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Registration of Gratuity Trsut

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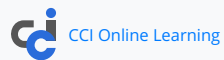
manu saxena (Finance Officer) 01 April 2010

Dear Members,

Please suggest, whether **Employee Group Gratuity Trust** is required to register under Relevant State Trust Act with Deputy Registrar/Charity Commissioner or not? The Co. is a Public Limited Co. and planning to undergo in Group Gratuity S cheme with LIC of INDIA.

Manu Saxena

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Under the Payment of Gratuity Act, 1972, it is employers statutory liability to pay 15 days salary (15/26 of a month's wages) 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. Higher benefits can be paid if the employer so desires. Gratuity payable to the employees can be paid as and when liability arises and can be claimed as deductible expense under P & L A/c of the relevant financial years. However, the sound system of financial management envisages providing for Gratuity liability every year and claiming the tax benefits as it is mandatory as per Accounting Standards 15 (AS15) to account for the liability on Actual basis. **This can be done by creating a Trust, managed privately or by LIC and paying the amount to the Trust every year. In case of Privately Managed Trust, investment of funds will have to be done as per Income-Tax Act, by the trustees and entire administration of the Trust including Actuarial Valuation will be the responsibility of the Trustees. In case of LIC managed trust, the job of investment and actuarial valuation is taken over by the corporation free of charge and in addition, interest is paid by the Corporation on the accumulated funds.**

We give below the details as to how the Group Gratuity (Cash Accumulation) Scheme provides for a convenient mode of funding the statutory obligation of an employer under the payment of Gratuity Act:

ATTRACTIVE RETURN:

LIC offers a very attractive rate of interest depending upon the size of the fund

Employers ordinary annual contribution is allowed as deduction in full in computation of business income as per Section 36(1) (v).

Employer's initial contribution.

No. limit on amount as per Rule 104.

It is to be paid on the date of setting up of fund in full or in 5 yearly equated instalments from such date.

Deduction to be allowed shall not exceed 8 1/3% of the past salaries as per Rule 104.




Allowed as a deduction in full in computation of business income as per Section 36 (1)(v).


Benefits to employees Employer's initial and ordinary annual contribution are not treated as taxable perquisites.

Gratuity is payable in lumpsum only as per Rule 3 of part C of Schedule IV.

Gratuity is salary and hence taxable, it is taxed under Sec. 17(i) (iii).

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Gratuity is tax free upto half month's average salary (of last 10 months) for each year of service, subject to a maximum of Rs. 3.5 lakhs as per Sec. 10(10).

While computing tax on gratuity, relief of spreading back available as per Sec. 89(1).

regards,

ratan

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••• [Tikaram Chaudhary](#) (GM Operations to Actuary & Gratuity Trust Fund Consultant) [25 December 2017](#)

Benefit of Creating Group Gratuity Trust Fund & Impact on Gratuity Liability due to change in the Ceiling limit of Gratuity Amount Payable to employees from "Ten Lakh Rupees" to "Twenty Lakh Rupees" for Companies

In this article I would like to draw your kind attention towards the benefits of creating Group Gratuity Trust Fund & Impact on Financial Statements of Companies due to change in the Ceiling limit of Gratuity Amount Payable to employees from "Ten Lakh Rupees" to "Twenty Lakh Rupees" as The Payment of Gratuity (Amendment) Bill, 2017 introduced in the Lok Sabha on 18 December 2017 for this purpose. You can access the bill by clicking on the following link:

[http://www.prsindia.org/uploads/media/Payment%20of%20Gratuity%20Bill,%202017/Payment%20of%20Gratuity%20\(Amendment\)%20Bill,%202017.pdf](http://www.prsindia.org/uploads/media/Payment%20of%20Gratuity%20Bill,%202017/Payment%20of%20Gratuity%20(Amendment)%20Bill,%202017.pdf)

As stated above in the notice of the Bill, it proposes to substitute the words "ten lakh rupees" with the words "such amount as may be notified by the Central Government from time to time" in Sub-Section (3) to Section 4 of The Payment of Gratuity Act, 1972. Thus, the proposed Bill seeks to empower the Central Government to notify the ceiling proposed, instead of amending the said Act, so that the limit can be revised from time to time keeping in view the increase in wage and inflation, and future Pay Commissions.

If the above Bill is passed by both Houses of Parliament in the current winter session, we expect the government to notify increase in gratuity limit (to Rs. 20 Lacs) before 31 March 2018.

Impact on Gratuity Liability due to change in Gratuity Ceiling Limit

As we expect the government to notify increase in gratuity limit (to Rs. 20 Lacs) before 31 March 2018 then it will have a bearing impact on the Financial Statements of 31.03.2018 such Balance Sheet and Profit/Loss of Private Sector Companies because the Gratuity Liability of Private Sector Companies will increase many folds where employees has already accrued their gratuity benefits above 10 lakh but their accrued benefits are restricted due to ceiling of 10 lakh.

The following table this impact :-

<https://2.bp.blogspot.com/-03hHGRJwJUs/Wj4adB58JHI/AAAAAAAAAJdA/TZKY6fwQqYcfxgzQazONsxGIUNeeHEYmQCLcBGAs/s1600/Impact%2Bof%2BChange%2Bin%2BCeiling%2BLimit%2Bof%2BGratuity%2Bas%2Bon%2B31.03.2018.png>

The above table is based on the accrued gratuity benefits by considering their accrued service till 31.03.2018 & basic salary of 31.03.2018 as qualifying salary for their Gratuity benefit computation. From results in above table, we may conclude :-

1. That the accrued liability of 20 employees for their accrued service as on 31.03.2018 for their basic salary of Rupees 1,38,65,36/- calculates to Rupees 2,15,45,166/- as shown in Col.4 but due to monetary ceiling limit of 10 Lacs as per The Payment of Gratuity (Amendment) Act, 2010, company liability is restricted to Rupees 1,28,73,977/- as Shown in Col. 5 of the above Table.
2. That the company liability has changed dramatically to Rupees 1,81,50,784/- from Rupees 1,28,73,977/- due to change in Ceiling limit of Gratuity Amount Payable to employees from "Ten Lakh Rupees" to "Twenty Lakh Rupees" by Rupees 52,76,807/- which is 40.99% of the original liability of Rupees 1,28,73,977/ at ceiling limit of 10 Lakh.
3. If the ceiling limit is abolished then the liability will be Rupees 2,15,45,166/- which is almost 167% of the original liability of Rupees 1,28,73,977/- at ceiling limit of 10 Lakh.

From above example, we may conclude that Amendments in the Act can not be regulated by the Companies similarly their impacts of such changes on their Financial Statements but Companies can smartly reduce bearing impacts of such changes in the Act by Creating a Group Gratuity Trust Fund.

Types of Group Gratuity Trust Funds

The funds of the trust can either be invested by the trustees or alternatively the funds may be let out to LIC who will then invest & give a specified return on the trust fund. The administrative work of the trust however is the responsibility of the trustees.

The identity of the trust fund is separate from that of a company and the company has no right over the money available in the fund. As the amount of gratuity payable is a function of the terminal salary and the number of years of service put in, the gratuity liability goes on increasing year after year. It is advisable to set aside each year's liability out of the profits and gains of that year.

Approval of the Income Tax Commissioner is necessary at the time of formation of the trust and whenever rules are am

ended.

In case of Self Managed Trust, investment of funds will have to be done as per Income-Tax Act, by the trustees and entire administration of the Trust including Actuarial Valuation will be the responsibility of the Trustees. All monies standing to the credit of the bank account to the extent not required for settlements /transfers / withdrawals etc pertaining to the members shall be invested by the Trustees in the manner prescribed by the Government of India vide Rules 101 & 67 of Income Tax Rules, 1962 from time to time.

In case of LIC managed funds of the trust, companies will get following benefits :-

(i) The job of investment and interest is paid by the Corporation on the accumulated funds.

(ii) In case of death while in service, the service period is counted while calculating the gratuity as if the person has served the company up to his Normal Retirement Date.

(iii) LIC maintains the fund under the name of trust.

(iv) Investment of funds is taken care by LIC & Interest is declared as per the performance of Total Fund and credited to the individual trust fund.

(v) At the time of exit of employee, trustee send discharge and advice LIC to make payment of Gratuity as per Scheme to the Trust.

(vi) Tax benefits are as per the provisions of the Income Tax Act, 1961. Such as contribution to LIC are treated as business expenses to the company and Interest earning are Tax Free. (Tax laws are subject to change.)

The above tax benefit as stated in (vi) above is not available to the companies who make the provision of Gratuity in their Balance Sheet as per the provisions of Accounting Standard-15 (Revised 2005) and IndAS 19.

You may also visit my blog more details : - <http://groupgratuityfundconsultantindeli.blogspot.in/>

If you or your client have any requirement of of Creating Group Gratuity Fund or you looking for a experienced consultant for the above purpose then you may contact me.

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Tikaram Chaudhary
Group Gratuity Trust Fund and Group Insurance Consultant
9211637063



•• [sunitakumbhar](#) (Accounts Executive) [🕒 22 October 2018](#)

Hello Sir,

Thankyou for this information

One More question, is it required to maintain seperate financials for "Trust-Employee Gratuity Fund LIC"

if YES, than what should be the procedure

Thanks and Regards

Sunita



•• [patil anand shankarrao](#) (hod) [🕒 20 November 2018](#)

where to register the trust for gratuity



•• [Tikaram Chaudhary](#) (GM Operations to Actuary & Gratuity Trust Fund Consultant) [🕒 23 February 2019](#)

Gratuity benefits are governed by "The Payment of Gratuity Act 1972" and paid by the Company to an employee in addition to his salary on exit from the company. Gratuity shall be payable to an employee on the termination of his employment after he has rendered continuous service for not less than five years, -

(a) on his superannuation, or

(b) on his retirement or resignation, or

(c) on his death or disablement due to accident or disease:

Provided that the completion of continuous service of five years shall not be necessary where the termination of the employment of any employee is due to death or disablement:

Gratuity is a statutory right of employee whoever completes 5 years in the same organization and is a terminal. **It means, Gratuity amount is determined only on the monthly terminal wages of the employee on his exit from the Company after the completion of 5 years of Service.** The cost is to be borne by the Company and not by an employee. hence, unlike other fringe benefits (i.e. Medical Insurance, Term Insurance & Accidental Insurance) it can not be part of CTC.

To understand this, let us take an Example,

Mr. A Joins the Organization with a Basic Pay of Rs. 26,000/- per month and monthly CTC of 50,000/-. Assuming that expected increase in basic salary is assumed to be 10% p.a.

Now Gratuity Payments for next 5 years will be :-

On Completion of 1 Yr - $(15/26) * 28,600 * 1 = 16,500/-$

On Completion of 2 Yrs - $(15/26) * 31,460 * 2 = 36,300/-$

On Completion of 3 Yrs - $(15/26) * 34,606 * 3 = 59,895/-$

On Completion of 4 Yrs - $(15/26) * 38,067 * 4 = 87,847/-$

On Completion of 5 Yrs - $(15/26) * 41,873 * 5 = 1,20,788/-$

Now for making the payment of gratuity, Company has 2 options :

(i) Pay as you go option - Where company makes a provision of Gratuity in the Balance Sheet on the accrual basis taking an actuarial report on BS date from an Actuary and as and when Mr. A leaves the organization, company pay gratuity from their resources and get the tax benefit for the gratuity paid.

Expected Tax Benefit calculation in case of "Pay as you Go Option" :-

For Provision of 1st Yr - NIL

For Provision of 2nd Yr - NIL

For Provision of 3rd Yr - NIL

For Provision of 4th Yr - NIL

For Payment on 5th Yr - 1,20,788/-

In this case company, Mr. A will leave the company then company will get the tax benefit of **Rs. 1,20,788/-**.

(ii) Funding Option - In this option, Company decides to Setup an Approved Gratuity Trust . The Investment of Company is either "Self Managed " or " Manager by Insurance Company". Company contribute the annual contribution in this Gratuity Trust and get the Tax Benefits. In this case, when Mr. A will leave the company, gratuity will be to Mr. A from the Gratuity Trust.

Expected Tax Benefit calculation in case of "Funding Option" under Section 36(1)(v) of the IT Act 1961 for Annual Contribution which is 8.33% of Annual Basic Salary of Employee.

For Contribution of 1st Yr - $28,600 * 12 * 0.833 = 28,589/-$

For Contribution of 2nd Yr - $31,460 * 12 * 0.833 = 31,447/-$

For Contribution of 3rd Yr - $34,606 * 12 * 0.833 = 34,592/-$

For Contribution of 4th Yr - $38,067 * 12 * 0.833 = 38,051/-$

For Contribution of 5th Yr - $38,067 * 12 * 0.833 = 41,857/-$

In this case, Mr. A will get gratuity of Rs. 1,20,788/- from the Gratuity Trust and employer will get approximate Tax Benefits of Rs. 1,74,536/- for annual contribution made by him in previous 5 years.

To get more clarity on the above example, let us take some more questions about the possibilities/event that may happen on or after completion of 5 years and their impact on the Company in case of "Funding Option" :-

Question 1. If employee died during 1st to 4th year before completion of 5th year, then what would be the benefit for Company and employee's Nominee ?

Answer 1. If employees died after 1 yr, 2nd, 3rd and 4th year but before completion of 5th year, then the company will get tax benefits for the following contributions:-

For Contribution of 1st Yr - $28,600 * 12 * 0.833 = 28,589/-$

For Contribution of 2nd Yr - $31,460 * 12 * 0.833 = 31,447/-$

For Contribution of 3rd Yr - $34,606 * 12 * 0.833 = 34,592/-$

For Contribution of 4th Yr - $38,067 * 12 * 0.833 = 38,051/-$

The company will get the Tax for the contribution made by him before the date of death of the employee as stated above and employee's nominee will get following Gratuity Payments from the Trust along with a future service gratuity subject to certain limits as defined by the Insurance Company whilst taking Group Gratuity Scheme from the Insurance Company.

Question 2. If the employee resigns during 1st to 4th year and before completion of 5th year, then what would be the benefit for Company and employee?

Answer 2. If employees resign during 1st to 4th year and before completion of 5th year, then the company will get tax benefits for the following contributions:-

For Contribution of 1st Yr - $28,600 * 12 * 0.833 = 28,589/-$

For Contribution of 2nd Yr - $31,460 * 12 * 0.833 = 31,447/-$

For Contribution of 3rd Yr - $34,606 * 12 * 0.833 = 34,592/-$

For Contribution of 4th Yr - $38,067 * 12 * 0.833 = 38,051/-$

For Contribution of 5th Yr - $38,067 * 12 * 0.833 = 41,857/-$

and the employee will not get following Gratuity Payment from the Trust. The amount contributed by the company and interest accrued will be used by the trust for future payments of Gratuity to other employees of the company.

Question 3. If the employee resigns/retires after completion of 5th year, then what would be the benefit for Company and employee?

Answer 3. If employees resigns/retires during after completion of 5th year, then the company will get tax benefits for the following contributions:-

For Contribution of 1st Yr - $28,600 * 12 * 0.833 = 28,589/-$

For Contribution of 2nd Yr - $31,460 * 12 * 0.833 = 31,447/-$

For Contribution of 3rd Yr - $34,606 * 12 * 0.833 = 34,592/-$

For Contribution of 4th Yr - $38,067 * 12 * 0.833 = 38,051/-$

For Contribution of 5th Yr - $38,067 * 12 * 0.833 = 41,857/-$

Total Contribution in 5 years.....= Rs.1,74,536/-

and the employee will get Rs. 1,20,788/- as Gratuity Payment from the Trust. Since the company has contributed an amount in the trust is more than what is payable after 5th year so the surplus amount and interest accrued on the contributions of will be used by the trust for payment to the other employees.

From above examples of "Pay as you go Option" and "Funding Option," it is clear that Gratuity cannot be a part of CTC but it is a legal obligation which is borne by the Company on exit of the employee.

The Company may have an option to set up a Gratuity Trust and make an annual contribution in the "**Irrevocable Trust**" so that he can avail the tax benefits Section 36(1)(v) of the IT Act 1961 and will have a Corpus in "**Irrevocable Trust**" which will be exclusively used by the Trustees to meet with Company obligation towards Gratuity Payments.

To know more about Employee Benefits Plans Restructuring as per the rules and regulations of the Act/Acts (i.e. Gratuity, Leave Encashment & Long Service Awards), Gratuity Trust Fund Set-up & Retention Schemes like Employer-Employee Scheme for your highly paid Employees.

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With Regards

Tikaram Chaudhary

Group Gratuity Trust Fund & Group Insurance (Retention Schemes) Consultant

(Experienced Consultant with 10 years of exposure in assessment/valuations of Employees Benefit Liabilities specially Gratuity/Leave Encashment Liabilities & Retention Schemes)

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For more details about us visit our blog at www.gratuityconsultant.blogspot.com



•• [Tikaram Chaudhary](#) (GM Operations to Actuary & Gratuity Trust Fund Consultant) 08 May 2019

I hope below write up may give more clarity on the provisions of **Payment of Gratuity Act 1972 (Amended)**

Under the provisions of the Payment of Gratuity Act 1972 (Amended), gratuity is a statutory obligation on the shoulders of the employer to make the payment of Gratuity to his employees as soon as it becomes payable (**Refer Sub Section (2) of Section 7 to the Act**).

Applicability

Compliance of this act is applicable to all organizations such as a factory, mine, oilfield, port, railways, plantation, shops, establishments or Educational institution having 10 or more employees on any day in the preceding 12.

Determination of Gratuity Amount

The amount of Gratuity payable to an employee on his exit from service, according to "The Payment of Gratuity (Amendment) Act 2018", in force at present, is:-

$(\text{Wages of the employee at the time of exit}) \times (15/26) \times (\text{Number of Years of Service at the time of exit})$

This is subject to a ceiling limit of 20,00,000/- effective from 29.03.2018.

Conditions for payment of Gratuity

Gratuity is payable to an employee on exit from service after he has rendered continuous service for not less than five years:

- (a) On his superannuation
- (b) On his resignation
- (c) On his death or disablement due to injury or disease.

In the case of (c) vesting condition of 5 years does not apply.

Gratuity Benefits depends upon the last drawn monthly wages and is linked to the length of service, normally it goes on increasing from the time when the employee joins service and the time of his exit from service

Provisions for Employer under Payment of Gratuity Act 1972 (Amended)"

Section 7 of the Act has kept obligation for payment of gratuity act on the shoulders of the employer, few provisions of the act are listed below:-

1. As soon as Gratuity becomes payable, it employers responsibility to determine the amount of gratuity and inform it to the employee in writing (**Refer Sub-Section 2 of Section 7 of the Act**).
2. The employer shall arrange to pay the amount of gratuity within 30 days from the date when it becomes mandatory. (**Refer Sub-section 3 of Section 7 of the Act**).
2. If the amount of gratuity is not paid within 30 days then the amount of gratuity and simple interest will be paid by the employer to the employee for the duration when the payment is not made to the employee. (**Refer Sub-section 4 of Section 7 of the Act**).

Accounting of Gratuity by the Employer

The Companies Act regulates/prescribes the Accounting Standard/Accounting Standards for the accounting of payment of Gratuity in the Financial Statements of different organizations. The compliance of Accounting Standard/standards is mandatory in nature.

The Institute of Chartered Accountants of India prescribes following Accounting Standard/standards **for accounting of Gratuity by the companies:-**

Accounting Standard 15 (Revised 2005)

Ind AS 19

For Accounting of Gratuity by Schools, The Institute of Chartered Accountant has issued Guidance note on Accounting by Schools (2005) or as amended at time to time.

Under the accounting preview, gratuity falls in the category of the defined benefit plan and is a post-retirement benefit. **The nature of computation of post-retirement benefit is complex and hence Actuarial Valuation Certificate/ Report of an Actuary (Para 49 of AS 15 Revised 2005)** forms the basis of accounting provisions of gratuity in the financial statement.

Income Tax Rules for Gratuity.

Accounting provision of gratuity in Financial Statements/Balance Sheet **is not allowed as a deduction under Section 40 A(7)** of Income Tax Act, 1961 (as amended time to time). The Section is produced below:-

" (a) Subject to the provisions of clause (b), no deduction shall be allowed in respect of any provision (whether called as such or by any other name) made by the assessee for the payment of Gratuity to his employees on their retirement or on termination of their employment for any reason.

(b) Nothing in clause (a) shall apply in relation to any provision made by the assessee for the purpose of payment of a sum by way of any contribution towards an approved gratuity fund, or for the purpose of payment of any gratuity, that has become payable during the previous year."

For gratuity payment management, the employer has the option to fund the liabilities for payment of gratuity by setting up an irrevocable trust approved in terms of part c of the fourth schedule to the income tax act, 1961.

The contributions made by the employer in such trust is allowed as a business expense under section 36 (1) (v) of the income tax act, 1961. This section is produced herein below:-

" (a) any sum paid by any sum paid by the assessee as an employer by way contribution towards an approved gratuity fund created by him for the exclusive benefits of his employees under an Irrevocable Trust."

For more details in the above matter then you may contact us at 9211637063 or email your requirement at tikaramchudhary@gmail.com.

I have 10 years of experience in providing consultation and have a team of leading Finance professionals, Litigation Partners, Chartered Accountants, Company Secretaries & Heads of Insurance Companies. In my 10 years of experience I have given consultation to CFOs, Directors, Heads of HR, Finance and Tax Planning department of the Companies, spread in all sectors of the Indian Economy, in the Public & Private Sectors which covers areas of **Manufacturing, Software, Technology, Electricity, Electronics, Call Centers, Banks, Educational Institutes, Schools, Universities, Hotels, Hospitals, Hospitality Companies, etc. etc.**

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Tikaram Chaudhary

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LinkedIn Profile : <https://www.linkedin.com/in/tikaram-chaudhary-a5727848/>

(All Consultancy Services provided by us are subject to terms & conditions will be stated when a consultation job is accepted.)



••• **Tikaram Chaudhary** (GM Operations to Actuary & Gratuity Trust Fund Consultant) © 08 May 2019

I hope below write up may give more clarity on the provisions of **Payment of Gratuity Act 1972 (Amended)**

Under the provisions of the Payment of Gratuity Act 1972 (Amended), gratuity is a statutory obligation on the shoulders of the employer to make the payment of Gratuity to his employees as soon as it becomes payable (**Refer Sub Section (2) of Section 7 to the Act**).

Applicability

Compliance of this act is applicable to all organizations such as a factory, mine, oilfield, port, railways, plantation, shops, establishments or Educational institution having 10 or more employees on any day in the preceding 12.

Determination of Gratuity Amount

The amount of Gratuity payable to an employee on his exit from service, according to "The Payment of Gratuity (Amendment) Act 2018", in force at present, is:-

$(\text{Wages of the employee at the time of exit}) \times (15/26) \times (\text{Number of Years of Service at the time of exit})$

This is subject to a ceiling limit of 20,00,000/- effective from 29.03.2018.

Conditions for payment of Gratuity

Gratuity is payable to an employee on exit from service after he has rendered continuous service for not less than five years:

- (a) On his superannuation
- (b) On his resignation
- (c) On his death or disablement due to injury or disease.

In the case of (c) vesting condition of 5 years does not apply.

Gratuity Benefits depends upon the last drawn monthly wages and is linked to the length of service, normally it goes on increasing from the time when the employee joins service and the time of his exit from service

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2. The employer shall arrange to pay the amount of gratuity within 30 days from the date when it becomes mandatory. (**Refer Sub-section 3 of Section 7 of the Act**).
2. If the amount of gratuity is not paid within 30 days then the amount of gratuity and simple interest will be paid by the employer to the employee for the duration when the payment is not made to the employee. (**Refer Sub-section 4 of Section 7 of the Act**).

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The Institute of Chartered Accountants of India prescribes following Accounting Standard/standards **for accounting of Gratuity by the companies:-**

Accounting Standard 15 (Revised 2005)

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Under the accounting preview, gratuity falls in the category of the defined benefit plan and is a post-retirement benefit. **The nature of computation of post-retirement benefit is complex and hence Actuarial Valuation Certificate/ Report of an Actuary (Para 49 of AS 15 Revised 2005) forms the basis of accounting provisions of gratuity in the financial statement.**

Income Tax Rules for Gratuity

Accounting provision of gratuity in Financial Statements/Balance Sheet is **not allowed as a deduction under Section 40 A(7)** of Income Tax Act, 1961 (as amended time to time). The Section is produced below:-

" (a) Subject to the provisions of clause (b), no deduction shall be allowed in respect of any provision (whether called as such or by any other name) made by the assessee for the payment of Gratuity to his employees on their retirement or on termination of their employment for any reason.

(b) Nothing in clause (a) shall apply in relation to any provision made by the assessee for the purpose of payment of a sum by way of any contribution towards an approved gratuity fund, or for the purpose of payment of any gratuity, that has become payable during the previous year."

For gratuity payment management, the employer has the option to fund the liabilities for payment of gratuity by setting up an irrevocable trust approved in terms of part c of the fourth schedule to the income tax act, 1961.

The contributions made by the employer in such trust is allowed as a business expense under section 36 (1) (v) of the income tax act, 1961. This section is produced herein below:-

" (a) any sum paid by any sum paid by the assessee as an employer by way contribution towards an approved gratuity fund created by him for the exclusive benefits of his employees under an Irrevocable Trust."

For more details in the above matter then you may contact us at 9211637063 or email your requirement at tikaramchudhary@gmail.com.

I have 10 years of experience in providing consultation and have a team of leading Finance professionals, Litigation Partners, Chartered Accountants, Company Secretaries & Heads of Insurance Companies. In my 10 years of experience I have given consultation to CFOs, Directors, Heads of HR, Finance and Tax Planning department of the Companies, spread in all sectors of the Indian Economy, in the Public & Private Sectors which covers areas of **Manufacturing, Software, Technology, Electricity, Electronics, Call Centers, Banks, Educational Institutes, Schools, Universities, Hotels, Hospitals, Hospitality Companies, etc. etc.**

We offer consultation for the following services:-

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o Traditional Group Gratuity Schemes of LIC

o Unit Linked Group Gratuity Schemes of Private Insurance Cos.

Consultation for Restructuring of Gratuity or Leave Encashment Policy.

o For Retention of Most Productive Employees.

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Tikaram Chaudhary

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