

Why Statutory Compliance is required and it's Importance for businesses in India



Every company has one common thing at its core - people. Without people, no organization can function. These people are the company's employees, who work in various roles to fulfill its purposes. For a company to function well, it needs to be organized and streamlined, with proper norms and regulations set in place. These regulations extend to every facet, including the company's interactions with its employees and its finances. This is known as statutory compliance.

Definition of Statutory Compliance

In the Human Resources definition (payroll and taxation), statutory compliance is the legal structure within which a company must conduct itself with regards to the treatment of its employees.

Why is it important?

Statutory compliance relates to the various labour and taxation laws prevalent in India. These laws change on a State and National level, and it is mandatory for companies to obey them. Non-compliance with these regulations can land a company into legal trouble such as penalties, fines, or worse. This is why companies spend a good deal of resources for ensuring statutory compliance.

It is important to have a sound understanding of the various labour and taxation laws in India to keep abreast of any changes that need to incorporate since the law is very dynamic and rules keep changing from time to time. Of recent, providers of **statutory compliance services in India** have come into the limelight more than they used to be for the same reason.

Does it differ among organizations?

No, it does not. Statutory compliance for a partnership firm, private limited company, LLP, or any type of company broadly remains the same. Any organization that hires employees or workers and pays them salary or wages must comply with labour laws with regards to monetary compensation, payment of taxes, protection and safety of employees, and fairness of labour.

The following are some labour Acts in India that require a list of company statutory compliance:

- The Workmen's Compensation Act, 1923
- The Trade Unions Act, 1926
- The Payment Of Wages Act, 1936
- The Industrial Employment Standing Orders Act, 1946
- The Industrial Disputes Act, 1946
- The Employees' State Insurance Act, 1948
- The Minimum Wages Act, 1948
- The Factories Act, 1948
- The Employees Provident Fund & Miscellaneous Provisions Act, 1952
- The Employment Exchanges(Compulsory Notification Of Vacancies) Act, 1959
- The Apprentices Act, 1961
- The Payment Of Bonus Act, 1965
- The Contract Labour (Regulation & Abolition) Act, 1970
- The Payment Of Gratuity Act, 1972
- The Equal Remuneration Act, 1976
- Inter-State Migrant Workmen (Regulation Of Employment & conditions Of Service) Act, 1979.
- The Child Labour (Prohibition & Regulation Act), 1986

And now let's look at the tax compliances that companies are required to give importance to:

Maintaining books of accounts that present a complete and fair overview of the financial position of the company. These books must be maintained in compliance with the relevant accounting standards and must be audited by a certified auditor or Chartered Accountant.

Depositing advance taxes and TDS on time, and filing returns according to the norms. This differs according to the nature of the company.

Conducting a statutory audit as and when the law demands it.

All other paperwork and documentation regarding the formation and registration of the company, among others, must be in place.

All these laws must be adhered to as they are mandatory for every organization in India.

Ensuring Statutory Compliance

Understandably, it is difficult to know each and every labour and taxation law and its nitty-gritties. What could be the solution to ensure complete **company statutory compliance** without any errors? A proper payroll management system.

A payroll management system calculates -

- How much tax is to be withheld when calculating the salary of an employee?
- How much net salary is to be paid to an employee after tax and other deductions?

Both labour and taxation law compliance is taken care of with the payroll management system. Once all the basic information is entered, it does all the calculations for every employee. Just make the required modifications as and when they come, and the system takes care of the rest.

How has the pandemic affected Statutory Compliance?

Like almost everything else around us, discipline and regulations have also been affected by the pandemic (Covid-19). To deal with such special circumstances, 100+ countries have had to issue more than 350 new regulations, keeping in mind the Covid-19 scenario. A speculated 150+ obligations are likely to arise, all thanks to the pandemic situation. Furthermore, the Central Government, along with 7 other State Governments, have collectively invoked certain provisions and powers – all under the Epidemic Act of 1897. Needless to say, the implications of non-compliance have been upgraded to a far more grievous and stringent capacity.

While all compliance areas will be affected by the changes in the regulations of statutory compliance, here are some of the key areas that are expected to be affected more than the others. Areas like data privacy, workplace safety, workplace health, working capital, supply chains, employment, disclosures and corporate governance are most likely to be

affected the most. The companies that provide **statutory compliance services in India** have all made sure they stay abreast with the updates and changes.

Importance and Advantages of Statutory Compliance

The most important advantage of the list of statutory compliance to employees is that it ensures fair treatment of labour. It prevents employees from being exploited or made to work for unmanly hours or in inhuman conditions. It also ensures that they are paid fairly in proportion to the work that they have done, and that companies comply with the minimum wage rate.

The advantage to organizations is the timely payment of taxes, which avoids a lot of legal trouble like penalties and fines. A set of predefined rules makes it easier for the Government to collect revenue as well as for companies to organize their financials. Statutory compliance is important to prevent legal troubles. Companies can be fined monetarily as well as be tried in a court of law, depending on the scale of non-compliance. The **Importance of statutory compliance in hr** cannot be overlooked anymore. It needs to be taken far more seriously to reduce the frequency of fines and penalties.

How is Statutory Compliance important to a Business?

Statutory Compliance is of paramount importance to any and all businesses. Here is why:

- 1. Avoiding penalties and other legal implications** – Statutory compliance ensures that an organization can avoid penalties, disqualifications, confiscation of a license, fines, lawsuits, etc. In other words, complying with the prerequisite regulations and norms ensures that the business has to face no legal implications.
- 2. Increased efficiency** – When a company is successfully complying with the requisite regulations, the company can save up on a lot of time, effort, and resources that it can employ in sectors that are more indigenous to its cause and existence.
- 3. Better PR** – A company that is adept in statutory compliance is a symbol of stability and top-notch work ethics. In other words, anyone who is related to or tied up with the business or company in any manner or form is aware of the authenticity of the company's practice and image. In short, the company that partakes incomplete statutory compliance is ahead of others when it comes to Public Relations.
- 4. Higher Employee Morale** – Statutory compliance automatically boosts employee morale. Compliance with the aforementioned set of regulations will ensure that the company performs at maximum efficiency and with good intent. This will boost goodwill. When a company has a good reputation, the employees of the company automatically have high morale and they tend to stick around longer than in a company with statutory non-compliance.

Why does your business need Statutory Compliance?

Although we have elaborated enough on the **importance of statutory compliance**, some people may have a few questions regarding why their company or their business might need it now or even in the next financial year for that matter; and how they might benefit from it. The following pointers will sufficiently address any such concern:

1. When a company is statutory compliant, the workers or the employees will be more and more aware of it. Statutory compliance is a two-way street and once the employees start becoming statutory compliant, the possibilities of legal implications and other set-backs (major or minor) are reduced to a bare minimum or even zero. Any risk related to non-compliance is automatically ruled out.

2. Statutory compliance not only helps the business from the inside but from the outside as well. A business that is statutory compliant is bound to fetch good reviews and thus, have a good reputation. Now in the world of business, goodwill is nearly everything so if your company is statutory compliant and has a good reputation, you are bound to stay ahead of the competition in most areas.

3. Unforeseen adversities – In all truthfulness, there is no way of guaranteeing that there would be no consequences or adversities. However, statutory compliance ensures that the situation is dealt with absolutely professionalism and competence, thereby minimalizing spillage.

4. Customer and Employee loyalty – The customer and the employees of the company go hand in hand. It is a scale of balance that cannot be tipped in either direction. The company needs the customer and the employee to be happy and content and they are, in turn, dependent on each other. Statutory compliance ensures the security and personal safety of employees as well as the consumers and their data. Any and all rules and regulations regarding the employees, consumers, and their data are addressed with enough stress. Therefore, a company that is statutory compliant, is more likely to have more loyal employees and therefore, loyal customers as well. People have started to realize this and hence more and more they are laying more emphasis on **the Importance of statutory compliance in hr**, with each passing day.

This is why every business needs to be statutory compliant in such turbulent times. While businesses are losing ground every day, due to the pandemic, for a business to be statutory compliant is of utmost importance. Ideally, every business should have and adhere to their **list of statutory compliance** from the following financial year to stay ahead in the cut-throat competition that is about to ensue.

Statutory Service Providers – All you need to know

Specialization is the first step towards growth and development. It is through specialization that we achieve what others fail to dream of. We now know the importance of **statutory compliance management**. However, to achieve it you need to have professional guidance and someone proficient in providing such services. Today, you can

outsource **statutory compliance services in India** - who will ensure that the regulations are made abundantly specific and understandable, yet agreeable.

Company statutory compliance service providers ensure that the company is safeguarded. It also ensures that the employees and consumers are well taken care of and they don't leave or work with qualms. In order to be successful, a business needs to have an extremely sound legal framework and austere regulations that the workers can follow to ensure the level of efficiency is not compromised.

Companies are generally mostly engaged in carrying out tasks and responsibilities that concern the goals of the company. They do not have time to take care of statutory compliance. Therefore, successful companies outsource or hire professional statutory service providers who cater to their every single need.

In Conclusion

Statutory compliance is very important and must be given due consideration. Companies must have a proper payroll management system in place for streamlining it.