**Gratuity Information for Employees**

Gratuity is a monetary benefit provided to employees as a token of appreciation for their long-term service. It is governed by the Payment of Gratuity Act, 1972, in India, and similar laws or company policies in other regions. This document outlines the key aspects of gratuity to ensure employees understand their entitlements.

**Eligibility for Gratuity**

1. **Minimum Service Requirement**: Employees must have completed at least five years of continuous service with the organization. Exceptions apply in cases of death or disability, where gratuity is paid regardless of service length.
2. **Employment Type**: Gratuity is applicable to both full-time and part-time employees, provided they meet the minimum service requirement.
3. **Legal Applicability**: The Payment of Gratuity Act applies to:
   * 1. Organizations with 10 or more employees.
     2. Government and private-sector establishments, including educational institutions.

**Calculation of Gratuity**

The formula for calculating gratuity is as follows:

**Gratuity Amount = (Last Drawn Salary x Years of Service x 15) / 26**

* **Last Drawn Salary** includes basic pay and dearness allowance.
* **Years of Service** are rounded off to the nearest full year.

**Example:** If an employee’s last drawn salary is ₹50,000 and they have worked for 10 years: Gratuity = (₹50,000 x 10 x 15) / 26 = ₹288,461

**Tax Implications**

1. **Exemptions for Gratuity**: Gratuity received by government employees is fully tax-exempt.
2. **For Non-Government Employees**: Gratuity is exempt from tax up to the lesser of the following:
   * Actual gratuity received.
   * ₹20,00,000 (as per current law).
   * 15 days' salary for each year of service. Any amount exceeding the exempt limit is taxable.

**Payment Process**

1. **Application**: Employees or their nominees must apply for gratuity to the employer.
2. **Timeline**: Employers are required to release the gratuity within 30 days of application or termination of employment.
3. **Nomination**: Employees should file a nomination with the employer, specifying the beneficiary.
4. **Forfeiture of Gratuity**

Gratuity may be partially or fully forfeited under the following circumstances: If the employee's services are terminated due to misconduct. If the employee engages in any act that causes harm or loss to the employer.