

# **ALL INDIA BANK OFFICERS' CONFEDERATION**

(Registered under the Trade Unions Act 1926, Registration No.:3427/Delhi)



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**Circular No. 2017/12**

**Date: 24.02.2017**

## **TO ALL AFFILIATES/STATE UNITS/MEMBERS,**

Dear Comrades,

### **ENHANCEMENT IN GRATUITY CEILING FROM RS.10 LACS TO RS.20 LACS** **AMENDMENT IN INCOME TAX ACT FOR TAX FREE GRATUITY**

Our members were advised vide our Circular No.2016/70 dated 01.12.2016 about a meeting of delegation of AIBOC with Shri Bandaru Dattatreya, the Hon'ble Minister of State for Labour & Employment. It was also advised that apart from our other issues, the issue of enhancement in Gratuity ceiling from Rs.10 lacs to Rs.20 lacs and also making it Tax-free was one of the agenda, which was discussed during the meeting of more than two hours. It was advised in the Circular that we were assured that a tripartite meeting required to be held between the Central/State Governments, Employer and Employees' Organisations shall be held at the earliest to resolve the issues. The seriousness with which we had been following up the issue is evident from the fact that our Confederation insisted for inclusion of this issue in strike notice of 28<sup>th</sup> February, 2017.

We are happy to inform you that the above tripartite meeting of all the stake holders was held on 23.02.2017 and an agreement has emerged to enhance the Gratuity ceiling from Rs.10 lacs to Rs.20 lacs. It is also reported by the officials that the Hon'ble Minister has also agreed to consider the reduction in present minimum 5 years service criteria for Gratuity payment. The Hon'ble Minister is also known to have informed the members attending the meeting that the Bill to amend the Gratuity level may also have a mechanism to ensure automatic revision of Gratuity ceiling as and when the Pay Commission suggests the similar revision for Central Government employees.

However, the provision of Tax exemption on Gratuity falls under Section 10 of Income Tax Act, which needs to be amended if the full Gratuity is to be made exempt from Income Tax. For a change in Gratuity provisions i.e. to enhance the Gratuity limit from Rs.10 lacs to Rs.20 lacs and for increasing the Tax exemption from present level of Rs.10 lacs to full Gratuity, both the payment of Gratuity Act and Income Tax Act would have to be amended. Our demand, as discussed with the Hon'ble Minister and the officials of the Department, was to give back-dated effect of the amendments from 1<sup>st</sup> January, 2016 i.e. from the date of implementation of 7<sup>th</sup> Central Pay Commission. No assurance to this effect is known to have been made by the Hon'ble Minister. We shall try to meet the Hon'ble Minister/Ministry officials once again for follow up of our demand of retrospective implementation of the enhancement in Gratuity ceiling as well as Tax-free Gratuity. We shall keep you apprised of the developments.

With Comradely greetings,

Comradely Yours,

A handwritten signature in black ink, appearing to read 'Harvinder Singh', with a horizontal line extending to the right from the end of the signature.

(HARVINDER SINGH)  
**GENERAL SECRETARY**