

# Hoonartek Payroll Policy V2.1

Approved By: - Nishant Shukla, Hoonar Tekwurks Private Limited

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## Hoonartek Payroll Policy

Hoonartek (The "Company") salary structure aims to achieve the following objectives:

1. Salary Structure should contain the components which are required to be paid under applicable statutes.
2. Salary Structure should be clear and simple for employees to understand.
3. Salary components should be restricted to those required statutorily with necessary components.

Therefore, the compensation structure is geared towards maximizing the "take-home" component for employees within Government of India and Income tax regulations.

Salary Structure is broadly categorized into the following components:

- A. Fixed Salary
- B. Performance Linked Reward (PLR)
- C. Non-Cash Components
- D. Other Payment/s

The payroll will be run on 26<sup>th</sup> of each month for that month, for the employees who are active and also for the employees who have joined between 1<sup>st</sup> date and 25<sup>th</sup> date, employees who join after 25<sup>th</sup> date of the month will be processed in next month. Financial information will not be displayed/available to all employees during payroll run period in HRMS (Keka). It will be displayed/available later after the last day of month.

### **A. Fixed Salary Component**

1. **Basic Salary:** is taken 40% of Monthly Fixed Salary
2. **House Rent Allowance:** is taken at 50% of Basic Salary

Under the current provisions of the Income Tax Act, HRA is exempted up to the minimum of the following:

- a. Actual house rent allowance received from employer
- b. Actual house rent paid by employee minus 10% of basic salary
- c. 40% of basic salary

E.g.: -

Basic = INR 15,000

HRA = INR 7500

Actual Rent Paid = INR 8500

- a. Actual HRA Received = INR 7500
- b. Rent Paid minus 10% of Salary = 8500 – 1500 = INR 7000
- c. 40% of Basic Salary = INR 6000

HRA exempt – INR 6000

3. **Leave Travel Allowance:** is taken 10% of Basic Salary, Maximum Limit is ₹ 180,000 per annum or ₹ 12,500 per month.

Leave Travel Allowance up to an amount actually incurred on travel on leave to any place in India by the shortest route to that place is exempt. This is subject to a maximum of the air economy fare or AC 1st Class fare (if journey mode is other than air) by such route, provided that the exemption shall be available only in respect of two journeys performed in a block of 4 calendar years. A minimum of 4 days of Annual leave will be required to claim LTA. The LTA will be not taxable as per the government policies governing LTA. Any unclaimed LTA can be claimed as taxable without the mandatory 4 days of annual holiday. This component will be paid monthly.

Refer LTA Addendum

- 4. Statutory Bonus/ex-Gratia payment:** 20% of the Basic Salary, Maximum Limit is ₹ 280,000 per annum or ₹ 23,333 per month.

**5. Provident Fund Employer Contribution/ Payment in lieu of 'Provident Fund Employer Contribution'**

Provident Fund contribution for the employees whose Basic Salary is less than ₹15,000 is required to be paid at the rate of 12% on the aggregate of Basic Salary. Hence, PF will be calculated at 12% of Basic.

The Provident Fund contribution for the rest of the employees will also be same calculated at 12% of Basic.

Employer Provident Contribution is part of your CTC, to be deducted and paid under your UAN directly to the EPFO government, instead of paying in hand to yourself, along with employee contribution similar amount in total.

PF is mandatory for all employees who are employees of Hoonartek organization, there is no option for Opting out.

**6. Standard Deduction from Salary under section 16 (ia) in lieu of Medical Reimbursement allowance and Conveyance Allowance**

We have removed medical allowance and conveyance allowance from 2018, as government has given standard deduction on both components without any proofs, hence the part of this component is now shifted to 7. Upkeep Pay / Professional Allowance.

Standard deduction is allowed under section 16ia of the Income Tax Act. The standard deduction replaced transport allowance of Rs 19200 and medical reimbursement of Rs 15000.

The budget – 2018 provided for a standard deduction of Rs 40,000 in place of transport allowance and medical reimbursement. This deduction of Rs 40,000 does not require a taxpayer to submit any bill or proof of the expenditure. It provides for a flat deduction of Rs 40,000.

Later in the Interim Budget 2019, the deduction amount of Rs 40,000 was increased to Rs 50,000. Hence the deduction from FY 2019-20 will be Rs 50,000.

Budget 2020 introduced new tax regime. Under this new regime, the taxpayers have an option to pay concessional tax rates, however major deductions and exemptions are not allowed under this new regime.

Standard deduction allowed from salary income is also not allowed if the taxpayer for filing of return in the new tax regime.

## 7. Upkeep Pay / Professional Allowance

The balance monthly fixed salary, after adjusting the aforesaid components stated in Point (1) to (5), is paid as Upkeep Pay / Professional Allowance.

### B. Performance linked Reward Payment (PLR):

The variable component is introduced for employees as per employment agreement effective 1-Oct-23 and would be payable on a yearly basis. The pay-out of the PLR component would be based on Business Unit performance and individual performance (PD) Rating. Employees serving notice period or on extended Leave without pay or on Disciplinary Action Plan would not be eligible for pay-out.

The eligibility for PLR (if applicable as per Appointment Letter) would be after successful completion of 6 months from Date of Joining and successful PD completion and as per employment agreement. The actual pay-out could be higher or lower based on the above. This could be paid for as per the Company's policy based on the achievement of criteria laid down by the Company.

Payment terms:

1. Measured based on financial calendar year from 1st April to 31st March. The payout would be based on the KRA's achieved and paid out as part of July payroll.
2. Employees should not be serving Notice period at the time of the payment. For a partial year, the amount payable would be prorated.
3. Performance Linked Reward is in Lieu factor of Annual Bonus

## C. Non-cash Component

### 1. Gratuity

All employees are covered under the Gratuity Scheme. As per the Payment of Gratuity Act, 1972 ("Gratuity Act"), gratuity is payable to an employee on separation from the employment when such employee has completed five (5) years of continuous service in the Company. The amount of gratuity payable by the Company is calculated as per provisions of the Gratuity Act as amended from time to time.

Cost to the Company salary structure contains Gratuity as one of the salary components though it is not paid monthly.

### Calculation of Monthly Component

Monthly basic salary (X) 12 (X) 4.81%.  
(4.81% is notional amount)

### Compliances under the Gratuity Act

#### Computation of Gratuity

Monthly basic salary (X) 15 (X) Number of Years of Continuous Service/26

In the above formula,

1. Monthly basic salary implies last basic salary drawn by the employee, and

- Continuous Service in a particular year shall mean service by the employee for not less than two hundred forty (240) days in that year.

#### Exceptions to Payment of Gratuity

The Company shall not be liable to pay gratuity to an employee if his or her services are terminated on the following grounds:

- Riotous or disorderly conduct or any other act of violence; or
- For any act which constitutes an offence involving moral turpitude committed in course of employment.

## **2. Group Medclaim**

Company provides Group Medclaim / Group personal accident insurance / Group term insurance to an employee. If the employee wants to opt out then he must send email to HR ([hrmops@hoonartek.com](mailto:hrmops@hoonartek.com)) mentioning the same in the month of December itself (for new joiners, in the first month of joining itself).

Please find below the details:

Insurance policy	Coverage for	Coverage amount	Premium paid by
Group Medclaim	Employee, Spouse and 2 dependent children up to 25 yrs. of age	Refer to "Group Medclaim" in Keka	Sum insured for 2 lacs will be paid by Employer. Additional sum insured has to be paid by employee as per rake rate or 50% whichever is less
Group Personal Accident Insurance	Self	Refer to "Group Personal Accident Insurance" in Keka	Company
Group Term Insurance	Self	INR 10,00,000	Company

***\*All Claims will be settled as per the policy document and insurance guidelines.***

## **D. Other Payment/s**

### **1. Relocation Allowance**

This component is given to employees with sole discretion of HR at the time of offer/project allocation. Please refer to your appointment letter/email for details. This component is recoverable if an employee decides to part ways within one year from date of joining/project allocation.

In order to make the move smoother, the employee will be eligible for a lump sum payout of a fixed sum to support the move. The lump sum is to help support moving personal effects, one way travel, pay brokerages etc. The employee can claim the expenses towards moving personal belongings and an amount to be paid by way of brokerage with support of appropriate bills within a period of 45 days from the date of Relocation. Once such claim shall be duly received, the Company shall pay such fixed sum up to the limit prescribed in the table below. Any amount incurred over and above the prescribed limit as mentioned in the said Table shall not be reimbursed. Any amount not supported with appropriate bills will be subject to

tax as per Income Tax rules. The payout is a one-time payout. If the move is due to personal request and considerations, the employee will not be eligible for the lump sum payout.

Due to the relocation, the employees' home base will be moved to the new location. After the completion of the project/if the Business wants the employee to relocate again to Pune, relocation bonus will be paid again as per the below eligibility.

In case the employee resigns from the services of the company within One Year of availing the relocation lump sum amount, the employer will recover the same in the full & final settlement to settle all dues.

Level	Lump sum relocation allowance
1	INR 30,000
2	INR 40,000
3	INR 55,000
4	INR 75,000
5 & above	INR 1,00,000

## 2. Joining Bonus

This component is given to employees with sole discretion of HR at the time of offer. Please refer to your appointment letter for details. This component is recoverable if an employee decides to part ways within one year from date of joining.

## 3. Annual Bonus

The Company operates an annual bonus scheme for employees. Payment of the same is at the sole discretion of the Company. In determining whether you will be paid the bonus, the Company will consider your performance and your compliance with the Company procedures. Subject to such rules of the bonus scheme as may be from time to time in force, you will be eligible to be considered for a discretionary Annual bonus award in respect of each performance year of your Employment.

Employees joining till **31-Mar-23** will only be eligible for an Annual Bonus. In the appointment letter of employees mentioned Performance Linked Reward (PLR) or Sales Bonus is in Lieu factor of Annual Bonus.

All bonus awards are subject to the following conditions:

- the amount, structure and form of any bonus award will be determined by the Company in its sole discretion (which for the avoidance of any doubt includes the right to make a nil award).
- should have completed at least (18 months) of continuous service with the company in the month of March including the probation period to be eligible for the bonus payout in July.
- Employees serving notice period or on extended Leave without pay or on Disciplinary Action Plan would not be eligible for consideration of the pay-out.
- The purpose of any such bonus is to reward you for the performance of the Company, your department, and your own personal performance for the previous financial year and
- Any bonus will be paid less deductions for income tax and / or any other statutory deductions as mandated by the law in force.

#### 4. Benefits

##### a) Education/Training Certifications:

Pre-approved by HR & BU Head (Level 5 and above) for relative course to current role in Hoonartek provided employee has completed 1 year in company is retained for One year after completion of course/certifications up to a maximum of TWO in a calendar year. Company will pay 100% cost of the course as per the below slab after successful completion of Education/Training Certification which has to be sent to HR on [hr@hoonartek.com](mailto:hr@hoonartek.com) for HR records. This must be documented in PD by Reporting Manager and track and update progress, Level wise limits as below:

- Level 1 - Rs.25,000
- Level 2 - Rs.25,000
- Level 3 – Rs.35,000
- Level 4 – Rs.45,000
- Level 5 – Rs.60,000

##### b) Communication Benefit:

Mobile and Internet usage for Project Delivery with due approval of Manager & BU Head. Submit bills for prepaid/postpaid connections for Level 3 and above employees only with maximum limit of INR 1000 per month.

- c) The Hoonartek is also providing compensatory allowances to sustain project costs by providing various allowance to meet project objective like Project Allowances, Shift Allowances, On Call Allowances, Standby Allowances, Accommodation Allowances, per diem Foreign Travel Allowances which are subjective to every individual project, as applicable. Separate Policies are prepared and shared with employees onboarding each project.
- d) Any gift allowance/cash/kind paid to employee as reward for performance or achievement of any event, it will be taxable in hands of employees to be processed in payroll as applicable.
- e) Reimbursements of expenses are also processed in the payroll each month, for the expense claims submitted between 1<sup>st</sup> day of month to 25<sup>th</sup> day of month, containing valid bill/proofs along with Manager approval.
- f) Hoonartek provides options for choosing salary bank accounts at the time of joining, approved valid bank list will be given separately at time of Induction. The employees have to complete all banking formalities by connecting/coordinating with Bank RMs and Finance Team within 15 days from date of joining and provide us the bank details such as Account Number, IFSC code, and Beneficiary Name to [accounts@hoonartek.com](mailto:accounts@hoonartek.com) with email subject as "Employee ID – Bank Details for Salary Processing"

##### Disclaimer:

*The policies and benefits mentioned here are the policies of the Company as on date; this is subject to change and as per policies of the Company from time to time and geography.*

*\*This policy is applicable only to all permanent Hoonartek employees only.*

## Document Version History

Version No.	Description	Date	Approved By
0.1	First Release – Initial draft of the document for management review and approval	1-Jan-15	
1.0	Second Release – Final document after review and approval for circulation and implementation	2-Jan-15	Kavita Tengshe
1.1	Third Release - Conveyance Allowance amount increased	2-Apr-16	Kavita Tengshe
1.2	Fourth Release - Voluntary Provident Fund added	2-Jan-17	Kavita Tengshe
1.3	Fifth Release - PLR moved to all fixed structure	2-Jan-18	Nishant Shukla
1.4	Sixth Release - Education/Training Certifications clause updated with 100% payment by company	2-Aug-18	Nishant Shukla
1.5	Seventh Release – Conveyance & Medical Reimbursement Allowance clause updated; no bills required. Joining bonus & Annual bonus clause added	2-Jan-19	Nishant Shukla
1.6	Eighth Release – Conveyance & Medical Reimbursement Allowance and added in upkeep Pay / Professional Allowance	2-Jul-20	Nishant Shukla
1.7	Ninth Release - Company name changed from LLP to Private Limited	30-Jul-21	Nishant Shukla
1.8	Tenth Release - Group Mediclaim details & Communication Benefit updated	2-Apr-22	Nishant Shukla
1.9	Eleventh Release - Company logo change	31-Aug-22	Nishant Shukla
2.0	Twelfth Release – Change in Annual Bonus	31-Mar-23	Nishant Shukla
2.1	Thirteenth Release – PLR added effective 1-Oct-23	1-Oct-23	Nishant Shukla
2.2	Fourteenth Release - Update in company logo based on branding guidelines from Top Management	14-Jun-24	Nishant Shukla

## Document Review History

Version No.	Review Comments	Review Date	Reviewed By
0.1	First Review – No change suggested. Document signed off for implementation	2-Jan-15	Kavita Tengshe
1.0	Second Review - Conveyance Allowance amount increased	1-Apr-16	Kavita Tengshe
1.1	Third Review - Voluntary Provident Fund added	1-Jan-17	Kavita Tengshe
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1.6	Eighth Review - Company name changed from LLP to Private Limited	29-Jul-21	Nishant Shukla
1.7	Ninth Review - Group Mediclaim details &	1-Apr-22	Nishant Shukla



	Communication Benefit updated		
1.8	Tenth Review - Company logo change	30-Aug-22	Nishant Shukla
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2.0	Twelfth Review - PLR added effective 1-Oct-23	30-Sep-23	Nishant Shukla
2.1	Thirteenth Review - Update in company logo based on branding guidelines from Top Management1	3-Jun-23	Nishant Shukla