



HOW TO HIRE MY FIRST EMPLOYEE IN INDIA

MAIN LEGAL STEPS TO FOLLOW TO HIRE A FIRST EMPLOYEE

Hiring a first employee is an easy task in India.

A. For domestic employees, an entity is required to take care of two aspects only, which are as follows:

1. Compliance with Minimum Wages, which is at present around USD \$3,000 Per Annum.
2. Compliance with provisions of withholding taxes applicable in India.

B. Hiring a Foreign resident is subject to fulfillment of certain conditions. Some of them are as follows:

1. Employee is required to obtain an employment visa.
2. Employment visas will not be granted for jobs for which qualified Indians are available. Employment visas will also not be granted for routine, ordinary, or secretarial/clerical jobs.
3. Minimum Wages prescribed are USD \$25,000 Per Annum.

Other Statutory Compliances

In India, labour laws related to social security of employees becomes effective when there are at least 10 employees in the entity.

Some of the Labour laws applicable in India are as follows:

1. Provident Fund (Social Security)
2. Gratuity
3. Employees State Insurance
4. Professional Tax and
5. Contribution to Labour Welfare funds etc.

DESIGN AND CONTENTS OF AN EMPLOYMENT CONTRACT

The Employment contract is generally quite flexible and is made to cover the needs of an entity. It will generally cover the following salient features:

1. Period of employment
2. Areas of work and reporting responsibility
3. Work location and working hours per week
4. Compensation
5. Vacation and leaves
6. Compliance with Company Policies and Laws
7. Confidentiality
8. Non compete clause
9. Termination and Notice period



CAN SOMEBODY DO BUSINESS FOR ME AND NOT BE AN EMPLOYEE?

Yes, it is permitted in India for a person to work an entity and not being employee. These are the ways a person can be hired to work:

- 1. Consultant/Contractual Worker:** A person can be engaged directly act as a consultant or contractual worker for an organization without being an employee. Here liability for withholding taxes shall trigger above a particular threshold.
- 2. As an Agent to foreign entity:** A person can work as an agent of foreign entity. An agent does all acts on behalf of the principal, and the principal is bound by the acts of agent for which an authority is granted to the agent.
- 3. Outsourced Workers:** An entity can hire a manpower supply agency, which in turn will select workers based on requirement of entity and engage them with the business entity. These workers work under control and supervision of the business entity. Normally all the statutory compliances in this regard are taken care by the manpower supply agency; failing that, the entity shall be liable. Here the entity is responsible for the supervision and direction of such workers.
- 4. Outsourcing of services:** Many services can be outsourced or done by freelancers. This work may include accounting, manufacturing, website design, marketing ,and public relations. Here the work responsibility also lies with the outsourced agency.