



**PLANNING AND ECONOMIC AFFAIRS (BPE)
DEPARTMENT**

**No. 20694/BPE-1/94/Plg., Thiruvananthapuram
dated, 27th January 1994**

CIRCULAR

Sub.- Gratuity payable to the employees of Public Sector Undertakings.

Read.- BPE Circular No. 21077/BPE-1/88/Plg., dated 22nd November 1988.

As per the Circular cited the ceiling of gratuity payable to the employees not covered by the Payment of Gratuity Act, 1972 has been enhanced to Rs. 50,000 in the case of Public Sector Undertakings where the rules stipulated a ceiling of less than Rs. 50,000.

2. The Payment of Gratuity (Amendment) Act, 1994 has enhanced the maximum gratuity payable to Rs. one lakh. The Amendment Act has also re-defined the term 'employee' to mean any person (other than an apprentice) employed on wages in any establishment, factory, mine, oil field, 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. The amendment Act came into effect from 24th May 1994 and it dispensed with the earlier ceiling in wages of Rs. 3,500 pm. for employees to fall within the ambit of the payment of Gratuity Act.

3. The change brought about in the Payment of Gratuity Act, 1972 through the Amendment Act, 1994 is brought to the notice of all Public Sector Undertakings. It is also suggested that payment of gratuity to all employees of Public Sector has to be made strictly in accordance with the provision of Payment of Gratuity Act not with standing the rules, if any, framed by individual undertaking in respect of their employees who were formerly outside the purview of the Payment of Gratuity Act.

R.C. CHODHURY

Commissioner and Secretary