

**GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
RAILWAY BOARD.**

No. F(E)III/2002/PN1/17

New Delhi, dated 06.11.2008

The GMs/FA & CAOs,
All Indian Railways/ Production Units.
(As per Mailing List)

Sub: Payment of interest on delayed payment of gratuity – manner of calculation reg.

Instructions were issued vide Board's letter No. F(E)III/94/PN1/28 dated 01-11-1994 inter-alia providing that where the payment of DCRG has been delayed beyond 3 months from the date of retirement, interest at the rate applicable to SRPF deposits (then 12 per cent per annum, compounded annually) will be paid to retired/ dependents of deceased Railway servant. Subsequently, instructions were issued in supersession of earlier instructions dated 01-11-1994, vide Board's letter of even number dated 27-06-2002 wherein the provision for payment of interest on delayed payment of DCRG was simply reiterated without mentioning therein the words "compounded annually".

2. In this regard, a point has been raised under RTI Act, 2005 as to whether the manner of calculation of interest on delayed payment of gratuity has been changed from 'compound' to 'simple interest' consequent upon issue of Board's letter dated 27-06-2002. Since Board's aforementioned instructions were based on the corresponding instructions issued by the Department of Pension and Pensioners' Welfare, the matter has been examined in consultation with that Department and it is clarified that there is no change in the manner of calculation of interest on delayed payment of gratuity i.e. interest should be calculated at the rate applicable to SRPF deposits compounded annually.

3. The Zonal Railways etc. are advised that past cases, where simple interest has been paid, may be re-opened and the difference between simple interest and compound interest may be paid.

4. Please acknowledge receipt.

5. Hindi version will follow.


(S. SRÉERAM)
Joint-Director Finance (Estt.)
Railway Board.