Authority***PC No.17/96**Dt.26-03-1996*

With the approval of the Board of Directors of the company, BDL introduced BDL Employees Group Gratuity Scheme in collaboration with Life Insurance Corporation w.e.f. 1st April 1996. Accordingly, 'Trust' has been constituted on 15th March 1996 to handle the Company towards Gratuity payable to the Employees when it becomes due. In order to take care of the investment of the funds and to provide Insurance coverage in respect of Gratuity for the Employees of the Company, the Insured Group Gratuity Scheme of the Life Insurance Corporation of India will be introduced w.e.f. 01-04-1996. The Trust consists of a Chairman, a Member-Secretary and two Members. The salient features of the Scheme are given below:

1. The company will pay contribution every year to the Trust who will in turn pay it as premium to the LIC under Group Gratuity-cum-Life Insurance Scheme.
2. Investment of the Funds paid as contributions to the LIC will be the responsibility of the LIC.
3. LIC will hold the premium received, net of the amounts utilized as premium for Life Insurance benefit and administrative expenses, if any, in a running account for the credit of the Trust.
4. Interest will be allowed on the balance of this account from year to year which will comprise a basic interest rate and a bonus interest rate which will be determined by LIC for every year depending upon the interest earned on its Group Gratuity Scheme Funds and also upon the size of the Fund in a running account. The present rate of interest is 12.3%.
5. The premium payable towards Gratuity will be worked on actuarial basis, taking into account the earnings, age and date of entering into Service of each member.
6. In the event of untimely death of an employee while in service, the Scheme provides for payment of Gratuity, based on the length of the service which the employee would have put in upto his normal retirement age, but for his death and not the actual service rendered, as admissible under the Act.



7. The scheme also provides for transfer of Gratuity liability from other Public Sector Undertaking in the case of employees joining the Company and vice-versa.

Authority

*Cir No.BDL/
03/21/GT
Dt.01-07-1996.*

8. The Procedure for Forwarding Gratuity Claims to BDL Employees Group Gratuity Trust is given in Annexure-I.

Authority

*PC No.20/96
Dt.02-04-1996*

9. The terms of reference of the BDL Gratuity Trust are as under :

- i) To administer the Group Gratuity Fund as per the provisions of Payment of Gratuity Act, 1972 and as per the provisions of the BDL Employees Group Gratuity Scheme.
- ii) The funds of the Trust shall be vested with the Trustees, who shall have the entire custody, management and control of the funds.
- iii) The Trust may enter into a Scheme of insurance with the Life Insurance Corporation of India, the premiums payable thereof being met out of contributions to be made by the Company or enter into a Scheme with any other organization(s) duly approved by the Company/Commissioner of Income Tax.
- iv) The Trustee shall comply with and carry out all such directions as may be given by the Company from time to time, in relation to matters with respect to which the Company has power under the Trust Deed/Rules.
- v) On behalf of the Company, the Trust shall provide for the payment of Gratuity on termination of service, on death or retirement of an eligible employee.
- vi) The accounts of the Trust shall be maintained containing such particulars and in such form as the trustees shall think proper and as required by law.
- vii) The Trustees shall appoint auditors who shall have access to all books, papers, vouchers, accounts and documents connected with the Trust and who shall in writing report to the Trustees on the receipts and payments account. A copy of the audited Accounts shall be furnished to the Company.

ANNEXURE – I

**PROCEDURE FOR FORWARDING GRATUITY CLAIMS
TO BDL EMPLOYEES GROUP GRATUITY TRUST.**

Authority The following procedure may strictly be adhered in
BDL/03/21/GT order to enable the Trust to forward the claim to the
Dt.01-07-1996 Life Insurance Corporation of India.

1. The individual should fill Form 'I' and send to the respective Divisional P&As.
2. The Divisional P&As should process claim for gratuity through their respective finance departments.
3. Respective finance departments will get that settlement statement concurred by Internal Audit.
4. The respective finance departments should forward the duly internal audited copy of gratuity settlement statement to the Secretary BDL Group Gratuity Trust, along with the application in form I.

Only on receipt of the duly Internal Audit concurred copy of gratuity settlement statement the Secretary will forward to LIC of India for getting the gratuity amount transfer to Trust, in the prescribed forms.

2. In respect of the employees who are due to normal retirement the gratuity settlement statement duly concurred by Internal Audit, should reach the Secretary by 7th of the month in which the retirement takes place.
3. In case of resignations, the payment of gratuity can be arranged only after 30 days from the date of receipt of the statement duly concurred by Internal Audit forwarded by the respective finance departments. Accordingly the respective P&As should plan to process papers once the individual's resignation is accepted by the Management.
4. In case of death, along with the statement duly concurred by Internal Audit the following documents should also be forwarded to the Secretary by the respective P&As, through Divisional Finances.

1. Death certificate in original



2. Nomination forms in original
3. Legal heir certificate wherever required.

In respect of the employee joining from one PSU to another PSU:

(a) In respect of employees joining in BDL from another PSU:

- (i) The P&A Division should forward the DD received from the gratuity trust of other PSU along with the details of workings, in form II.

(b) In respect of employees leaving BDL and joining another PSU:

- (ii) The respective P&A should forward the statement of Gratuity duly concurred by Internal Audit to the Secretary of the Trust along with details of PSU to whom transfer is to be made. On receipt of this, the Secretary will arrange to get the Gratuity from LIC of India and send to the respective PSUs in form III.

