

Globalization Partners provides [employer of record services](#) for customers that want to hire employees and run payroll without first establishing a branch office or subsidiary in India. Your candidate is hired via Globalization Partners' India [Professional Employer Organization](#) (PEO) in accordance with local labor laws and can be onboarded in days instead of the months it typically takes. The individual is assigned to work on your team, working on your company's behalf exactly as if he or she were your employee to fulfill your in-country requirements.

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Our solution enables customers to run payroll in India while HR services, tax, and compliance management matters are lifted from their shoulders onto ours. As a Global PEO expert, we manage employment contract best practices, statutory and market norm benefits, and employee expenses, as well as severance and termination if required. We also keep you apprised of changes to local employment laws in India.

Your new employee is productive sooner, has a better hiring experience and is 100% dedicated to your team. You'll have peace of mind knowing you have a team of dedicated employment experts assisting with every hire. Globalization Partners allows you to harness the talent of the brightest people in more than 187 countries around the world, quickly and

painlessly.

## Hiring, Negotiating and Doing Business in India

Indian companies are hierarchical and decision making is top-down. Negotiations can be very slow, especially if a relationship has not already been established. While Indians appreciate data and statistics, they also use their intuition and faith, and they value patience. Indians tend to have an indirect communication style. They try not to say “no,” so you need to watch for euphemisms such as “perhaps” or “possibly.” When trying to establish a rapport, feel free to talk about the latest news or cricket, but avoid personal subjects.

Salary inflation in India is enormous. Employees expect a title increase and a wage increase of 10-15% per year. If the increase is not given each year, the employee is likely to start looking for other jobs. Technology sectors have an exceptionally high rate of job-hopping.

Employees negotiate very hard for good job titles. There is a saying in India which is, “the better the title, the better the wife.” The job title is key especially for young people that haven’t yet married, because it is a matter of great prestige. Many marriages in India are still arranged and an employee’s job title impacts his or her entire life; many candidates will turn down high-paying jobs if the title isn’t sufficient. That said, we would also suggest being careful about “giving away” too much in the title. If you make an employee in India a director, it will connote great respect but then he/she might demand an assistant and not do anything ‘beneath’ his or her job title. Very delicate!

Providing a great workplace culture is very important to Indian employees, as it is not customary to work from home, although this is changing, especially due to traffic in large cities like Bangalore, Mumbai and Delhi. It’s ideal to find your candidate before finding an office space, lest your employee end up commuting two hours in traffic each way to work each day.

When negotiating terms of an employment contract and offer letter with an employee in India, it may be useful to keep the following in mind:

## Employment Contracts in India

Indian labor law is complex. As part of our best practice, we suggest putting a strong employment contract in place in India which spells out the terms of the employee's compensation, benefits, and termination requirements. An offer letter and employment contract in India should always state the salary and any compensation amounts in Indian rupees rather than a foreign currency such as USD. The employment contract template is part of the service with Globalization Partners; no need to draft a separate template if you use our employer of record and PEO service in India.

## Negotiating Allowances, or Total “Cost to Company” (CTC)

Negotiating compensation packages in India can be relatively complex, because employees are highly concerned about maximizing their take-home pay and negotiation for various allowances in addition to their basic pay. There are so many pre-tax allowances for employees in India that the amount of basic salary is often 40% of the total compensation package, which is composed of a multitude of allowances as well as the basic salary. We can help our customers and professionals calculate the appropriate allowances. The allowances that employees are able to receive at a tax advantage vary, but here is an example of a typical breakdown:

- Basic—The basic salary, which is paid out every month and is taxable
- Incentives/bonuses—These are paid out depending on employee performance and are taxable.
- Children Education Allowance—Children Education Allowance is exempt from tax up to Rs. 100 per child per month for a maximum of 2 children.
- Children Hostel Allowance—Children Hostel Allowance is exempt from tax up to Rs. 300 per child per month for a maximum of 2 children.
- House Rent Allowance (HRA)—HRA is paid out to meet full or part of an expenditure on renting a house. This is paid out monthly and can be tax-free depending on conditions. Globalization Partners can provide a calculation that will say what is tax exempt.
- Leave Travel Allowance of Concession (LTA/LTC)—LTA is paid to encourage periodic vacations. These are paid out once a year and can be tax-free provided certain conditions are met. This is alternative years only, starting on the employee's second 2<sup>nd</sup> year of employment.

- Vehicle Allowance—This allowance may be given to maintain a car. This allowance is paid out monthly and would be taxable. Normally this is top executives, or sales/marketing. If the client processes this via expenses it is tax free.
- Telephone/Mobile Phone Allowance—this allowance is given to maintain a landline or cell phone. It is paid out monthly and is taxable.
- Special Allowance—just in case you missed anything, this allowance can be given out to pay money that doesn't fit into any other category. A "special" allowance may be paid out monthly and is taxable.

The employment contract of a new employee shows the breakdown of the total salary package (Cost to Company, or CTC) in a monthly amount. Prefer to avoid the confusion? We recommend negotiating the "total cost of compensation" or "Total Cost to Company" with the candidate as a gross amount and leave it to us at Globalization Partners to determine the most tax-efficient way to structure the employees' compensation packages. Globalization Partners places a high priority on ensuring that the total compensation package of employees in India is as tax-efficient for the employees as possible.

## India Working Hours

The India work week is 40 hours, with a standard work day of 8 hours. Workers are entitled to 10.5 hours between work days.

Work hours should not exceed more than 50 hours per week, or 9 hours per day.

## Vacation Leave in India

Statutory minimum of paid vacation leave in India is 21 mandatory vacation days. We commonly see companies offering the 21 days, but occasionally senior professionals may request more.

## Sick Leave in India

In India employers must provide 6 days of sick leave a year. Some employers provide an

unpaid leave for long term medical issues, but this is not mandatory.

## India Maternity Leave

Female employees are entitled to 26 weeks of maternity leave, the benefit can be availed by women for a period extending up to a maximum eight weeks before the expected delivery date and remaining can be availed childbirth. The employee is also entitled to a medical bonus of 3,500 Indian rupees. If the employee is a factory level employee the leave is paid for by the social funds from the government. Otherwise, the employer pays the maternity leave.

There is no statutory paternity leave for employees in the private sector, only a few employers are introducing this benefit so far.

## Termination/Severance in India

Probationary periods are commonly used in India with 3 months being a typical probation timeframe. The maximum initial probation is 3 months, and then the employer can extend the probation for up to an additional 3 months.

Termination by either the employer or employee must be given in writing as per the employment contract. There is a 15-day notice during probation. The minimum the notice period can be is 30 days. Payment in lieu of notice is permissible.

Retrenched workers (those that are terminated for any reason except as punishment inflicted by way of disciplinary action, retirement/superannuation, termination for continued ill-health, or expiry and non-renewal of the term of an employment contract) are generally entitled to 15 day's wages for each completed year of service.

If the employee has served for five or more continuous years, they are generally entitled to a gratuity payment.  $\text{Gratuity} = \text{Last Drawn Salary} \times 15/26 \times \text{No. of Years of Service}$

## India Tax

By statute, employers in India contribute the following:

- EPF- Employee Provident Fund
- EPS - Employee Pension Scheme (only for government employees).
- EDL- Employees' Deposit Linked Insurance Scheme

The employer and employee are obligated to contribute the Employees Provident Fund (EPF), which is a mandatory savings scheme towards retirement benefits and pension. Employees contribute 12% of their salary to this fund, while employers contribute 3.67%. Employers contribute an additional 9.94% to other social insurances, equaling a total employer contribution of 13.61% of the employee's base salary. This percentage is based on basic pay and does not include the allowances. This does not need to be negotiated with the candidate and is included in the estimated social security costs provided by GP.

Income tax for 2021-2022 ranges based on the employee's salary, please see the table below.

### Income Tax - Slabs - FY 2021-22

Annual Salary	Percentage
Income up to INR 2,50,000	No Tax
Income between INR 2,50,000 to INR 5,00,000	5%
Income between INR 5,00,000 to INR 10,00,000	20%
Income over INR 10,00,000	30%

## Health Insurance Benefits in India

Health Insurance in India is a mixture of public and private insurance. Some candidates may request an allowance for coverage. We recommend paying a taxable allowance in the amount of US\$200 to US\$400 a year to cover the cost of a private medical plan if you would like to offer supplementary benefits.

## Additional Benefits in India

Many employers in India also provide supplementary insurances. Globalization Partners can arrange supplementary insurances for your employees in India as part of our service offering.

## Indian Holidays

Employees receive 10 paid public holidays. In India the holidays vary by state (there are 30 different states), religion, and local custom. Therefore, the government does not stipulate what days the employee have to use as a holiday, but rather allows them to allocate the 10 public holidays as they see fit. have different holidays. does not need to be negotiated.

## Why Globalization Partners

Establishing a branch office or subsidiary in India to engage a small team is time-consuming, expensive and complex. Indian labor law has strong worker protections, requiring great attention to detail and an understanding of local best practices. Globalization Partners makes it painless and easy to expand into India. We can help you hire your candidate of choice, handle HR matters and payroll, and ensure that you're in compliance with local laws, without the burden of setting up a foreign branch office or subsidiary. Our India PEO and [Global Employer of Record](#) solution provides you peace of mind so that you can focus on running your company.

If you would like to discuss how Globalization Partners can provide a seamless employee leasing or PEO solution for hiring employees in India, please [contact us](#).