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IN THE HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH

CM-15734-2025 in/and
CWP-16119-2017
Date of decision: 28.10.2025

Malkiat Singh ....Petitioner

Versus

The Punjab State Seeds Corporation Limited and others ...Respondents

CORAM: HON'BLE MR. JUSTICE HARPREET SINGH BRAR

Present: Mr. Sandeep Kumar, Advocate
for the petitioner.

Mr. Y.P. Singla, Advocate
for the applicant/respondent No.4.

HARPREET SINGH BRAR, J. (ORAL)

CM-15734-2025

The present application has been filed under Section 151 of CPC for placing on record the affidavit of Managing Director of the respondent-Corporation in terms of directions dated 29.09.2025.

In view of the averments made in the application, the same is allowed and the affidavit of Managing Director of the respondent-Corporation in terms of directions dated 29.09.2025 is taken on record.

CWP-16119-2017

1. The present writ petition has been filed under Article 226 of the Constitution of India seeking issuance of a writ in the nature of *certiorari* to quash the impugned orders dated 20.03.2017 (Annexure P-16) and 22.03.2017 (Annexure P-19) passed by respondent No.1, whereby his gratuity has been withheld till the final disposal of civil suits against third-party cooperative

societies further a writ in the nature of mandamus is also sought, directing the respondents to release the withheld gratuity along with interest.

2. Briefly the facts of the case is that the petitioner joined the Punjab State Seeds Corporation Limited as an Assistant Foreman in June 1978 and retired upon attaining the age of superannuation on 30.11.2012, after rendering approximately 34 years of service. Upon retirement, the petitioner became entitled to retiral benefits, including gratuity, pension, leave encashment, and provident fund. While leave encashment was partially released, a sum of Rs. 3,37,580/- from his gratuity was withheld by the respondents. The stated reason for this withholding, as per the impugned orders, is that civil suits for recovery of amounts are pending against certain cooperative societies, and the petitioner's alleged negligence in signing gate passes and making entries in stock registers contributed to the transactions underlying these suits.

3. Learned counsel for the petitioner *inter alia* contends that the civil suits (Annexures P-17 and P-18) are between the Corporation and the cooperative societies. The petitioner is not a party to these suits and has no legal connection to them. Further withholding gratuity on the pretext of pending third-party litigation is arbitrary, illegal, and without any statutory backing and the impugned orders were passed without granting a meaningful opportunity of hearing, in blatant disregard of the directions issued by this Hon'ble Court in its order dated 01.02.2017 (Annexure P-11) in the petitioner's earlier writ petition. The counsel states that gratuity is not a bounty but a statutory and constitutional right earned through long and faithful service. Its withholding violates the petitioner's fundamental right to livelihood under Article 21 of the Constitution.

4. *Per contra* learned counsel for the respondents submitted that the petitioner was negligent in his duties by signing gate passes and making entries related to seed supplies to the societies, which led to financial losses for the Corporation and since recovery suits against the societies are pending, it is appropriate to withhold the petitioner's gratuity until the conclusion of that litigation.

5. Having heard the learned counsel for the parties and after perusing the record with their able assistance, it transpires that the petitioner started working with the respondent in June 1978 and retired upon attaining the age of superannuation on 30.11.2012, after a service of about 34 years. Nothing has been brought on record to suggest that his service was anything but satisfactory.

6. The core legal issue is whether the respondents can legally withhold the gratuity of a retired employee due to pending civil litigation to which the employee is not a party. The answer, guided by settled law, is an emphatic no.

7. A Two Judge Bench of the Hon'ble Supreme Court in ***Y.K. Singla v. Punjab National Bank, (2013) 3 SCC 472*** speaking through Justice J.S Khehar observed that,

> ***"22.*** *In order to determine which of the two provisions (the Gratuity Act or the 1995 Regulations) would be applicable for determining the claim of the appellant, it is also essential to refer to Section 14 of the Gratuity Act, which is being extracted hereunder:*
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> > *"**14.Act to override other enactments, etc.**—The provisions of this Act or any rule made thereunder shall have effect notwithstanding anything inconsistent therewith contained in any enactment other than this Act or in any instrument or contract having effect by virtue of any enactment other than this Act."*
> >
> > *(emphasis supplied)*

A perusal of Section 14 leaves no room for any doubt that a superior status has been vested in the provisions of the Gratuity Act vis-à-vis any other enactment (including any other instrument or contract) inconsistent therewith. Therefore, insofar as the entitlement of an employee to gratuity is concerned, it is apparent that in cases where gratuity of an employee is not regulated under the provisions of the Gratuity Act, the legislature having vested superiority to the provisions of the Gratuity Act over all other provisions/enactments (including any instrument or contract having the force of law), the provisions of the Gratuity Act cannot be ignored. The term "instrument" and the phrase "instrument or contract having the force of law" shall most definitely be deemed to include the 1995 Regulations, which regulate the payment of gratuity to the appellant."

8. A Two Judge Bench of the Hon'ble Supreme Court in ***Jyotirmay Ray v. The Field General Manager, Punjab National Bank 2023 INSC 979*** while speaking through Justice J.K Maheshwari made the following observation,

*"20. The Bank harmonizing the provisions of Regulation 46 of 1979 Regulations and the Gratuity Act issued Circular No. 1563 on 16.01.1997 through its personnel division. Therein harmonizing the Regulations with the provisions of the Gratuity Act and in clauses 8 and 14 of the Circular, the instances as to **when gratuity could be forfeited**, have been specified. Those clauses are relevant and have been reproduced as under:*

"8. FORFEITURE OF GRATUITY UNDER ACT

*The gratuity payable under the payment of gratuity act, is liable to full or partial forfeiture under different circumstances. Section **4**(1) of payment of gratuity act deals to payment of gratuity whereas section 4(6) of the act deals with forfeiture of gratuity. Section 4(1) reads as under:*

Gratuity shall be payable to an employee on the termination of his employment after he has rendered continuous service for not less than five Years,

a. On his superannuation, or

b. On his retirement or resignation, or

c. On his death or disablement due to accident or disease.

Provided that the completion of continuous service of five years shall not be necessary where the termination of the employment of any employee is due to death or disablement.

Section 4(6) provides as under:

"Notwithstanding anything contained in sub-section (1)

*a. The gratuity of an employee, **whose services have been terminated f**or any act, wilful omission or negligence causing any damage or loss to, or destruction of, property belonging to the employee, **shall be forfeited** to the extent of the damage or loss so caused:*

b. The gratuity payable to an employee may be wholly or partially forfeited.

*I) If the services of such employee **have been terminated** for his riotous or disorderly conduct or any other act of violence on his part, or*

*II) If the services of such employee **have been terminated** for any act which constitutes an offence involving moral turpitude, provided that such offence is committed by him in the course of his employment.*

14. PAYMENT UNDER OFFICERS SERVICE REGULATIONS

Rules relating to payment of gratuity of officers staff have been laid down under Regulation 46 of PNB Officers Service Regulations, 1979 which is as under:-

(I) Every officer shall be eligible for gratuity on:

(a) Retirement, (b) death (c) disablement rendering him unfit for further service as certified by a medical officer approved by the bank, or (d) resignation after completing ten years of continuous service or termination of service in any other way except by way of punishment after completion of 10 years of service.

Explanation: We have to clarify that gratuity may be paid in case of termination of service, subject to the condition that the officers has put in at least 10 years of service with the bank and provided that the termination is not by way of dismissal or removal from service as punishment.

(II) The amount of gratuity payable to an officer shall be one month's pay for every completed year of service, subject to a maximum of 15 months' pay.

Provided that where an officer has completed more than 30 years of service, he shall be eligible by way of gratuity for an additional amount at the rate of one half of month pay for each completed year of service beyond thirty years.

Pay for the purpose of gratuity in case of officer shall mean basic pay only. While calculating gratuity, that part of PQA & FPA drawn by an officer, which rank for superannuation benefit, shall also be taken into account.

> *Note: If the fraction of service beyond completed years of service is six months or more, gratuity will be paid pro-rata for the period. In this connection, we have to clarify that for the purpose of calculating gratuity, the number of days, beyond 6 months period is also to be taken into account."*

On a combined reading of the provisions of the Gratuity Act, 1979 Regulations and the circular, it becomes clear that the ***gratuity shall become payable to every officer on retirement, death, disablement or on resignation except in a case of termination of service*** *in any other way, by way of punishment after completion of 10 years of continuous service."* (emphasis added)

Reliance in this regard may also be placed on the judgment rendered by this Court in ***Narain Singh vs. State of Punjab and others CWP-13625-2021***.

9. Furthermore, the impugned action suffers from a fatal violation of natural justice. This Court, in its order dated 01.02.2017 (Annexure P-11), had specifically directed the respondents to grant the petitioner an opportunity of hearing. The impugned order dated 22.03.2017 (Annexure P-19) admits that the petitioner's reply was not considered satisfactory and he was "held guilty". However, there is no indication of any personal hearing having been granted.

10. In the present case, the petitioner has served with the respondents for about 34 years. The pension, gratuity and other retiral benefits are the earnings of an employee for the services rendered by him. Taking away or withholding such benefits after retirement amounts to depriving the petitioner from the right to life because the retiral benefits are the sources by which the petitioner and his family arrange for their bread and other necessities. The respondent's action of withholding gratuity is untenable, as it does not fall under any of the exhaustive conditions stipulated in the Payment of Gratuity Act, 1972. Gratuity cannot be withheld for extraneous reasons.

11. For the reasons stated above, the present writ petition is allowed.

12. The impugned orders dated 20.03.2017 (Annexure P-16) and 22.03.2017 (Annexure P-19) are hereby quashed and set aside. The respondents are hereby directed to release the withheld gratuity amount of Rs. 3,37,580/- to the petitioner within a period of thirty days from the date of receipt of a certified copy of this order, along with interest at the rate of 10% per annum, computed from two months after from the date of retirement until the date of actual payment.

(HARPREET SINGH BRAR)
JUDGE

28.10.2025
Neha

Whether speaking/reasoned : Yes/No
Whether reportable : Yes/No