



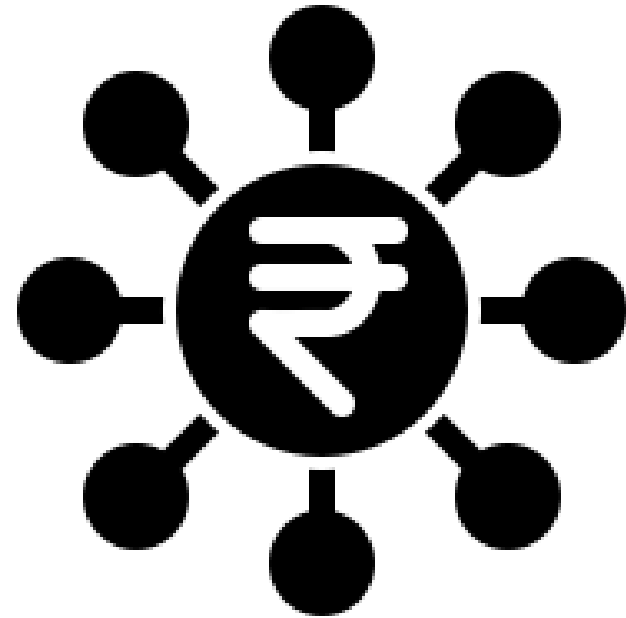
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Changes Proposed by the Payment of Gratuity Bill, 2017



The Payment of Gratuity Act, 1972 ("**PGA**") was enacted to provide for a scheme for the payment of gratuity to employees engaged in factories, mines, oilfields, plantations, ports, railway companies, shops and other establishments.

Employees who have rendered a minimum of 5 years of continuous service with the establishment employing 10 or more persons fall under the ambit of the PGA.



CHANGES PROPOSED BY THE NEW BILL

- Increasing the Ceiling of Gratuity Amount



- Maternity Leave Benefits



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Increasing the Gratuity Ceiling Amount



- Current gratuity ceiling amount under the PGA is Rs. 10 Lakhs
- The 2017 Bill empowers the Central Government to determine the amount of gratuity payable to employees

KEY TAKEAWAYS

- After the implementation of the 7th Central Pay Commission, the gratuity ceiling amount for **Central Government employees** has been enhanced to Rs. 20 lakhs.
- In this backdrop and factoring the inflation and increase in the wages of employees engaged in the private sector, the Statement of Objects in the 2017 Bill proposes for revision of the gratuity ceiling amount for **all employees** who are covered under the PGA, including private sector employees.



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Maternity Leave Benefits



- Currently, the maximum maternity leave for calculating continuous service under the PGA is 12 weeks.
- The 2017 Bill empowers the Central Government to notify the period of maternity leave eligible for qualifying as continuous service

KEY TAKEAWAYS

- After the amendment of the Maternity Benefit Act in 2017 (read our infographic on [6 Takeaways from the Maternity Benefit \(Amendment Act\), 2017](#) to know more) the maximum maternity leave was enhanced from 12 weeks to 26 weeks.
- In this backdrop, the Central Government has taken a positive step through the 2017 Bill whereby, the maternity leave of 26 weeks will be considered as continuation of service for the purpose of calculating gratuity.



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**To know more on the new Payment of
Gratuity Bill, please contact us
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