[Future Generali Group Gratuity Plan]

Gratuity – An Overview

Gratuity is a statutory benefit governed by Payments of Gratuity Act, 1972. Under the Act, it is employerôs statutory liability to pay 15 days salary (15/26 of a month's wages, taking the last drawn salary as the basis) for every completed years service to each of his employees on their exit, for any reason after five years of continuous service, subject to maximum limit of 3.5 lacs. The employee is eligible for 15 days of pay for each completed year of service, either on:

- Retirement
- Permanent Total Disablement during service
- Death during service
- Resignation from service

The employer can also structure a gratuity benefit that is higher than stipulated in the statutory requirements.

Future Generali Group Gratuity Plan

It is a known fact that the Gratuity Liability tends to increase with time as the salary and the tenure of the employees increases. An employer can pay out the gratuity proceeds from his current revenue (on a PAYGO basis) but this can cause financial strain at times. Thus, a prudent and tax efficient way of meeting Gratuity Liability is to ascertain the Liability, set up a Gratuity Fund and pay contributions as and when required.

Future Generali offers you a Conventional, Deposit Administration type of Gratuity plan. The contribution made by you will continue to accumulate and at the end of the financial year the income earned on your contribution will be credited to your gratuity account. The rate of interest will have two components; a guaranteed part and a non-guaranteed part. The non-guaranteed part would apply only to withdrawals taking place in that year and is not guaranteed for the subsequent years. The guaranteed part, once allotted is guranteed.

Hence, you build a Gratuity Fund systematically, benefiting from investment returns which are safe and stable and thus provide the benefits in a cost effective manner.

The Future Generali Group Gratuity Plan brings you a host of features that can assist you in meeting your obligation in a systematic and cost effective manner.

A Basket of Benefits

- We offer you value by providing a platform of a large pooled fund providing smooth returns, safety through diversification backed by our in-house investment expertise.
- Flexibility in payment of premium; you can pay contributions yearly, half-yearly or quarterly
- ✓ Liquidity management - Allows liquidity; money available anytime to meet benefit payout
- ✓ Death benefit, optional additional death benefit and other benefits: The plan has a built in death cover of Rs. 1000 that comes at no additional cost. Additional death cover, accidental death cover, disability cover or critical illness cover can be provided to your employees customized to suit specific needs. The additional death cover, as per your choice can be structured as flat cover, a graded multiple of salary or based on ôloss of future service Gratuityö

Eligibility Criteria

All employer-employee groups with a minimum size of 25 employees.

Tax Benefits

[For Employer]

- ✓ The initial and Annual contributions made through an approved Gratuity trust can be claimed as business expenditure as per the provisions under section 36 (1) (v) of the Income Tax Act, 1961 subject to maximum limit of 8.33% of annual salary in respect of each member.
- ✓ Income of investments is exempt from tax under section 10(25) (IV) of the Act.

[For Employee]

- ✓ Gratuity benefits are tax free up to Rs.3,50,000 in the hands of employee.
- ✓ The contribution made by the employer is not included in the value of taxable perquisites in the hands of the employee.
- ✓ Any death benefit under the Group Term Insurance is tax-exempt under section 10 (10D) of the Income Tax Act, 1961
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These tax benefits are as per our understanding of the Income tax Act 1961 and is subject to change. For further details please consult your tax advisor.

Contributions

The contributions made towards the Gratuity Liability will depend on the ‘actuarial valuation’. The Gratuity Liability and contribution can be estimated on an actuarial valuation provided by a qualified actuary by way of an AS-15 certification.

For a newly set up Gratuity Trust, the Past Service Gratuity Liability payment can be made over a period of 5 years.

Section 41 of Insurance Act 1938 states: No person shall allow or offer to allow, either directly or indirectly, as an inducement to any person to take out or renew or continue an insurance in respect of any kind of risk relating to lives or property in India, any rebate of the whole or part of the commission payable or any rebate of the premium shown on the policy, nor shall any person taking out or renewing or continuing a policy accept any rebate, except such rebates as may be allowed in accordance with the published prospectuses or tables of the insurer

Section 45 of Insurance Act, 1938: “No policy of life insurance effected before the commencement of this Act shall after the expiry of two years from the date of commencement of this Act and no policy of life insurance effected after the coming into force of this Act shall, after the expiry of two years from the date on which it was effected be called in question by an insurer on the ground that statement made in the proposal or in any report of a medical officer, or referee, or friend of the insured, or in any other document leading to the issue of the policy, was inaccurate or false, unless the insurer shows that such statement was on a material matter or suppressed facts which it was material to disclose and that it was fraudulently made by the policy-holder and that the policy-holder knew at the time of making it that the statement was false or that it suppressed facts which it was material to disclose:
Provided that nothing in this section shall prevent the insurer from calling for proof of age at any time if he is entitled to do so, and no policy shall be deemed to be called in question merely because the terms of the policy are adjusted on subsequent proof that the age of the life insured was incorrectly stated in the proposal”.