



Circular No – 005/2024

Date:11.01.2024

To

All Members of the Association

OBTAINING OF INSURANCE POLICY TO COVER LIABILITY FOR PAYMENT OF GRATUITY MADE MANDATORY IN KARNATAKA

1. Section 4-A of the Payment of Gratuity Act 1972 was inserted by Central Act No.22 of 1987 which made it compulsory insurance for liability for payment of gratuity under the Payment of Gratuity Act (hereafter referred to as Act). The amended section empowered the appropriate Government to notify that every employer other than the employer or an establishment belonging to or under the control of the Central Government or the State Government to obtain an insurance in the prescribed manner for liability for payment towards gratuity under the Act. Though the amendment was inserted in 1987, the Government of Karnataka had not made the insurance compulsory as mandated under the amended provision.
2. Now the Government of Karnataka by notification dated 10.01.2024 has framed the rules in exercise of the power conferred on it under section 4-A (4) of the Act and notified the same by notification no.LD/397/LET-2023 dated 10.01.2024.
3. The salient features of the rules are as under:
 - 3.1. **Definition of Employer** - Employer means an employer other than the employer of an establishment belonging to or under the control of the Central Government or State Government.



+91 9449183208



Bengaluru, Karnataka



kea@kea.co.in

- 3.2. **Other Definitions** – The words and expressions used and not defined under the rules but, defined the words and expressions used and not defined in these rules but defined in the Insurance Act, 1938 (Central Act No. '4 of 1938), Life Insurance Corporation Act, 1956 (Central Act No. 31 of 1956) the General Insurance .Business (Nationalization) Act, 1972 (Central Act No. 57 of 1972), the Insurance Regulatory and Development Authority Act, 1999 (Central Act No. 41 of 1999), the Payment of Gratuity Act, 1972 (Central Act No. 39 of 1972) and the Payment of Gratuity (Karnataka) Rules, 1973 shall have the same meanings respectively assigned to them in the said Acts.
- 3.3. **Obtaining of Insurance** - Every new employer shall within a period of **thirty days** from the date on which the rules becomes applicable to such establishment shall obtain valid insurance policy in a manner as prescribed under sub-section 4 of Section 4-A of the Act.
- The employer of an establishment which is in existence at the time of commencement of these rules shall obtain valid insurance policy within **sixty days** from the date of commencement of these rules. Every employer shall exercise due diligence for one time payment of premium and renewal of the policy.
- 3.4. **Recovery of the Amount of Gratuity** – Controlling Authority under the Act is authorized to recover the amount of gratuity payable to an employee under the Act or in case of dispute as decided by the Controlling Authority from the Insurance Company.



- 3.5. **Registration of Establishment** – Every employer shall get his establishment registered with the controlling authority of the area by submitting application in Form-1 prescribed under the Rules within thirty days from the date of obtaining insurance along with list of its employees insured.

Change in the Number of Insured Employees or the Insurance Policy shall be notified to the Controlling Authority.

Controlling Authority shall immediately take action for registration of the Establishment in the Form No -IV.

- 3.6. **Continuation of the Approved Gratuity Fund** - Every employer of an establishment who had already established an approved gratuity fund in respect of his employees and who desires to continue such arrangement and every employer employing five hundred or more persons who establishes an approved gratuity fund may opt to continue or adopt such arrangement by submitting an application in Form II, provided such existing approved gratuity fund covers the entire liability of all the employees- of the establishment under the provisions of the Act.

- 3.7. **Incorporation of Gratuity Trust** - Every employer of an establishment who had duly established an Approved Gratuity Fund in respect of his employees and who desires of continue such arrangement and every employer employing five hundred or more persons who establishes an Approved Gratuity Fund shall register the 'Gratuity Trust with five but not equal number of representatives of the employer and employees with the registration

authority notified under the provisions of the Indian Trust Act, 1882 (Central Act No.02 of 1882) or any other applicable law and thereupon take steps for compliance of provisions of the Act the Income Tax Act, 1961 (Central Act No.43 of 1961) and any other law which is in force.

- 3.8. **Other Rules** – The rules have been prescribed for management of Gratuity Trust privately or by an insurance company or jointly by paying calculated amount to the approved gratuity trust fund periodically by the employer.

Gratuity Trust shall maintain separate gratuity fund. The inflow of contribution to the Gratuity Fund shall be contributory from the employer.

Outflow from the gratuity fund shall only be to the eligible employees at the time of their exit formalities.

Gratuity Trust shall adhere to the Indian Accounting Standards 15 (Employee Benefits) and any law applicable to the Trust.

The employer, Gratuity Trust and Insurance Company are jointly and severally responsible for fulfilment of their liabilities under the Act.

- 3.9. **Compliance with the Provisions of the Act** – Every employer of the Establishment to whom these rules apply shall take all measures to fulfil his obligations under the provisions of the Act.

4. Copy of Karnataka Gazette dated 10.01.2024 is enclosed. Accordingly, the rules have come into force with effect from 10.01.2024. The date of effect



of the rules shall have to be reckoned from 10.01.2024 for the purpose of compliance with the rules.

For KARNATAKA EMPLOYERS' ASSOCIATION
Sd/
[B C Prabhakar]
President



ಕರ್ನಾಟಕ ರಾಜ್ಯಪತ್ರ

ಅಧಿಕೃತವಾಗಿ ಪ್ರಕಟಿಸಲಾದುದು
ವಿಶೇಷ ರಾಜ್ಯ ಪತ್ರಿಕೆ

ಭಾಗ - ೪ಎ Part - IVA	ಬೆಂಗಳೂರು, ಬುಧವಾರ, ೧೦, ಜನವರಿ, ೨೦೨೪(ಪುಷ್ಯ, ೨೦ ಶಕವರ್ಷ, ೧೯೪೫) BENGALURU, WEDNESDAY, 10, JANUARY, 2024(PUSHYA, 20, SHAKAVARSHA, 1945)	ನಂ. ೧೮ No. 18
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GOVERNMENT OF KARNATAKA

No: LD 397 LET 2023

Karnataka Government Secretariat,
Vikasa Soudha,
Bangalore, dated: 10/01/2024

NOTIFICATION

In exercise of the powers conferred by sub-section (4) of Section 4A of the Payment of Gratuity Act, 1972 (Central Act No. 39 of 1972), the Government of Karnataka hereby makes the following rules, namely:-

Rules

1. Title and Commencement.- (1) These rules may be called the Karnataka Compulsory Gratuity Insurance Rules, 2024.

(2) They shall come into force from the date of their publication in the Official Gazette.

2. Definitions.- (1) In these rules unless the context otherwise requires,-

- “Act” means the Payment of Gratuity Act, 1972 (Central Act No. 39 of 1972);
- “employer” means an employer other than employer of an establishment belonging to or under the control of Central Government or State Government;
- “form” means a form appended to these rules;
- “nomination” means nomination made under section 6 of the Act; and
- “section” means a section of the Act.

(2) The words and expressions used and not defined in these rules but defined in the Insurance Act, 1938 (Central Act No. 4 of 1938), Life Insurance Corporation

Act, 1956 (Central Act No. 31 of 1956) the General Insurance Business (Nationalization) Act, 1972 (Central Act No. 57 of 1972), the Insurance Regulatory and Development Authority Act, 1999 (Central Act No. 41 of 1999), the Payment of Gratuity Act, 1972 (Central Act No. 39 of 1972) and the Payment of Gratuity (Karnataka) Rules, 1973 shall have the same meanings respectively assigned to them in the said Acts.

3. Obtaining Insurance for Payment of Gratuity.- (1) Every new employer shall subject to fulfillment of sub-section (2) of Section 4A of the Act, within a period of thirty days from the date on which these rules becomes applicable to such establishment shall obtain valid insurance policy in the manner as prescribed under sub-section (4) of Section 4A of the Act for his liability for payment towards the gratuity to all eligible employees under the Act from the Life Insurance Corporation of India or any other insurance company incorporated in accordance with the provisions of the Insurance Act,1938(Central Act No. 4 of 1938), the Companies Act, 2013 (Central Act No. 18 of 2013), the Insurance Regulatory and Development Authority of India Act,1999 (Central Act No. 41 of 1999) or any other law which is applicable to the insurance company in this regard.

(2) The employer of an establishment which is in existence at the time of commencement of these rules shall obtain valid insurance policy within sixty days from the date of commencement of these rules.

(3) The employer of the establishment who has obtained valid insurance policy shall make all payments by way of premium to the insurance company and renew the same periodically and intimate the same to the Controlling Authority within fifteen days from the date of renewal of the policy. The employer shall initiate the process of payment of premium and renewal of policy before the lapse of the policy.

(4) Every employer shall exercise all due diligence for on-time payment of the premium and renewal of the policy.

4. Recovery of the amount of Gratuity.- The Controlling Authority appointed under section 3 of the Act or any other officer notified for the purpose of implementation of these rules by the State Government, is authorised to recover the amount of the Gratuity payable to an employee, as determined by the employer

under sub-section (2) of section 7 of the Act, or in case of a dispute as decided by the Controlling Authority under sub-section (4) of section 7 of the Act, from the Life Insurance Corporation of India or any other insurance company with whom an insurance has been taken under sub rule (1) of the rule 3.

5. Registration of the Establishment.- (1) Every employer shall submit an application in Form-I to get his establishment registered with the Controlling Authority of the area or any other officer notified for this purpose by the State Government within thirty days from the date of obtaining insurance along with the list of its employees insured.

(2) Every employer shall furnish the details of the employees insured, to the Controlling Authority or any other officer notified for this purpose by the State Government in Form-III at the time of registration of the establishment and thereafter whenever there is a change in the employees insured or policies or any other pertinent information.

(3) The Controlling Authority on receipt of an application under sub rule (1) shall immediately take action for registration of the establishment in Form-IV.

6. Continuation of Approved Gratuity Fund.- Every employer of an establishment who had already established an approved gratuity fund in respect of his employees and who desires to continue such arrangement and every employer employing five hundred or more persons who establishes an approved gratuity fund may opt to continue or adopt such arrangement by submitting an application in Form II, provided such existing approved gratuity fund covers the entire liability of all the employees of the establishment under the provisions of the Act.

7. Incorporation of Gratuity Trust.- (1) Every employer of an establishment who had duly established an Approved Gratuity Fund in respect of his employees and who desires to continue such arrangement and every employer employing five hundred or more persons who establishes an Approved Gratuity Fund shall register the Gratuity Trust with five but not equal number of representatives of the employer and employees with the registration authority notified under the provisions of the Indian Trust Act, 1882 (Central Act No.02 of 1882) or any other applicable law and thereupon take steps for compliance of provisions of the Act the

Income Tax Act, 1961 (Central Act No.43 of 1961) and any other law which is in force.

(2) 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;

Provided that in case of privately managed gratuity trust investment of funds shall be done as per the provisions of the Income Tax Act, 1961 (Central Act No. 43 of 1961) by the Board of trustees and entire administration of the gratuity trust including actual valuation shall be the responsibility of the Board of trustees. In case of group gratuity scheme being marketed by the insurance companies the employer shall obtain group gratuity scheme which has approval under part-C of the fourth schedule of the Income Tax Act, 1961 (Central Act No.43 of 1961) by the competent authority.

(3) The gratuity trust shall maintain separate gratuity fund. The inflow of contributions to the gratuity fund shall be contributory from the employer and non-contributory for the employees. The out-flow of the gratuity fund shall be only to the eligible employees at the time of their exit from service. The gratuity fund is totally protected fund and money shall not be withdrawn neither by the employer nor by the gratuity trust under any circumstances for any other purpose other than for the payment of gratuity to the eligible employees.

(4) The bye-law of the gratuity trust shall contain detailed procedures including performance for claiming and releasing of the calculated amount of gratuity to each of the eligible employees on their exit from the service.

(5) The gratuity trust shall adhere to the Indian Accounting Standards 15 (Employee Benefits) and any law applicable to the trust.

(6) 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.

(7) The employer gratuity trust and the insurance company are jointly and severally responsible for fulfillment of their liabilities under the Act.

(8) The employer shall at all times maintain the gratuity trust and gratuity fund, as an irrevocable system.

8. Compliance with the provisions of the Act.- Every employer of the establishment to whom these rules apply shall take all measures to fulfill his obligations under the provisions of the Act.

By Order and in the name of the
Governor of Karnataka,

(Suma. S)

Under Secretary to Government,
Labour Department.

FORM – 1
APPLICATION FOR REGISTRATION OF AN ESTABLISHMENT
[see rule 5(1)]

1.	Full Name of the establishment.	
2.	Full Postal Address of the establishment including its website, twitter, facebook, e-mail and any other communication details.	
3.	Name of the employer including his/her Phone Number	
4.	Full Postal Address of the employer	
5.	Number of employees insured.	
6.	Details of the Insurance Company. (a) Full Name and Address (b) Registration Number (c) Name of the Gratuity Policy/Policies	
7.	Number of Insurance Policy or Policies	
8.	Date of Commencement of Insurance Policy or Policies	
9.	Terms of Insurance Policy (Copy/Copies of the Master Insurance Policy or Policies to be enclosed)	
10.	Number of employees insured (Details of employees shall be furnished in Form-III)	
11.	If the Employer had duly established an Approved Gratuity Fund (AGF) before or after Notification of these Rules, details of Registration of the Gratuity Trust and Board of Trustees of the Gratuity Fund.	
12.	Date of Registration and Constitution of the Board of Trustees. (copy of the certificate of Registration to be enclosed)	
13.	Names, Postal addresses and Phone Numbers of the Board of Trustees of the Gratuity Trust	
14.	Any other Essential Information	

Place:

Date:

1. Signature of the Authorized Signatory/Employer:
2. Name of the Authorized Signatory/ Employer:
3. Designation and Address of the Authorized signatory
4. Seal Of the Establishment:_____

FORM-II**OPTION TO CONTINUE UNDER THE EXISTING INSURANCE SCHEME****[see rule 6]**

I/we, on behalf of _____ establishment hereby opt to continue the existing insurance scheme in lieu of compulsory insurance notified under section 4A of the Payment of Gratuity Act 1972, by the Government of Karnataka. The details of the existing Insurance Scheme are-

1.	Details of the Insurance Company a. Full Name and Address	
	b. Registration Number	
	c. Name of the Gratuity Scheme Policy/Policies	
2.	Number of Insurance Policy/Policies	
3.	Date of Commencement of Insurance Policy/Policies (copy of the Insurance Policy/Policies to be enclosed)	
4.	Terms and conditions of Insurance Policy/Policies	
5.	Number of employees covered (Details of employees to be furnished in Form-III)	
6.	Details of Registration of the Gratuity Trust	
7.	Date of Constitution of Gratuity Trust	
8.	Names, Addresses of the Board of Trustees of the Gratuity Trust and their Phone Numbers	
9.	Any other Essential Information	

Place:

Date:

1. Signature of the Employer/Authorized signatory
2. Name of the Authorized Signatory
3. Designation and Address of the Employer/Authorized Signatory with Seal
4. Seal of the Establishment: _____

FORM-III
DETAILS OF EMPLOYEES OF THE ESTABLISHMENT COVERED UNDER
COMPULSORY INSURANCE

[see rule 5(2)]

1.	Name of the Employee	
2.	Employee Number	
3.	Gender of the Employee	
4.	Date of Birth and Age of the Employee	
5.	Name of the Father/Husband	
6.	Designation	
7.	Date of Joining	
8.	Wages of the Employee (in Rupees): Basic	Rs.
	Dearness Allowance (DA)	Rs.
9.	Whether the employee is no Time-rated or piece-rated wages	
10.	The details of Wages an Calculation of wages according to the Act.	
11.	Date of Admission to Compulsory Insurance	
12.	Date of retirement	
13.	Age of retirement	
14.	Name(s) of the Nominee (s)	
15.	Any other essential Information	

Place:

Date:

1. Signature of the Employer/Authorized signatory
2. Name of the Authorized Signatory
3. Designation and Address of the Employer/Authorized Signatory with Seal
4. Seal of the Establishment:_____

FORM-IV

**GOVERNMENT OF KARNATAKA DEPARTMENT OF LABOUR
REGISTER OF ESTABLISHMENT UNDER COMPULSORY INSURANCE**

[see rule 5(3)]

Registration Number and Date	Full Name and Address of the Establishment.	Name of the Employer including his/her Phone Number	Number of Employees Insured.	Number of Insurance Policy or Policies and their Details	Main Terms and Conditions of Insurance Policy/ Policies	Renewal Details	Initials of the Authority