NANO GCC POINT OF VIEW

From EOR to Entity

When Should Your Nano GCC Graduate? Six Signals, a Readiness Scorecard and the Cost of Getting the Timing Wrong

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Most Nano GCCs begin on an employer of record (EOR). It is fast, cheap to start and easy to exit. The hard part is knowing when to stop, and the answer usually comes earlier than leaders expect.

For most Nano GCCs, the decision is not whether to create an entity. It is when.

EOR versus entity looks like a legal decision. It is really a commitment decision. The moment India becomes operationally important, EOR stops being a flexibility tool and starts becoming a constraint. The biggest mistake is treating EOR as a permanent operating model: it is a launch vehicle, not a destination.

Headcount is a signal, not the trigger. Who owns the work product, how close India staff sit to revenue, and whether you need equity or real estate in your own name matter as much.

> This paper makes the case that most Nano GCCs should plan to graduate to their own entity **once the centre becomes core to the business or passes about 20 people, whichever comes first**. It sets out the signals, a scorecard to time the move, the cost of getting the timing wrong, and how to make the move cleanly.

Figures are for India, as of October 2026, and are indicative rather than quotes.

Why Nano GCCs start on EOR

EOR is the right first move for most Nano GCCs because it buys speed and optionality at a predictable price. An EOR becomes the legal employer of your India team. It issues contracts, runs payroll in rupees, and remits provident fund, insurance and tax. You direct the day-to-day work.

Three things make it attractive in year one:

- **Speed.** EOR providers commonly onboard a hire in days. Your own entity takes months before the first payslip (Gloroots).
- **No sunk cost.** There is no incorporation, bank account, auditor or registered office to fund before you know the centre will work.
- **An easy exit.** If the pilot stalls, you end a service contract instead of winding up a company.

The price is a per-employee monthly fee on top of salary and statutory costs. Published India rates run from about $99 to $699 per employee per month. India-specialist providers sit at the low end and global platforms at the high end (Boundless, Oct 2026).

For a team of five testing a new capability, that is good value. The question is how long it stays good value.

Where EOR runs out

EOR was designed to employ people, not to house a capability centre. As a Nano GCC matures, five limits start to bite.

1. **Per-head fees scale with you; entity costs mostly do not.** EOR fees rise in step with every hire. An entity's overhead is largely fixed, so each new hire makes it cheaper per head.
2. **The EOR is not a legal shield.** Indian law does not recognise "employer of record" as a protected category, and authorities look at how the team is actually managed. If the parent runs daily supervision, reviews and terminations, it can be treated as the real employer (Khaitan & Co partner, Apr 2026).
3. **Tax presence is reduced, not removed.** An EOR does not automatically create a permanent establishment (PE) for the parent, and it does not automatically shield you from one. Exposure turns on what India staff do, especially whether they negotiate or conclude contracts for the parent (Asanify research, May 2026). In the 2025 Hyatt case, the Supreme Court held that sustained operational control exercised through another party's premises can create a fixed-place PE, even without exclusive use of the space (Acuity Law, Feb 2026).
4. **Ownership and control stay at arm's length.** Your people sign someone else's contract. Under the Copyright Act, work made in the course of employment generally belongs to the legal employer unless a contract provides otherwise (section 17). Through an EOR, that means relying on a properly drafted onward assignment to you. Equity is also awkward: India staff pay tax on option gains at exercise, and some foreign-exchange reporting needs an Indian group entity that an EOR set-up does not have (Asanify research).
5. **The things a real centre needs require a legal person.** You cannot sign a lease in your own name, own assets, claim state incentives or build a local employer brand without an entity.

The labour codes, brought into effect on 21 November 2025 with state rules still being rolled out (Ministry of Labour, Dec 2025; KPMG), add one more question. The new safety code generally bars contract labour in an establishment's core activities and makes the principal employer pay if a contractor defaults on wages. It also excludes people who are regularly employed and paid by the contractor from the definition of contract labour (Cyril Amarchand Mangaldas, Dec 2025). Most EORs rely on that exclusion. Whether it holds depends on the facts, so a centre doing core work should take advice early.

> **Why Nano GCCs hit these limits sooner.** For a market-entry team of a few salespeople or support staff, EOR can stay viable for years. A Nano GCC is different. It usually owns intellectual property, engineering output, data and increasingly AI assets that sit at the heart of enterprise value. That is exactly the kind of work where control, ownership and tax presence matter most, so the transition tends to arrive earlier.

None of this is a reason to avoid EOR at the start. It is the reason EOR should have an end date.

Six signals it is time to graduate

One signal is a prompt to start planning. Three or more mean you are probably already paying for waiting. Because an entity takes three to six months to stand up properly, the planning should start when the first signals appear, not when the last one does.

Signal	What it looks like	Why it matters
Headcount	About 20 people today, or a plan to pass that within a year	Fixed entity overhead starts to undercut per-head EOR fees
Permanence	The board treats India as a long-term part of the operating model, not a pilot	EOR's main benefit, an easy exit, is no longer worth paying for
Core work	The centre owns product code, customer data, models or a regulated process	IP, data and contract-labour exposure rise when core work sits with a third-party employer
Proximity to revenue	India staff talk to customers, shape deals or sign off on commercial terms	This is where PE risk concentrates
Leadership hires	You are recruiting a site leader or senior engineers who expect equity and a direct contract	Senior candidates may read an EOR contract as a sign the commitment is temporary
Physical footprint	You want your own office, assets or state incentives	Leases, asset ownership and incentives need a legal entity

The signals that matter most are often not the financial ones. A 10-person centre that holds your core platform code may need an entity sooner than a 25-person support team.

Timing the move: scorecard first, spreadsheet second

Readiness tells you whether the centre needs an entity. The break-even tells you what waiting is costing. Use them in that order.

Step 1: the readiness scorecard

Score each of the six signals 0 (not true), 1 (partly true) or 2 (clearly true).

Total score (0–12)	What it means	Action
0–4	EOR is still doing its job	Stay on EOR; review every six months
5–8	You are approaching the ceiling	Start the entity now so it is ready in 3–6 months
9–12	You are past it	Make the move a priority this quarter

Step 2: the break-even

The crossover depends on two things: the EOR fee you pay and how lean you can run the entity. The table compares monthly EOR service fees with a lean entity costing about $3,700 a month: $3,000 of single-state overhead plus a $25,000 setup cost spread over three years. Salaries and statutory contributions are the same either way, so they are left out.

Headcount	EOR at $150/head (USD/month)	EOR at $300/head (USD/month)	EOR at $500/head (USD/month)	Own entity, lean set-up (USD/month)
5	750	1,500	2,500	**~3,700**
10	1,500	3,000	5,000	**~3,700**
15	2,250	4,500	7,500	**~3,700**
20	3,000	6,000	10,000	**~3,700**
30	4,500	9,000	15,000	**~3,700**

A lean entity wins at around 8 people against a $500 global platform, and around 25 against a $150 India specialist. A model that assumes a fully staffed compliance set-up pushes the crossover past 50 (Asanify research, May 2026). *Illustrative only: entity overhead rises with multi-state operations, and FX mark-ups on EOR payroll are excluded.*

A note on the numbers: no Big Four or law firm publishes India EOR fee benchmarks, so the fee and overhead figures here are triangulated across several providers' published rates. EY notes that the labour codes' uniform definition of wages may raise statutory costs, which apply under either route (EY, Nov 2025).

That spread is the point: headcount is a signal, not the trigger. If the scorecard and the break-even disagree, readiness should usually win. A centre past the break-even with a low score can wait a little. A centre below it but scoring 9 or more on core work and revenue proximity should not.

The cost of moving too early

An entity opened before the centre has proved itself turns a reversible experiment into a fixed commitment. The costs are real even when the incorporation fee is small.

- **Setup and fixed overhead.** Government fees are modest, about INR 10,000 for a Bengaluru incorporation. The real cost is professional support, notarising parent documents, bank onboarding and registrations (Teamed, Oct 2026). 2026 estimates put first-year setup at roughly $15,000–40,000, plus about $2,000–3,500 a month in single-state overhead (Gloroots; HiveDesk, Sep 2026).
- **Governance load.** Every Indian company needs a resident director, a statutory audit, an annual general meeting, and annual filings with the registrar. Foreign-owned companies also report share issues to the Reserve Bank of India. Directors carry these duties personally.
- **A harder exit.** An EOR contract ends with notice. An entity has to be wound up, with tax clearances and final settlements, which typically takes many months.
- **Management distraction.** In year one, leadership attention should go to proving the centre's value. Bank mandates, auditors and board minutes compete for the same few people.
- **Benefit friction.** A very small new company may sit below the headcount at which some statutory schemes apply. Moving early can mean opting back into benefits your people already have, just to stand still (Teamed).

The tell-tale sign of moving too early: the entity exists, but headcount is flat and the centre's mandate is still being debated.

The cost of moving too late

Waiting feels free because nothing breaks. In practice the bill compounds quietly, and most of it is hidden in fees, risk and goodwill rather than one visible line.

- **Fees that grow with every hire.** At 30 people and a $300 average fee, EOR service charges alone come to about $108,000 a year. That is well above the $24,000–42,000 a year of single-state entity overhead quoted above, before any FX mark-up on payroll.
- **A bigger, riskier migration.** Every employee has to sign a new contract with the new entity. Gratuity service carries across only if you agree it in writing (Teamed). Failing to preserve continuity can put recognition of prior service at risk for gratuity purposes. The longer you wait, the more service years ride on getting this right.
- **Tax exposure that looks backwards.** If the tax authority later decides the centre created a PE, it can examine past years, not just the current one. Every year a near-revenue team runs without the right structure adds to the period in question.
- **Talent and brand.** Senior hires hesitate at an EOR offer letter. Existing staff may read a long-running EOR as a sign the parent is not committed, and that shows up in attrition.
- **Lost options.** Without an entity you cannot lock in a good lease, claim state incentives or build an employer brand in your own name, so these benefits are simply forgone each year.

The tell-tale sign of moving too late: the centre is clearly permanent and growing, and EOR has quietly become one of its largest non-salary costs.

Why many centres never graduate

Few companies decide to stay on EOR too long. They drift there, usually on one of five assumptions.

What leaders say	Why it gets expensive
"We're only 20 people."	A small centre holding your core code already carries the control, IP and tax questions.
"We might shut it down."	If that is genuinely open, stay on EOR. If it is not, you are paying for an exit you no longer want.
"The EOR is working fine."	Payroll running smoothly is not the same as the structure holding up. Control and PE problems surface in an audit, not on a payslip.
"Nobody has time."	The move is three to six months of mostly paperwork. Every month of delay adds people and service years to migrate.
"Legal can deal with it later."	Later usually means a fundraise, acquisition or tax audit, when diligence asks who owns the IP and where profits are taxed.

> **The goal is not to leave EOR as quickly as possible. It is to leave before the structure starts creating more risk than flexibility.**

Making the move without losing people

A well-run transition takes three to six months and should feel like a non-event to employees. Incorporation is the quick part. Market estimates put a registered company at 3–6 weeks and first payroll 2–6 weeks after that; the parent's paperwork and the bank account drive most of the wait (Teamed).

1. **Decide the structure (weeks 0–2).** Confirm a private limited subsidiary is right, and settle shareholding, a nominee shareholder and a resident director. Agree the transfer-pricing basis on which the entity will charge the parent.
2. **Incorporate (weeks 2–8).** Notarise and apostille the parent's documents early, as this step most often adds weeks. File SPICe+ for incorporation and tax numbers.
3. **Make it operational (weeks 6–14).** Open the bank account, bring in capital and report it to the Reserve Bank of India. Complete state and labour registrations, set up payroll, and issue HR policies that match the EOR terms.
4. **Move the people (weeks 12–18).** Issue new contracts with no loss of pay or benefits, and put service continuity for gratuity in writing. Keep provident fund running through each employee's existing account number, with no month left uncovered. Cut over on a single pay cycle.
5. **Close out the EOR.** Serve notice under the EOR agreement, settle final dues, and take back all employee records, payroll history and statutory filings.

Communicate early and plainly. Employees should hear from their own leaders why the move is happening and what will not change, before any new paperwork arrives.

The Vertara view

Vertara Global works with mid-market companies to time and run the move from EOR to their own entity, so the centre keeps its people and its momentum. Every engagement is led by senior practitioners. We score your centre against the six signals, model the break-even on your actual fees, salaries and locations, design and set up the entity with your tax and legal advisers, and sequence the people transition so nobody misses a payroll or a contribution. We stay involved after the switch, because year two is where many centres stall.

If you are weighing when to move your Nano GCC from EOR to its own entity, we would welcome the conversation.

This paper is general guidance, not legal or tax advice. Take advice on your specific situation before acting.

Sources

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