

INCOME-TAX ACT, 2025

SCHEDULE XI [See section 2(91)]: SCHEDULE XI

SCHEDULE XI - PART B - APPROVED SUPERANNUATION FUNDS AND GRATUITY FUNDS

1. Interpretation.—For the purposes of this Part, unless the context otherwise requires, “approving authority”, “employer”, “employee”, “contribution” and “salary”, in relation to superannuation funds and gratuity funds shall have, the meanings as assigned to those expressions in paragraph 2(a), (b), (c), (d) and (i) of Part A in relation to provident funds.

2. According approval to superannuation fund and its withdrawal.—

(1) The approving authority may grant approval to any superannuation fund or its part, or any gratuity fund, as the case may be, which in his opinion satisfies the conditions prescribed in paragraph 3, and may withdraw such approval at any time, if, in his opinion, the circumstances cease to warrant such approval.

(2) The approving authority shall inform the trustees of the fund, in writing, the grant of approval with the date on which the approval is to take effect and the conditions subject to which such approval is granted, if any.

(3) The approving authority shall inform the trustees of the fund, in writing, any withdrawal of approval along with the reasons and the date on which the withdrawal is to take effect.

(4) The approving authority shall not refuse or withdraw any approval without giving the trustees a reasonable opportunity of being heard.

3. Conditions for approval.—In order to receive and retain approval, a superannuation fund or a gratuity fund, as the case may be, shall satisfy the following conditions, and any other conditions as may be prescribed:—

(a) the fund shall be established under an irrevocable trust in connection with a trade or an undertaking carried on in India, with at least 90% employees employed in India;

(b) the sole purpose of the fund shall be the provision of annuities or gratuity, as the case may be, for employees in the trade or undertaking--

(i) upon their retirement at or after a specified age;

(ii) upon incapacitation before retirement;

(iii) on termination of employment after a minimum period of service specified in the rules of the gratuity fund; or

(iv) for the widows, children or dependants of such employees on their death;

(c) the employer in the trade or undertaking shall contribute to the fund; and

(d) all annuities, pensions and other benefits, granted from the fund shall be payable only in India.

4. Application for approval.—

(1) An application for approval of a superannuation fund or part of it, or any gratuity fund, as the case may be, shall be made in writing by the trustees to the Assessing Officer by whom the employer is assessable, and shall be accompanied by—

(a) a copy of the instrument establishing the fund and two copies of the rules thereof; and

(b) two copies of the accounts of the fund relating to such earlier year or years (not more than three years immediately preceding the year in which the said application is made) for which the accounts have been made up, if the fund has been in existence before the financial year in which the application for approval is made.

(2) In addition to the documents referred to in sub-paragraph (1), the approving authority may require such further information to be furnished as he thinks proper.

(3) If any alteration is made to the rules, constitution, objects or conditions of the fund after the date of the application for approval,—

(a) the trustees shall immediately inform such alterations to the Assessing Officer mentioned in sub-paragraph (1); and

(b) failure to inform such alterations may result in the approval given, if any, be deemed to be withdrawn from the date on which the alteration took effect, unless the approving authority orders otherwise.

5. Gratuity deemed to be salary.—If any gratuity is paid to an employee during his lifetime, the gratuity shall be treated as salary paid to the employee for the purposes of this Act.

6. Contributions of employee when deemed to be income of employer.—When contributions by an employer (including the interest, if any) are repaid to the employer, the amount so repaid shall be deemed for the purposes of income-tax to be the income of the employer of the tax year in which they are so repaid.

7. Deduction of tax on contributions paid to an employee.—

(1) When any contributions made by an employer to an approved superannuation fund, including interest are paid to an employee during his lifetime under conditions other than those specified in Schedule II (Table: Sl. No. 8), tax on the amounts so paid shall be deducted at the average rate of tax applicable to the employee—

(a) during the previous three years; or

(b) during the period for which the employee was a member of the fund, if the period is less than three years.

(2) The trustees shall pay the tax so deducted to the Central Government within the

time and manner, as may be prescribed.

8. Deduction from pay of and contributions on behalf of employee to be included in return.—When an employer deducts contributions from the emoluments of the employee or pays on his behalf any contributions to an approved superannuation fund, all such deductions or payments shall be included in the statement which is required under section 397(3)(b).

9. Appeal.—

(1) An employer objecting to an order of the approving authority refusing to grant approval to a superannuation fund, or a gratuity fund, as the case may be, or withdrawing such approval may appeal to the Board within sixty days of such order.

(2) The appeal shall be in such form and verified in such manner and subject to the payment of such fee, as may be prescribed.

10. Liability of trustees on cessation of approval of superannuation fund.—If a fund or a part of a fund for any reason ceases to be an approved superannuation fund, the trustees of the fund shall nevertheless remain liable to tax on any sum paid on account of returned contributions (including interest on contributions, if any), in so far as the sum so paid is in respect of contributions made before the fund or part of the fund ceased to be an approved superannuation fund under the provisions of this Part.

11. Liabilities of trustees on cessation of approval of gratuity fund.—If a gratuity fund for any reason ceases to be an approved gratuity fund, the trustees shall nevertheless remain liable to tax on any gratuity paid to any employee.

12. Particulars to be furnished.—The trustees of an approved superannuation fund or an approved gratuity fund and any employer who contributes to such a fund shall furnish such returns, statement, particulars or information, as required by notice from the Assessing Officer within the specified period, not being less than twenty-one days from the date of the notice.