



MAHAVITARAN
Maharashtra State Electricity Dist. Co. Ltd
(A Govt. of Maharashtra Undertaking)
CIN : U40109MH2005SGC153645

HR/S&C/Gratuity/21140
Maharashtra State Electricity Distribution Co.Ltd.
"Prakashgad" 4th Floor, Anant Kanekar Marg,
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Date: / /2020

CIRCULAR

Sub: Gratuity (Amendment) Act, 2018 - Clarification regarding death gratuity and taxable Gratuity

- Ref:**
1. GO no. 3(P) dt. 30.04.1962 Gratuity Regulations
 2. GO no. 73(P) dt. 21.11.1973 Payment of Gratuity Act 1972 – applicability of
 3. Circular no. GAD/I-B/Gratuity/2M/30984 dt. 07.08.1995
 4. Circular no. GAD/I-B/Gratuity/2M/27379 dt. 11.06.1999
 5. Administrative Circular 513 dt. 10.08.2015
 6. Circular no. HR/S&C/Gratuity/ 15673 dt. 27.06.2018
 7. Circular no. HR/S&C/Gratuity IT/ 8490 dt. 27.03.2019

All employees of the erstwhile Board and thereafter MSEDCL Company are covered under the Payment of Gratuity Act, 1972 w.e.f. 16.09.1972.

2. As per the provisions contained in Section 4(5) of the Payment of Gratuity Act, 1972 the right of an employee to receive better terms of gratuity under any award or agreement or contract with the employer does not get affected. In terms of this provision in the Payment of Gratuity Act, 1972 all the employees governed by this Act are therefore entitled to the better terms existing in the MSEB Employee's Gratuity Regulations, 1960.

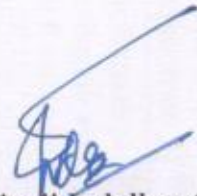
3. The guidelines regarding enhanced of Gratuity ceiling limit from Rs. 10 Lakhs to 20 Lakhs w.e.f. 29.03.2018 was notified vide circular no.15673. Subsequently, the maximum amount of Gratuity entitled for tax exemption was enhanced from Rs. 10 Lakhs to 20 Lakhs as per the sub clause (iii) of Clause -10 of Section 10 of Income Tax Act, 1961 w.e.f. 29.03.2018 and same has been notified vide circular no. 8490 dt. 27/03/2019.

4. Further, during the processing of the gratuity payment in case of death of an employee, a new situation has ascended while clearing the claim which was not considered in previous illustrations. Where the Gratuity amount by Act is less than 20 Lakhs & Gratuity as per Regulation is more than 20 Lakhs then clarity about payable gratuity in case of death was not given for this type of case gratuity amount to be paid as per the Sr. no. 4 of death gratuity cases attached as Annexure - A. Also this circular is issued with an elaborative illustration to give clarity about tax imposed in case of various situation of gratuity payable.

6. It is further clarified that, as per Administrative Circular 513 dt. 10.08.2015, the MSEDCL employee who has joined his / her services on or after 01/04/2015 will not be eligible for any kind of Gratuity under MSEB Employees Gratuity Regulation 1960 and he/she shall be entitled for Gratuity calculated as per the provisions of Payment of Gratuity Act, 1972.

7. All the Drawing & Disbursing Officers in the Corporate and Field Offices are requested to take note of this circular & annexure appended hereto and initiate necessary action for finalization of gratuity and deduction of Income Tax from payable Gratuity to the employees of MSEDCL.

The circular is available in e-library.



**Cdr. Shivaji Indalkar (Rtd.)
Chief General Manager -HR**

Annexure - A

ILLUSTRATIVE EXAMPLES OF GRATUITY CALCULATION IN DIFFERENT CONDITION

Sr. No.	A n n e x u r e	Basic	DA	Total	No. of Years of service	AS per Gratuity Act [(A+B)*D*15]/26	AS per gratuity regulation (A+B)*20	Gratuity amount to be consider	Taxable Gratuity amount	Remarks
ILLUSTRATIVE EXAMPLE OF GRATUITY CALCULATION OF SUPERANNUATED / RESIGNED / TERMINATED EMPLOYEES										
1	A 1	82,426	14,012	96,438	33	18,36,039	19,28,768	18,36,039	NIL	If amount calculated as per Act is less than or equal to the ceiling, then amount so calculated will be the gratuity payable. 20 months calculation is not necessary except death gratuity.
2	A 2	68,147	11,585	79,732	35	16,09,973	15,94,640	16,09,973	NIL	
3	B 1	92,700	15,759	1,08,459	32	20,02,320	21,69,180	20,02,320	2,320	If both the calculations are more than the ceiling, then lowest gratuity amount is payable
4	B 2	1,00,889	17,151	1,18,040	36	24,51,603	23,60,803	23,60,803	3,60,803	
5	C 1	82,567	14,036	96,603	37	20,62,111	19,32,068	20,00,000	NIL	If amount calculated as per Act is more than the ceiling, it shall be rounded off to Rs. 2,000,000 and then as per Sec 4(5) better terms of gratuity means the maximum amount is payable.
ILLUSTRATIVE EXAMPLE OF GRATUITY CALCULATION IN DEATH CASES										
In death gratuity, if both the calculations are less than the ceiling limit, then whichever is higher, that amount of gratuity is payable.										
1	D 1	82,426	14,012	96,438	33	18,36,039	19,28,768	19,28,768	NIL	If amount calculated as per Act is more than the ceiling, it shall be rounded off to Rs. 2,000,000 and then as per Sec 4(5) better terms of gratuity means the maximum amount is payable.
2	D 2	92,700	15,759	1,08,459	35	21,90,038	21,69,180	21,69,180	1,69,180	Gratuity exempted from tax only to the extent payable under Act.
3	D 3	82,567	14,036	96,603	37	20,62,111	19,32,068	20,00,000	NIL	
4	D 4	1,00,889	17,151	1,18,040	28	19,06,802	23,60,803	23,60,803	4,54,001	

NO. GAD/I-B/Gratuity/2M/30984
Maharashtra State Electricity Board,
Prakashgad, Bandra (East), Bombay-51.

Date: 07-08-1995

C I R C U L A R :

Subject :- The payment of Gratuity (Amendment)
Act, 1994.

As per the payment of Gratuity (Amendment) Act, 1994 the clause (e) of Section 2 and Sub-Section 3 of Section 4 of the payment of Gratuity Act, 1972 is amended as below :

Section 2(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 un-skilled, manual, supervisory, technical or clerical work, whether the terms of such employment are expressed 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 civil 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.

Sub-Section (3) of Section (4) :

The amount of Gratuity payable to an employee shall not exceed one lakh rupees.

Above amendments have come into force w.e.f. 24-5-1994.

All the field officers should, therefore, finalise the gratuity cases of the employees where termination of their employment is on or after 24-5-1994 in accordance with the above amended provisions of the Act. They are also directed to take cognizance of all other amendments of the payment of Gratuity (Amendment) Act, 1994 (Copy appended).

As per the provisions contained in section 4(5) of the payment of Gratuity Act 1972, the right of an employee to receive better terms of gratuity under any award or agreement or contract with the employer does not get affected. In terms of this provision obtaining in the payment of Gratuity Act 1972, all the employees governed by this Act are also entitled for better terms existing in the M.S.E.B. Employees Gratuity Regulations 1960 as amended and notified from time to time.

Waf

(V.M. LAL)

Member (Adm.)/Secretary.

To,

All as per mailing list
upto the level of Ex.Engineers
and above in Head Office and Field.

No.GAD/I-B/Gratuity/2M/27379
Maharashtra State Electricity Board
Prakashgad, Bandra(East)
Mumbai-400 051.
Dt. 11-06-1999.

CIRCULAR

Sub: Payment of Gratuity.
- Clarification regarding taxable Gratuity.

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Consequent on lifting of wage limit of Rs.3500/- prescribed for coverage of employees under the Payment of Gratuity Act, 1972, all the employees of the Board are covered under the Payment of Gratuity Act, 1972 w.e.f. 24.5.1994 as notified vide H.O. Circular No.GAD/I-B/Gratuity/2M/30984 dt.7.8.1995.

2. The maximum limit of gratuity payable under the Payment of Gratuity Act, 1972 has been enhanced from Rs.1.00 lakh to Rs.3.5 lakhs w.e.f. 24.9.1997 as notified vide H.O. Circular No.GAD/I-B/Gratuity/2M/33524 dt.5.8.1998.

3. As per the provisions contained in Section 4(5) of the Payment of Gratuity Act, 1972, the right of an employee to receive better terms of gratuity under any award or agreement or contract with the employer does not get affected. In terms of this provisions obtaining in the Payment of Gratuity Act, 1972, all the employees governed by this Act are also entitled to the better terms existing in the MSEB Employees' Gratuity Regulations, 1960.

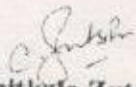
4. A doubt has been raised as to whether the gratuity payable to the employees of the Board is exempted from Income Tax to the extent of Rs.3.5 lakhs consequent on enhancement of maximum limit of gratuity from Rs.1.00 lakh to Rs.3.5 lakhs w.e.f. 24.9.1997.

5. It is clarified that the gratuity payable to the employees of the Board is exempted from Income Tax to the extent of Rs.3.5 lakhs as per Section 10(10) of the Income Tax Act provided it is worked out as per following formula prescribed for working out the gratuity payable under the Payment of Gratuity Act, 1972.

$$\frac{\text{Last wages (B.P.+D.A.)} \times 15 \times \text{No. of years service}}{26} = \text{Gratuity}$$

6. A few illustrations elucidating the method of computing gratuity and taxable amount of gratuity are also given in the Annexure appended hereto

7. All the field officers are instructed to finalise the gratuity cases of the employees expeditiously as per the provisions and illustrations given above.


(Chitkara Zutshi)
Secretary

To,
All as per mailing list upto the level of E.E. and
above in Head Office and field.