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KEA IN THE NEWS

KARNATAKA: COMPANIES MUST TIE-UP WITH INSURERS FOR GRATUITY COMPLIANCE, EMPLOYERS' BODY SEEKS TIME

The Economic Times, edition dated 05.02.2024 has published the above news report stating that "Private companies in Karnataka will now have to partner with insurance firms and pay an annual premium towards honouring their gratuity obligation to employees as part of a social security scheme. Accordingly companies, shops, establishments, and factories with more than 10 employees come under the purview of the new regulation called the Karnataka Compulsory Gratuity Insurance Policy Rules, 2024. The regulation, however, allows companies with 500 or more employees to continue with or have their own gratuity trust to comply with the gratuity law.

In this regard The Economic Times has reported the statement of Mr. B C Prabhakar, President KEA as under:

"Have requested the government to give a year's time to comply with the regulation in view of the huge premium outgo they expect in the first year. If that was not possible, the government could consider making it applicable to companies with more than 100 employees for now."



+91 9449183208



Bengaluru, Karnataka



kea@kea.co.in

The Economic Times

https://economictimes.indiatimes.com/industry/banking/finance/insure/karnataka-companies-must-tie-up-with-insurers-for-gratuity-compliance-employers-body-seeks-time/articleshow/107404757.cms?utm_source=twitter_web&utm_medium=social&utm_campaign=socialsharebuttons

A clipping of a news report published by the Economic Times; Page No. 8 is given below:

'Cos Must Tie up with Insurers for Gratuity Compliance'

KR. Balasubramanyam

Bangalore: Private companies in Karnataka will now have to partner with insurance firms and pay an annual premium towards honouring their gratuity obligation to employees as part of a social security scheme the southern state has rolled out.

Companies, shops, establishments, and factories with more than 10 employees come under the purview of the new regulation called the Karnataka Compulsory Gratuity Insurance Policy Rules, 2024. The regulation, however, allows companies with 500 or more employees to continue with or have their own gratuity trust to comply with the gratuity law.

"We have already notified the scheme. This is going to benefit

about seven million employees," Labour Minister Santosh Lad, who swiftly moved to implement a 1987 amendment to the central act, told ET. The Parliament inserted section 4(A) in the Payment of Gratuity Act, 1972, mandating compulsory insurance for gratuity payments. "We are currently running a campaign creating awareness about the scheme among both employees and employers," the minister said. Employers have to register with the controlling authority under the Labour department and make timely filings about the number of employees on rolls and premium paid.

Maharashtra, Telangana and Kerala have implemented the scheme already.

"The scheme is a win-win for both employees and employers," Lad said. While it ensures payment of gratuity

to employees in the event of closure of or financial distress at their company, the employers also stand to gain. They will get exemption from income tax on the premium paid as well as earn an interest on it on the fund parked with the insurer.

"I often heard from people, especially in small towns, about their employers short-changing on gratuity. With what we have done now, such complaints will begin to drop as the regulation will remove uncertainties, if any, in the minds of employees, over gratuity," the minister said.

An employee becomes eligible to receive gratuity on completion of five years or more. The five-year rule however does not apply in the event of disability and death while in service. The gratuity is calculated using a formula with the last drawn salary and the number of years in service as main inputs.

Karnataka Employers Association President BC Prabhakar said they have requested the government to give a year's time to comply with the regulation in view of the huge premium outgo they expect in the first year. If that was not possible, the government could consider making it

applicable to companies with more than 100 employees for now, he added.

Quess Corp CEO Guruprasad Srivivasan hailed the scheme, calling it a right-step towards safeguarding employee rights. "The regulation will ensure employees will get their statutory due well on time. This may also push increased formalisation of the labour force, widening the pool of employees eligible for statutory benefits." He added that large and mid-companies already have a structure to honour their gratuity obligation, but the new regulation in Karnataka will extend it to everyone with more than 10 employees and increase compliance.

Quess Corp employs about 5.50 lakh people in India.

kr.balasubramanyam@timesgroup.com

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