

No. 5(1)/91/D(Pen-Sers)
 Government of India
 Ministry of Defence
 New Delhi.

Dated the 1st September 1994

To

The Chief of the Army Staff - *ASPS*
 The Chief of the Navy Staff
 The Chief of the Air Staff

Subject:- Payment of interest on account of delayed payment of retirement/death gratuity - officers and personnel of the Defence Services.

Sir,

The undersigned is directed to refer to this Ministry's letter No. 27(1)/79/2905/C/D(Pens/Sers) dated 8.8.86 and stated that in partial modifications of the said letter President is pleased to decide that if the payment of retirement gratuity or death gratuity has been authorised after specified period in succeeding paragraphs, from the date when its payment became due, and it is clearly established that the delay in payment was attributable to administrative lapse and for no fault of the retiring employees/claimant interest at such rate as may be prescribed by the Government from time to time in this behalf, shall be as under:

(i) In case of normal retirement/discharge

In case of an individual retired/discharged on completion of tenure, or on completion of service limits, or on completion of term of engagement, or the prescribed age limit, the payment of gratuity becomes due on the date of retirement/discharge, if the payment of Retirement Gratuity has been authorised after 3 months from the date of his retirement/discharge, interest may be allowed beyond the period of 3 months from the date of retirement/discharge.

(ii) In case of individuals against whom Disciplinary/Judicial proceedings are pending on the date of retirement/discharge and in which Gratuity is withheld till the conclusion of the proceedings.

(a) In such cases if the individual is exonerated of all charges and where the gratuity is paid on the conclusion of such proceedings, the payment of gratuity will be deemed to have fallen due on the

date following the date of retirement/discharge. If the payment of gratuity has been authorised after 3 months from the date of his retirement/discharge interest may be allowed beyond the period of 3 months from the date of retirement/discharge.

(b) In cases where the disciplinary/judicial proceedings are dropped on account of death of the individual during the pendency of disciplinary/judicial proceedings, the payment of gratuity will be deemed to have fallen due on the date following the date of death and if the payment of gratuity has been delayed, interest may be allowed for the period of delay beyond 3 months from the date of death.

(c) In cases where the individual is not fully exonerated on the conclusion of disciplinary/judicial proceedings and where the competent authority decides to allow payment of gratuity, in such cases, the payment of gratuity will be deemed to have fallen due on the date of issue of orders by the competent authority for payment of gratuity. If the payment of gratuity is delayed in such cases, interest will be payable for the period of delay beyond 3 months from the date of issue of the above mentioned orders by the competent authority.

(iii) On Retirement/Discharge other than in normal course

In case of an individual released/retired/discharged on compassionate grounds or, personal reasons or, discharged in pursuance of Government Policy or invalidated out of ~~army~~ service or called upon to retire, cashiered, dismissed, removed from service or discharged under Army Act., the payment of gratuity if delayed beyond 6 months from the date of release/retirement/discharge/invalidment, interest may be paid for the period of delay beyond 6 months from the date of release/retirement/discharge/invalidment. For those cashiered/dissmised/removed from service, the period of six months will reckon from the date of issue of the orders of the competent authority relating to grant of gratuity.

(iv) On Death of the individual while in service

Where the payment of death gratuity is delayed beyond 6 months from the date of death, interest may be paid for the period of delay beyond 6 months from the date of death. If in any case the payment of death gratuity is held up on account of more than one claimant staking his/her claim to the same, such cases will not automatically qualify for payment of interest under these Regulations. Such cases may be examined on the merit by Minister of Defence, in consultation with the Pension Sanctioning Authority.

(v) If as a result of Govt. decision taken subsequent to retirement/discharge of the individual, the amount of retirement gratuity already paid on his retirement/discharge is enhanced on account of

(a) Grant of emoluments higher than the emoluments on which Retirement Gratuity already paid was determined.

(b) Liberalisation in the provisions of the rules from a date prior to the date of retirement/discharge of the individual concerned. Interest on arrears of Retirement Gratuity may be paid if the payment of arrears of gratuity is delayed beyond three months from the date of receipt of revision claim by the Pension Sanctioning Authority submitted by the claimant/Record Office after the issue of instructions framed by the PSA in the light of Govt. orders liberalising the award of gratuity.

(vi) In cases of permanent absorption in PSU/Autonomous Bodies

Payment of interest on delayed payment of gratuity in these cases may also be decided in the same manner as prescribed in clause (iii) above. If the payment of Gratuity has been delayed beyond 6 months from the date of permanent absorption the interest may be allowed for the period of delay beyond 6 months.

(vii) Individual declared as Missing while in service

In cases, where individuals have been declared as missing while in service and the family has been paid the death gratuity not exceeding the amount of Retirement Gratuity, the period of 3 months referred to in Sub-Clause (i) above will be taken from the date of application and the interest will therefore be paid only if the Retirement Gratuity is not paid within 3 months from the date of application.

Provided that:-

(a) The delay in the payment was not caused on account of failure on the part of the service officer/personnel or the claimant to comply with the procedure laid down in this regard.

(b) In the case of those who retired prior to 8th August, 1986, if the gratuity had not been paid as on the date, the interest will be payable only from 8th Aug 86 or 3 months from the date of retirement/discharge, whichever date is later.

NOTE: The rate of interest is as under:-

(i) If the delay is beyond 3 months - 7% per annum upto 1 year.

(ii) If the delay is beyond 1 year - 10% per annum.

2. The interest will be payable till the end of the month preceeding the month in which the payment of gratuity is actually made to the claimant.

3. In every case in which it is established that the delay in the payment of gratuity was attributable to administrative lapses and there was no fault of retiring/service personnel of the claimant concerned, the interest shall be authorised by the Ministry of Defence in consultation with the Service Hqs. and audit authorities concerned through a Government sanction without waiting for the outcome of the disciplinary proceedings against the defaulting official(s).

4. In all cases where interest has been paid, action shall be taken to fix responsibility for the delay in the payment of gratuity and disciplinary action shall be taken against the official(s) responsible for it.

5. These orders shall take effect from the 22.1.91, the date from which provisions of Department of Pension & Pensioners Welfare letter No. 7/20/89-P&PW(P) dated 22.1.91 are applicable on civil side. The cases of those individuals who retired/died while in service before 22.1.91 would also be covered if gratuity has not been paid as on 22.1.91 and there has been delay in its payment beyond three months/six months as the case may be, of the date of their retirement/death but the interest would be payable in such cases only from the date 22.1.91 or three months/six months as the case may be, from the date of retirement/death, whichever date is later. Past cases of retirement otherwise than on normal course and on death already settled prior to 22.1.91, however, need not be reopened.

6. This issues with the concurrence of Ministry of Defence (Finance) vide their U.O. No. 1229/Pen/94 dt. 31.8.94.

7. Pension Regulations for the three Services will be amended in due course.

Yours faithfully,

T.S. BHATIA

(T.S. BHATIA)
DESK OFFICER

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The Controller General of Defence Accounts, New Delhi - 10 copies