

**New Part and Part
IV.**

'PART III

**AMENDMENT TO THE
FINANCE ACT, 2016**

Amendment of Act 28 of 2016.

141. In the Finance Act, 2016, with effect from the 1st day of April, 2025 -

(a) in section 163, in sub-section (3), in clause (a), after the words "this Chapter", the words, figures and letters "but before the 1st day of April, 2025" shall be inserted;

(b) in section 165, after sub-section (2), the following sub-

section shall be inserted, namely :-

"(3) The provisions of this section shall not apply to any consideration for any specified service received or receivable by a person on or after the 1st day of April, 2025."

PART IV

VALIDATION OF THE CENTRAL CIVIL SERVICES (PENSION) RULES AND PRINCIPLES FOR EXPENDITURE ON PENSION LIABILITES FROM THE CONSOLIDATED FUND OF INDIA

WHEREAS article 309 of the Constitution provides that, subject to the provisions of the Constitution, Acts of the appropriate Legislature may regulate the recruitment and conditions of service of persons appointed to public services and posts in connection with the affairs of the Union;

AND WHEREAS the recruitment and the conditions of service of persons appointed to public services and posts in connection with the affairs of the Union are governed by rules made under the proviso to article 309 of the Constitution;

AND WHEREAS the pension of the Central Government

employees was governed by the Central Civil Services (Pension) Rules, 1972 which was subsequently replaced by the Central Civil Services (Pension) Rules, 2021 and the Central Civil Services (Extraordinary Pension) Rules, 2023 (hereinafter in this Part referred to as the pension rules) and instructions issued from time to time for matters connected therewith; which allows the revision of pension by the Central Government in accordance with any general order issued for implementation of the recommendations of the Central Pay Commission;

AND WHEREAS the Central Pay Commissions are expert bodies set up by the Central Government for periodic review and revision of the entire gamut of emoluments structure including retirement benefits of the Central Government employees which recommend different pay scales and different allowances for different categories of the Government employees and in particular, pension claims and liabilities;

AND WHEREAS till the Third Central Pay Commission, it was a general view that past and future pensioners cannot be treated at par and the practice was that benefit of improvement in the pension would be available to newly retiring pensioners from a prospective date; and subsequently, the Fourth Central Pay Commission considered the suggestion of equalisation of pension with reference to that admissible in the revised scales of pay and did not accept it, and in its report also referred to the decision of the Supreme Court in the case of [State Government Pensioners Association and others Vs. State of Andhra Pradesh \[SLP \(Civil\) Nos. 14179-80, 1985\]](#) wherein [the](#) Supreme Court, inter alia, has observed as under :-

“Improvements in pay scales by the very nature of things can be made prospectively so as to apply to only those who are in the employment on the date of the upward revision. Those who were in employment say in 1950, 1960 or 1970, lived, spent and saved, on the basis of the then prevailing cost of living structure and pay-scale structure, cannot invoke Article 14 in order to claim the higher pay scale brought into force say, in 1980. If upward pay revision cannot be made prospectively on account of Article 14, perhaps no such revision would ever be made.”;

AND WHEREAS the Fifth and Sixth Central Pay Commission also maintained the distinction between pension payable to employees retired before and after the 1st January, 1996 and

before and after the 1st January, 2006, respectively, consequently, as on 1st January, 2006, a distinction in pension existed between past employees who had retired before that date and employees retired after that date on the basis of the revision in pay scales recommended by the Sixth Central Pay Commission, as accepted by the Central Government, implemented from the 1st January, 2006, a pension revision formula which did not amount to complete parity between pension of Government employees retired before or after the 1st January, 2006;

AND WHEREAS the treatment of existing and past pensioners was again considered by the Seventh Central Pay Commission and it was pointed out in its report that the issue of pension has been a matter of debate in a large number of cases before the Supreme Court of India and there have been differing views;

AND WHEREAS the pension payable to a Government employee can be said to be a deferred portion of the compensation for service rendered and usually, the compensation earned by an employee varies over the service period, as they are periodically revised on account of implementation of the Central Pay Commissions recommendations or otherwise and as such, pension as a derivative of compensation, may also vary;

AND WHEREAS the right to impose such distinctions rests with the Central Government and are an inevitable outcome of the implementation of the recommendations of a Central Pay Commission;

AND WHEREAS the judgment of the **Supreme Court in SLP (Civil) No. 29124 of 2024 in the case of the Union of India and Ors. Vs All India S-30 Pensioners Association and Ors.** has obliterated such distinction and proceeded on the premise that the Government lacks authority for providing for such distinction of the Central Government pensioners based on their date of retirement;

AND WHEREAS it has become necessary to deal with the interpretation of the Courts and to address the issue relating to pensioners of the Central Government, and expedient to retain the relevance of having such distinction by a validation legislation, dealing with the pension rules and instructions issued from time to time in this regard.

Commencement of Part.

142. This Part shall come into force and shall be deemed to have come into force on the 1st day of June, 1972.

Definitions.

143. In this Part, unless the context otherwise requires,-

(a) “pensioner” means a retired Government servant under the pension rules; and

(b) “pension rules” means the Central Civil Services (Pension) Rules, 1972 as it existed prior to its cesser of operation; or the Central Civil Services (Pension) Rules, 2021 or the Central Civil Services (Extraordinary Pension) Rules, 2023 made under the proviso to article 309 of the

Constitution and instructions issued thereunder.

Powers and authority of Central Government.

144. (1) Without prejudice to the provisions of the pension rules, the Central Government shall have the authority to establish distinctions among pensioners as a general principle.

(2) Having regard to the recommendations of the Central Pay Commission, and subject to such norms, principles and method as may be determined by the Central Government, a distinction may be made or maintained amongst the pensioners, which may emanate from the accepted recommendations of the Central Pay Commissions, and in particular a distinction may be made on the basis of the date of retirement of a pensioner or the date of operationalisation of an accepted recommendation of a Central Pay commission.

(3) The Central Government may from time to time lay down such norms, principles and method in regard to acceptance of the recommendations of the Central Pay Commissions including, among other things, distinction among pensioners that may arise out of the acceptance of such recommendation and in particular pension claims and liabilities.

(4) The norms, principles and method of pension revision, as per accepted recommendations of a particular Central Pay Commission, shall be effective from such date as may be determined by the Central Government and the benefit of such accepted recommendation shall not be given effect to from an earlier date.

Validation.



145. Notwithstanding anything contrary contained in any judgement, decree or order of any court, tribunal or authority and notwithstanding anything contained in the pension rules,-

(a) it is hereby clarified that the Central Government has the authority and shall always be deemed to have had the authority, to classify its pensioners, and may create or maintain distinction amongst pensioners as deemed expedient for implementing the recommendations of the Central Pay Commissions under this Part;

(b) it is also clarified that the date of retirement of pensioners shall be the basis of distinctions and for classification in regard to pension entitlement.'.