



*Group
Gratuity Plan*

Gratuity - the loyalty reward

Gratuity is a statutory benefit paid to the employees under the Payment of Gratuity Act, 1972 who have rendered continuous service for at least five years. The employee is eligible for 15 days of pay for each completed year of service. The employer can also structure a gratuity benefit that is higher than statutory requirements. The gratuity benefit is payable on cessation of employment (either by resignation, death, retirement or termination, etc) by taking the last drawn salary as the basis for the calculation.

Gratuity payment liability tends to increase as the salaries and tenure of employment increase annually. An employer may pay out gratuity proceeds from his current revenue, however, to ascertain the gratuity liability of the employer and for more prudent financial planning, it is beneficial to set up a gratuity fund.

ICICI Prudential Group Gratuity Plan

ICICI Prudential Life Insurance offers a unit-linked group gratuity plan that helps you to fund the statutory gratuity obligation in a scientific manner and also avail of the tax benefits as applicable to approved gratuity funds.

Eligibility

Our Group Gratuity Plan covers

- Employer- employee groups.
- group size of 25 and above

What is the gratuity benefit payable?

The employer can provide gratuity benefits as per the rules of the schemes framed with reference to the Gratuity Act or on better terms as decided by the company. The benefit payable will be the accrued gratuity amount for the employee and the bundled life cover (in case of death)

Bundled life cover

Our plan provides greater value to your employees by packaging gratuity with life insurance. This cover can be extended in any of the following ways:

- as a flat/graded cover which can be a minimum of Rs. 1000 per employee, or,
- on the basis of Anticipated Gratuity which is the amount paid over and above the Accrued Gratuity of an employee in the event of his premature death before retirement age, for the balance years of his service.

The premiums for the bundled life cover are payable annually in advance. The same is stated explicitly over and above the gratuity contributions payable.

How would contributions be made?

The contributions made towards the Gratuity liability will depend on the **Actuarial Valuation**.

You can estimate your gratuity liability based 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 five years. The annual contributions can be made in annually/ quarterly/monthly installments.

Product Offering

ICICI Prudential offers a market linked plan that offers higher flexibility and transparency than any other traditional or self-administered fund. We offer multiple fund options under the Group Gratuity Plan to meet your diverse financial goals. The investments will be made in accordance with the fund objectives.

Fund Option	Asset Allocation	Objective
Group Short Term Debt Fund	100%: Debt securities, Money market Instruments & Cash (including Debt Schemes of Mutual Fund)	To provide suitable returns through low risk investments in debt and money market instruments with an underlying objective to attempt to protect the capital deployed in the fund.
Group Debt Fund	100%: Debt securities, Money market Instruments & Cash (including Debt Schemes of Mutual Fund)	To provide accumulation of income through investment in various fixed income securities. The Plan seeks to provide capital appreciation while maintaining suitable balance between return, safety and liquidity.
Group Balanced Fund	Minimum 80%: For Debt securities, Money market Instruments & Cash (including Debt Schemes of Mutual Fund) Maximum 20%: For Equity and equity related securities	Balanced Plan is aimed at generating a healthy mix of long-term capital appreciation along with current income. The strategy is to invest in equity as well as fixed income instruments in optimum proportions as derived from the analysis of prevalent market conditions from time to time.
Group Growth Fund	Maximum 60%: For Equity & Equity related securities Minimum 40%: For Debt securities, Money market Instruments & Cash (including Debt Schemes of Mutual Fund)	To primarily generate long-term capital appreciation through investment in equity and equity related securities and complement it with current income through investment in fixed income instruments in appropriate proportions depending on market conditions prevalent from time to time.

Benefits of our Market Linked Plan

Flexibility

Multiple Investment Options – Choice of multiple funds with a flexible investment pattern

Switching Option - While you have chosen a fund option, you have the flexibility of switching between our various funds at any time. Switching between the various funds is allowed depending upon your requirements. We allow unlimited switches free of cost every year.

Contribution Redirection – The contributions can be redirected for investments into a fund of your choice and need not adhere to the initial investment pattern.

Transparency

Portfolio Disclosure – Quarterly disclosure of the funds, enables you to achieve better fund management.

NAV* declaration- NAVs declared daily, enabling you to track the performance of the fund chosen by you.

*NAV = $\frac{\text{Market / Fair value of scheme's investments} + \text{Current Assets} - \text{Current Liabilities \& Provisions}}{\text{No. Of units Outstanding under the relevant plan}}$

Unit Pricing- The contribution received in respect of the client is converted into number of units based on the Net Asset Value (NAV) per unit at that point of time.

Explicit charge structure – The charges for our Group Gratuity plan are categorized into the following

- **Annual Recurring Charges** - ICICI Prudential Life Insurance shall charge fund management fee for assets under fund management. This fee will be based on the size of the fund and type of investment option chosen.
- **Exit Load** – In the event a company wants to surrender / exit their gratuity fund with ICICI Prudential; an exit charge would apply based on the year of exit. These charges will not be applicable if the Policy is in existence for more than 3 years.

Services

- Dedicated account manager
- Settle Claims and payouts within specified turn around times
- Assistance in setting up of a new trust and transfer of existing schemes.
- Legal & Taxation helpdesk for your gratuity fund
- Financial planning for your employees

What happens when employees join or leave the scheme?

- All new joiners become a part of the group, if they meet the eligibility criteria. The life cover starts from the date of joining the company.

- The particulars of the new joiners may be submitted by the Employer on a monthly basis. The term premiums are payable annually in advance (on a pro-rata basis) and the annual contribution can be paid in the specified installments.
- In case of an individual leaving service or the group, life cover will cease immediately. The proportionate premium will be refunded for the employees leaving the scheme. The gratuity accrued will be paid to the employee if eligible.
- For all death claims the life cover along with the accrued gratuity will be payable to the beneficiary.

Taxation Implications*

- Under Payment of Gratuity Act, 1972, on completion of 5 years of service, for every completed year of service or part thereof in excess of 6 months, the employer shall normally pay gratuity to an employee at the rate of 15 days' wages based on the rate of wages last drawn by the employee concerned.
- Employer may make an Initial Contribution in respect of past service
- Past service liability if funded by payment of single or in installments not exceeding FIVE, then the whole of contribution will be eligible for tax relief in the year of payment
- Contribution paid to the trust fund by an employer is treated as an business expenses. (Sec 36 (1)(v))
- Amount allowed as deduction shall not exceed 8.33% of the salary (Generally Basic Plus D.A.).
- Under Sec 40 A (7) no deduction shall be allowed in respect of any provision made by the employer for the payment of gratuity to his employees on retirement or termination of their employment. Deduction in computing the income of the assessee for any assessment year is available only on actual contribution of the liability to an approved gratuity fund
- For the Gratuity fund to be approved by the Income Tax Commissioner it is necessary to set up an irrevocable Trust
- The Gratuity trust can invest its funds by making a contribution under a Group Gratuity Scheme of an insurer.
- The income of an approved gratuity fund is exempt under Section 10(25) (iv)
- Gratuity payable to an employee is taxed as part of the employee's salary income under Section 17 (i) (iii). However, Gratuity is tax free up to half months (15/26) average salary (of last 10 months) for each year of service, subject to a maximum of Rs. 3, 50,000 under Section 10(10)
- All claims paid out from bundled life cover are eligible for tax deductions under Section 10(10)D

** As per income Tax Act, 1961 and Income Tax Rules, 1962. Please refer to your legal /tax consultant for details.*