

## “DEATH-CUM-RETIREMENT GRATUITY FOR TEACHERS: SUPREME COURT CLARIFIES APPLICABILITY OF MAHARASHTRA PENSION RULES”

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**Case Title:** Vikram Bhalchandra Ghongade vs. The Headmistress Girls High School and Junior College & Ors.

**Citation:** 2025 INSC 824

**Special Leave Petition (C) No.:** 19436 of 2024

**Court:** Supreme Court of India

**Judges:** Hon’ble Mr. Justice Sudhanshu Dhulia & Hon’ble Mr. Justice K. Vinod Chandran

**Date of Judgment:** 14th July 2025

### Introduction

Gratuity, as a form of terminal benefit, occupies a central place in India’s social-welfare jurisprudence. It represents not merely deferred wages but also a recognition of an employee’s long-standing contribution to an institution. The statutory foundation of this right is primarily found in the Payment of Gratuity Act, 1972 (PGA), a central legislation intended to secure minimum uniform benefits across industries and establishments. Yet, the multiplicity of employment regimes in India, especially in the education sector, has led to significant interpretive conflicts between central legislation and state-specific service rules.

The Supreme Court’s 2025 decision in *Vikram Bhalchandra Ghongade v. The Headmistress Girls High School and Junior College & Ors.* is a landmark in this evolving landscape. The case raised a deceptively simple but jurisprudentially rich question: are teachers of government-aided schools entitled to gratuity under the central PGA, or should their claims be governed by the more comprehensive Death-cum-Retirement Gratuity (DCRG) provisions of the Maharashtra Civil Services (Pension) Rules, 1982? The petitioner, the nominee of a deceased teacher, argued for the applicability of the PGA, while the State contended that the 1982 Rules, framed under Article 309 of the Constitution, were both applicable and more beneficial.

Beyond the statutory conflict, the Court also addressed a practical yet recurring difficulty whether a nominee must produce a legal heir certificate to claim gratuity when rival heirs

exist. By holding that nomination is sufficient, the Court reduced procedural hurdles and aligned gratuity jurisprudence with principles of trust and beneficiary protection.

This commentary situates the *Ghongade* judgment within the broader framework of gratuity law, examines its doctrinal contribution, and evaluates its implications for teachers, administrators, and courts. It also identifies areas of ambiguity that persist and proposes doctrinal, legislative, and practical reforms to ensure consistency and fairness in future gratuity disputes.

### Background & Procedural History

The litigation originated from the service of a deceased teacher employed in a government-aided school in Maharashtra. Upon her death while still in service, her son, Vikram Bhalchandra Ghongade, as nominee, sought release of gratuity benefits. He invoked the

Payment of Gratuity Act, 1972 (PGA), contending that teachers of aided schools were covered under the Act's protective framework.

The Controlling Authority under the PGA, however, rejected his claim, holding that the matter of gratuity for teachers in Maharashtra was governed not by the central Act but by the Maharashtra Civil Services (Pension) Rules, 1982, which provide for Death-cum-Retirement Gratuity (DCRG). Dissatisfied, the petitioner carried the matter in appeal before the Appellate Authority under the Act, but the rejection was affirmed.

Persisting in his claim, the petitioner moved the Bombay High Court, contending that exclusion of teachers from the PGA's ambit was contrary to its social-welfare purpose and that judicial precedent supported his entitlement. In particular, he placed reliance on the decision in *Birla Institute of Technology v. State of Jharkhand* (as reported on LatestLaws and CaseMine), where educational institutions were held to fall within the Act's sweep. The High Court, however, found against him, reiterating that the state service rules constituted a comprehensive and self-contained scheme, displacing the operation of the PGA.

The petitioner then approached the Supreme Court of India through a Special Leave Petition (SLP), arguing the case in person. The appeal gave the Court an opportunity to examine two critical questions: (i) whether the PGA or the state pension rules applied to teachers of aided schools in Maharashtra, and (ii) whether a nominee could claim gratuity without producing a succession certificate or legal heirship certificate.

### Facts

- 1. Employment of Deceased Teacher** – The petitioner's mother was employed as a teacher in a government-aided school in Maharashtra. Her salary and service conditions were governed by the State Education Department.
- 2. Death in Service** – She passed away while still in service. At the time of her employment, she had nominated her son, Vikram Bhalchandra Ghongade, as beneficiary for her terminal dues.
- 3. Claim for Gratuity** – Following her death, the petitioner applied for release of gratuity under the Payment of Gratuity Act, 1972 (PGA), asserting that teachers fall within the Act's definition of "employee."
- 4. Rejection by Controlling Authority** – The Controlling Authority under the PGA rejected his application, holding that gratuity for aided-school teachers was regulated by the Maharashtra Civil Services (Pension) Rules, 1982 (providing for Death-cum-Retirement Gratuity or DCRG), not the PGA.
- 5. Dismissal by Appellate Authority** – The petitioner appealed under the Act, but the Appellate Authority upheld the rejection, reiterating that the 1982 Rules applied.
- 6. High Court Proceedings** – The petitioner then approached the Bombay High Court, citing the precedent of *Birla Institute of Technology v. State of Jharkhand*, where teachers were recognised as "employees" under the PGA. The High Court, however, dismissed his plea, affirming that the state rules form a complete and beneficial code displacing the PGA.
- 7. Special Leave Petition before Supreme Court** – Aggrieved, the petitioner filed a Special Leave Petition (SLP) before the Supreme Court of India, appearing in person. He reiterated reliance on *Birla Institute of Technology*, argued that there was no statutory exemption for aided-school teachers under the PGA, and challenged the requirement of a legal heir certificate.

8. **Respondents' Opposition** – The State and school authorities defended the High Court's ruling, arguing that aided-school teachers are equivalent to state employees, their gratuity is governed by the 1982 Rules, and that the absence of a legal heir certificate disqualified the petitioner from claiming payment directly.

### Issues

1. Whether a teacher in a government-aided school is governed by the PGA or by the MCS Rules, 1982.
2. Whether a nominee can claim gratuity without a legal heir certificate when a surviving spouse exists.

### Arguments of the Parties

#### Petitioner (appearing in person)

The petitioner, son of the deceased teacher, advanced his case primarily on the applicability of the Payment of Gratuity Act, 1972 (PGA). His submissions were threefold:

1. **Teachers as Employees under the PGA** – He relied heavily on the precedent of *Birla Institute of Technology v. State of Jharkhand*, wherein teachers were held to fall within the definition of "employee" under the Act. By extension, he argued, teachers of aided schools in Maharashtra were entitled to gratuity under the PGA.
2. **Absence of Express Exemption** – The petitioner contended that there existed no express exclusion in the Act denying gratuity to teachers of aided schools. Since gratuity is a statutory right and a welfare measure, the Act's beneficial construction ought to apply in their favour.
3. **Nominee's Entitlement Without Succession Certificate** – Highlighting that he had already received provident fund benefits as a nominee, the petitioner argued that insisting on a

legal heir or succession certificate was unwarranted. Once a nomination had been validly made by the deceased employee, the nominee's entitlement to gratuity should flow automatically.

#### Respondents (State and School Authorities)

The respondents opposed the claim, resting their case on the primacy of state service rules and the procedural requirements for disbursement of gratuity.

1. **Applicability of the 1982 Rules** – It was contended that aided-school teachers in Maharashtra are covered by the Maharashtra Civil Services (Pension) Rules, 1982, under which they are entitled to Death-cum-Retirement Gratuity (DCRG). Since their salaries, allowances, pensions, and retirement benefits are entirely borne by the State, the central PGA was inapplicable.
2. **Exemption from the PGA** – The State further invoked Rule 4(5) of the 1982 Rules, which they argued exempts employees already governed by a comprehensive pension and gratuity scheme from the operation of the PGA.
3. **Deficiency in Documentation** – The respondents emphasized the absence of a legal heir certificate, which they claimed was essential to establish entitlement in the face of multiple potential claimants. They also pointed out that the petitioner's father (husband of the deceased teacher) was still alive, thereby complicating the question of rightful disbursement.

#### Supreme Court's Decision

The Supreme Court delivered a partly-allowing judgment, addressing both the statutory question of gratuity entitlement and the procedural issue of nominee claims.

#### 1. Applicability of the Gratuity Scheme

- **1982 Rules Prevail** – The Court held that **aided-school teachers in Maharashtra**

are not governed by the Payment of Gratuity Act, 1972, but by the Maharashtra Civil Services (Pension) Rules, 1982. This was because their pay, allowances, pensions, and retirement benefits are wholly borne by the State, rendering them functionally equivalent to government employees.

• Reasoning –

- a. The 1982 Rules constitute a **comprehensive and beneficial code**, covering gratuity, pension, and retirement-related entitlements.
- b. In fact, the 1982 Rules provide **more favourable terms** than the PGA, including:
  - i. Death-cum-Retirement Gratuity (DCRG) even for service of less than five years.
  - ii. Enhanced rates of gratuity in case of death-in-service.
- c. Hence, the State scheme was deemed a more appropriate governing framework.

**2. Legal Heirship and Documentation**

- i. **Nomination Suffices** – On the procedural question, the Court made a significant pronouncement: a **nominee validly appointed by the deceased employee is entitled to receive gratuity**, without the need to produce a legal heirship or succession certificate.
- ii. **Trust Principle** – The Court clarified that the nominee does not receive gratuity exclusively for himself but **holds the amount in trust for all legal heirs**, including those estranged (such as the petitioner’s surviving father).

**3. Directions for Payment**

The Court issued specific directions to ensure prompt disbursement:

- i. The petitioner was required to submit an **indemnity affidavit** to the school authorities.
- ii. Upon this, the **Education Officer** was directed to disburse the **Death-cum-Retirement Gratuity (DCRG)** under the 1982 Rules.
- iii. The Court further directed that the amount be paid with **7% interest**, calculated from **one month after the teacher’s death until actual payment**.

**Conclusion of the Judgment**

a) The petition was **allowed in part**:

- a. **On merits** – The Court affirmed that aided-school teachers are governed by the **1982 Rules**, not the **1972 Act**.
  - b. **On procedure** – The Court facilitated payment to the nominee, rejecting the rigid requirement of a succession certificate.
- b) **Final Direction** – The respondents were instructed to process and release the petitioner’s DCRG claim **expeditiously** upon compliance with the indemnity affidavit requirement.

**Court’s Reasoning**

**1. Applicability of the Gratuity Scheme**

- 1. **Method** – The Court began by interpreting the **Payment of Gratuity Act, 1972 (PGA)** in light of its welfare purpose, while also considering whether a parallel and more comprehensive statutory regime displaced its operation.
- 2. **Rule** – Under **Section 14 of the PGA**, the Act has overriding effect unless a more beneficial gratuity scheme exists for the employees concerned. The

**Maharashtra Civil Services (Pension) Rules, 1982**, framed under Article 309 of the Constitution, provide for **Death-cum-Retirement Gratuity (DCRG)** for teachers of aided schools whose salaries and pensions are state-funded.

3. **Application** – The Court observed that:

- a. Teachers in aided schools are **functionally equivalent to state employees** because their service conditions are regulated and financed by the State.
- b. The 1982 Rules are **more beneficial** than the PGA, as they grant gratuity even where service is less than five years, and offer higher slabs in cases of death-in-service.
- c. Therefore, under the statutory scheme, the **1982 Rules prevail** over the PGA.

**2. Role of Nomination and Requirement of Legal Heirship Certificate**

1. **Method** – The Court examined whether the absence of a legal heirship certificate barred the nominee from receiving gratuity.
2. **Rule** – Under general principles of succession law and service jurisprudence, a **nominee is not the absolute owner** but acts as a **trustee for all legal heirs**. The nomination itself is sufficient authority for the employer to release benefits.
3. **Application** – Applying this principle, the Court held that:
  - a. Since the petitioner was the **validly nominated beneficiary**, the school authorities were bound to release the gratuity to him.
  - b. Insistence on a **legal heirship certificate** was unwarranted,

particularly when the petitioner had already received provident fund benefits in the same capacity.

- c. The payment to the nominee would not prejudice the rights of other heirs (including the surviving father), who could seek their share in accordance with law.

**3. Balancing Rights and Practical Considerations**

1. To ensure fairness and administrative security, the Court directed the petitioner to submit an **indemnity affidavit**, so that the employer would be protected against rival claims.
2. It also directed that the gratuity amount be released with **7% interest from one month after the date of death** until payment, underscoring the welfare nature of gratuity and the duty of prompt disbursal.

**Key Legal Principles**

1. **Primacy of Beneficial Schemes (Section 14, PGA, 1972)**
  - a. The Payment of Gratuity Act, 1972, has an overriding effect; however, where a state or institutional scheme provides more beneficial gratuity terms, such a scheme will prevail.
  - b. Thus, the Maharashtra Civil Services (Pension) Rules, 1982 govern aided-school teachers in preference to the PGA.
2. **Functional Equivalence of Aided-School Teachers to State Employees**
  - a. Teachers of government-aided schools, whose salaries and pensions are state-funded and regulated, are to be treated as

state employees for the purpose of gratuity entitlement.

### 3. Nomination as Sufficient Authority

- a. A validly appointed nominee can directly receive gratuity and other service dues without requiring a legal heirship or succession certificate.
- b. The nominee acts as a trustee of the amount for all legal heirs, not as the exclusive owner.

### 4. Procedural Safeguards for Employers

- a. To protect employers from multiple claims, the Court approved the mechanism of requiring a simple indemnity affidavit from the nominee, rather than burdening claimants with succession proceedings.

### 5. Welfare Orientation of Gratuity

- a. Gratuity is a social-welfare right, not a mere contractual benefit. Authorities must adopt a liberal, employee-friendly approach, ensuring timely payment with interest in cases of delay.

### Critical Analysis

The Supreme Court's ruling in *Vikram Bhalchandra Ghongade* balances statutory interpretation with practical realities, yet it raises some important questions.

#### 1. Strengths of the Judgment

- a. **Clarity in Jurisdictional Conflict** – By affirming that the **1982 Maharashtra Rules override the PGA** for aided-school teachers, the Court settled a long-standing ambiguity in gratuity jurisprudence. This provides predictability for administrators and employees alike.
- b. **Welfare Orientation** – The Court's insistence on **7% interest**

for delayed gratuity underscores the welfare purpose of such benefits, reinforcing accountability on state agencies.

- c. **Progressive View on Nomination** – Rejecting the rigid requirement of a succession certificate reduces procedural hurdles. Treating the nominee as a **trustee for all heirs** strikes a balance between ease of disbursement and safeguarding inheritance rights.

#### 2. Weaknesses / Limitations

- a. **Partial Departure from Birla Institute of Technology** – While the Court distinguished *Birla Institute*, it did not engage deeply with the tension between central welfare legislation and state service rules. A more robust reconciliation would have strengthened doctrinal consistency.
- b. **Unequal Treatment Across States** – Teachers in different states may continue to face **differential treatment**, depending on whether their state rules provide gratuity schemes more beneficial than the PGA. This undermines the uniformity intended by central legislation.
- c. **Silence on Harmonisation** – The judgment resolves the present dispute by privileging the state rules but does not suggest a harmonised framework that could integrate the PGA with diverse state schemes.
- d. **Limited Scope on Nomination Disputes** – Though nomination suffices for disbursement, the Court did not clarify how disputes among heirs (for example,

between nominee and surviving spouse) should be effectively resolved without litigation.

### 3. Doctrinal Implications

- a. The case reaffirms the principle of beneficial interpretation, but also signals a trend of deference to state service codes where comprehensive pensionary frameworks exist.
- b. It strengthens the jurisprudence that nomination = procedural sufficiency, which could have wider applicability across provident fund, insurance, and pension disputes.

### Conclusion

The Supreme Court in *Vikram Bhalchandra Ghongade v. Headmistress Girls High School & Junior College* clarified that aided-school teachers in Maharashtra are governed by the 1982 Pension Rules, not the Payment of Gratuity Act, 1972, ensuring they receive the more beneficial Death-cum-Retirement Gratuity. The Court also affirmed that nomination suffices for claiming gratuity, removing the need for a legal heir certificate.

The judgment balances doctrinal clarity with practical fairness, upholding the welfare purpose of gratuity, while highlighting the need for harmonisation of gratuity law across states. It provides guidance for administrators, courts, and employees, ensuring prompt and equitable disbursement of terminal benefits.

### References

#### Cases

1. *Vikram Bhalchandra Ghongade v. The Headmistress Girls High School and Junior College & Ors.*, Supreme Court of India, SLP (Civil) \_\_\_ of 2025.
2. *Birla Institute of Technology v. State of Jharkhand*, [LatestLaws/CaseMine citation].

3. *Ahmedabad Private Primary Teachers' Assn. v. Administrative Officer*, (2004) 5 SCC 345.

#### Statutes & Rules

1. Payment of Gratuity Act, 1972, No. 39 of 1972.
2. Maharashtra Civil Services (Pension) Rules, 1982.

#### Books & Articles (Optional for Context)

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2. R. N. Mishra, "Gratuity Law in India: Issues and Interpretation," *Journal of Labour Law Studies*, Vol. 15, 2022, pp. 45–68.