Gratuity

A lump-sum reward for long service, (15 ÷ 26) × last salary × years.

Up to ₹20 lakh tax-free | Tax-free up to ₹20 lakh

In brief

Suits	Employees with 5 years' continuous service; fixed-term employees after 1 year (labour codes, Nov 2025).
You get	15 days' last wages for each year of service; allowances above 50% of pay now count towards wages.
Your money	Paid by the employer on leaving, retirement, death or disability.
Tax	Tax-free up to ₹20 lakh for private-sector employees; government employees have a higher limit.
Watch for	Keep your nomination with the employer up to date.

Key facts

Formula	(15 ÷ 26) × last monthly wages × years of service
Eligibility	5 years of continuous service (waived on death/disability)
Tax-free cap	₹20 lakh (private sector); fully exempt for government staff
Paid by	Employer, within 30 days of it becoming due
Covered by	Code on Social Security, 2020 (since 21 Nov 2025)

What's new

Nov 2025 The four labour codes took effect on 21 November 2025. Gratuity now falls under the Code on Social Security; fixed-term employees qualify after one year, and if allowances exceed 50% of pay the excess counts towards the wages used for gratuity.

> The full guide answers 10 questions on Gratuity, from eligibility to tax and withdrawals: merasip.com/guides/gratuity. To talk it through, WhatsApp 60039 03737.

Sources: EY alert on the labour codes.

Educational information prepared by Trustner from official sources. It is not investment, tax or insurance advice. Rates and rules change; confirm the current position with the bank, post office, insurer or your tax consultant before acting.

Trustner Asset Services Pvt. Ltd. · AMFI-registered Mutual Fund Distributor · ARN-286886 · merasip.com/guides/gratuity