



Mastering Payroll in India



A Member Firm of **Andersen Global**

Greetings

At IMC Group, our primary goal is to revolutionize the landscape of global employment, making it seamless and transparent for our clients. We are deeply committed to knowledge sharing and empowering our clients to expand into new markets with confidence. Our extensive database, sourced from contributions and insights from a diverse range of international companies, forms the backbone of our expertise. This repository covers a comprehensive range of requirements, spanning both mandatory regulations and best practices.

Our dedicated team stands ready to support you at every stage of your global expansion journey. With a presence in more than 170 countries by the Andersen Global's Network, our payroll solutions are your best choice for navigating complexities, from immigration procedures to employment record management and payroll processing. Whether you're a multinational corporation or a growing startup, our platform is tailored to meet your needs, ensuring efficiency and compliance every step of the way.

Don't hesitate to connect with us to explore how our solutions can automate your global workforce management and give you unparalleled control and compliance.

We value your feedback and are eager to hear your insights.

[Reach out to us](#)



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GENERAL INFORMATION

Capital : New Delhi

Currency : Indian Ruppe (INR)

Date Format : dd/mm/yyyy

CONTRIBUTIONS

Employer

- 13.00% - Employee's Provident Fund (EPF) and Employee's Pension Scheme (EPS) (Compulsory for employers with more than 20 employees & Employees Provident Fund scheme will be calculated upto INR 15,000 of the basic salary and PF applicable allowances. If the basic is above INR 15,000 PF will be constant. The employee with a monthly salary less than or equal to INR 15,000 will have to contribute mandatory towards EPF)
- 4.75% - Employee's State Insurance (ESI) (Compulsory for employers with more than 10 employees)
- 17.75% - Total Employment Cost

Employee

- 12% - Employee's Provident Fund (EPF) and Employee's Pension Scheme (EPS) (Compulsory for employers with more than 20 employees)
- 1.75% - Employee's State Insurance (ESI)
- 4.00% - Health and Education Cess (levied at the rate of 4.00% on the amount of income tax plus surcharge)
- 18.08% - Total Employment Cost

EMPLOYEE INCOME TAX

Old Regime

0.00%	0.00 INR – 250,000.00 INR
5.00 %	250,001.00 INR – 300,000.00 INR
5.00%	300,001.00 INR – 500,000.00 INR
20.00%	500,001.00 INR – 1,000,000 INR
30.00%	Over 1,000,001 INR

New Regime

0.00%	0.00 INR – 300,000.00 INR
5.00 %	300,001.00 INR – 600,000.00 INR
10.00%	600,001.00 INR – 900,000.00 INR
15.00%	900,001.00 INR – 1,200,000 INR
20.00%	1,200,001 INR – 1,500,000 INR
30.00%	Over 1,500,001 INR

Employees are not mandated to adhere to either the old regime or the new regime for the payment of income taxes.

MINIMUM WAGE

The determination of the national minimum wage is a responsibility vested in the individual state governments. This process is characterized by its intricacy, categorizing thousands of roles for unskilled labourers and beyond 400 types of employment. Each job category has a designated minimum daily wage.

With the introduction of the New Labour Code, there's a significant adjustment, amplifying the existing minimum wage by 14.5 times to reach Rs 15,000 per month.

PAYROLL

Payroll Cycle

The payroll cycle in India is generally monthly, with wages paid on or after the 28th of each month.

13th Salary

The 13th salary in India is mandatory for low-income workers, paid as a percentage of the annual salary and within eight months of the end of the financial year.

WORKING HOURS

General

The typical workweek is structured around 40 hours of work, averaging 8 hours per day. This duration may extend to 48 hours, inclusive of breaks, subject to the client's requirements.

Workers are permitted to put in between 8 to 9 hours daily. The prevailing norm among most Indian organizations is an 8-hour workday.

Overtime

Any labor performed beyond the established 48-hour weekly limit is eligible for Overtime compensation, as governed by employment agreements. Typically, this overtime pay is set at twice the normal wage rate, amounting to 200% of the regular pay.

LEAVE

Paid Time Off

Employees are entitled to a certain number of days of leave per year aside from the holidays and days off. Generally three types of leave are mentioned under the Shops and Establishments Act i.e. Privilege leave, Sick leave and Casual leave. This varies from state to state. So, the number of leave entitled to an employee depends upon the state in which the establishment is located in.

Employees are required to submit requests for paid leave at least 15 days before their intended start date. Approval from the employer, the works committee, and the manager is necessary to guarantee work continuity during the absence.



Sick Days

An employee is entitled to avail Sick leave in case of sickness. During Sick leave, wages are paid to the employees when they are out of work due to illness. The number of Sick leave are fixed by the establishment. Sick leave accumulated in a year, may be carried forward and availed in the next year in certain states.

The Employee Compensation Act (ECA), 1923, formerly known as the Workmen Compensation Act, focuses on providing apt compensation to employees who encounter any work-related injury or accidents. It applies to all employees, irrespective of their salary or wages, in organizations that fall under the scope of this Act. Under the provisions of this Act, the employer is liable to provide compensation to an employee who suffers an injury, disability, or death due to an accident arising out of and during the course of employment.

Maternity Leave

Qualified pregnant employees are granted maternity leave at their full salary rate for 26 weeks for the first two children, which is reduced to 12 weeks for any additional children. Women are prohibited from working for the six weeks immediately after the delivery of their child or a miscarriage.

To qualify for this benefit, an employee must have worked for a minimum of 180 days within the 12 months preceding the anticipated delivery date.

Adoptive Mothers and Commissioning Mothers

A woman who adopts a child under the age of 3 months, or a commissioning mother (a biological mother who has used her egg to create an embryo implanted in another woman), is entitled to 12 weeks of maternity benefits starting from the day the child is given to her.

Companies employing 50 or more individuals are required to provide a creche facility within a specified distance, either as a standalone amenity or in conjunction with other shared services.

Women employees are permitted up to four creche visits daily, inclusive of their designated rest breaks.

Paternity Leave

Government employees have the benefit of 15 days of paternity leave, but the private sector does not have mandatory paternity leave legislation.



TERMINATION

Termination Process

In India, the termination procedure mandates notice periods unless an employer presents adequate justification for immediate dismissal due to reasons such as misconduct, disobedience, insufficient skill, duty neglect, or unauthorized absence.

Notice Period

The notice period required is at least 30 days.

Severance Pay

When employees are laid off due to redundancy, employers must provide retrenchment compensation. This entails a severance payment equivalent to 15 days' average wage for every year of completed service, or any part thereof exceeding six months, to an employee upon termination.

This approach is consistent with the Industrial Relations (IR) Code, reflecting similar criteria as outlined in the Industrial Disputes (ID) Act. Nonetheless, the specific rate of retrenchment compensation may be adjusted to 15 days' average wage, or a different duration as determined by the relevant government for each year of continuous service exceeding six months.

Moreover, the IR Code stipulates that employers contribute to a „worker re-skilling fund” an amount matching 15 days' wages for each employee laid off, or an amount specified by the government. Employers are also obligated to disburse certain termination benefits to dismissed employees. These include compensation for unused leave, gratuity for those with five or more years of service, pay in lieu of notice if none was given, statutory bonus, and any other dues outlined in the employment contract.

Employees dismissed for misconduct, however, do not qualify for notice pay or retrenchment compensation.

Probation Period

Probation periods in India generally differ based on the employee's role and their seniority, being between 3 and 6 months.

VISA (WORKING VISA)

India's Employment Visa is for highly skilled foreign professionals like engineers and managers who cannot be replaced by local workers. Eligible roles include those in regular employment or specific projects with a profit-generating entity in India. Visa conditions include a minimum salary of \$25,000 per annum, compliance with legal and tax requirements, and a validity of up to a year with extensions possible. For stays over 180 days, registration with local authorities is mandatory within 14 days of arrival. The Indian employer is responsible for the visa holder's conduct and ensuring timely departure after the visa expires.

VAT/GST

Currently, the main GST tiers applicable to most regular taxpayers include 0% (nil-rated), 5%, 12%, 18%, and 28%. Additionally, there are less common GST rates like 3% and 0.25%. For composition taxable individuals, GST is levied at reduced rates of 1.5%, 5%, or 6% based on their turnover. The GST framework also incorporates the concepts of TDS (Tax Deducted at Source) and TCS (Tax Collected at Source), with rates set at 2% and 1% respectively.





Your Partner in Growth

IMC Group offers streamlined Global Payroll Services, ensuring timely, compliant management and payment of international workforces. Our comprehensive solutions cover everything from onboarding to tax filings, reducing administrative burdens and costs. With our advanced technology and expertise, we provide efficient, tailored payroll management that adapts to legislative changes, simplifying global operations for businesses.

IMC Group is a professional firm offering an extensive range of Global Mobility Services, streamlining the relocation of employees worldwide with a focus on compliance with tax, employment, and immigration laws. The tailored services in tax, HR, and compliance, along with access to a global network of professionals, simplify international workforce deployment, enabling businesses to focus on growth while navigating global mobility challenges with ease.

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