

Insert company Logo



| Policy Name: | **Full & Final (FNF) Settlement Policy** | |
| --- | --- | --- |
| Policy Number: |  | |
| Version: | | Effective Date: |

|  | **Name** | **Designation** | **Signature** | **Date** |
| --- | --- | --- | --- | --- |
| Prepared By: |  |  |  |  |
| Reviewed By: |  |  |  |  |
| Approved By: |  |  |  |  |

| **Date** | **Version** | **Summary of Change** |
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# **DEFINITION**

1. **Full and Final Settlement (FNF)** is the process of paying or recovering dues from the Employee who is willing to or has resigned from the system. It includes various activities like documentation, deductions, arrears, receivables, pending salary, earnings and exit interview.
2. **Company/ Organization** means all the businesses which are under the umbrella of ***“Company Name”*** group.
3. **Member/ Employee** means a person employed with ***“Company Name”*** at all levels for wages or salary.
4. **Management** means the group of individuals that operate at the higher level at ***“Company Name”*** and have day-to-day responsibility for managing all individuals and maintaining responsibility for all the key business functions.

# **PURPOSE**

To pay all the balance payments to the employees including retirement benefits, bonus, gratuity, leave encashment, incentives etc.

# **APPLICABILITY**

The policy is applicable to all members of the ***“Company Name”*** across all the locations and branches.

# **RESPOSIBILITY & ACCOUNTABILITY**

Human Resources Department, Finance Team, Management

# **POLICY**

The procedure of paying and recovering during the resignation process is called the Final Settlement of the employee.

\*Note- You can relieve the employee first and then do the FnF **OR** do the final settlement first then relieve the employee. It depends on your company policy.

## **MAJOR COMPONENTS OF FNF**

1. **Serving Notice Period**

Serving notice period is the basic responsibility of the employee to get their full and final settlement.

While serving notice period Employee needs to transfer all his responsibilities to the new joiner and he needs to train the new employee. The notice period will be 7 days in case of probationary employee and 30 days in case of confirmed employee.

1. **Handover of all the Company Assets**

Employee needs to submit all the company properties like laptops, mobiles, hard discs, pen drives, vehicles, ID cards, Business Cars etc. Employee should get the acknowledgement signatures from respective departments on the handover form and submit the same to the Human Resources Department. HR will verify the same and post reconfirmation HR will sign the document and share the copy with the Employee.

1. **Unpaid Salary Dues**

Unpaid salary includes annual benefits such as LTA (leave travel allowance) and arrears or any salary held due to certain reasons.

1. **Leave Encashment**

Unpaid leave dues should be paid by or before 7th and 10th of the following month of resignation.

Payment for non-availed leaves (earned or privilege leave) has to be calculated based on company policy (according to the below). So, the different options for leave encashment are:

* Basic Pay Or Basic + DA
* Gross Pay
* Fixed amount defined by company

1. **Gratuity**

As per Section 7 (3) of the [Payment of Gratuity Act 1972](https://www.saralpaypack.com/blogs/payment-of-gratuity-in-india/), Gratuity should be offered within 30 days from separation. Gratuity is applicable only to the eligible employees who have completed 5 years of service with ***“Company Name”.***

1. **Deductions**

Deductions include PF, ESI, PT (if applicable), Income Tax and Compensation for Notice Period not served/ Notice Period shortfall recovery.

Gratuity and encashed earned leaves are exempt from tax deducted at source (TDS) as per Income Tax Act. All other payments attract TDS under Section 192 of the Income Tax Act.

1. **FNF Statement/ working sheet & Disbursal**

FNF is calculated based on the above inputs considering all the payables and recoveries. \*FNF Statement has to be shared with the employee either on the last working day or within 10 days of separation or as per the Company policy.

Employee should acknowledge the receipt of the FNF Statement and share his/ her acceptance on the same.

Post receipt of the acknowledgement, employee’s acceptance along with handover sheet is shared with the finance team for processing the payments.

FNF will be cleared within 45 days or as per the company policy from the separation date or last working day.

# **RESTRICTIVE CLAUSE**

* + Any exceptions to the above would be at the sole discretion of the Management.
  + Management reserves the right to change and or modify the policy without stating any reason.
* The organization reserves its right to withdraw this policy without assigning any reason by using its sole discretion which will be binding on all members. The Employees hereby unconditionally agree to all such changes/ amendments/ additions/ deletions/ modifications.
* The Company's reputation and credibility are based upon its total commitment to ethical business practices and also on ethical conduct of its Employees. To safeguard the Company's reputation, Employees must conduct themselves in accordance with the highest ethical standards and also be perceived to be acting ethically at all times. Compliance with all policies of the Company, relevant applicable laws and regulations is the minimum standard which should be adhered to by all the Employees all the times.



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