



Are You an Entrepreneur?

Then You Can't Ignore Employee Compliance



Ensuring Legal & Regulatory Adherence

Employee statutory compliance refers to the legal obligations that a company must adhere to regarding its employees. These compliances vary by country but generally include labor laws, tax regulations, and social security contributions. Below are the key employee-related statutory

Compliances that companies must follow in India:

01 Provident Fund (PF) – EPF Act, 1952

- Applicable to companies with 20 or more employees.
- Applicable to employees earning a Basic + DA (excluding HRA) of up to ₹15,000 per month (If the salary exceeds ₹15,000 per month can opt-out if they were never part of EPF before)
- Employee Contribution: 12% of (Basic Salary + DA)
- Employer Contribution: 12% (8.33% to EPS & 3.67% to EPF)
- Monthly filing of Electronic Challan cum Return (ECR).

02 Employee State Insurance (ESI) – ESI Act, 1948

- Applicable to companies with 10 or more employees (in some state, 20 employees)
- Applicable to employees earning a gross salary of up to ₹21,000 per month (₹25,000 for persons with disabilities).
- Employee Contribution: 0.75% of gross salary
- Employer Contribution: 3.25% of gross salary [Gross salary includes Basic + Allowances , excluding bonus, gratuity, leave encashment]

03 Professional Tax (PT)

- Levied by State Governments (not applicable in all states).
- Deducted from employees' salaries as per state slab rates.
- Monthly/quarterly returns based on state rules.

04 Income Tax – TDS under IT Act, 1961

- Tax Deducted at Source (TDS) on salaries as per employee tax slab.
- Employer must deduct TDS and deposit it by 7th of the following month.
- Quarterly filing of Form 24Q and issuing Form 16 to employees annually.

05 Gratuity – Payment of Gratuity Act, 1972

- Applicable to companies with 10 or more employees.
- Employees with 5+ years of service are eligible.
- Gratuity = $(\text{Last Drawn Salary} \times 15 \times \text{Years of Service}) / 26$.

06 Bonus – Payment of Bonus Act, 1965

- Applicable to establishments with 20 or more employees.
- Employees earning up to ₹21,000 per month are eligible.
- Bonus: Minimum 8.33% to a maximum of 20% of annual salary.

07 Minimum Wages – Minimum Wages Act, 1948

- Employers must pay at least the minimum wage as prescribed by the government for their sector.
- Wages must be revised periodically as per government notifications.

08 Maternity Benefit – Maternity Benefit Act, 1961

- Applicable to all establishments employing 10 or more employees.
- 26 weeks of paid leave for women employees (for the first two children).
- Employers cannot terminate or demote employees due to maternity leave.

09 Shops and Establishment Act

- Registration required for businesses operating in states where this law applies.
- Governs working hours, overtime, leaves, and employment conditions.

10 Equal Remuneration Act, 1976

- Mandates equal pay for equal work for men and women.
- Prohibits gender discrimination in hiring and compensation.

11 Contract Labor (Regulation & Abolition) Act, 1970

- Applicable to companies employing 20 or more contract workers.
- Principal employer must ensure compliance by contractors.

12 Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2017

- Mandatory Internal Complaints Committee (ICC) for workplaces with 10 or more employees.
- Annual report filing on cases reported and actions taken.



Are
you a
factory
owner?

Factories Act, 1948 - Compliance Checklist

The Factories Act, 1948 regulates working conditions in factories with 10+ workers (using power) or 20+ workers (without power). It ensures worker safety, health, and welfare. Below is a compliance checklist for factories:

Key Compliance Areas

Registration & Licensing

- Factory Registration with the State Government (Mandatory).
- Renewal of Factory License annually or as per state rules.

Working Hours & Overtime

- Maximum Working Hours – 9 hours/day and 48 hours/week.
- Overtime Pay – Paid at double the regular wage rate for extra work.
- Weekly Off – One mandatory day off per week.
- Compensatory Leave – If a worker works on a holiday, compensatory leave must be provided.

Annual Returns & Record Maintenance

- Accident Reports – Must be reported to authorities within 24 hours.
- Annual Return Submission – Details of workers, hours worked, and wages paid.
- Inspection Register Maintenance – Records of health, safety, and welfare compliance.

Health & Safety Measures

- Cleanliness – Factory premises must be clean and free of waste.
- Ventilation & Temperature Control – Proper air circulation and temperature regulation.
- Drinking Water – Safe drinking water must be provided at designated points.
- Sanitary Facilities – Proper toilets and washrooms for employees.
- Safety of Machinery – Regular maintenance and installation of safeguards.
- Protective Equipment – Helmets, gloves, masks, and other PPE for workers

Employment & Welfare Measures

- Employment of Women – No night shifts (between 7 PM - 6 AM) unless permitted by law.
- Employment of Young Persons – No child labor (below 14 years). Adolescents (14-18 years) need medical fitness.
- Welfare Officers – Required for factories with 500+ workers.
- Canteen Facility – Mandatory for factories with 250+ workers.
- First Aid & Medical Facilities – At least one first aid box per 150 workers.
- Creche Facility – Required for factories with 30+ female workers

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