

JZ PAYROLL OUTSOURCING

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FULL & FINAL SETTLEMENT COMPREHENSIVE CHECKLIST

Legal Compliance & Process Guide for Indian Companies

Checklist Overview

Version: 2025.1

Pages: 5

Coverage: Complete F&F Process

Compliance: Indian Labor Laws

Industry: All Sectors

What You'll Get

- ✓ Pre-Exit Preparation Checklist
- ✓ Document Preparation Guide
- ✓ Calculation Templates & Formulas
- ✓ Legal Compliance Timeline
- ✓ Common Mistakes Prevention



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experience

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PRE-EXIT PREPARATION CHECKLIST

 **Pro Tip:** Start this process 30-60 days before the employee's last working day to ensure smooth settlement.

Timeline Planning (30-60 Days Before LWD)


- ☐ **Employee Notification Received**
Resignation letter or termination notice documented with proper dates
- ☐ **Notice Period Calculation**
Verify notice period as per employment contract and company policy
- ☐ **Knowledge Transfer Plan Created**
Document handover responsibilities and identify knowledge repositories
- ☐ **Replacement Planning Initiated**
Begin recruitment process or internal resource allocation

Asset & Access Management

- ☐ **Company Asset Inventory**
List all company assets: laptop, mobile, ID card, documents, keys, etc.
- ☐ **System Access Review**
Document all system access: email, software licenses, VPN, databases
- ☐ **Project Handover Schedule**
Plan transition of ongoing projects and client relationships

Financial Preparation

- ☐ **Salary & Benefits Review**
Current salary structure, pending increments, and bonus eligibility
- ☐ **Leave Balance Verification**
Earned Leave (EL), Casual Leave (CL), and sick leave balances
- ☐ **Outstanding Advances/Loans**
Check salary advances, company loans, or any pending recoveries
- ☐ **Reimbursement Claims**
Travel, medical, or other expense reimbursements pending approval

 **Critical Reminder:** Ensure all PF and ESI contributions are updated in government portals before processing F&F settlement.

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DOCUMENT PREPARATION CHECKLIST

Core F&F Documents

1. F&F Settlement Statement

- ☐ Employee details (ID, name, designation, DOJ, LWD)
- ☐ Earnings breakdown (salary, leave, gratuity, bonus)
- ☐ Deductions (TDS, PF, ESI, recoveries)
- ☐ Net payable amount calculation

2. Relieving Letter

- ☐ Official company letterhead
- ☐ Employee name and designation
- ☐ Employment duration (DOJ to LWD)
- ☐ Authorized signatory signature

3. Experience Certificate

- ☐ Job responsibilities summary
- ☐ Reporting structure mentioned
- ☐ Performance acknowledgment (if applicable)
- ☐ Future employer contact info

4. No Dues Certificate

- ☐ Asset return confirmation
- ☐ Financial clearance statement
- ☐ Department-wise clearance
- ☐ Knowledge transfer completion

Calculation Formulas

Leave Encashment Calculation:

$(\text{Basic Salary} \div 30) \times \text{Number of Unused Leave Days}$

Note: Maximum encashment limit as per company policy applies

Gratuity Calculation (5+ years service):

$(\text{Last Drawn Salary} \times 15 \times \text{Years of Service}) \div 26$

Applicable only for employees with 5+ years continuous service

Notice Period Recovery:

$(\text{Basic Salary} \div 30) \times \text{Number of Shortfall Days}$

When employee doesn't serve complete notice period



Statutory Documents



Form 16 (Tax Certificate)

Annual salary and TDS details for income tax filing



PF Settlement Documentation

Withdrawal forms or transfer details to new employer



ESI Settlement Records

Final contribution details and coverage continuation info



Expert Tip: Always prepare documents in duplicate - one for employee records and one for company audit trail.

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SIGNING PROCESS & LEGAL COMPLIANCE

Signature Requirements

- ☐ **Employee Signature**
Acknowledgment of receipt, calculation acceptance, and future claims waiver
- ☐ **Company Representative Signature**
Authorized HR/Payroll signatory with official designation and seal
- ☐ **Witness Signature**
Department manager or HR colleague as neutral witness
- ☐ **Date and Location**
Clear mention of signing date and place for legal validity

Compliance Timeline

Timeline	Action Required	Responsible	Status
Last Working Day	Asset recovery, Access revocation, Exit interview	HR/IT	<input type="checkbox"/>
Within 3 Days	F&F calculation, Document preparation	Payroll	<input type="checkbox"/>
Within 7 Days	Document signing, Payment processing	HR/Finance	<input type="checkbox"/>
Within 30 Days	EPFO/ESIC portal updates, Form 16 generation	Payroll/HR	<input type="checkbox"/>

Statutory Compliance Checklist

- ☐ **EPFO Portal Update**
Update employee exit date and finalize PF account status
- ☐ **ESIC Portal Update**
Mark employee as inactive and update final contribution details
- ☐ **Professional Tax Compliance**
State-specific PT deduction and portal updates where applicable
- ☐ **Labor Law Compliance**
Ensure adherence to state-specific labor regulations

Risk Mitigation

Legal Protection Measures:

- Signed F&F provides conclusive evidence of settlement
- Protects against future legal claims (saves avg ₹8.5L per dispute)
- Ensures audit compliance and regulatory adherence
- Maintains professional closure of employment relationship



Document Retention

Store signed F&F documents for minimum 7 years as per legal requirements



Digital Backup

Scan and store digital copies in secure, accessible location



Audit Trail

Maintain complete record of all communications and approvals



Need Expert Compliance Support?

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✓ FINAL VERIFICATION & QUALITY CHECK

🔍 Pre-Payment Verification

- ☐ **Calculation Accuracy Review**
Double-check all mathematical calculations and formula applications
- ☐ **Document Completeness**
Verify all required documents are prepared and properly signed
- ☐ **Bank Account Verification**
Confirm employee bank details for final payment transfer
- ☐ **Approval Workflow**
Obtain necessary management approvals before payment processing

✗ COMMON MISTAKES TO AVOID

⚠ Critical Errors That Cost Companies Lakhs:

- **Incomplete Signatures:** Missing employee or witness signatures
- **Calculation Errors:** Wrong leave encashment or gratuity computation
- **Statutory Delays:** Late PF/ESI portal updates leading to penalties
- **Asset Recovery Gaps:** Unreturned company property causing losses
- **Timeline Violations:** Exceeding legal settlement periods

- ☐ **Avoid Unsigned Documents**
Never process payment without complete signed documentation
- ☐ **Prevent Calculation Errors**
Use automated tools or get calculations verified by senior personnel
- ☐ **Ensure**