

The Karnataka Compulsory Gratuity Insurance Rules, 2024

On 10th January 2024, the Government of Karnataka published the Karnataka Compulsory Gratuity Insurance Rules, 2024 ('New Gratuity Insurance Rules') to prescribe the requirement for employers to obtain a valid insurance policy for the employer's liability towards payment of gratuity to eligible employees as per the Payment of Gratuity Act 1972 ('Gratuity Act').

Applicability

The act and the new rules apply to all organizations/employers who have more than 10 employees other than employer of an establishment belonging to or under the control of Central Government or State Government;

Obtaining Insurance for Payment of Gratuity

As per the New Gratuity Insurance Rules, every employer must obtain insurance from LIC or any other prescribed insurer for payment of Gratuity liability to the employees. The Existing employers are required to comply with this requirement within 60 days from the effective date of these rules (i.e., by 10th March 2024) and every new employer are required to comply with these rules within 30 days from the date of applicability of these rules to such new employer.

Procedure

Every employer must pay premium and renew the policy periodically and intimate the Controlling Authority within 15 days of such renewal. The employers are required to exercise due diligence for on-time payment and renewal and to make payment of premium before the lapse of policy period to guarantee the renewal of such insurance policy.

Recovery of amount of Gratuity

As per the New Gratuity Insurance Rules, the Controlling authority can recover the amount of gratuity directly from the Insurer as determined and eligible to the employee.

Exceptions/continuation of Approved Gratuity Trust Fund

Every employer who has already established an approved gratuity trust fund and who desire to continue the trust and every employer employing at least 500 persons and establishing an approved gratuity trust fund are allowed to continue such trust funds as long as the approved gratuity trust fund covers the entire liability of all the employee eligible for gratuity. The employers are required to submit application to the Controlling Authority to demonstrate the commitment of the employer to comply with the New Gratuity Insurance Rules. For a Gratuity Fund Trust to qualify as Approved Gratuity Trust Fund, the employers must comply with the conditions specified in the Rule 7 of the said New Gratuity Insurance Rules.

Registration with the Controlling Authority

Every employer shall get registered with the Controlling Authority within 30 days of obtaining insurance along with the list of employees insured. Subsequently, in case of any changes in list of employees or insurance or any other information, same shall be informed to the Controlling Authority promptly.

The Controlling Authority shall immediately register on receipt of application.

The forms/applications prescribed under the rules are as follows,

Form	To be used by	Purpose	Time Limit
Form-I	Employer	To register the establishment with the Controlling Authority	30 days from date of obtaining insurance
Form-II	Employer	To continue approved gratuity fund or establish a gratuity fund	
Form-III	Employer	To register the changes in list of employees or insurance or any other information	Whenever there is a change
Form-IV	The Controlling Authority	Registration form	Immediately

Conclusion:

1. It is now clear that every company having 10 or more employees should take compulsory gratuity insurance form LIC of India.
2. Obtain registration certificate from Controlling Authority, Department of Labor
3. Do annual contributions based on actuarial valuation
4. Inform Controlling Authority about such renewals or any changes in employees or any changes in the company within 15 days of such change.

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