



# Navigating India's Labour Law: A Comprehensive Regulatory Guide for Startups



## Foreword

The startup ecosystem in India is a vital contributor to the country's economy, driving innovation and creating millions of jobs. **The Confederation of Indian Industry has projected that startups are likely to contribute USD 1 trillion to the Indian economy by the 2030 financial year, creating 30 million jobs<sup>1</sup>.**

We at Treelife have seen an increasingly common issue pop up on legal due diligence exercises conducted on startups looking for funding: **non-compliance with applicable labour laws in India**. A common theme in such findings is that many times startups are simply unaware that a particular legislation is applicable to them. This lack of awareness is only fuelled by the complex framework of labour laws in India with 40 Central labour enactments<sup>2</sup>, and approximately 200 State legislations, imposing varying requirements on employers across India, creating regulatory difficulty to navigate for a fledgling startup working from the ground up.

We at Treelife have put together this handbook to give startups an overview of the compliances critical to them, including a brief overview of the upcoming Labour Codes pending notification by the Government of India.

If you have any doubts or need further information, please reach out to us at [garima@treelife.in](mailto:garima@treelife.in).

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<sup>1</sup> Report can be downloaded here: <https://www.cii.in/PublicationDetail.aspx?enc=W/X35YPhbgJv/elySkPIDaCso6QIVovD78y3sHqc7s=>

<sup>2</sup> As per the website of Ministry of Labour and Employment

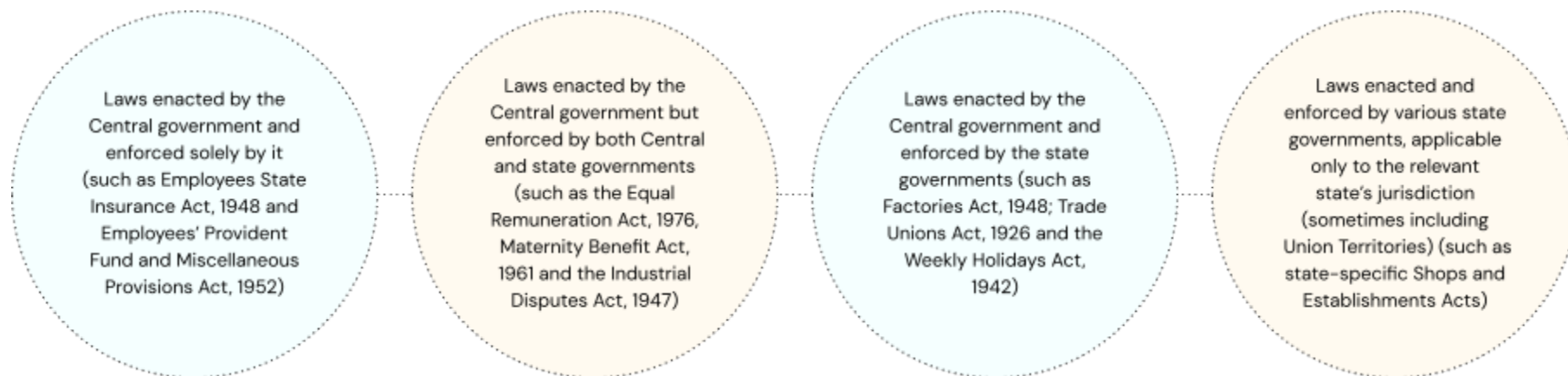
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## Introduction

Labour legislations in India find their basis in the Constitution, through the fundamental rights (specifically, the Rights to Equality<sup>3</sup>; to Freedom<sup>4</sup>; and against Exploitation<sup>5</sup>) and the directive principles of state policy (contained in Articles 38<sup>6</sup>, 39<sup>7</sup>, 41<sup>8</sup>, 42<sup>9</sup>, and 43<sup>10</sup>). It is therefore critical for startups to understand that labour laws in India are fundamentally welfare legislations, imposing significant compliance responsibility on employers as a result of a socialist outlook seeking to protect the dignity of human labour.

India follows a federal system of governance, with the broad framework of labour laws as below:



<sup>3</sup>Articles 14 to 18 of the Constitution.

<sup>4</sup>Articles 19 to 22 of the Constitution.

<sup>5</sup>Articles 23 and 24 of the Constitution.

<sup>6</sup>Responsibility of the State to secure a social order for the promotion of welfare of the people, in which justice – social, economic and political, shall inform all institutions, and inequalities in income, status, facilities and opportunities are eliminated to the extent possible.

<sup>7</sup>Principles to be followed by the State.

<sup>8</sup>Responsibility of the State to secure the right to work, education and public assistance in case of unemployment, old age, sickness and disablements and in other cases of undeserved want.

<sup>9</sup>Responsibility of the State to make provision for securing just and humane conditions of work and maternity relief.

<sup>10</sup>Responsibility of the State to secure living wage and decent conditions of work to all workers and promotion of cottage industries in rural areas.

The labour law framework in India is intricate, often leading to confusion due to the dual roles of the central and state governments. For example, while central laws like the Industrial Employment (Standing Orders) Act, 1946, dictate terms of employment, state-specific Shops and Establishments Acts also prescribe similar conditions but with variations, necessitating detailed assessments to determine applicable compliances.

Moreover, the enforcement of many central laws is managed by state authorities, leading to inconsistencies in application across different states. For instance, the enforcement of the Payment of Gratuity Act, 1972 varies by state, leading to discrepancies in legal compliance across regions. For example, in Karnataka, Telangana, and Andhra Pradesh, specific gratuity requirements are mandatory, but not in other states.

**Navigating the Indian labour law landscape also requires recognition that words used interchangeably in common parlance may not hold the same meaning in law.**

The landscape's complexity is exacerbated by the legal definitions of terms like "workman" and "employee" (often used interchangeably in common parlance) which differ significantly across laws and affect the applicability of protections and remedies. For instance, where the Minimum Wages Act, 1948 specifically identifies employment which would be **protected** by the provisions of the act, the Industrial Disputes Act, 1947 prescribes **exclusionary criteria** to identify persons who cannot seek remedy from the labour courts under the act.

**To address these structural issues, the Government of India has proposed a complete overhaul of the labour laws in India.** The proposed Labour Codes<sup>11</sup> are the product of a long drawn process initiated around 2016<sup>12</sup>, and aiming to simplify and reduce ambiguities in law enforcement across states, making it easier for startups to understand and comply with labour regulations, thereby fostering a more straightforward regulatory environment conducive to business operations and growth.

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<sup>11</sup> Addressed in Pages 13–15 of this Report; currently pending notification by the Government.

<sup>12</sup> Ministry of Labour and Employment press release dated 07 December 2016 here: <https://pib.gov.in/newsite/PrintRelease.aspx?relid=155024>

## Navigating the Compliances applicable to a Startup – Central Legislations

The first step to identifying whether or not a specific labour law would be applicable to an employer would be to determine whether the thresholds under the law have been satisfied along with penalties thereof.

**Table 1: Central Labour Legislations**

S. No.	Legislation Name	Applicability	Compliance	Penalties
1.	Payment of Wages Act, 1936	Employees whose wages do not exceed INR 25,000/- per month.	(a) Filing annual return; and (b) maintaining registers of: (i) wages; (ii) fines for damages; (iii) deductions for damages; and (iv) advances.	Punishable with fine between INR 1,500/- to INR 7,500/-.
2.	Employees Provident Funds and Miscellaneous Provisions Act, 1952 read with the Employees Provident Fund Scheme 1952 (“PF Scheme”)	Applicable to every establishment in which 20 or more persons are employed in an accounting year.	(a) allotment of Provident Fund (“PF”) Code; (b) providing challans to regional ESI office and filing monthly returns evidencing payment of contributions to PF since employer’s incorporation (within 15 days of the close of each month); (c) filing returns with respect to International Workers if any employed; (d) filing return of ownership; (e) maintaining registers under the PF Scheme; and (f) enrollment of employees in the PF Scheme.	Imprisonment up to 1 year or fine of INR 5,000/- or both.
3.	Employees State Insurance Act 1948	Applicable in any premises where either: (i) 10 or more persons are employed & in any part of which a manufacturing process is carried out with the aid of power; or (ii) 20 or more persons are employed & in any part of which a manufacturing process is carried out without the aid of power.	(a) Registration required within 15 days of the Act becoming applicable; (b) providing challans evidencing monthly contributions towards insurance to regional ESI office; (c) filing half-yearly and annual returns; (d) filing monthly declarations with a list of new employees (if any); and maintaining a register of employees.	Imprisonment extending up to 2 years and fine up to INR 5,000/-.

S. No.	Legislation Name	Applicability	Compliance	Penalties
4.	Payment of Gratuity Act, 1972	Applicable where 10 or more persons are employed.	(a) issuing notice of opening to governmental authority (within 30 days of the Act becoming applicable); (b) display notice at or near the main entrance of the establishment; (c) obtain declaration of nomination from employees; (d) display abstract of Act and rules (prescribed form) at or near the main entrance of the establishment; and (e) obtain mandatory insurance for gratuity obligation or obtain approval for a gratuity fund from governmental authority <sup>13</sup> .	Fine up to INR 10,000/- for failure to make premium payments/ contributions;  Imprisonment up to 6 months or fine up to INR 10,000/- or both for other violations.
5.	Equal Remuneration Act, 1976	Applicable to all establishments.	Maintaining register of workers and remuneration in prescribed format.	Imprisonment up to 1 month or fine up to INR 10,000/- or both.
6.	Prevention of Sexual Harassment of Women at Workplace (Prevention Prohibition and Redressal) Act, 2013	Required if any female employees and/ or consultants and/ or interns are employed.	(a) If minimum 10 employees, constitution of Internal Complaints Committee ("ICC"); (b) display order constituting ICC at premises; (c) formulate anti-sexual harassment policy; and (d) ICC to file annual returns.	Fine up to INR 50,000/-.
7.	Payment of Bonus Act, 1975	Required where 20 or more persons are employed in one accounting year.	(a) Maintaining registers in prescribed format (electronic records permitted); and (b) filing annual return before February 1 of each year.	Imprisonment up to 6 months or fine up to INR 1,000/- or both.

<sup>13</sup> Please note that although the Central legislation makes this mandatory, this has only been enforced in some states by way of a state notification; for instance, it is mandatory in Karnataka, but not Maharashtra as of June 2024.

S. No.	Legislation Name	Applicability	Compliance	Penalties
8.	Rights of Persons with Disabilities Act, 2016	Applicable to all establishments.	(a) Maintaining muster rolls of benefits provided; (b) maintaining records of employees with disabilities; and (c) publishing equal opportunity policy (website publication permitted).	Imprisonment up to 6 months or fine or INR 10,000/- or both.
9.	Maternity Benefits Act, 1961	Applicable (basis each state's Shops and Establishments Act) if 10 or more persons are/were employed in the last 12 months.	(a) Maintaining register of maternity benefits <sup>14</sup> ; (b) displaying abstracts in prescribed format; and (c) providing creche facilities if more than 50 persons are employed.	Imprisonment up to 3 months or fine up to INR 500 or both.

## Navigating the Compliances applicable to a Startup – State Legislations

**Table 2: State Labour Legislations – Karnataka**

S. No.	Legislation Name	Applicability	Compliances	Penalties
1.	Karnataka Shops and Commercial Establishments Act, 1961	All organisations.	(a) Registration, if more than 10 employees, with renewal every 5 years; and (b) maintaining registers; (c) filing annual return; and (d) displaying registration certificate and name board (in Kannada and English) prominently.	Fine which may extend up to INR 1,000/- and in case of a continuing contravention, further fine of up to INR 2,000/- for every day the contravention continues.
2.	Karnataka Tax on Professions, Trades, Callings and Employments Act, 1976	Applicable to all establishments in Karnataka.	(a) Obtaining registration for the establishment; and (b) filing monthly returns.	Penalty not exceeding 50% of tax amount due, in addition to interest payable.

<sup>14</sup> Check out Treelife's blog post on this here: <https://treelife.in/legal/importance-applicability-of-labour-laws-for-startups/>



**Table 3: State Labour Legislations – Maharashtra**

S. No.	Legislation Name	Applicability	Compliances	Penalties
1.	Maharashtra Shops and Establishment Act, 1948	All organisations.	(a) Registration, if more than 10 employees; and (b) maintaining registers (electronic records permitted); (c) filing annual return within 2 months of year ending December 31; and (d) displaying registration certificate and name board (in Marathi and English) prominently.	Fine which may extend up to INR 1,00,000/- but subject to a maximum cap of INR 2,000 per worker.
2.	Maharashtra Labour Welfare Fund Act, 1953	Any organisation with 05 or more employees.	Obtain registration.	Fine of INR 500/- or imprisonment up to 3 months or both.
3.	Maharashtra State Tax on Profession, Trades, Callings and Employments Act, 1975	Applicable to all establishments.	(a) Filing of prescribed forms for enrollment; and (b) filing monthly returns.	Employers are liable to pay simple interest @ 1.25% of the tax payable for each month for which tax remains unpaid.

**Table 4: State Labour Legislations – Delhi**

S. No.	Legislation Name	Applicability	Compliances	Penalties
1.	Delhi Shops and Establishment Act, 1954	All commercial establishments and shops <sup>15</sup> .	(a) Registration, within 90 days of act becoming applicable; (b) young persons & women not allowed to work between 9 pm and 7 am during the summer season and 8 pm and 8 am in the winter season; (c) maintaining registers of overtime, leave record and wages; (d) displaying registration certificate and name board (in Hindi & English) prominently; & issuing letters of appointment to employees.	Fine of minimum INR 25/- and up to INR 250/-.  In case of failure to maintain records in the prescribed manner, imprisonment up to 3 months or fine of minimum INR 50/- and up to INR 250/- or both.

<sup>15</sup> The Supreme Court in *Chief Commissioner, Delhi v Federation of Indian Chambers of Commerce and Industry* 1974 AIR 1527 held that applicability of the act primarily required satisfaction of two elements: (a) the “shop” or “commercial establishment” in question must be the premise; and (b) there must be some trade or profession carried on in that premise.

**Table 5: State Labour Legislations – Gujarat**

S. No.	Legislation Name	Applicability	Compliances	Penalties
1.	Gujarat Shops and Establishment Act, 2019	All organisations <sup>16</sup> .	(a) Registration if more than 10 employees, within 60 days of the Act becoming applicable; (b) Self declaration through prescribed web portal if less than 10 employees, within 60 days from Act becoming applicable; (c) maintaining registers (electronic records permitted); and (d) filing annual return within 1 month of year ending December 31.	Fine which may extend up to INR 1,00,000/- but subject to a maximum cap of INR 2,000 per worker.
2.	Gujarat State Tax on Profession, Trades, Callings and Employments Act, 1976	Applicable to all establishments in Gujarat.	(a) Obtaining registration; (b) obtaining certificate of enrollment; and (c) filing monthly returns.	Employers are liable to pay simple interest @ 1.5% of the tax payable for each month for which tax remains unpaid in addition to penalty not exceeding 50% of tax amount due.

<sup>16</sup>The provisions of this Act are not applicable to IT/ITES establishments with respect to: (a) Section 12 (fixing of minimum hours of work); and (b) Section 14 (spread-over of hours of work), for a period of 2 years, further to Gujarat state government notification dated 05 February 2024, available here: <https://www.datocms-assets.com/40521/1709879571-restriction-on-applicability-of-section-12-and-section-14-on-it-related-services-and-financial-services-for-2-years-in-gujarat.pdf>

## Navigating the Statutory minimum leaves for Startups

There are two types of “holidays” typically available to all employees: (i) paid leaves (including annual/privilege/earned leaves, sick leaves and casual leaves); and (ii) national and festival holidays. These holidays are in addition to statutorily prescribed time off (such as for maternity benefits) and can vary across states. Table 6 below captures a brief overview of what the mandated leave policy would look like for Maharashtra, Karnataka, Delhi and Gujarat:

**Table 6: Statutory minimum leaves by state**

Type of Leave	Maharashtra	Karnataka	Delhi	Gujarat
Maternity benefits	12 Weeks <sup>17</sup> (of which no more than 6 weeks must be taken before the estimated date of delivery).			
Annual Leave/ Privilege Leave/ Earned Leave	12 days (if period of work is 240 days or more); or 5 days (if period of work is 3 months or less)	1 day for every 20 days of work by an adult; or 1 day for every 15 days of work by a young person.	15 days (12 months of continuous service); or 5 days (4 months of continuous service).	1 day for every 20 days of work (if period of work is 240 days in a calendar year)
Sick Leave	Not addressed	12 days, for every 12 months of service completed.	12 days	7 days
Casual Leave	8 days	Not addressed.		7 days
Festivals and National Holidays	8 days, including 26 January, 1 May, 15 August and 2 October	8 days, including 26 January, 15 August, 2 October and 1 November	7 days, including 26 January, 15 August, and 2 October.	8 days, including 26 January, 1 May, 15 August and 2 October
Polling Day	When any election to Lok Sabha or State Legislative Assembly is held, employees whose names are on the rolls of the relevant constituency are required to be given a day of paid leave in order to enable them to exercise their franchise to vote.			

<sup>17</sup> Available only to those female employees who have completed at least 80 consecutive working days prior to applying for the leave benefits.

## Special Compliance options available for Startups

In order to reduce the burden of paperwork required to be maintained by employers with respect to certain legislations, startups can refer to the following laws that are often overlooked on account of their obscurity:

- (a) the Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988 – This Act: (i) categorises establishments into “very small” and “small”; and (ii) is applicable to returns and registers required (among others) under the Payment of Wages Act, 1936; Minimum Wages Act, 1948; and Equal Remuneration Act, 1976 (“Exempted Acts”):

Compliance	Small Establishments	Very Small Establishments	Penalty <sup>18</sup>
Threshold	10 <sup>19</sup> –19 persons employed in the last 12 months	Maximum 9 employees in the last 12 months	Fine which may extend up to INR 5,000/- for the first conviction; subsequent convictions with imprisonment for not less than 1 month which may extend up to 6 months or fine not less than INR 10,000/- which may extend up to INR 25,000/-.
Returns	Core Return in Form A		
Registers	Forms B, C and D	Form E	

- (b) the Ease of Compliance to Maintain Registers under various Labour Laws Rules, 2017 – These Rules are applicable to all establishments regardless of employee strength. Startups unable to avail of simplified reporting addressed in above, can use the formats prescribed in these Rules to maintain combined registers under the Exempted Acts.

<sup>18</sup> No penalty under the Exempted Acts would be applicable with respect to failure to furnish returns and maintain records/registers. Instead, the penalty under this Act would be applicable for such non-compliance till such time as the Act is applicable.

<sup>19</sup> Minimum number of employees required to qualify.

## Challenges, Practical Solutions and an Overview of the Labour Codes

**The subjective and demanding nature of the applicability of the labour laws results in practical challenges for startups that can throw up red flags to prospective investors in a due diligence exercise.**

Even with the knowledge of the applicable compliances, it is difficult for startups to implement the same at the early stages of operation. This is further complicated by the fact that while many compliances become immediately applicable to a startup upon commencement of business, certain compliances (such as under the Maternity Benefit Act, 1961 and the Prevention of Sexual Harassment of Women at Workplace (Prevention Prohibition and Redressal) Act, 2013) are technically not required until a woman is employed by an establishment, even if the threshold number of employees specified in the law has been met. Failure to comply with these requirements (when applicable) often attracts a significant monetary penalty or even the risk of imprisonment, leading to such non-compliances being highlighted as red flag issues in a due diligence report to prospective investors. **While the penalties paint a serious picture, startups and investors can take comfort in standardised templates provided in the legislations, that simplify compliance and facilitate easy resolution of non-compliances as conditions precedent to a transaction.**

**As addressed previously in this Handbook, a major overhaul of Indian labour law is looming on the horizon.** The Government of India has in 2020 introduced 4 new “Labour Codes” that collate and attempt to simplify four categories of labour legislations: (i) Wages; (ii) Social Security; (iii) Occupational Safety, Health and Working Conditions; and (iv) Industrial Relations.<sup>20</sup> These Labour Codes introduce revolutionary changes to address a labour market that has rapidly evolved since the Covid-19 pandemic in 2020. As remote working options become more commonplace, the likelihood of the simultaneous applicability of multiple state laws increases, which can only further murky an understanding of the labour framework. Some of the salient changes are captured below:

### **(a) Code on Wages:**

- revises the definition of “workman” as under IDA and increases the earning threshold of persons employed in a supervisory capacity to INR 18,000/- per month;
- prohibition of discrimination on the basis of gender is built into the Code; and
- penalties for offences under the Code are fixed at a maximum of 3 months imprisonment and a fine of INR 1,00,000/-.

<sup>20</sup> Ministry of Labour and Employment Press Release dated 12 December 2022 available here: <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1882845>

**(b) Code on Industrial Relations:**

- introduces fixed term employment options on the basis of a written contract for a predetermined period;
- establishments with up to 300 workers would be able to proceed with lay-offs, retrenchment and closure without government permission;
- proposed introduction of a re-skilling fund to train retrenched workers; and
- insertion of new conditions to conduct a legal strike.

**(c) Code on Social Security:**

- new categories of workers introduced: “home-based worker”; “platform worker”;
- PF contributions set at 10% of wages for both employers and employees, with flexibility for employees to contribute more if they chose; and
- gratuity does not require continuous service of 5 years if the employment is terminated due to fixed-term expiration or other notified events. The calculation would be on 50% of gross wages with a maximum limit of INR 20,00,000/-, paid pro rata for fixed term or deceased employees.

**(d) Code on Occupational Safety, Health and Working Conditions:**

- issuance of a formal appointment letter mandated;
- daily work hour limit fixed at a maximum of 8 hours; and
- digitization of procedures: (i) registration; (ii) notice of commencement/ cessation of operations; (iii) maintenance of registers, issue of wage slips and filing returns; (iv) inspection; (v) “single” registration for establishments having 10+ employees.

**(e) Provisions specific to Startups under the Labour Codes:**

- Startup mobile apps to self-certify<sup>21</sup> on the “Shram Suvidha Portal” (the “**Portal**”)<sup>22</sup> under certain labour laws; exempt from inspection unless credible and verified complaints of violation approved by a senior authority are made;
- self-certified returns permitted from 2nd year onwards (up to 5 years since set up) with respect to certain labour laws;
- gratuity benefits should be accounted for annually;

<sup>21</sup> Currently, 27 States and Union territories have implemented the process of self-certification for startups under 6 labour laws. Additionally, 9 states, including Haryana, Madhya Pradesh, Maharashtra, Rajasthan, Gujarat, Uttar Pradesh, Punjab, Uttarakhand, and Delhi, have integrated their portals with the Portal.

<sup>22</sup> Website link: <https://shramsuvudha.gov.in/home:JSESSIONID=e3a6610a-b2f2-442c-a00a-c18c411b462b>

- mandatory PF contributions if 20 or more employees. Contributions are 12% of wages for employees earning less than INR 15,000/- per month; compliance under PF legislation continues to be applicable even if employee count drops below 20; and
- ESI benefits (including sickness, maternity and injury coverage) mandatory if 10 or more employees; compliance continues to be applicable even if employee count drops below 10.

## Conclusion

The evolving landscape of labour laws in India presents significant opportunities for startups. By adhering to the new Labour Codes, startups can ensure compliance with modern regulations. This encompasses a broad spectrum of obligations, from maintaining accurate employee records and ensuring workplace safety to contributing to social security schemes and preventing workplace discrimination and harassment.

The streamlined compliance procedures and self-certification options introduced by the Ministry of Labour and Employment further support the growth and sustainability of startups. These measures reduce the regulatory burden, especially for new and emerging businesses, by allowing them to focus more on innovation and growth while ensuring adherence to essential labour laws. The inclusion of various worker categories under these codes, such as inter-state migrant workers, home-based workers, and platform workers, provides Startups with the flexibility to adapt to dynamic market demands while maintaining a compliant and ethical work environment.

By understanding and implementing these key reforms, startups can not only navigate the complex regulatory framework but also foster a supportive and equitable workplace, driving long-term success and contributing to the broader economic development of India. It is important for start-ups to be aware of these legal requirements and to take necessary steps to ensure compliance with the law.

## Frequently Asked Questions

### 1. What are the primary labour laws that startups in India need to be aware of?

Startups in India need to be aware of several key labour laws including: the Payment of Wages Act, 1936; Employees' Provident Funds and Miscellaneous Provisions Act, 1952; Employees State Insurance Act, 1948; Payment of Gratuity Act, 1972; Equal Remuneration Act, 1976; Maternity Benefits Act, 1961; Prevention of Sexual Harassment of Women at Workplace Act, 2013; Payment of Bonus Act, 1975; and Rights of Persons with Disabilities Act, 2016. In addition, startups should also ensure compliance with each respective state's Shops and Establishments Act and Tax on Professions, Trades, Callings and Employments Act, as applicable.

### 2. What are the new Labour Codes, and how do they affect startups?

The new Labour Codes introduced by the Government of India aim to consolidate and simplify the existing labour laws into four categories: Wages; Social Security; Occupational Safety, Health and Working Conditions; and Industrial Relations. These codes are designed to reduce the complexity of compliance and introduce measures like fixed-term employment, reskilling funds for retrenched workers, and self-certification for startups, thereby easing the regulatory burden on new businesses.

### 3. What provisions are required to be captured in a comprehensive HR Policy for a startup?

A comprehensive HR policy should contain provisions governing the terms of employment including: (a) working hours, overtime and work week; (b) leave policy (including number of leaves available and the procedure to avail them); (c) maintenance of records, data privacy and protection (both of the employees and of the company); and (d) a designated representative of the company who can act as a point of contact to address employee grievances. Further, startups can also incorporate such mandatory compliances prescribed under law, as the requirement for anti-sexual harassment and equal opportunity policies, into the HR policy.

### 4. What are the typical penalties for non-compliance with labour laws?

Penalties for non-compliance vary by law but can include fines, imprisonment, or both. For example, non-compliance with the Employees State Insurance Act, 1948 can result in imprisonment up to 2 years and a fine up to INR 5,000. Startups must be vigilant in adhering to all applicable laws to avoid these severe penalties.



**5. While the Labour Codes promise ease of compliance, what concessions are presently available to startups?**

In order to ease the burden of compliances under labour laws, the Ministry of Commerce and Industry<sup>23</sup> has made self-certification options available across various labour laws.

Startups can use the Portal to self-certify compliance<sup>24</sup> under (among others) the Payment of Gratuity Act, 1972; the Employees' Provident Funds and Miscellaneous Provisions Act, 1952; and the Employees State Insurance Act, 1948, and they will be exempt from inspections thereunder unless there are credible and verified complaints of violations approved by a senior authority. Further from the second year onwards and up to 5 years from the setting up of the unit, startups are required to furnish self-certified returns, which would only be inspected when a credible and verifiable complaint of violation is filed in writing and approval has been obtained from the higher authorities.

**6. Are there any gender specific compliances to be undertaken by startups for female employees?**

Yes, all employers are required to ensure compliance with the Maternity Benefit Act, 1961 and the Prevention of Sexual Harassment of Women at Workplace (Prevention Prohibition and Redressal) Act, 2013. Further, from a safety standpoint, states sometimes impose conditions on the employment of women, which would typically range from obligating employers to arrange a safe mode of transport back home for such female employees, to outright bans on employing female workers on night shifts.

**7. How are disputes resolved between employers and employees?**

Employer-employee disputes are either treated as: (a) "industrial disputes" heard by labour courts under the Industrial Disputes Act, 1947; or (b) "civil" disputes based on breach of contract. It is important to note the applicability of the definition of "workman" under the Industrial Disputes Act, 1947, as the same would determine whether a startup would be required to appear before the labour courts. If the aggrieved employee does not satisfy the conditions to be considered a "workman" (i.e., the employee fits within the exclusionary criteria), then the employee's only recourse would be to file a suit against the employer for breach of contract.

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<sup>23</sup> For more details on the Startup India initiative Action Plan, including schemes for initial fundings, networking portals to connect with potential investors and advisory councils/resources from the government, please see the Ministry of Commerce and Industry press briefing dated 02 August 2023 here:

<https://pib.gov.in/PressReleasePage.aspx?PRID=1945152>

<sup>24</sup> Self declaration Shram Suvidha Portal accessible at: <https://shramsuvudha.gov.in/startUp.action>

## Get in touch with us

**Treelife** provides **financial and legal support to entrepreneurs, investors, and foreign businesses** with access to a team of professionals, including chartered accountants, lawyers, and company secretaries, who have **deep domain expertise in the startup ecosystem**. Our **mission** is to empower the startup ecosystem by providing holistic legal and finance solutions and save at least 80% time of stakeholders by delegating tasks to experts with accountability and confidence.



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