



OCTAGONA

A BONFIGLIOLI CONSULTING COMPANY



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ADVISORY

Compliance under the Shops
and Establishments legislation in India

COMPLIANCE UNDER THE SHOPS AND ESTABLISHMENTS LEGISLATION IN INDIA

I. INTRODUCTION

The Shops and Establishments legislation (the "Act") constitutes a key regulatory framework governing the conditions of employment and operational aspects of commercial establishments in India. Unlike central labour enactments, the Act is state-specific, with each State and Union Territory prescribing its own version, leading to variations in applicability, compliance requirements, and procedural aspects.

The Act generally applies to all "shops" and "commercial establishments" as defined under the respective State legislation, covering offices, service entities, retail outlets, and other business premises.

II. REGISTRATION REQUIREMENT

Every establishment is mandatorily required to obtain registration under the applicable State Shops and Establishments legislation within the prescribed timeline from the date of commencement of business operations.

Upon registration, a Registration Certificate (or equivalent intimation, as applicable) is issued, which serves as legal recognition of the establishment under local labour laws. Such certificate is required to be prominently displayed at the premises or maintained electronically, depending on the provisions of the relevant State.

Failure to obtain timely registration may attract penalties and may also impact the ability to undertake certain business operations.

III. KEY COMPLIANCE REQUIREMENTS

While the specific provisions differ across jurisdictions, the following compliance obligations are commonly prescribed:

a. Working Hours and Overtime

- Regulation of daily and weekly working hours
- Prescribed limits on overtime, along with applicable overtime wages

b. Weekly Offs and Holidays

- Mandatory provision of a weekly day of rest
- Observance of national and festival holidays as notified under State laws

c. Leave Entitlements

- Provision for earned leave, casual leave, and sick leave
- State-specific rules governing accrual, carry-forward, and encashment

d. Employment of Women

- Conditions governing employment during night shifts (with relaxations in several States)
- Mandatory employer obligations relating to safety, security, and transportation

e. Maintenance of Registers and Records

- Maintenance of statutory records relating to attendance, wages, leave, and employment
- Increasing adoption of digitized record-keeping systems as permitted by various States

IV. REGULATORY DEVELOPMENTS

Recent regulatory trends across States indicate a shift towards simplification and modernization of compliance requirements:

- Digitization of Processes: Online registration, renewals, and electronic maintenance of records have been widely introduced
- Ease of Doing Business Initiatives: Rationalization of procedures and reduction in physical inspections in select jurisdictions
- Flexibility in Working Hours: Sector-specific relaxations, particularly for IT/ITES establishments
- Progressive Norms for Women Employment: Expanded permissions for night shifts, subject to enhanced safety measures

V. IMPLICATIONS FOR EMPLOYERS

a. Consequences of Non-Compliance

- Non-compliance with the provisions of the Act may result in:
- Imposition of monetary penalties
- Disruptions arising from regulatory inspections
- Potential reputational and operational risks

b. Operational Considerations

- Businesses operating across multiple States must ensure compliance with each jurisdiction's specific requirements
- Internal HR policies relating to working hours, leave, and holidays must be aligned with applicable State laws
- Periodic compliance reviews are advisable to mitigate regulatory exposure

VI. CONCLUSION

Compliance under the Shops and Establishments framework is a foundational legal requirement for all commercial establishments in India. Given its State-specific nature and evolving regulatory landscape, businesses are advised to adopt a proactive and structured compliance approach.

Timely registration, diligent maintenance of statutory records, and alignment of internal policies with applicable legal provisions are essential to mitigate risks and ensure seamless business operations.

Octagona India provides comprehensive support in relation to Shops and Establishments compliance, including registration, maintenance of records, filing requirements, and advisory


on State-specific obligations. Our approach is designed to ensure regulatory compliance while enabling operational efficiency.

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