Skillshort

Self-Study Preparation Pack

CS EXECUTIVE

Paper 3: Setting up of Business, Industrial and Labour Laws (SBILL)

Chapter-wise Detailed Notes

For the December 2026 examination (Sat 26 Dec 2026, 2:00–5:15 pm incl. 15 min reading) · ICSI Syllabus 2022 · Laws as amended up to 31 May 2026

100 marks · 3 hours | Part I 60 · Part II 40 | Case studies in Q1 and Q5 | Internal choice in Q4 and Q6

Four Labour Codes in force from 21 Nov 2025

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This subject pack has 6 parts

1 Chapter-wise notes

2 Important topics & weightage

3 Past papers: trends & links

4 Mock tests + solutions

5 Chapter practice questions

6 Last-week plan & strategy

Prepared by Skillshort for self-study. Original explanations and questions; not an official ICSI publication. Items marked VERIFY should be checked against the latest official material.

How to use these notes

These notes follow the **23 lessons of the current ICSI study material** for Setting up of Business, Industrial and Labour Laws (Syllabus 2022). The **four Labour Codes came into force on 21 November 2025** and replace 29 central labour laws; the notes give the Code provision first and the old Act in [brackets]. Answer Part II questions under the Codes.

Paper at a glance

Item	Detail
Marks / time	100 marks, 3 hours (2:00–5:15 pm with 15 minutes' reading time)
Part I – Setting up of Business (60 marks)	Lessons 1–13: Q1 case study (15 marks: five 3-mark parts), Q2 (15), Q3 (15), Q4 or Q4A (15)
Part II – Industrial and Labour Laws (40 marks)	Lessons 14–23: Q5 case study (20 marks: four 5-mark parts), Q6 or Q6A (20 marks: four 5-mark parts)
Choice	Internal choice only: **Q4 or Q4A** and **Q6 or Q6A**
Applicable law	Amendments up to **31 May 2026**; ICSI study material updated to 30 November 2025 + Supplement for December 2026
Pass	40% in each paper and 50% aggregate in the group

Recent papers (December 2024 – June 2026) were fully written answers – no OMR or MCQ section was seen VERIFY. Check the instructions printed on your question paper.

NOTE ICSI Supplement – Dec 2026

- **Ch. 2**: **small company** - paid-up ≤ **₹10 crore** & turnover ≤ **₹100 crore**; **MCA advisory (12-3-2026)** on name reservation & incorporation of companies / LLPs NEW.
- **Ch. 4**: **DPIIT revised startup recognition** - G.S.R. 108(E), **4-2-2026**: turnover limit **₹200 crore** (was 100); **Deep Tech Startup** - 20 years / ₹300 crore NEW.
- **Ch. 8**: **RBI NBFC registration & categorisation directions (29-4-2026)** - NOF **₹10 crore**; PRAVAAH portal NEW.
- **Ch. 13**: **FSSAI Licensing & Registration Amendment Regulations (10-3-2026)** - instant registration; licence valid until suspended / cancelled NEW.
- **Ch. 15**: Labour Code **Central Rules 2026** notified **8-5-2026** (G.S.R. 342-345) NEW.

NOTE Labour Codes – in force 21-11-2025

Code	Subsumes
Code on Wages 2019	4 Acts - Payment of Wages, Minimum Wages, Bonus, Equal Remuneration
IR Code 2020	3 Acts - Trade Unions, Standing Orders, Industrial Disputes
Code on Social Security 2020	9 Acts - EPF, ESI, Gratuity, Maternity, Employees' Compensation, BOCW Cess, Unorganised Workers, Cine-Workers Fund, Employment Exchanges
OSH Code 2020	13 Acts - Factories, Contract Labour, Mines, Dock, BOCW, Plantation, ISMW, Journalists, Motor Transport, Sales Promotion, Beedi, Cine & Theatre workers

- **29 laws → 4 Codes**; old Acts shown in [brackets] in these notes.

Answer framework

Identify **entity / establishment** & threshold → Quote **section / regulation / rule** → Apply numbers (capital, turnover, workers) → Conclude with **forms, timelines & authority**

Note: Part I questions are often "which structure should the promoter choose?" - compare liability, compliance, tax, fund-raising, exit.

MEMORY TRICK **Thresholds to memorise "10-20-50-300"**

102050300 – 10 - ESI, POSH IC, OSH Code coverage; 20 - EPF, bonus, factory with power; 50 - contract labour, creche; 300 - standing orders & lay-off / retrenchment / closure permission

Chapter 1: Selection of Business Organisation

In this chapter: Forms of business organisation · Factors for selection · Sole proprietorship · HUF · Partnership · LLP · Company - private, public, OPC, small, s.8, producer · Cooperatives · Trusts & societies · Comparison

1.1 Forms of business compared

Factor	Sole prop	Partnership	LLP	Private co	Public co
Law	None specific	Partnership Act 1932	LLP Act 2008	Companies Act 2013	Companies Act 2013
Members	1	2-50 (Rule 10)	Min 2, no max	2-200 (OPC 1)	Min 7, no max
Liability	Unlimited	Unlimited, joint & several	**Limited** to contribution	Limited	Limited
Legal entity	No	No	**Yes**	Yes	Yes
Compliance	Lowest	Low	Moderate	Moderate-high	Highest
Fund-raising	Own / loans	Partners	Partners, no public issue	Private placement	**Public issue**, listing
Continuity	Ends with owner	Dissolution risk	Perpetual	Perpetual	Perpetual
Tax (indicative)	Slab	30% firm	30% (as firm)	22% / 25% / 30%	Same

1.2 Selection factors

- **Nature & scale** of business; **capital** required; **liability** risk; **control & management**; **regulatory compliance cost**; **taxation**; **continuity & transferability**; **secrecy**; foreign investment eligibility (FDI in LLP only in 100% automatic sectors).
- **HUF**: karta manages; coparceners by birth (daughters equal - Hindu Succession Amendment 2005, *Vineeta Sharma* 2020); separate tax entity.
- **Cooperative** - voluntary, democratic (one member one vote), State Act / **Multi-State Cooperative Societies Act 2002** (amended 2023).
- **Producer company** - **Chapter XXIA, Companies Act 2013** (s.378A-378ZU), 10 individual producers or 2 producer institutions.

EXAM TIP FAQ

- Best structure for professionals wanting limited liability with partnership flexibility? **LLP**.
- Structure for a charitable school? **Trust / society / s.8 company** (s.8 gives corporate status).
- Single founder wanting limited liability? **OPC** (natural person, Indian citizen & resident).

COMMON MISTAKE Traps

- Partnership firm is **not** a legal person (registered or not).
- Max partners in a firm = **50** (Companies (Misc.) Rules 2014, Rule 10).
- OPC cannot carry out **NBFC / investment** activities (Rule 3(6)) - Supplement NEW.

MEMORY TRICK Selection "CLC-TEC"

CLCTEC – C Capital; L Liability; C Control; T Tax; E Exit & continuity; C Compliance cost

Chapter 2: Corporate Entities - Companies

In this chapter: Types of companies · Incorporation · MOA & AOA · Name rules · s.8 & OPC · Small company · Conversion · Doctrines · Corporate veil · MCA advisory 2026

2.1 Incorporation process (s.7)

Name reservation (SPICe+ Part A / RUN; s.4(4)) - valid **20 days** from approval VERIFY → File incorporation documents (SPICe+): MOA, AOA, declaration by professional (INC-8 merged), subscribers' & first directors' declarations, address of office → ROC registers → **Certificate of Incorporation** (CIN; conclusive evidence) → **Commencement s.10A**: declaration within **180 days** of incorporation (INC-20A) that subscribers paid value of shares; registered office verified within 30 days (s.12)

2.2 MOA clauses (s.4) & AOA (s.5)

NROLC – N Name; R Registered office (State); O Objects; L Liability; C Capital (+ nomination for OPC)

- **AOA** = internal regulations; **entrenchment** (s.5(3)): provisions alterable only on more restrictive conditions - private: all members agree; public: **special resolution**.
- Model forms: Table A (shares), B (guarantee no share capital) ... in Schedule I.

2.3 s.8 company & OPC

- **s.8**: objects - commerce, art, science, sports, education, research, social welfare, religion, charity, environment etc.; **profits applied to objects; no dividend**; licence by **Central Govt (RD)**; name need not have "Ltd"; can be revoked → wind up/amalgamate with another s.8.
- **OPC**: only **natural person, Indian citizen & resident**; can be member of only **one OPC**; minor cannot; no limit for conversion into public/private (post-2021 amendment) VERIFY.

2.4 Doctrines (exam favourites)

Doctrine	Essence
Ultra vires	Act beyond objects is **void**, can't be ratified - **Ashbury Railway Carriage v. Riche**
Constructive notice	Outsiders deemed to know MOA/AOA (public documents)
Indoor management	Outsider may assume **internal procedures complied** - **Royal British Bank v. Turquand**

- Exceptions to indoor management: **knowledge** of irregularity, **negligence/suspicion**, **forgery**, act beyond authority/not part of usual authority.

2.5 Lifting the corporate veil

- Separate legal entity: **Salomon v. Salomon & Co.**
- **Judicial** grounds: fraud/improper conduct (**Gilford Motor v. Horne; Jones v. Lipman**), tax evasion (**Dinshaw Maneckjee Petit**), enemy character (**Daimler v. Continental Tyre**), sham company, protection of public policy, agent/trustee.
- **Statutory**: misstatement in prospectus (s.34/35), fraudulent conduct (s.339), failure to refund application money, s.7(7) furnishing false info.

2.6 Alterations & conversion

- **s.12** registered office within 30 days of incorporation; change notice within **15 days** (INC-22).
- **s.13** MOA alteration: **special resolution**; change of name (CG approval), change of registered office to another State (CG/RD), change of objects (public by postal ballot, unused prospectus money - exit for dissenting shareholders).
- **s.14** AOA alteration by special resolution; conversion private ↔ public; Tribunal approval for public → private (now **RD**) VERIFY.
- **s.18** conversion of one class into another; **s.17** copies to members within 7 days on request; **s.19** subsidiary can't hold shares in holding (exceptions: legal representative, trustee, existing before becoming sub.).

2.7 Name rules (s.4(2)-(5))

- Name **not identical/too nearly resembling** existing company or registered trade mark.
- Not constitute offence; not **undesirable** (in CG's opinion).
- Words implying Govt patronage or connection with Central/State Govt or certain words need **prior approval**.
- If wrongly registered → **RD** may direct rectification within **3 months** (s.16) after hearing; company to change in **3 months** else ROC allots new name.

2.8 Incidental sections (s.15-22)

- **s.15**: alteration of MOA/AOA noted in every copy.
- **s.17**: copies of MOA/AOA to members within **7 days** of request.
- **s.20**: service of documents on company - registered post, speed post, courier, electronic; on member - as above.
- **s.21**: authentication by KMP/officer authorised by Board.
- **s.22**: execution of bills of exchange/hundis by authorised person; common seal optional.
- **s.9**: effect of registration - body corporate, perpetual succession, capacity to hold property, sue & be sued.

2.9 Conversion paths

From → To	Requirement
Private → Public	Special resolution; alter AOA; ROC filing (INC-27)
Public → Private	Special resolution + **RD/CG approval**
OPC → Private/Public	Increase members/directors; special resolution; alter MOA/AOA
Unlimited → Limited	s.18 - doesn't affect prior debts
s.8 → other	Conditions per Rules (CG approval)

NOTE MCA advisory (12-3-2026) - name & incorporation

- Names must not resemble existing names / brands (rejected examples: *Avon Engineers*, *Progressive Jewellers*, *Across Borders Exports*).
- **Rule 8A(1)(n)**: identical to company **dissolved on liquidation** - barred **2 years**; **struck off** - **20 years**; LLP in liquidation / struck off - **5 years** (Rule 8A(1)(o), LLP Rule 18(2)(xii)).
- Foreign country / city word (e.g., "Italy") - only with proof of **collaboration / MoU** (Rule 8A(1)(l)).
- **s.8 company** name must include Foundation, Forum, Association, Council, Mission, Sansthan etc. (Rule 8A(1)(u)); no money-market / investment objects; remove dividend articles; assets not to members on winding up.
- **OPC**: no NBFC, no investment in securities of other bodies, no NIC 64.
- Not allowed: plural / tense / word-order / translation variants (Rule 8(2)); even removing a hyphen needs **RUN**.
- **SPICe+**: capital in Part B Point 3 must match Points 6-7 & e-MOA subscriber sheet.

2.10 Types of companies

Type	Key feature
Private s.2(68)	Restricts transfer; ≤ 200 members; no public invitation; min capital not prescribed
Public s.2(71)	Not private; subsidiary of public is public
OPC s.2(62)	1 member; nominee; no min capital / turnover limits since 2021
Small s.2(85)	Private; paid-up ≤ **₹10 cr** & turnover ≤ **₹100 cr** NEW
s.8	Charitable objects; licence from CG (RD); no dividend
Holding / subsidiary s.2(46), 2(87)	Control > 50% total share capital or Board composition
Associate s.2(6)	Significant influence - **20%** voting / business decisions

Type	Key feature
Govt company s.2(45)	≥ 51% paid-up by CG / State
Producer Ch XXIA	Primary producers; mutual assistance
Nidhi s.406	Thrift & savings among members

2.11 Post-incorporation compliance calendar

Event	Time limit
Registered office verification (INC-22 if changed)	30 days / 15 days of change
First Board meeting	Within **30 days** of incorporation
First auditor (Board)	**30 days** (else members in 90 days)
Commencement declaration **INC-20A** (s.10A)	**180 days** - else may be struck off
Share certificates	**60 days** of incorporation
Statutory registers (members s.88)	From incorporation
Shareholder / director KYC (DIR-3 KYC)	Annually by 30 September
Significant beneficial owner (BEN-2)	30 days of declaration

EXAM TIP FAQ – Companies

- Minimum paid-up capital for a private company? **None** (removed in 2015).
- Can a small company be a holding / subsidiary company? **No** - holding / subsidiary companies are excluded from "small company".
- Is a s.8 company allowed to pay dividends? **No** - profits applied to objects; assets don't go to members on winding up (MCA advisory).
- Validity of name reserved via RUN? **20 days** (60 days for change of name) VERIFY.

Chapter 3: Limited Liability Partnership

In this chapter: Nature of LLP · Partners & designated partners · Incorporation & name · LLP agreement · Liability · Contribution · Accounts & audit · Conversion · Small LLP · Foreign LLP · Winding up

3.1 Nature of LLP

- **Body corporate**, separate legal entity, **perpetual succession**, common seal (optional).
- Partnership Act, 1932 **not applicable**.
- Min **2 partners** (no max); LLP with < 2 partners for > **6 months** → remaining partner personally liable.
- Min **2 designated partners** (individuals), **≥ 1 resident in India** (stayed **≥ 120 days** in preceding FY VERIFY); DPIN/DIN.
- Partner can be individual or **body corporate** (not minor, unsound mind, undischarged insolvent).

3.2 Incorporation & agreement

- Incorporation document (FiLLiP) with name, business, registered office, partners & DPs → **Certificate of Incorporation**.
- Name ends with "**LLP**" / "Limited Liability Partnership"; not undesirable/identical.
- **LLP agreement** filed (Form 3) within **30 days** of incorporation; absent agreement → **First Schedule** governs (e.g., equal sharing, no remuneration, indemnity).
- Change in partners → Form 4 within **30 days**.

3.3 Liability & whistle-blowing

- LLP liable to the **extent of its assets**; partner **not personally liable** for LLP's obligations solely by being partner.
- Partner **not liable for wrongful acts/omission of another** partner.
- **Fraud** → unlimited liability of LLP & partners who acted with intent; imprisonment up to **5 years** + fine ₹50,000 - ₹5 lakh VERIFY.
- **Whistle-blowing** - court/Tribunal may reduce penalty; no discrimination for whistle-blower.

3.4 Compliance calendar

Filing	Due
Statement of Account & Solvency (Form 8)	within **30 days** from end of **6 months** of FY → **30 Oct**
Annual Return (Form 11)	within **60 days** of FY end → **30 May**
Audit of accounts	if turnover > **₹40 lakh** or contribution > **₹25 lakh** VERIFY
Books	Preserve **8 years**

3.5 LLP vs Partnership vs Company

Point	LLP	Firm	Company
Entity	Separate	Not separate	Separate
Liability	Limited (agreed contribution)	Unlimited	Limited
Members	Min 2, no max	2-50	Private 2-200
Registration	Compulsory	Optional	Compulsory
Governing	LLP agreement	Partnership deed	MOA/AOA
Audit	Threshold	Not under Act	Compulsory

3.6 Conversion & small LLP

- **s.55-58**: conversion from **firm** (Sch II), **private company** (Sch III), **unlisted public company** (Sch IV) - all partners/shareholders become partners; no security interest outstanding (company) VERIFY.
- On conversion: all assets/liabilities vest in LLP; firm/company **dissolved**.

- **Small LLP**: contribution ≤ **₹25 lakh** (or prescribed ≤ ₹5 cr) & turnover ≤ **₹40 lakh** (or prescribed ≤ ₹50 cr) - lesser penalties VERIFY.
- **Compromise/arrangement** (s.60-62) via Tribunal; **winding up** voluntary or by Tribunal (s.63-65).
- Foreign LLP may set up place of business in India (s.59).

3.7 Partners & designated partners

- Cessation: by agreement, or **30 days' notice**; death, insolvency, unsound mind.
- Former partner liable for obligations of the period he was partner; notice to ROC (Form 4) within **30 days**.
- **Designated partner** duties: compliance, filings, penalties; consent in Form 9 VERIFY.
- **Contribution**: tangible/intangible property, money, promissory notes, services; monetary value accounted & disclosed.

3.8 Other LLP provisions

- Registered office; change notice **30 days**.
- Name change by LLP (Form 5); RD/CG may direct change if identical (3 months).
- **Investigation** by CG (Inspector) - s.43-54.
- **Compounding** of offences punishable with fine only (s.39).
- **Decriminalisation** (2021): many offences → civil penalties; adjudicating officers.
- **Foreign LLP** - Form 27 for establishment VERIFY.

WORKED EXAMPLE Case scenarios (LLP)

- LLP with 2 partners; one dies; other continues alone for 8 months → for period beyond **6 months**, he is **personally liable** for obligations.
- Partner A commits fraud without B's knowledge → B **not personally liable**; LLP liable to the extent of assets.
- Firm converting to LLP - all partners must become partners of LLP; firm **dissolved** after conversion.

NOTE LLP – Supplement points

- **Form 9** (consent of DPs) for partners with DIN / DPIN; others attach physically executed Form 9 in **FiLLiP** (s.7(3), Rule 7).
- Company → LLP: shareholding in FiLLiP must match latest annual filing / **PAS-3**; SH-4 / resolution for verification.
- Firm → LLP: attach **initial + latest partnership deed**.
- **Foreign LLP** may reserve its name in **Form 25** - valid **3 years**, renewable (Rule 18(3)).

EXAM TIP FAQ – LLP

- Minimum designated partners? **2**, at least **one resident in India** (stayed ≥ 120 days in previous year).
- Can a body corporate be a partner? **Yes** - through a nominee as DP.
- LLP annual return? **Form 11** within **60 days** of FY end; Statement of Account & Solvency **Form 8** by **30 October**.

Chapter 4: Startups and its Registration

In this chapter: Startup India · DPIIT recognition (revised 4-2-2026) · Deep Tech Startup · Eligible entities · Process · Restrictions on investment · Tax benefits (s.80-IAC) · Other benefits · Funding

NOTE DPIIT revised recognition – G.S.R. 108(E), 4-2-2026

- **Startup** = entity that is a **private limited company, registered partnership firm, LLP, multi-State cooperative or State cooperative society** NEW.
- Up to **10 years** from incorporation / registration.
- Turnover **≤ ₹200 crore** in any FY (was ₹100 crore).
- Working on **innovation**, development or improvement of products / processes / services, or a **scalable model** with high potential for employment / wealth creation.
- Entity formed by **splitting up / reconstruction** of an existing business - **not** a startup.
- **Deep Tech Startup**: new scientific / engineering knowledge, high R&D, long gestation, significant IP - **20 years** & turnover **≤ ₹300 crore**.
- Ceases on expiry of period or turnover crossing limit.

4.1 Recognition process

Incorporate / register entity → Apply on **DPIIT (Startup India) portal** with incorporation certificate & write-up on innovation / scalability → Deep Tech - additional documents per framework VERIFY → DPIIT examines & **recognises** (may call for documents / reject with reasons) → For **s.80-IAC** - pvt co / LLP applies to **Inter-Ministerial Board (IMB)** in **Form-1**

- Recognition may be **revoked** if obtained on false documents / conditions breached.

4.2 Investment restrictions & benefits

- Startup shall **deploy funds primarily for business**; during recognition must **not invest** in: **residential house** (unless for business / stock), land / building not used for business, **loans & advances** (other than business / ordinary course), **capital contribution / shares** in other entities (except business / strategic), **motor vehicles, aircraft, yachts** above prescribed value (not business), **jewellery, art**, speculative / other assets NEW.
- **s.80-IAC**: 100% deduction for **3 consecutive years out of 10**; incorporated before **1-4-2030** VERIFY.
- Angel tax **s.56(2)(viib) abolished** from AY 2025-26.
- Self-certification under **labour & environment laws**; **80% rebate** on patent fees, fast-track examination; Fund of Funds (SIDBI), **Seed Fund Scheme**, Credit Guarantee Scheme.
- Companies Act: startup can issue **sweat equity up to 50%** of paid-up for 10 years VERIFY; **convertible notes** (≥ ₹25 lakh, convert / repay within 10 years) not deposits; fast-track merger s.233.

Chapter 5: Micro, Small & Medium Enterprises

In this chapter: MSMED Act 2006 · Classification (revised 2025) · Udyam registration · Udyam Assist Platform · Delayed payments · MSE Facilitation Council · Schemes · s.43B(h) & MSME Form 1

5.1 Classification (composite criteria, from 1-4-2025)

Enterprise	Investment in P&M / equipment	Turnover
Micro	≤ **₹2.5 crore**	≤ **₹10 crore**
Small	≤ **₹25 crore**	≤ **₹100 crore**
Medium	≤ **₹125 crore**	≤ **₹500 crore**

- Earlier (2020) limits: 1/5, 10/50, 50/250 crore; **exports excluded** from turnover; both tests apply VERIFY.
- **Udyam Registration** - free, paperless, **Aadhaar-based** self-declaration; PAN & GST data linked; **Udyam Assist Platform** for informal micro units (GST not mandatory).

5.2 Delayed payments (Chapter V)

- **s.15**: buyer pays by agreed date - **max 45 days** of acceptance; no agreement → **15 days**.
- **s.16**: delay → **compound interest, monthly rests, 3× bank rate** (RBI).
- **s.17-18**: supplier refers to **MSE Facilitation Council** - conciliation, else arbitration; award in **90 days**.
- **s.19**: application to set aside award needs **75% deposit**.
- **s.22**: buyer discloses unpaid dues in annual accounts; **MSME Form 1** (half-yearly) to MCA for dues > 45 days VERIFY.
- **s.43B(h) IT Act** - deduction only on payment within s.15 time.

5.3 Support ecosystem

- **MSME Samadhaan** (delayed payment portal); **TReDS** - invoice discounting; **CGTMSE** collateral-free credit; **PM Vishwakarma**; Public Procurement Policy (**25%** from MSEs, 4% SC/ST, 3% women) VERIFY.
- Ministry of MSME; National Board for MSME; **Khadi & Village Industries Commission**.
- Is a trader an MSME? Retail & wholesale trade allowed **Udyam** registration for priority-sector lending only (2021) VERIFY.

Chapter 6: Conversion of Business Entities

In this chapter: Sole proprietorship / firm to company · Firm to LLP · Private company to LLP · Unlisted public company to LLP · Company to LLP · LLP to company · Private ↔ public · OPC conversion · s.8 conversion

6.1 Conversion routes

From → To	Law	Key condition
Firm → company	s.366 Companies Act (Part I Ch XXI)	≥ 2 members; partners' consent; URC-1
Firm → LLP	**s.55 & Second Schedule**, LLP Act	All partners become partners of LLP; Form 17 + FiLLiP
Pvt co → LLP	**s.56 & Third Schedule**	No security interest subsisting / all secured creditors consent; all shareholders become partners
Unlisted public co → LLP	**s.57 & Fourth Schedule**	Same as above
LLP → company	s.366	Partners as members; register under Part I Ch XXI
Private → public	s.14	Special resolution; INC-27
Public → private	s.14	SR + **RD approval** (CG)
OPC → pvt / public	Rule 7	Increase members / directors; anytime (2021)
Private → OPC	Rule 7(4)	Paid-up ≤ ₹50 lakh & turnover ≤ ₹2 cr VERIFY
s.8 → other	Rule 21	SR + **RD approval**; benefits refunded

6.2 Firm → LLP (Second Schedule)

Partners' consent & LLP agreement → Name reservation (RUN-LLP) → **FiLLiP** + **Form 17** (statement of all partners, creditors' consent) → ROC registers → Certificate → Firm deemed **dissolved**; property, rights & liabilities vest in LLP

- Intimate Registrar of Firms within **15 days**; LLP mentions conversion on correspondence for **12 months**.

EXAM TIP FAQ – conversion

- Effect on pending proceedings after company → LLP? **Continue** by / against LLP; existing agreements bind LLP.
- Tax-neutral conversion? **s.47(xiiib)** IT Act if turnover ≤ ₹60 lakh, assets ≤ ₹5 crore, profit-sharing ≥ 50% to shareholders for 5 years (Finance Act 2025, AY 2026-27).
- Can a listed company convert into LLP? **No** - only private / unlisted public.

Chapter 7: Non-Corporate Entities

In this chapter: Sole proprietorship · HUF · Partnership firm - registration, rights, dissolution · Trusts - private & public · Societies · Cooperative societies · Multi-State cooperatives

7.1 Partnership firm essentials

- **s.4** Partnership Act 1932: relation between persons agreeing to **share profits** of business carried on by **all or any acting for all** (mutual agency).
- **Registration s.58-59** - optional, but **s.69 disabilities**: unregistered firm / partner cannot sue third parties or firm (contractual rights); third parties can sue firm.
- **Liability s.25** joint & several; **minor** admitted to benefits (s.30) - elects within **6 months** of majority.
- **Dissolution** s.39-44: by agreement, compulsory (insolvency, illegality), on contingency, by notice (at will), by **court** (s.44).

7.2 Trust vs society vs cooperative

Point	Trust	Society	Cooperative
Law	Indian Trusts Act 1882 (private); State public trust Acts	**Societies Registration Act 1860**	State Acts / **MSCS Act 2002**
Formation	Author + trustee + beneficiary; trust deed	**7 or more** persons; MoA & rules	Min 10 persons (State) / 50 per State (MSCS) VERIFY
Management	Trustees	Governing body	Elected board; one member one vote
Legal entity	No (trustees hold)	Limited (registered)	**Yes** - body corporate
Use	Charity, family wealth	Education, NGOs	Credit, dairy, housing

7.3 Other entities

- **Sole proprietorship**: no separate entity; registrations - GST, Shops & Establishments, Udyam; unlimited liability.
- **HUF**: karta's implied authority; coparcenary; partition; can be partner? **No** - karta joins as individual.
- **Multi-State Cooperative Societies (Amendment) Act 2023**: Cooperative Election Authority, ombudsman, Cooperative Rehabilitation Fund, sick society revival VERIFY.
- **Public trusts** - registration under State laws (e.g., Maharashtra Public Trusts Act); tax - **s.12AB** (old) registration VERIFY.

Chapter 8: Financial Services Organisations

In this chapter: NBFC - meaning, registration (RBI directions 29-4-2026), categorisation, NOF · Scale-based regulation · Types of NBFCs · ARCs · Banks - payments & small finance · Insurance · Capital market intermediaries

NOTE RBI NBFC registration & NOF (29-4-2026)

- **NBFC** - financial institution / company whose **principal business** = lending, investment in securities, hire purchase etc. (**50-50 test**: financial assets > 50% of total assets & financial income > 50% of gross income) VERIFY.
- Registration with RBI **s.45-IA RBI Act**; apply on **PRAVAAH** portal NEW.
- **Minimum NOF ₹10 crore**; existing NBFCs to reach by **31-3-2027** (glide path) NEW.

Category	NOF
IFC & IDF-NBFC	₹300 crore
Mortgage Guarantee Co (MGC)	₹100 crore
HFC	₹20 crore
SPD	₹150 / 250 crore
NBFC-AA & NBFC-P2P	₹2 crore

8.1 Types of NBFCs

Type	Principal business test
ICC (investment & credit)	Lending & investment
HFC	≥ **60%** assets in housing finance, ≥ **50%** to individuals
IFC	≥ **75%** assets in infrastructure loans
CIC	≥ **90%** net assets in group cos, ≥ **60%** equity; registration if assets ≥ ₹100 cr & public funds
NBFC-MFI	≥ **75%** assets microfinance loans
Factors	≥ **50%** assets & income from factoring
MGC	≥ **90%** business mortgage guarantee
SPD, NOFHC, **NBFC-AA**, **P2P**, IDF-NBFC	Specialised

- **Scale-based regulation**: **Base, Middle, Upper, Top** layers.

8.2 Other financial services entities

- **ARC**: SARFAESI s.3 registration with RBI; **NOF ₹300 crore** VERIFY.
- **Payments bank**: min paid-up **₹100 crore**; deposits ≤ ₹2 lakh/customer; no lending.
- **Small finance bank**: paid-up **₹200 crore** VERIFY; 75% priority sector.
- **Insurance**: IRDAI registration; paid-up ₹100 cr (life / general), ₹200 cr reinsurer; FDI cap raised to **100%** (Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act 2025) VERIFY.
- **Capital market intermediaries**: SEBI registration (brokers, MFs, AIFs, RTAs, merchant bankers).

EXAM TIP FAQ – NBFC & financial services

- Is a company with 55% financial assets but 40% financial income an NBFC? **No** - both limbs of the 50-50 test needed.
- Who regulates housing finance companies? **RBI** (since 2019; NHB supervisory role) VERIFY.
- Can an NBFC accept demand deposits? **No**; only deposit-taking NBFCs accept term deposits (12-60 months) VERIFY.
- Upper-layer NBFC? Identified by RBI on **parametric scoring**; must list within 3 years VERIFY.

COMMON MISTAKE **NBFC traps**

- **CIC** with assets < ₹100 cr or no public funds - **exempt** from registration.
- **Existing** NBFCs below ₹10 cr NOF get time till **31-3-2027** - new applicants need it upfront.
- An NBFC is **not a bank**: no cheques drawn on itself, no DICGC cover.

Chapter 9: Business Collaborations

In this chapter: Joint ventures · Strategic alliances · Technical collaboration · Franchise · Consortium · SPV · MoU · Agreements & key clauses

9.1 Collaboration models

Model	Feature
Equity JV	New company jointly owned; shareholders' agreement
Contractual JV	No new entity; contract governs
Strategic alliance	Cooperation without equity (distribution, R&D)
Technical collaboration	Know-how / technology licence; royalty (FEMA automatic)
Franchise	Brand & system licence; fees
Consortium	Temporary grouping for a large project / bid
SPV	Ring-fenced entity for a project / securitisation

9.2 JV agreement – key clauses

- Objects & scope; capital & funding; **shareholding & transfer restrictions** (ROFR, ROFO, tag-along, drag-along, lock-in); **Board composition** & reserved matters; deadlock resolution; **non-compete**; IPR; dispute resolution (arbitration); exit & termination; governing law.
- Articles of JV company must incorporate SHA terms to be enforceable (*V.B. Rangaraj v. Gopalakrishnan*).
- FDI in JV via FEMA NDI Rules; Press Note 3 (2020) for land-border countries.

EXAM TIP FAQ

- MoU binding? Only if it shows **intention to create legal relations** & essentials of contract.
- Difference between franchise and agency? Franchisee acts **on own account**; agent binds principal.
- Why SPV? **Ring-fencing risk**, project finance, separate ownership.

Chapter 10: Branch / Liaison / Project Office & WOS by Foreign Company

In this chapter: FEMA (Establishment in India of Branch / Liaison / Project Office) Regulations 2016 · Eligibility · Approval route · Permitted activities · Compliance · Companies Act - foreign company · Wholly owned subsidiary

10.1 LO vs BO vs PO

Point	Liaison office	Branch office	Project office
Activity	Only **liaison** - representation, promotion, communication; **no business / income**	Export / import, consultancy, research, IT services, representation	Execute a **specific project** in India
Profit track record	**3 years**	**5 years**	Contract secured
Net worth	**≥ USD 50,000**	**≥ USD 100,000**	Funded by inward remittance / multilateral
Expenses	Inward remittances	Own earnings	Project
Validity	**3 years** (NBFC / construction - 2)	No limit	Project tenure

- Applications via **AD Category-I bank**; **RBI approval** where applicant from **Pakistan, Bangladesh, Sri Lanka, Afghanistan, Iran, China, Hong Kong, Macau** or for defence, telecom, private security, IT sectors VERIFY.
- File **Annual Activity Certificate** by **30 September**; register with ROC as foreign company within **30 days** (s.380).

10.2 Who is a foreign company?

- **s.2(42)**: company/body corporate incorporated **outside India** which (a) has a **place of business in India** (itself, agent, physically or **electronic mode**) and (b) conducts **any business activity** in India.
- **s.379**: where **≥ 50%** paid-up share capital held by **Indian citizens/companies** → sections of Act apply as if Indian company (prescribed provisions) VERIFY.
- Electronic mode includes websites, e-mail, online platforms, telephone.

10.3 Documents & accounts

- **s.380**: within **30 days** of establishing place of business → FC-1: certified charter/MOA, registered office address, principal place in India, list of directors & secretary, authorised person to accept service, declaration... Alterations: FC-2 within **30 days**.
- **s.381**: balance sheet & P&L every FY in prescribed form (FC-3) within **6 months** of FY close; list of places of business.
- **s.382**: display name & country of incorporation outside every office; on letterheads etc.
- **s.383**: service of documents on authorised person.

10.4 Other provisions

- **s.384**: provisions of s.71 (debentures), s.92 (annual return - FC-4), s.128 (books at principal place in India), Ch VI (charges), Ch XIV (inspection) apply.
- **s.386** definitions; **s.387-388** dating & contents of prospectus; **s.389** registration of prospectus; **s.390 Indian Depository Receipts** (IDR) - Govt may make rules.
- **s.391**: s.34-36 & winding-up provisions apply; **s.392**: punishment - company fine **₹1 lakh-₹3 lakh** + ₹50,000/day continuing VERIFY; **s.393**: non-compliance **does not invalidate contracts** but can't sue until compliance.

10.5 WOS vs branch

Point	WOS (Indian company)	Branch office
Status	Separate legal entity, **resident**	Extension of foreign co, **non-resident**

Point	WOS (Indian company)	Branch office
Tax	22% / 25% / 30% domestic rates	~**35%** foreign co rate (FA 2025)
Liability	Limited to WOS	Parent fully liable
Route	FDI - automatic / approval	FEMA BO regulations
Repatriation	Dividends	Profits (after tax)

EXAM TIP **FAQ**

- Can an LO earn commission in India? **No** - any income → it becomes a BO.
- Who issues UIN to LO/BO? **RBI** via AD bank.
- Display of name - foreign company? Name + country of incorporation outside every office (s.382).

Chapter 11: Setting up of Business Outside India

In this chapter: Indian law (FEMA ODI) · UK · USA · Canada · Australia - forms, incorporation, compliance

11.1 Indian side – ODI

- **FEMA (Overseas Investment) Rules & Regulations 2022**: ODI by Indian entity up to **400% of net worth** (automatic); in operating foreign entity (bona fide business).
- No ODI in **real estate, gambling, financial products linked to INR** without approval; **round-tripping** restrictions (2 layers).
- Forms: **Form ODI** via AD bank; **Annual Performance Report** by 31 December; resident individual - LRS limit **USD 2,50,000**.

11.2 UK, USA, Canada, Australia

Country	Law & regulator	Common form	Key points
UK	Companies Act 2006; **Companies House**	Private Ltd, PLC, LLP	1 director (natural person), PSC register; **ECCT Act 2023 - identity verification** VERIFY
USA	**State laws** (Delaware, Nevada); Secretary of State	C-Corp, S-Corp, **LLC**	Registered agent; EIN from IRS; franchise tax; BOI reporting VERIFY
Canada	**CBCA** (Corporations Canada) or provincial Acts	Corporation	**NUANS** name search; 25% resident Canadian directors (CBCA) VERIFY
Australia	**Corporations Act 2001**; **ASIC**	Pty Ltd, Public Ltd	≥ 1 **resident director**; **Director ID**; ABN, TFN

EXAM TIP FAQ

- Why Delaware? Business-friendly **Court of Chancery**, flexible law, privacy.
- Branch vs subsidiary abroad? Subsidiary - limited liability, local tax; branch - simpler, parent liable.
- ODI approval for a loss-making Indian company? Allowed (no net profit condition) subject to **financial commitment ≤ 400%** & not under investigation VERIFY.

Chapter 12: Industry-specific Laws

In this chapter: Pharma - Drugs & Cosmetics Act · Food - FSS Act · Telecom - Telecommunications Act 2023 · Banking & insurance · Power - Electricity Act · Mining - MMDR · Environment consents · BIS · Legal metrology · Drones · Others

12.1 Sector → law → regulator

Sector	Law	Regulator / licence
Pharma	**Drugs & Cosmetics Act 1940**; New Drugs & Clinical Trials Rules 2019	**CDSCO / DCGI**; State drug controller - manufacturing & sale licence
Medical devices	Medical Devices Rules 2017	CDSCO registration
Food	**FSS Act 2006**	**FSSAI** - registration / State / Central licence
Telecom	**Telecommunications Act 2023** (replaces Telegraph Act 1885)	DoT authorisation; TRAI
Banking	BR Act 1949; RBI Act 1934	RBI licence
Insurance	Insurance Act 1938	IRDAI
Power	**Electricity Act 2003**	CERC / SERC licence (generation de-licensed)
Mining	**MMDR Act 1957**	Mining lease via auction; IBM
Petroleum	Oilfields (Regulation & Development) Act; Petroleum Act	PNGRB, PESO
Environment	**Air Act 1981, Water Act 1974, EP Act 1986**	SPCB - **Consent to Establish / Operate**; EIA clearance
Standards	**BIS Act 2016**	BIS - ISI mark, QCOs
Weights	Legal Metrology Act 2009	Controller - packaged commodities registration
Drones	Drone Rules 2021	DGCA - Digital Sky; UIN, RPC

12.2 Food business - FSSAI amendment (10-3-2026)

- **Petty food business operator** - manufactures / sells food himself, petty retailer, **street food vendor, hawker, itinerant vendor, temporary stall, food truck**, distributor at religious / social gatherings (not caterer) NEW.
- Registration: if inspection ordered - grant within **30 days**; if no decision in 7 / 30 days, petty FBO **may start** business; **instant registration** permissible NEW.
- Reg. 2.1.7 substituted: licence / registration **valid & subsisting unless suspended, cancelled or surrendered** (no fixed expiry); non-payment of annual fee / return → **deemed suspended** (revoked on payment with penalty); closure intimation in **30 days**; no refund on surrender NEW.
- Thresholds: registration - turnover ≤ **₹12 lakh**; State licence; Central licence for large / import / e-commerce VERIFY.

Chapter 13: Various Initial Registrations & Licences

In this chapter: PAN & TAN · GST registration · IEC · Shops & Establishments · Professional tax · EPF / ESI registration (Code on SS) · Labour registrations · Trade licence · FSSAI · Udyam · Pollution consents · Fire NOC · SPICe+ integration · National Single Window System

13.1 Registration checklist

Registration	Law / authority	Trigger
PAN / TAN	IT Act (Income-tax Dept)	All entities; TAN if TDS / TCS
GSTIN	CGST Act s.22-25	Turnover > **₹40 lakh** goods / **₹20 lakh** services (special States 20 / 10); inter-State supply, e-commerce - compulsory
IEC	FT(D&R) Act - **DGFT**	Import / export (PAN-based, update annually)
Shops & Establishments	State Acts	Within prescribed days of starting
Professional tax	State laws	Employer & profession
EPF / ESI	**Code on SS 2020**	20+ / 10+ employees; single registration (Shram Suvidha)
Establishment registration	**OSH Code s.3**	10+ workers - within **60 days**
Factory licence	OSH Code s.119	Factory (20 / 40 workers)
Contractor licence	OSH Code s.47	50+ contract workers (all-India licence possible)
Trade licence	Municipal laws	Commercial premises
FSSAI	FSS Act	Food business
Udyam	MSMED Act	Optional (benefits)
CTE / CTO	Air & Water Acts - SPCB	Polluting industries (red / orange / green / white)

13.2 SPICe+ integrated incorporation

SPICe+ Part A - name reservation → **Part B** - incorporation, DIN, PAN, TAN → **AGILE-PRO-S** - GSTIN, EPFO, ESIC, **professional tax** (Maharashtra, Karnataka, West Bengal), **Shops & Est.** (Delhi), bank account, ISO → e-MoA (INC-33) & e-AoA (INC-34) → Certificate of Incorporation with **CIN, PAN, TAN**

- **National Single Window System (NSWS)** - one portal for central & state approvals; **Jan Vishwas** decriminalisation for ease of doing business.

EXAM TIP FAQ

- Is GST registration needed for an inter-State supplier of services below threshold? **No** - exemption for inter-State **services** up to threshold; goods compulsory VERIFY.
- IEC validity? **Lifetime**; update between April-June each year, else deactivated.
- Who grants Consent to Operate? **State Pollution Control Board**.

Chapter 14: Constitutional Validity of Labour Laws

In this chapter: Labour in Concurrent List · Fundamental Rights & labour · Directive Principles & labour · ILO · Case laws

14.1 Constitution & labour

- **Labour** - **Concurrent List** (Entries 22 trade unions & disputes, 23 social security, 24 welfare & working conditions); Union List Entry 55 (mines & oilfields), 61 (Union employees' disputes).
- **FRs**: **Art. 14** equality (equal pay - *Randhir Singh*); **Art. 16** public employment; **Art. 19(1)(c)** form unions (no right to strike - *T.K. Rangarajan*); **Art. 21** livelihood (*Olga Tellis*); **Art. 23** forced labour / begar (*PUDR v. UoI* - below minimum wage = forced labour); **Art. 24** no child < 14 in factories, mines, hazardous.

14.2 DPSP & labour

Article	Directive
39(a), (d), (e), (f)	Livelihood; **equal pay for equal work**; health of workers; children's development
39A	Free legal aid
41	Right to work, education, public assistance (unemployment, old age)
42	**Just & humane conditions; maternity relief**
43	**Living wage**, decent standard; cottage industries
43A	**Workers' participation in management**
43B	Cooperative societies

EXAM TIP FAQ

- Is the right to strike a fundamental right? **No** (*T.K. Rangarajan* 2003) - statutory right regulated by IR Code.
- Equal pay for equal work - source? **Art. 39(d)** read with Art. 14 (*Randhir Singh* 1982).
- Child labour constitutional bar? **Art. 24** + **Art. 21A** (education 6-14) + Art. 39(e)-(f).

Chapter 15: Evaluation of Labour Legislation & Need of Labour Codes

In this chapter: History & evolution of labour law · ILO · Need for codification · Objectives of Labour Codes · Commencement 21-11-2025 · Central Rules 2026 · Key changes

15.1 Evolution & need

- Evolution: Industrial Revolution → Factory Acts (UK 1802) → **ILO 1919** (India founding member) → Indian laws - Factories 1881/1948, Trade Unions 1926, ID Act 1947, ESI 1948.
- **2nd National Commission on Labour (2002)** recommended grouping laws into codes.
- Problems: **29 central laws**, multiple definitions of wages / worker, many registers & returns, inspector raj, low coverage of unorganised workers.
- Codes passed **2019-2020**; brought into force **21-11-2025**; **Central Rules 2026** notified **8-5-2026** NEW.

15.2 Key changes under the Codes

Area	Earlier	Labour Codes
Wages definition	Different in each Act	**Uniform**; 50% cap on exclusions
Minimum wage	Scheduled employments only	**All employees**; floor wage
Fixed-term employment	Limited	Recognised; **gratuity after 1 year**
Gig / platform workers	Not covered	Social security schemes; aggregator contribution
Retrenchment permission	100+ workers	**300+** workers
Contract labour licence	20+	**50+**; single licence
Inspection	Inspector	**Inspector-cum-facilitator**; web-based random inspection
Registrations	Many	**Single registration**, electronic returns

NOTE Central Rules 2026 (G.S.R. 342-345, 8-5-2026)

- **Code on Wages (Central) Rules 2026** - wage calculation, payment of wages & bonus, boards, undisbursed dues, returns, appeals, offences.
- **Social Security (Central) Rules 2026** - PF, gratuity, maternity, **gig / platform workers**, BOCW cess, Social Security Fund.
- **OSH (Central) Rules 2026** - registration, duties, NOSH advisory board, sector-specific welfare, women safeguards, contract labour.
- **IR (Central) Rules 2026** - bipartite forums, trade unions, standing orders, arbitration, strikes / lock-outs, lay-off / closure.
- In force on **publication**; State rules separately NEW.

Chapter 16: Occupational Safety, Health & Working Conditions Code 2020

In this chapter: Application & definitions · Registration · Duties of employer & employees · Health, safety & working conditions · Welfare · Hours of work & leave · Women employment · Contract labour · Inter-State migrant workers · Factories · Offences & penalties

16.1 Coverage & registration

- Applies to establishments with **10 or more workers** (and all mines & docks); **factory** = **20+ workers with power / 40+ without** (s.2(1)(w)) [Factories Act 10 / 20].
- **Registration s.3** within **60 days** (electronic); existing registrations valid.
- **Employer duties s.6**: safe workplace, **appointment letter** to every employee, **free annual health check-up** (prescribed age), notify accidents (s.10).
- **Employee duties s.13**: take care of safety, comply, report unsafe situations.
- **Safety committee** (500+ workers) VERIFY; **safety officers** (factory 500+ / hazardous 250+) VERIFY.

16.2 Hours, leave & welfare

Item	Provision
Daily hours	**≤ 8 hours/day** (s.25); weekly ≤ 48 VERIFY
Spread-over	As prescribed (≤ 12 hrs in Rules) VERIFY
Overtime	**Twice** the ordinary rate, with consent
Weekly holiday	1 day in 7
Annual leave	**1 day per 20 days** worked; eligibility **180 days** (was 240)
Canteen	**100+** workers VERIFY
Creche	**50+** workers
Welfare officer	**250+** workers VERIFY
First aid, drinking water, latrines	All establishments

- **Women** may work **night shifts** (before 6 am / after 7 pm) with **consent** & safety conditions (s.43); not prohibited in hazardous with safeguards.

16.3 Contract labour, migrants & penalties

- **Contract labour** chapter applies to establishments / contractors with **50+** workers [CLRA 20]; **single licence** (5 years) / all-India licence; **core activities** - contract labour prohibited (exceptions) VERIFY.
- **Principal employer** liable for welfare facilities & wages if contractor fails.
- **Inter-State migrant worker**: earns ≤ ₹18,000 VERIFY; **journey allowance** once a year; portability of benefits; toll-free helpline.
- **Penalties**: contravention causing **death** - up to 2 years / ₹5 lakh; general - fine ₹2-3 lakh VERIFY; court may award part of fine (≥ 50%) to victim; **compounding** first offence (50% of fine).
- Subsumes **13 Acts** incl. **Factories Act 1948**, **CLRA 1970**, Mines Act 1952, BOCW Act 1996.

EXAM TIP FAQ – OSH Code

- A unit with 25 workers, no power - is it a factory? **No** (needs 40 without power); still an establishment (10+) under OSH Code.
- Contractor with 40 contract labour - licence? **No** - contract labour chapter applies at **50+**.
- Are women allowed in night shifts? **Yes**, with **consent** and safety, transport & facilities prescribed.
- Annual leave encashment? Allowed at year end / on termination as per Code VERIFY.

MEMORY TRICK **OSH welfare ladder**

1050100250500 – 10 - establishment coverage; 50 - creche, contract labour; 100 - canteen; 250 - welfare officer; 500 - safety committee / officer

Chapter 17: Industrial Relations Code 2020

In this chapter: Definitions - worker, industry, industrial dispute · Bi-partite forums · Trade unions · Standing orders · Notice of change · Voluntary arbitration · Dispute resolution machinery · Strikes & lock-outs · Lay-off, retrenchment & closure · Worker Re-skilling Fund · Unfair labour practices · Penalties

17.1 Definitions & bipartite forums

- **Worker s.2(zr)**: skilled / unskilled / clerical / technical / supervisory; excludes managerial & **supervisory earning > ₹18,000/month** VERIFY; includes working journalists & sales promotion employees.
- **Industry s.2(p)**: systematic activity with employer-employee cooperation; excludes charitable, sovereign functions, domestic service (*Bangalore Water Supply* test).
- **Fixed-term employment s.2(o)**: same hours, wages & benefits as permanent; gratuity **pro rata**.
- **Grievance Redressal Committee** - **20+** workers, max **10 members** (equal; woman representation); grievance in **1 year**, decided in **30 days**.
- **Works Committee** - **100+** workers.

17.2 Trade unions & standing orders

- Registration: **10% or 100 workers**, whichever less, min **7**; office-bearers - ≥ 50% from workers (unorganised 50%, rest outsiders limits) VERIFY.
- **Negotiating union**: single union with **≥ 51%** support; else **negotiating council** of unions with **≥ 20%** each.
- **Standing orders** - establishments with **300+ workers**; CG model standing orders; certified by Certifying Officer; draft in **6 months** VERIFY.
- **Notice of change s.40** - **21 days** before changing service conditions (Third Schedule).

17.3 Strikes, lay-off, retrenchment, closure

Item	Provision
Strike / lock-out notice	**60 days** before; not within **14 days** of notice; not during conciliation / tribunal (+7 days) / arbitration (+60) - **all industrial establishments**
Mass casual leave	50% or more workers - deemed **strike**
Lay-off compensation	**50%** of basic + DA (45 days in year) VERIFY
Retrenchment	1 month notice / pay + **15 days' average pay per completed year** + notice to Govt
Re-skilling Fund	Employer contributes **15 days' last wages** per retrenched worker - paid in **45 days**
Prior permission (Ch X)	Lay-off, retrenchment, closure - **300+** workers (States can raise)
Closure (< 300)	**60 days' notice** to Govt

- **Last come, first go** for retrenchment; re-employment preference (s.72).

17.4 Dispute resolution machinery

Grievance Redressal Committee → **Conciliation Officer** (no strike during) → failure report → **Industrial Tribunal** (judicial + administrative member) / **National Industrial Tribunal** → award enforceable after **30 days** of publication

- Worker can approach Tribunal **directly** after **45 days** of conciliation application if no settlement; limitation **2 years** VERIFY.
- **Voluntary arbitration** s.42 - written agreement; award binding.
- Individual dismissal / discharge = industrial dispute (s.2(q)) without union espousal.

EXAM TIP **FAQ – IR Code**

- Do strike-notice rules apply to non-public-utility establishments? **Yes** - IR Code extends 60 / 14 days to **all industrial establishments**.
- Is a 200-worker factory required to seek retrenchment permission? **No** (threshold 300); give notice & compensation.
- Who can be a negotiating union? Union with **51%** workers on muster roll.

Chapter 18: Code on Wages 2019

In this chapter: Definitions - wages, employee, employer · Minimum wages & floor wage · Payment of wages · Deductions · Payment of bonus · Equal remuneration · Advisory boards · Claims · Inspector-cum-facilitator · Offences & compounding

18.1 Wages & minimum wages

- Subsumes **Payment of Wages 1936, Minimum Wages 1948, Payment of Bonus 1965, Equal Remuneration 1976**.
- **Wages s.2(y)**: basic + DA + retaining allowance; excludes HRA, conveyance, overtime, bonus, commission etc. - but if exclusions > **50%** of total remuneration, excess **added back** to wages.
- **Floor wage** by Central Govt s.9; State minimum wages ≥ floor; revise every **5 years**; based on skill & geography.

18.2 Payment of wages - timelines

Wage period	Pay by
Daily	End of shift
Weekly	Last working day of week
Fortnightly	Before end of 2nd day after fortnight
Monthly	Before **7th day** of next month
On removal/resignation	Within **2 working days**

- Wage period ≤ 1 month; deductions ≤ **50%** of wages.

18.3 Bonus & equal remuneration

- Eligibility: employee drawing ≤ prescribed wage (₹21,000 VERIFY) & worked **≥ 30 days** in year.

Bonus = Min **8.33%**, max **20%** of wages (allocable surplus; set-on/set-off rules)

- Calculation ceiling ₹7,000 or minimum wage, whichever higher VERIFY; pay within **8 months** of year end.
- **Equal remuneration** s.3: no gender discrimination (incl. transgender) in wages & recruitment.
- Inspector-cum-facilitator; offences compounded (first time) up to 50% of max fine.

18.4 More - claims, deductions, offences

- Applies to **all employees** (organised & unorganised); minimum wage payable to all; **floor wage** binding on States.
- **Deductions s.18**: fines, absence, damage, advances, PF, income-tax, cooperative society - total ≤ **50%** of wages.
- **Claims s.45** - authority (≥ Gazetted officer) within **3 years**; decided within **3 months** VERIFY.
- **Bonus disqualification**: dismissal for fraud, violent behaviour, theft, sabotage; employer to pay within **8 months** of accounting year.
- **Offences s.54**: first - fine up to ₹50,000; repeat within 5 years - imprisonment up to **3 months** / ₹1 lakh; **compounding s.56** - 50% of max fine (not for repeat in 5 years).
- Advisory boards - Central & State; one-third women.

EXAM TIP FAQ - Wages

- Employee gets basic ₹20,000 + allowances ₹30,000 (total 50,000). Wages? Exclusions 30,000 > 50% (25,000) → excess **5,000** added → wages = **₹25,000**.
- Final settlement on resignation? Within **2 working days**.
- Can the employer pay a monthly employee on 10th of the next month? **No** - by **7th**.

MEMORY TRICK **Code on Wages - "4 in 1: PMBE"**

PMBE – P Payment of Wages 1936; M Minimum Wages 1948; B Payment of Bonus 1965; E Equal Remuneration 1976

Chapter 19: Code on Social Security 2020

In this chapter: EPF · ESI · Gratuity · Maternity benefit · Employees' compensation · BOCW cess · Unorganised, gig & platform workers · Social Security Fund · Employment information · Offences

19.1 Social security schemes

Scheme [old Act]	Applicability	Key numbers
EPF [EPF & MP Act 1952]	**20+** employees	Employer & employee **12%** (10% specified); EPS 8.33% of ₹15,000 VERIFY
ESI [ESI Act 1948]	**10+** employees; wage ≤ ₹21,000 VERIFY	Employer **3.25%**, employee **0.75%**
Gratuity [PG Act 1972]	**10+** employees	**5 years** service (fixed-term **1 year**); **15/26 × last wages × years**; ceiling **₹20 lakh**
Maternity [MB Act 1961]	Establishments 10+	**26 weeks** (first 2 children), 12 weeks (3rd+); adoptive / commissioning mother 12 weeks; **creche 50+**
Employees' compensation [EC Act 1923]	Employer of any employee	Death 50% × wages × factor (min ₹1.2 lakh); PTD 60% (min ₹1.4 lakh) VERIFY
BOCW cess	Construction > ₹10 lakh VERIFY	Cess 1-2% of construction cost

19.2 Gratuity calculation

Gratuity = Last drawn wages × 15 / 26 × completed years of service

- Service of **> 6 months** in final year = full year; seasonal - 7 days per season.
- Example: wages ₹52,000, 10 years 7 months → 52,000 × 15 / 26 × 11 = **₹3,30,000**.
- Pay within **30 days** of becoming payable; forfeiture for termination due to riotous conduct / moral turpitude.
- Nomination; 5-year condition waived on **death / disablement**.

19.3 Gig, platform & unorganised workers

- **Gig worker** - outside traditional employer-employee relationship; **platform worker** - via online platform.
- **Aggregators** contribute **1-2% of annual turnover**, capped at **5%** of amount paid to gig / platform workers.
- **Social Security Fund**; registration on **e-Shram** (Aadhaar); National Social Security Board.
- **Employment information**: employer reports vacancies to career centres (replaces Employment Exchanges Act).
- Offences: obstruction, false statement; employer failing to pay contributions - 1-3 years + ₹1 lakh VERIFY; compounding.

EXAM TIP FAQ – Social Security

- An employee resigns after 4 years 8 months - gratuity? **Yes** - 4 years 240 days of service counts as 5 years (continuous service rule) VERIFY; fixed-term - pro rata.
- Is ESI applicable to a shop with 12 employees? **Yes** (10+), for employees within wage ceiling.
- Maternity benefit eligibility? Worked **≥ 80 days** in 12 months preceding delivery.
- Work from home after maternity leave? Allowed if nature of work permits, by mutual agreement.

COMMON MISTAKE Social security traps

- Gratuity ceiling is **₹20 lakh** - not unlimited; employer may pay more voluntarily.
- **Gig workers** get scheme-based benefits, **not** EPF / ESI as employees.
- 12 weeks (not 26) from the **third** child onwards.

Chapter 20: Child & Adolescent Labour (Prohibition & Regulation) Act 1986

In this chapter: Definitions - child, adolescent · Prohibition s.3 · Exceptions · Adolescents in hazardous occupations s.3A · Conditions of work · Penalties s.14 · Rehabilitation fund · Inspectors

20.1 Key provisions

- **Child** = below **14 years** (or age of RTE, whichever more); **adolescent** = **14-18 years**.
- **s.3**: no child employed in **any occupation or process**.
- **Exceptions**: helping **family / family enterprise** (non-hazardous) **after school hours / vacations**; **artist in audio-visual entertainment** (not circus) - with safety, school not affected.
- **s.3A**: adolescent not in **hazardous occupations / processes** (Schedule - mines, inflammables, hazardous processes under Factories law).
- Adolescent work: max **6 hours** incl. 1 hr rest after 3 hrs; no night work (7 pm-8 am); no overtime; weekly holiday.

20.2 Penalties & rehabilitation

Offence	Punishment
Employing child / adolescent in contravention	**6 months-2 years** and/or fine **₹20,000-50,000**
Repeat offence	**1-3 years**
Parents / guardians	No punishment for first offence; repeat - fine up to ₹10,000

- Offences **cognizable**; employer can't be compounded if repeat (first offence compounded by DM) VERIFY.
- **Child & Adolescent Labour Rehabilitation Fund** - **₹15,000** per child / adolescent from Govt + fines.

EXAM TIP FAQ

- Can a 15-year-old work in a non-hazardous shop? **Yes** (adolescent) with work-hour conditions.
- A 12-year-old acting in a TV serial? Permitted as **audio-visual artist** with safety & school conditions (not circus).
- Who inspects? Inspectors / District Magistrate (task force) VERIFY.

Chapter 21: Apprentices Act 1961

In this chapter: Definitions · Qualifications · Contract of apprenticeship · Period · Obligations of employers & apprentices · Stipend · Hours & leave · Number of apprentices · Offences

21.1 Key provisions

- **Apprentice** - undergoing training under **contract of apprenticeship**; categories: trade, graduate, technician, technician (vocational), optional trade.
- Qualification: **≥ 14 years** (18 for hazardous), standard of education & physical fitness.
- **Contract** with employer (guardian if minor) registered by **Apprenticeship Adviser** (portal).
- Obligation to engage: establishments with workforce **≥ 30** - band **2.5% to 15%** of total strength (incl. contractual); **4-29** - optional VERIFY.
- **Stipend** - prescribed minimum (as per Rules / NAPS VERIFY); not wages; apprentices are **trainees, not workers** (labour laws don't apply).
- No obligation on employer to **offer employment** after training (unless contract term).

21.2 Obligations

Employer	Apprentice
Provide training & facilities	Learn trade diligently
Pay stipend; health, safety & welfare	Attend classes & instructions
Hours as per Rules (& leave)	Obey lawful orders
Insurance / compensation for injury	Maintain records

- Offences (s.30): engaging non-qualified, failure to train / pay - fine **₹500 per month of shortfall** (shortfall of apprentices) VERIFY.

EXAM TIP FAQ

- Is an apprentice entitled to PF / ESI? **No** - not a "worker" under labour laws; but compensation for injury applies.
- Can apprenticeship be terminated? By Apprenticeship Adviser on application; **compensation / stipend refund** rules apply.

Chapter 22: Labour Laws (Simplification of Procedure for furnishing Returns & Maintaining Registers by Certain Establishments) Act 1988

In this chapter: Object · Small & very small establishments · Scheduled Acts · Core returns & registers · Electronic maintenance · Relation to Labour Codes

22.1 Key provisions

- Original title "Labour Laws (**Exemption** from Furnishing Returns & Maintaining Registers by Certain Establishments) Act 1988" - renamed by **2014 amendment** (pending / status per study material) VERIFY.
- **Small establishment**: **10-40** employees VERIFY; **very small**: **≤ 9** VERIFY.
- Instead of returns / registers under each **Scheduled Act**, employer furnishes **core annual return (Form A)** and maintains **registers in Forms B, C, D** (employment, wages, attendance, deductions) VERIFY.
- Registers may be maintained **electronically / computerised**; kept at worksite / produced on demand.
- Penalty for default - fine (up to ₹10,000-25,000 / repeat imprisonment) VERIFY.
- Under Labour Codes: **single electronic register & return** (Central Rules 2026) - simplifying further.

EXAM TIP FAQ

- Purpose of the Act? Reduce **compliance burden** on small employers - one return, few registers.
- Can registers be computerised? **Yes**.
- Does the Act exempt employers from **substantive obligations** (wages, leave)? **No** - only procedural (returns & registers).

Chapter 23: Sexual Harassment of Women at Workplace (POSH) Act 2013

In this chapter: Definitions - sexual harassment, workplace, employee · Internal Committee · Local Committee · Complaint · Inquiry · Conciliation · Interim relief · Duties of employer · Penalties · Disclosure in Board's report

23.1 Definitions & committees

- **Sexual harassment s.2(n)**: unwelcome physical contact, demand / request for sexual favours, sexually coloured remarks, showing pornography, other unwelcome conduct; **s.3(2)** - implied promise / threat, hostile environment, humiliating treatment.
- **Workplace** - includes **any place visited during employment** (transport, dwelling, client site); **employee** - regular, temporary, ad hoc, daily wage, contract, trainee, **intern**.
- **Internal Committee s.4** - every workplace with **10+ employees**; **Presiding Officer** - senior woman; **≥ 2 employee members**; **1 external member** (NGO / expert); **≥ 50% women**; term **≤ 3 years**.
- **Local Committee s.6** - by **District Officer** for establishments < 10 employees / complaints against employer.

23.2 Complaint & inquiry

Complaint in writing within **3 months** (+3 months extension) → **Conciliation** (on request; **no monetary settlement**) → **Inquiry** - complete in **90 days** → Report to employer in **10 days** → Employer acts in **60 days** → Appeal within **90 days**

- **Interim relief s.12**: transfer of aggrieved woman / respondent, **3 months' leave** (additional).
- False / malicious complaint - action against complainant (not for mere inability to prove).
- Confidentiality s.16; penalty ₹5,000 for breach.

23.3 Employer duties & penalties

Duty / penalty	Provision
Safe working environment; display penal consequences	s.19
Awareness programmes & orientation	s.19
IC annual report to employer & District Officer	s.21
Disclose cases in **annual report** / **Board's report** (Rule 8(5)(x) Accounts Rules)	s.22
Penalty for non-constitution of IC / non-compliance	**₹50,000**
Repeat	**Twice** the punishment; **cancellation of licence / registration**

- *Vishaka v. State of Rajasthan* (1997) - guidelines that preceded the Act; *Aureliano Fernandes* (2023) - strict implementation.

Quick Revision – Numbers & Thresholds

In this chapter: Business thresholds · Labour thresholds · Timelines

Business numbers

Item	Number
Small company	₹10 cr capital / ₹100 cr turnover
Startup	10 yrs, ₹200 cr (Deep Tech 20 / 300)
Micro / small / medium	2.5/10, 25/100, 125/500 cr
MSME payment	15 / max 45 days
NBFC NOF	₹10 cr (by 31-3-2027)
LO / BO track record	3 yrs, USD 50k / 5 yrs, USD 100k
ODI	400% of net worth
Firm partners	Max 50
Private co members	Max 200
GST threshold	40 / 20 lakh

Labour numbers

Item	Number
OSH Code coverage	10 workers
Factory	20 (power) / 40
Contract labour	50
Standing orders / Ch X permission	300
GRC / Works committee	20 / 100
Strike notice	60 days, not within 14
Retrenchment	15 days' pay / year + 15 days re-skilling
EPF / ESI	20 / 10
Gratuity	5 yrs (FTE 1); ₹20 lakh
Maternity	26 weeks; creche 50
Annual leave	1 per 20 days; 180 days
POSH complaint / inquiry	3 months / 90 days

COMMON MISTAKE Last-minute traps

- Labour Codes are **in force** - cite Codes, not old Acts (old Acts in brackets).
- **Supervisory** staff above ₹18,000 are not "workers" under IR Code VERIFY.
- **Startup** recognition now includes **cooperatives**; split-up businesses excluded.
- OPC can't do **NBFC / investment** business.
- FSSAI licence has **no fixed validity** now - but fee / return default = deemed suspension.
- Apprentices are **not** workers.

Descriptive Case Scenarios (model answers)

In this chapter: 6 case studies with structured answers

WORKED EXAMPLE Case 1 – Choosing a structure

- **Facts**: 3 chartered professionals want limited liability, flexible profit sharing, low compliance and may admit a foreign partner later.
- **Rule**: LLP Act 2008 (s.3 body corporate, s.26-28 liability); FDI in LLP - automatic sectors only.
- **Answer**: **LLP** - separate entity, limited liability, LLP agreement governs sharing; compliance lighter than company; FDI permitted if sector 100% automatic.

WORKED EXAMPLE Case 2 – Startup recognition

- **Facts**: A State cooperative society (6 years old, turnover ₹160 cr) building an agri-tech platform applies for recognition.
- **Rule**: G.S.R. 108(E) (4-2-2026).
- **Answer**: Eligible - cooperatives now included; within 10 years; turnover ≤ ₹200 cr; innovation / scalability shown → **recognised** (s.80-IAC only for company / LLP).

WORKED EXAMPLE Case 3 – Delayed MSME payment

- **Facts**: Buyer pays a micro supplier 90 days after acceptance; agreement said 60 days.
- **Rule**: MSMED s.15-16 - max 45 days; compound interest 3× bank rate; s.43B(h) IT Act.
- **Answer**: Agreed 60 days invalid beyond **45**; interest from day 46; supplier may approach **MSEFC**; buyer's deduction deferred to year of payment.

WORKED EXAMPLE Case 4 – Foreign company presence

- **Facts**: A Chinese company (8 years' profits, net worth USD 2 mn) wants a liaison office in Mumbai.
- **Rule**: FEMA BO/LO Regulations 2016 - land-border / China needs **RBI** (with Govt) approval; s.380 Companies Act.
- **Answer**: Meets 3-year / USD 50,000 test, but application via AD bank needs **prior RBI approval** (security clearance); LO can't earn income; register with ROC in 30 days.

WORKED EXAMPLE Case 5 – Retrenchment

- **Facts**: Factory with 250 workers retrenches 20 workers (each 6 years' service).
- **Rule**: IR Code - Ch X permission only for 300+; s.70 notice & compensation; Re-skilling Fund s.83.
- **Answer**: No Govt permission; give **1 month notice / pay**, **15 days' average pay × 6 years** + **15 days' wages** to Re-skilling Fund each; follow last-come-first-go; notify Govt.

WORKED EXAMPLE Case 6 – POSH complaint

- **Facts**: An intern complains about a client's employee at a client-site meeting 2 months ago; company has 40 employees but no IC.
- **Rule**: POSH s.2 (employee incl. intern; workplace incl. visited place), s.4, s.26.
- **Answer**: Complaint valid and in time; employer must constitute **IC**; penalty **₹50,000** for non-constitution; IC inquires within 90 days, coordinates with client.