



NOTE
 For working journalists (as defined in the Act), the 5-year requirement is deemed to be 3 years.

STEP 3: CALCULATION OF GRATUITY (Section 53(2))

NORMAL CASE (15 DAYS' WAGES PER COMPLETED YEAR)
 For every completed year of service or part thereof in excess of 6 months, gratuity = 15 days' wages based on last drawn wages.

Formula

$$\text{Gratuity} = \frac{15}{26} \times \text{Last Drawn Monthly Wages} \times \text{Number of Years}$$

LAST DRAWN WAGES INCLUDE
 ₹ Basic Pay + DA Dearness Allowance

EXCLUDE (Generally)
 HRA, Bonus, Incentives, Commission, Overtime, etc.

HOW TO COUNT YEARS

- Completed year = Count as 1 year
- Part exceeding 6 months = Count as 1 year
- Part of 6 months or less = Ignore

SPECIAL PROVISIONS FOR CALCULATION

- 1. PIECE-RATED EMPLOYEE**
 Daily wages = Average of total wages received for last 3 months immediately preceding termination.
 Overtime wages NOT to be included.
- 2. SEASONAL ESTABLISHMENT**
 Employee not employed throughout the year.
 Gratuity = 7 days' wages for each season.
- 3. FIXED TERM EMPLOYMENT**
 Gratuity payable on pro rata basis even if service is less than 5 years.
- 4. DEATH OF EMPLOYEE**
 Gratuity payable on pro rata basis to nominee / legal heirs.

TO WHOM GRATUITY IS PAYABLE?

- In normal cases: Payable to the employee.
- In case of death:
 - To nominee; or
 - If no nomination, to legal heirs.
 - If nominee/heir is a minor: their share to be deposited with the competent authority and invested for the benefit of the minor.

IMPORTANT Gratuity becomes payable on termination of employment for the reasons shown above and is calculated as per the rules given above. Employer must pay within the time prescribed under the Code.

