

Highlights of the Karnataka Compulsory Gratuity Insurance Rules, 2024

1. Obtaining Insurance for Payment of Gratuity-

- New employers to obtain valid insurance policy within 30 days of these rules becoming applicable to their establishment.
- Existing employers to obtain valid insurance policy within 60 days from the commencement of these rules i.e. by March 10, 2024.
- The Employers shall obtain the insurance policy from LIC or such other insurance company incorporated as per the provisions of Insurance Act, 1938, the Companies Act, 2013, the Insurance Regulatory and Development Authority of India Act, 1999 or any other applicable law to them in this regard.
- Employer to make payments by way of premium and renew the policy periodically. The same shall be intimated to the Controlling Authority notified under the Act, within 15 days of renewal of the policy.

2. Registration of the Establishment

- Employer shall submit an application to the Controlling Authority of the area or any other office notified by the State Government for registration of the establishment in Form-I along with list of employees insured within 30 days of obtaining insurance.
- Details of employees insured shall be submitted in Form-III at the time of registration and thereafter whenever there is a change in the employees insured or policies or any other material information.
- Controlling Authority to take note of registration in Form-IV.

3. Continuation of Approved Gratuity Fund

- An employer who has already established an Approved Gratuity Fund (ie. an irrevocable trust created to provide for Gratuity as specifically defined under the Income Tax Act, 1961) and who desires to continue such arrangement can submit application in Form II if such fund covers the liability of all employees.
- An employer employing 500 or more persons who establishes an Approved Gratuity Fund may opt to adopt such arrangement by submitting an application in Form II if such fund will cover the entire liability of all employees.

4. Incorporation and Management of Gratuity Trust

- Employer of an establishment already having an Approved Gratuity Fund and Employer having 500 or more employees who establishes an Approved Gratuity Fund shall register the gratuity trust with 5 but not equal number of representatives of the employer and employees under the Indian Trust Act, 1882.

- The gratuity trust shall be managed privately or by the insurance company or jointly by paying the calculated amount to the approved gratuity trust fund periodically by the employer.
- The employer shall at all times maintain the gratuity trust and gratuity fund, as an irrevocable system.
- The gratuity trust shall maintain separate gratuity fund. Inflow of contributions shall be from the employer and outflow only to the eligible employees at the time of exit from service. Money shall not be withdrawn from the fund for any other purpose.
- The Trust shall comply with Indian Accounting Standards 15 (Employee Benefits) and any other law applicable to the trust.
- The Board of trustees of the gratuity trust at the time of exit of an employee shall duly send discharge letter and advise Insurance Company or make arrangement of payment of gratuity as per the scheme.

5. Recovery of Gratuity Amount

- The Controlling Authority has been authorised to recover the amount of Gratuity payable to an employee from the insurance company.

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