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Offshore Company Options and Benefits

Comparing subsidiary, branch, Employer of Record (EOR) and managed-team models for India

How each model works

Benefits & limits

Cost by team size

Tax & PE risk

AT A GLANCE

Four ways to put a team in India - each right at a different stage

The real question is not "which model is best?" but "who employs the people, who carries the risk, and what does it cost at our size?". This paper answers those three questions for each model.

USD 99-699

typical EOR fee per employee per month, before salary and statutory costs

10-30

people: the range where an own entity usually becomes cheaper than an EOR

~25% vs ~38%

effective tax on profits: subsidiary (concessional) vs branch (upper band)

90 days

common treaty threshold for a "service PE" from staff working in India

The four models in one line each


Subsidiary

Your own Indian company employs the team.


Branch office

Your parent company operates in India directly, under RBI rules.


Employer of Record

A provider employs people for you; you direct their work.


Managed team

A provider employs and manages a dedicated team under a services contract.

FIVE KEY TAKEAWAYS

- 1 Speed and control pull in opposite directions.** EOR and managed teams start in days or weeks; a subsidiary takes months but gives full ownership.
- 2 Fixed cost versus per-head cost.** An entity carries fixed overheads; EOR and managed teams charge per person. Team size decides which is cheaper.
- 3 A branch is taxed like the foreign parent.** It pays the foreign company rate, and the parent is fully liable - one reason most investors prefer a subsidiary.
- 4 Tax exposure follows control.** Directing people in India without an entity can create a permanent establishment (PE) and a tax bill for the parent.
- 5 Plan the exit on day one.** Moving people from an EOR or vendor to your own entity is common - agree transfer terms and IP ownership in the first contract.

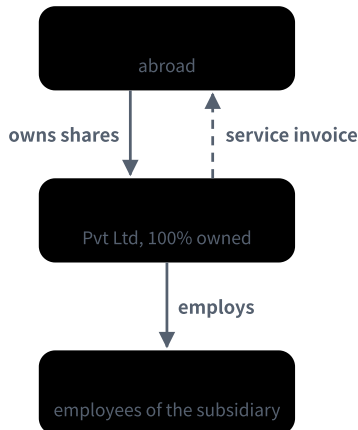
1 | STRUCTURE

Who employs, who contracts, who pays

The four diagrams show the legal relationships behind each model. Solid lines are ownership or employment; dashed lines are contracts.

Subsidiary

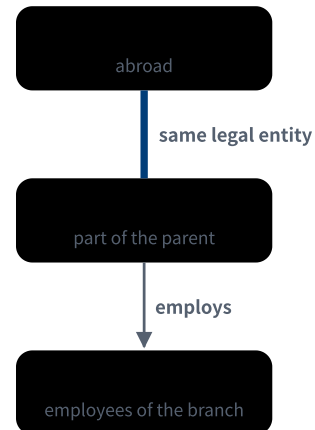
OWN ENTITY



The parent owns the Indian company. The company employs the team and invoices the parent for services at an arm's-length price.

Branch office

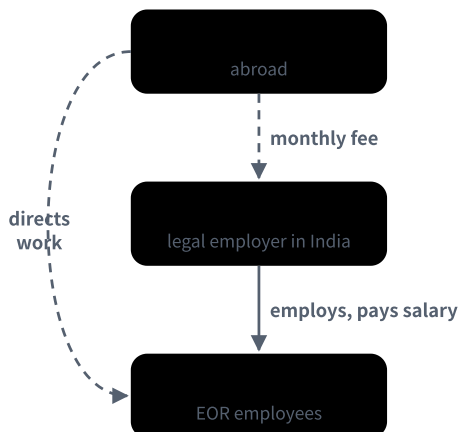
PARENT IN INDIA



The branch is part of the parent. It employs the team directly and is taxed in India on the profits of its Indian operations.

Employer of Record

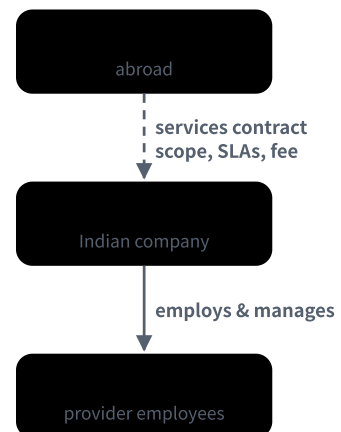
NO ENTITY



The EOR is the legal employer and runs payroll and compliance. The parent directs day-to-day work and pays the EOR a monthly fee.

Managed team

SERVICES CONTRACT



The provider employs and manages a dedicated team and delivers to agreed scope and SLAs. The parent pays for the service.

Simplified structures for illustration. In every model, employees in India are covered by Indian employment and social-security law, including the four Labour Codes in force since 21-11-2025.

2 | BENEFITS

Benefits and limits of each model

Every model is a trade-off. Read the green column for what you gain and the red column for what you give up.

Subsidiary		Branch office	
OWN ENTITY		PARENT IN INDIA	
BENEFITS	LIMITS	BENEFITS	LIMITS
+ Full control of people, process and IP + Lowest cost per head at scale + ~25.17% effective tax (concessional regime) + Limited liability for the parent + Can grow, raise capital and offer ESOPs	- 7-10 weeks to set up at best - Fixed overheads: audit, filings, payroll, HR - Board, ROC and RBI compliance - Transfer pricing with the parent	+ No separate company to run + Profits can be remitted to the parent after tax + Suits permitted activities such as IT services and consultancy	- Parent fully liable for the branch - 35% base tax rate, ~37-38% effective - Eligibility tests and bank / RBI approval - Restricted list of activities
Best for: long-term teams of ~15+ people, core IP, a GCC or ODC.		Best for: an established parent that must act in India in its own name.	

Employer of Record		Managed team	
NO ENTITY		SERVICES CONTRACT	
BENEFITS	LIMITS	BENEFITS	LIMITS
+ Hire in days, not months + Low upfront cost; per-person fee + Provider handles payroll, PF, ESI, TDS + Easy to test a city or role	- Fee per head grows with the team - Watch deposits, FX mark-ups and exit fees - PE risk if structured poorly - IP must be assigned by contract	+ Provider recruits, manages and replaces people + Delivery and SLAs can be contracted + No employment liability for you + Scale up or down within the contract	- Vendor margin on every person - Less direct control of hiring and culture - Knowledge sits with the vendor - Switching vendors can be slow
Best for: first hires, pilots and small teams below ~10-20 people.		Best for: defined projects and teams you do not want to manage yourself.	

3 | COMPARISON

Ten criteria, four models

Colour tags show the level of commitment, cost or risk for you: LOW MEDIUM HIGH

Criterion	Subsidiary	Branch office	Employer of Record	Managed team
Entity needed in India?	Yes - Indian company	Yes - office of the parent	No	No
Time to first hire	MONTHS 7-10 wks entity, then hiring	MONTHS Bank / RBI approval, then hiring	DAYS 2-7 days after offer, plus notice period	WEEKS Depends on provider bench and hiring
Upfront cost	HIGH Setup, advisers, office	HIGH Approval, setup, office	LOW Often deposits only	LOW Transition cost
Ongoing cost driver	Fixed overheads + salaries	Fixed overheads + salaries	Fee per employee per month	Rate per person or per deliverable
Who employs the team	Your Indian company	Your parent company (branch)	The EOR provider	The service provider
Your control of the team	Full	Full	Day-to-day work direction	Through the provider and SLAs
IP ownership	Company; assign to parent via agreement	Parent	By contract - check assignment clauses	By contract - check assignment clauses
Tax / PE exposure for the parent	LOW If arm's-length transfer pricing	BY DESIGN Branch is itself taxable in India	MEDIUM If the parent controls closely	LOW If the provider is independent
Compliance burden on you	HIGH Board, ROC, RBI, tax, labour	HIGH RBI, tax, annual reports	LOW Provider files	LOW Provider files
Exit / change	Wind-up takes time	Closure needs approvals	Transfer staff to your entity	Contract exit or transfer clause

Indicative comparison. Actual terms depend on your sector, contracts and provider.

4 | COST

Team size decides the cheapest model

Salaries cost roughly the same in every model. What changes is the cost of the model itself: a per-person fee, or a fixed overhead shared across the team.

Illustrative annual cost of the model, excluding salaries (USD thousand)

■ Subsidiary ■ Employer of Record ■ Managed team



BINSYST planning assumptions, for illustration only. EOR: USD 400 per employee per month (inside the USD 99-699 range). Subsidiary: USD 20,000 setup spread over 3 years (inside the USD 15,000-25,000+ range) plus USD 40,000 a year of fixed compliance, accounting, audit and HR overheads, and USD 1,200 per employee a year for payroll and HR administration. Managed team: vendor margin of 25% on an assumed USD 25,000 loaded cost per person. Replace with your own quotes.

What the curve tells you

Under ~10 people

EOR is usually the cheapest and fastest. Setting up an entity for a handful of people rarely pays back.

10-30 people

The crossover zone. Decide based on your 3-year plan, not today's headcount.

30+ people

An own entity is clearly cheaper per head, and gives you control of culture, IP and hiring.

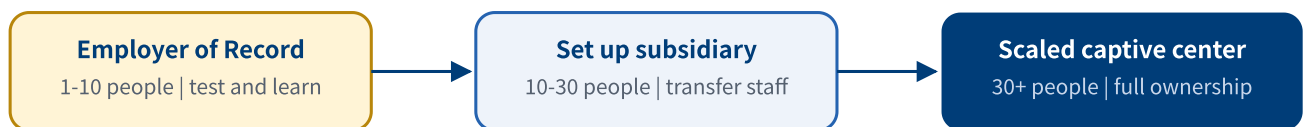
5 | SCENARIOS

Which model fits your situation?

Six common situations and the model that usually fits best.

1 "We want to test India with 2-3 key hires." Low commitment, fast start, easy to reverse. Employer of Record	2 "We need a team for a 12-month project, delivered to spec." Outcome matters more than owning the team. Managed team
3 "We are building a 50-person engineering center." Core IP, long horizon, culture matters. Subsidiary	4 "We have 12 people on an EOR and plan to double." Past the crossover zone and growing. Subsidiary - transfer staff from the EOR
5 "Our parent must contract and invoice in India in its own name." Established parent that meets RBI eligibility. Branch office	6 "We want ownership, but not the admin." Own entity with a partner running HR, payroll and compliance. Subsidiary, partner-managed

A typical path as the team grows



Agree staff-transfer and IP terms with the EOR in the first contract.

6 | RISKS

Five risks to manage - whichever model you choose

Most problems come from structure, not people. These are the ones to check before you sign.

● Permanent establishment (PE)	India can tax the parent if it has a fixed place of business, staff in India beyond the treaty threshold (often 90 days), or an agent who habitually concludes contracts for it. If a PE exists, attributable profits are taxed at the foreign company rate. Keep contracting authority with the parent and track staff travel.
● IP ownership	Work created by employees belongs to their employer first. With an EOR or vendor, make sure contracts assign all IP to you; with a subsidiary, an inter-company agreement assigns it to the parent.
● Employment compliance	Indian labour law applies in every model. Check that the provider follows the four Labour Codes, including the wage definition used for PF and gratuity.
● Data protection	Whoever processes personal data in India must meet the DPDP Act, 2023; most obligations under the DPDP Rules, 2025 apply from 13-05-2027. Put data processing terms in every contract.
● Lock-in and exit	Agree up front how people, knowledge and equipment move if you change model - including notice, transfer fees and non-solicit terms.

Eight questions to ask any provider

- 1 What exactly is included in the monthly fee - and what is extra?
- 2 Are deposits, FX mark-ups and exit fees charged? How much?
- 3 Who owns IP created by the team, from day one?
- 4 How do you manage PE risk for our company?
- 5 Are you compliant with the four Labour Codes and DPDP Act?
- 6 Can we transfer staff to our own entity later - on what terms?
- 7 How are replacements and attrition handled, and how fast?
- 8 What reporting and SLAs will we receive every month?

WORKING WITH BINSYST

Start with the right model - and change it as you grow

BINSYST supports every stage in this paper, so moving from one model to the next does not mean starting again with a new partner.

START**Resource Outsourcing**

Dedicated offshore or onsite professionals, with HR, payroll and compliance handled by BINSYST.

STAFF**Recruitment Services**

Permanent, contract and offshore hiring for your team or your new entity.

OWN**Offshore Company Management**

Subsidiary setup, staff transfer, accounting, tax and local representation.

PROTECT**Governance, Risk & Compliance**

PE-aware structuring support, internal controls and DPDP readiness.

Not sure which model fits?

Book a consultation. We will compare the options for your team size, timeline and budget.

OFFICE 508, Pride Icon, Kharadi, Pune, India
EMAIL info@binsyst.com
PHONE +91 91680 06872

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