

**From:** ashish [<mailto:kumarashish@bhel.in>]

**Sent:** 12 September 2018 19:02

**Subject:** Clarification w.r.t. exemption under the Income Tax Act in respect of Gratuity Payment

Sir/Madam,

**Sub: Clarification w.r.t. exemption under the Income Tax Act in respect of Gratuity Payment**

Upon consideration of the matter, it is hereby clarified in the light of the extant provisions of the Section 10(10)(ii) of the Income Tax Act, 1961 to be read with the provisions of section 4(2) & 4(3) of the Payment of Gratuity Act, 1972.

The limit provided under Section 4(3) of the Payment of Gratuity Act, 1972 has been enhanced from Rs.10,00,000/- to Rs.20,00,000/- vide Ministry of Labour and Employment Notification No.S.O.1420 (E) dated 29 March, 2018.

Therefore, any gratuity received under the Payment of Gratuity Act, 1972, shall be exempt u/s 10(10)(ii) of the Income Tax Act, 1961 to the extent it does not exceed an amount calculated in accordance with the provisions of section 4(2) [i.e. (15 / 26 days of last drawn monthly wages) X completed years of service or part thereof in excess of six months] subject to the enhanced limit of Rs.20,00,000/- as notified u/s 4(3) of the Payment of Gratuity Act, 1972 in relation to the employees who retire or become incapacitated prior to such retirement or superannuate or die, **on or after the 29th day of March, 2018.**

With Regards,

Ashish Kumar  
Dy. Manager  
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