

**Office Memorandum**

**Subject:** Consolidated guidelines on Payment of Gratuity to the employees of Central Public Sector Enterprises (CPSE).

**Reference:**

1. DPE OM No. W-02/0020/2018-DPE (WC)-GL-XII/18 dated 11<sup>th</sup> April, 2018
2. DPE OM No. W-02/0036/2018-DPE (WC)-GL-XIX/18 dated 10<sup>th</sup> July, 2018

The Department of Public Enterprises (DPE) had earlier issued guidelines regarding Payment of Gratuity to the employees of Central Public Sector Enterprises (CPSEs) and clarifications thereon. The guidelines are now being consolidated in the following paragraphs.

2. The Payment of Gratuity Act, 1972<sup>1</sup> was amended vide the Payment of Gratuity (Amendment) Act, 2018 (No. 12 of 2018), Notification dated 29.03.2018 published in the Gazette of India. In pursuance of the Amendment, sub-section (3) of Section 4 of the Payment of Gratuity Act, 1972 has been amended to substitute the words "ten lakh rupees" with the words "such amount as may be notified by the Central Government from time to time".
3. Ministry of Labour & Employment's Notification No S.O.1419 (E) dated 29.03.2018 has indicated that Central Government hereby appoints the 29th day of March, 2018 as the date on which the said Act shall come into force. Further, Ministry of Labour & Employment vide Notification No. S.O. 1420(E) dated 29.03.2018 has notified that Central Government hereby specifies that the amount of gratuity payable to an employee under the Act shall not exceed twenty lakh rupees.
4. This Department on request received by various representations from different stakeholders, clarified as follows<sup>2</sup>:
  - a) The payment of Gratuity under DPE guidelines dated 03.08.2017, is subject to affordability of the CPSEs concerned effective for the period from 01.01.2017 till 28.03.2018, in respect of Executives and Non-Unionized Supervisors of CPSEs on IDA pay pattern, where, pay has been revised w.e.f. 01.01.2017.
  - b) Whereas, on and after 29.03.2018, the payment of gratuity of Rs 20 lakhs is mandatory for all the CPSEs irrespective of their affordability as it is a statutory provision in light of the amendment in the Payment of Gratuity Act, 1972. This provision is applicable to all employees of all CPSEs.
  - c) Further, the Government decision on the basis of the recommendations of the 7th Central Pay Commission (CPC), regarding raising the Gratuity ceiling from Rs 10 lakhs to Rs 20 lakhs w.e.f. 01.01.2016 is not applicable to the employees of CPSEs.
5. All administrative Ministries / Departments are requested to take necessary action and also bring the contents of this Office Memorandum to the notice of CPSEs under their respective administrative jurisdiction for information and compliance under intimation to this Department.

  
(Dr. Sumantra Pal)  
Economic Adviser

To : All administrative Ministries / Departments of CPSEs.

Copy to: CMD/MD of the all Central Public Sector Enterprises (CPSEs)

<sup>1</sup> DPE OM No.W-02/0020/2018-DPE(WC)-GL-XII/18 dated 11.04.2018

<sup>2</sup> DPE OM No.W-02/0036/2018-DPE(WC)-GL-XIX/18 dated 10.07.2018