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## India

### Karnataka Compulsory Gratuity Insurance Rules in force

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Section 4-A of the [Payment of Gratuity Act, 1972](#), mandates that from the date and in accordance with implementation rules established by the appropriate government, employers must acquire insurance to cover their gratuity payment liability, and apply for registration with the Controlling Authority within 30 days from obtaining the insurance.

On 10 January 2024, the government of Karnataka published the [Karnataka Compulsory Gratuity Insurance Rules, 2024](#) in the Official Gazette, and the Rules came into force immediately upon their publication.

New employers are required to acquire a valid insurance policy within 30 days from the date on which the Rules become applicable to the establishment (Rule 3 paragraph 1).

In the case of existing employers, the provisions of the Karnataka Compulsory Gratuity Insurance Rules come into effect 60 days from the entry into force date (Rule 3 paragraph 2).

The key provisions of the Rules and the affected employers are summarized below.

#### Affected employers

The Payment of Gratuity Act, 1972 applies to employers having or having had 10 or more employees on any day of the preceding 12 months.

The Karnataka Compulsory Gratuity Insurance Rules apply to employers falling under the Karnataka jurisdiction, i.e., those operating exclusively in Karnataka. According to the provisions of the Payment of Gratuity Act, 1972, employers with branches operating in more than one State are governed under the authority of the Central Government.

Karnataka Compulsory Gratuity Insurance Rules exempt certain employers from the mandatory gratuity insurance acquisition obligation. Specifically, Rule 7 provides that employers with an already established and approved gratuity fund who wish to continue with their existing arrangement, as well as those with 500 or more employees who establish an approved gratuity fund, may apply to continue with such arrangements, provided the existing or established approved gratuity fund covers the entire liability for all the employees of the establishment, and the employer registers a gratuity trust with five (but not an equal number of)

representatives of employers and employees with the registration authority provided for by the [Indian Trust Act, 1882](#).

## Mandatory insurance policy

According to Rule 3 paragraph 2, existing affected employers have until 10 March 2024 (i.e., 60 days from the date of entry into force of the Rules) to obtain a valid insurance policy from the Life Insurance Corporation of India or any other insurance company, to cover payments of their gratuity liability.

## Registration

According to the Payment of Gratuity Act, 1972, affected employers are required to apply to register the establishment with the Controlling Authority within 30 days of acquiring a valid insurance policy.

Additionally, according to Rule 5 paragraph 2 of the Karnataka Compulsory Gratuity Insurance Rules, any changes in the details of insured employees or policies or any other pertinent information, must be provided to the Controlling Authority.

## Premium payments and intimation

According to Rule 3 paragraph 3, affected employers must ensure:

- that the payment of premiums to the insurance company is made before the insurance policy lapses; and that
- the timely and periodic renewal of the policy is intimated to the Controlling Authority within 15 days of the policy renewal.

## Employer Actions

Employers exclusively operating in Karnataka must comply with the provisions of the new Rules. Key actions for employers include:

- Obtain a valid insurance policy by 10 March 2024, and
- Apply for registration with the Controlling Authority within 30 days from obtaining the insurance policy.

Employers already operating an approved Gratuity Trust, may apply to continue with the existing Gratuity Trust, provided the gratuity fund covers the entire liability of all the employees of the establishment.

Employers engaging 500 or more employees have the option to establish an approved Gratuity Trust. Rule 7 spells out the conditions required for a Gratuity Trust to qualify as Approved Gratuity Fund.

Other employer obligations, such as timely payment of premiums and policy renewals apply.

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