



Circular No – 021 / 2024

Date: 05-03-2024

To
All Members of The Association

**KEA WRITES TO THE LABOUR MINISTER OF KARNATAKA
REGARDING THE INTERACTIVE SESSION ON KARNATAKA
COMPULSORY GRATUITY INSURANCE RULES 2024**

1. The Association appreciates the initiative of the Labour Commissioner Department of Labour Govt of Karnataka in organizing an interactive session on compliance with the above rules.
2. Some of the members informed the association that during this session, Joint Labour Commissioner clarified that all employers in Karnataka to whom Payment of Gratuity Act is applicable and having more than 500 employees must establish the Gratuity Trust in compliance with the above rules. This is not the correct interpretation of the Rules.
3. The observations made by the departmental officials during interaction requires to be reconsidered. The Association requested the Government to instruct the concerned officials in the department to clarify the correct position to the employers and alternatively, the Labour Department may confirm the implications of Rule-6 of the Compulsory Gratuity Insurance Rules 2024 to the Association.



4. The Association also requested the Government to kindly have the matter reconsidered at the earliest as the time available for compliance with the rule will end on 10.03.2024.

A copy of the KEA letter dated 29-02-2024 is enclosed.

For KARNATAKA EMPLOYERS' ASSOCIATION

**Sd/
[B C Prabhakar]
President**



☎ Off : 080-26613091 / 26607167
080-42103360 / 26761733
Email : kea@kea.co.in
Web : www.kea.co.in

KARNATAKA EMPLOYERS' ASSOCIATION

NO.74, 2nd FLOOR, SHANKARA ARCADE, VANIVILAS ROAD,
BASAVANAGUDI, BENGALURU - 560 004
Reg. No. TU 507 / 20-3-1962

B.C. Prabhakar, B.A., B.L.,
President

Date: 29.02.2024

The Hon'ble Labour Minister

Government of Karnataka
Vidhana Soudha
Bengaluru-560001

Dear Sir

Sub: Karnataka Compulsory Gratuity Insurance Rules 2024

1. The Association appreciates the initiative of your good office in organizing an interactive session on the compliance with the above rules. The Association had also circulated to the members about the interaction being organized at the Office of the Labour Commissioner on 28.02.2024 and requested the members to depute the officials who are responsible for complying with the provisions of the above rules.
2. The Association has received feedback from the members who participated in the seminar. The members were appreciative of the suggestions made by the Labour Department Officials during the interactive sessions.
3. Some of the members informed the association that during this session, Joint Labour Commissioner clarified that all employers in Karnataka to whom Payment of Gratuity Act is applicable and having more than 500 employees must establish the Gratuity Trust in compliance with the above rules. This is not the correct interpretation of the Rules.
4. Rule-6 of the above rules provides as under:

“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.”

5. The implications of the above rules is as under:

- If the establishment is already having approved gratuity trust and fund, it should ensure that the approved fund/insurance covers the entire liability of gratuity payable for all employees. (it should be ensured that the approved gratuity fund meets the criteria laid down under section 2(5) of the Income Tax Act.)
- Submit form-II prescribed under the rules to the Controlling Authority within 60 days from 10.01.2024.
- The Trust may operate the fund by itself or obtain insurance.
- Thus, obtaining insurance is not compulsory.

6. In the light of the above, the observations made by the departmental officials during interaction requires to be reconsidered. We request your good-self to instruct the concerned officials in the department to clarify the correct position to the employers. Alternatively, your good office may confirm the implications of Rule-6 of the Compulsory Gratuity Insurance Rules 2024 to the Association. The Association in turn would issue the clarification by way of the circular to the members.

7. We request you to kindly have the matter reconsidered at the earliest as the time available for compliance with rule will end on 10.03.2024.

For Karnataka Employers' Association

B. C. Prabhakar

B.C. Prabhakar
President

Mob: 98440 33348