



THE PAYROLL VENDOR EVALUATION GUIDE | INDIA | 2026

20 Questions Every Business Should Ask Before Choosing a Payroll Vendor

Compliance depth, hidden costs, integrations, support, and exit terms – what to verify before you sign, and the red flags that end a shortlist.

Key Takeaways

- Labour Code 2025 readiness, Form 130 generation (the Income Tax Act, 2025 successor to Form 16), and multi-state PT design are the three compliance capabilities that disqualify the most Indian payroll providers in 2026.
- Hidden costs - compliance module add-ons, Form 130 charges, per-state PT fees, and premium support tiers - typically raise the total cost 30-60% above the listed price.
- Data migration and portability must be confirmed in the contract, not verbally during the sales process.
- A vendor who cannot answer the compliance and security questions in this guide with specific, demonstrable answers should be removed from your shortlist before pricing is discussed.
- This guide is part of the Payroll Vendor Evaluation Kit, alongside a 30-criteria weighted scorecard, an RFP template, and a CFO approval worksheet for enterprise procurement teams.

Introduction

Selecting the wrong payroll vendor costs far more than most purchasing departments realise at decision time. A misselection carries not only switching costs - migration, implementation, and parallel processing - but also statutory penalties, eroded employee trust, and audits, none of which appear in the price comparison.

The standard enterprise approach to evaluating a payroll provider is flawed from the start: it compares price and features. The vendor knows how to give a good demo. Your questioning has to expose the difference between the demo and reality.

This guide gives you the 20 highest-impact questions to ask every payroll vendor on your shortlist, what good answers look like, and the red flags to watch for. Price should always be discussed last.

Why Asking the Right Questions Matters

Every payroll provider can show a clean interface. What a demo cannot show you:

- Compliance accuracy on your specific edge cases: CLRA for contract workers, ESIC for high-volume shop-floor staff, PT across five states simultaneously
- Implementation risk: whether you run a parallel cycle before go-live or trust the vendor's sample data
- Hidden cost structure: whether Form 130 generation, multi-state PT, or priority support require premium upgrades
- Support quality under pressure: what happens on the 14th when PF challan generation fails and payroll is due the next day
- Exit terms: whether your historical payroll data can be extracted if you switch vendors in 18 months

The 20 Questions at a Glance

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The 20 Most Important Questions to Ask Every Payroll Vendor

Q1

Can your system automatically manage all Indian statutory compliance – PF, ESIC, TDS under both tax regimes, PT across all active states, and Labour Code 2025 updates?

QUICK ANSWER

An authentic vendor proves it through demonstration, not assurance. The vendor must demonstrate ECR generation for PF, an ESIC challan, TDS computation under the new regime, PT configuration for your specific states, and Form 130 generation readiness – all in one session.

Why this question matters. Payroll compliance in India spans central statutory requirements plus Professional Tax regimes in roughly 21 states and UTs, each with its own slabs. Any missed filing draws penalty and interest. Three recent changes are widely claimed but rarely implemented: two Labour Code provisions (the 50% basic wages rule affecting PF, and F&F settlement within 2 days) and one Income Tax Act, 2025 change – Form 130 replacing Form 16 from Tax Year 2026–27, with Form 16 still applying for FY 2025–26.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ Generates a PF ECR file live, without any manual editing
- ✓ Shows an ESIC challan at the 3.25% employer contribution rate with automatic eligibility checks
- ✓ Runs TDS simultaneously under the old and new regimes based on employee declarations
- ✓ Configures PT for Karnataka, Maharashtra, and Telangana within a single pay run
- ✓ Demonstrates Form 130 generation readiness (not Form 16) with correct surcharge handling for high-income earners
- ✓ Applies the 50% basic wages criterion to PF calculations

RED FLAGS

- ✗ “We are compliant with all Indian laws” without a live demonstration
- ✗ Requests to demonstrate compliance in a follow-up call rather than the current session
- ✗ Form 130 “coming soon” rather than available
- ✗ Multi-state PT positioned as an add-on module needing a separate subscription
- ✗ Cannot explain how the 50% basic wages rule affects PF for low-basic CTC structures

PRIORITY

EXECUTIVE TIP

Ask the vendor to configure PT for three states where you actually operate, not three states the vendor picks.

► A vendor who cannot demonstrate India-specific compliance live, with your states, is not ready to manage your statutory obligations.

Q2

What security certifications does your platform hold, and how do you comply with India's Digital Personal Data Protection Act, 2023?

QUICK ANSWER

For a provider handling sensitive employee financial data, ISO 27001 is the minimum security bar, and DPDP Act 2023 compliance is the minimum regulatory bar. Ask for the certificate number.

Why this question matters. Payroll data includes PAN, Aadhaar, bank details, salary structure, and tax declarations. A payroll data breach creates liability for your company under the DPDP Act and damages

its reputation. Many payroll companies claim security discipline without holding the certifications.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ ISO 27001 certificate number, scope, and renewal date
- ✓ CMMI Level 5 for process quality – the highest maturity level, held by fewer than 1% of IT companies in India
- ✓ AES-256 encryption for data at rest and in motion
- ✓ DPDP Act 2023 compliance statement covering consent management, data minimisation, and breach reporting
- ✓ Role-based access control restricting payroll data by role definition
- ✓ An immutable audit trail – admin users cannot modify audit logs

RED FLAGS

- ✗ ISO 27001 “in process” or “under certification”
- ✗ “Security is our priority” without certification details
- ✗ An audit trail that permits administrators to delete records
- ✗ No clear stance on the DPDP Act for employee data processing
- ✗ Data stored outside India with no cross-border transfer detail

PRIORITY



EXECUTIVE TIP

Ask for the ISO 27001 certificate as a PDF before any pricing discussion. Push-back on this request is itself the answer.

► **Certifications are documentary evidence; no certification means no evidence.**

Q3

Which specific systems do you integrate with, and are those integrations push-based or pull-based?

QUICK ANSWER

Integration quality determines how much manual work your payroll team does after go-live. Push-based means data flows automatically. Pull-based means your team runs a manual export-import, adding a failure point and a delay to every payroll cycle.

Why this question matters. The most time-consuming manual steps in payroll are collecting data from attendance systems and moving payroll outputs into accounting software. If these are not automated through real integrations, the software has not reduced your team’s workload – it has moved the manual work to a different step.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ Names integrations with your specific attendance software, not “biometric systems in general”
- ✓ Confirms compatibility with your biometric device by model, not just brand
- ✓ API-level integration with your accounting software (Tally, QuickBooks, SAP)
- ✓ Automatic GL journal posting after each payroll run
- ✓ Native or API-level integration with your named HRMS
- ✓ Bank transfer file generation in NEFT/RTGS formats

RED FLAGS

- ✗ “We integrate with all major systems” without naming your systems
- ✗ Integration described as “export CSV from our system, import into theirs”
- ✗ Biometric integration requires middleware or a third-party connector not in the base price
- ✗ Accounting integration requires manual reconciliation after export

PRIORITY

EXECUTIVE TIP

Pick your top three integrations (attendance, accounting, HRMS) and have each demonstrated. If even one needs manual intervention, cost that time over 12 months.

► An integration that relies on manual intervention is not an integration; it is another place to do the manual work.

Q4
What is your customer support SLA on payroll day, and who handles a statutory notice on our behalf?
QUICK ANSWER

Payroll-day support is categorically different from general software support. A 24-48 hour response is fine for feature questions. It is not fine when PF challan generation fails on the 14th and the filing deadline is the 15th. Get the SLA in writing.

Why this question matters. Payroll runs on fixed statutory deadlines: PF contributions by the 15th of every month, ESIC by the 15th, TDS deposit by the 7th. A queue-based support system that responds on working days is not adequate infrastructure for compliance.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ A named account manager or dedicated payroll relationship manager
- ✓ Chat or phone support with a payroll-day SLA, ideally under 2 hours
- ✓ A defined escalation process for statutory emergencies
- ✓ Clarity on who handles EPFO notices, TRACES mismatches, or PT demand letters - vendor or client
- ✓ The SLA written into the agreement, not promised in the sales conversation

RED FLAGS

- ✗ "Our support team is available during business hours" with no SLA time
- ✗ Support only through a ticketing system with 2-3 business day response
- ✗ Statutory notice handling left entirely to the client with no vendor support
- ✗ A named account manager available only on premium or enterprise tiers

PRIORITY

EXECUTIVE TIP

Before signing, place a test support call at 5 PM on a Friday. The response you get is a better predictor than anything said during the sales cycle.

► A payroll vendor's support quality during a statutory deadline emergency matters more than their feature set.

Q5
What does your implementation process include, and is a parallel payroll run standard?
QUICK ANSWER

Credible implementation covers data migration, salary structure configuration, statutory setup, attendance setup, user training, and a compulsory parallel run - one full payroll cycle processed on both systems at once. A vendor who skips the parallel run is transferring the risk to you.

Why this question matters. The demo environment and live production with your own employee data are two different worlds. Errors such as a wrong PT state, wrong PF component mapping, or biometric devices not syncing only surface when your actual data is processed.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ An implementation manager assigned at kick-off
- ✓ A documented timeline, typically 2-4 weeks
- ✓ Data migration covering the employee master, historical payroll data, and statutory registration numbers
- ✓ A mandatory parallel run, not an optional extra
- ✓ A hypercare period after go-live, typically up to 3 months
- ✓ Training for HR, payroll, and finance users

RED FLAGS

- ✗ "Setup in minutes" describing account creation, not payroll-ready implementation
- ✗ No parallel run, or a parallel run only at additional cost
- ✗ Implementation handed to a partner or reseller rather than the vendor's own team
- ✗ No documented timeline with milestone sign-offs

PRIORITY



EXECUTIVE TIP

Ask for three references from implementations in the past six months at a comparable employee count. A reference call tells you more about implementation quality than anything else.

► A vendor who skips the parallel run is asking you to trust their configuration without verifying it. Do not accept this.

Q6

How does your platform scale as our business grows – specifically for multi-entity, multi-state, and international hiring?

QUICK ANSWER

Evaluate payroll software against your expected headcount in 12 months, not today's. A system that runs 100 employees should run 300 across multiple states, or internationally, without re-implementation.

Why this question matters. The most expensive payroll mistake is discovering after 18 months that the system cannot scale. Switching vendors means data migration, parallel runs, and re-implementation – all of it costing money and time.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ Multi-entity capability – more than one company on the platform without separate subscriptions
- ✓ Multi-state payroll with PT auto-configured as each new state is added
- ✓ EOR capability to hire where you have no legal entity, in India or abroad
- ✓ The option to add payroll outsourcing services on the same platform, with no data migration
- ✓ The cost model at 2x your current headcount confirmed in writing before signing

RED FLAGS

- ✗ "We can discuss scaling when you get there" without pricing confirmation now
- ✗ Multi-entity requiring a separate contract and separate implementation
- ✗ International hiring requiring a separate vendor integration
- ✗ EOR unavailable, or available only through a third party

PRIORITY

EXECUTIVE TIP

Request pricing at double your current headcount and confirm multi-entity and multi-state are covered. Get it stated in the contract.

- ▶ Your payroll vendor must scale with you; the cost of a vendor change in 18 months exceeds the premium you pay now for scalability.

Q7
What payroll reports and analytics does your platform provide, and who can access them?
QUICK ANSWER

A payroll system should give CFOs live visibility of labour costs, not monthly downloads needing manual formatting. Ask to see a live CFO dashboard, a cost-centre report, and a statutory compliance calendar before any other report.

Why this question matters. Payroll is usually the largest cost line on the P&L. A CFO who learns the monthly payroll cost from a spreadsheet prepared by HR three days after month-end is running the company's largest expense on a delayed, possibly inaccurate view.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ A live CFO dashboard of actual labour cost, not a screenshot
- ✓ Salary allocation down to cost-centre level without export and manual reformatting
- ✓ A statutory filing calendar showing upcoming deadlines, with alerts
- ✓ Bank transfer confirmation against each pay cycle
- ✓ Configurable access – the CFO sees consolidated cost, payroll sees transactions, employees see their own detail

RED FLAGS

- ✗ Analytics shown only as static screenshots during the demo
- ✗ Report generation requiring IT support or developer configuration
- ✗ The CFO dashboard available only on the enterprise tier at significant extra cost
- ✗ No statutory compliance calendar – deadlines tracked manually by HR

PRIORITY

EXECUTIVE TIP

Have the vendor generate a cost-centre-level payroll report live on sample data. The time and steps it takes tell you more than the feature sheet.

- ▶ Payroll analytics that require export to Excel are raw data relocated, not analytics.

Q8
What is your data migration process, and what happens to our data if we choose to leave?
QUICK ANSWER

Verify this in the contract before signing. Full export of payroll history – employee data, payroll run detail, Form 130 archives, PF and ESIC records – must be possible easily and without vendor involvement.

Why this question matters. Payroll data is yours. Historical payroll records, statutory filing history, and employee tax documents must stay accessible for audit and regulatory purposes for 7-10 years. Vendors who make extraction difficult create dependency that makes switching costly and leaves you unable to answer a statutory audit after a vendor change.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ Complete export in standard formats (CSV, Excel, PDF), available at any time
- ✓ Employee master, payroll run history, Form 130 archives, and statutory records all exportable
- ✓ Data portability written into the contract, not agreed verbally
- ✓ A migration team for inbound data: employee master, payroll history, statutory registration numbers
- ✓ A stated retention period during which historical data is not destroyed after the contract ends

RED FLAGS

- ✗ "We can talk about data export if you need it" with nothing in the agreement
- ✗ Export described as a manual process needing paid vendor assistance
- ✗ Historical payroll data deleted 30–60 days after contract end
- ✗ Lock-in clauses that make switching providers prohibitively costly

PRIORITY

EXECUTIVE TIP

Add a specific data portability clause before signing. Any resistance to writing it down tells you everything about their exit terms.

► Data portability confirmed in writing before signature is not a negotiation tactic; it is a basic procurement standard for any business-critical system.

Q9
What is your all-in pricing at our current headcount – and at double our headcount?
QUICK ANSWER

Ask for an itemised quotation at your current employee count and at your expected growth, with every cost spelled out, so nothing surfaces later as a surprise.

Why this question matters. The quoted per-employee price is rarely what you end up paying. Form 130 generation, multi-state PT configuration, priority support, and implementation are often extras. Companies discover this on the invoice, not during evaluation.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ A total cost in writing at current and at double your headcount
- ✓ A clear list of modules included and excluded from the price
- ✓ Implementation, training, and annual escalation costs stated
- ✓ Form 130 generation confirmed inside base pricing, not as an enterprise add-on

KEY RED FLAG

- ✗ Per-user pricing where the quote excludes compliance modules – the costs appear later

PRIORITY

EXECUTIVE TIP

Ask for a sample invoice at your current workforce. It is the fastest way to expose hidden charges and compare vendors like-for-like.

► Hidden costs in payroll software typically run 30–60% above the listed price; get the final total in writing before evaluating anything else.

Q10

What are your minimum contract term, lock-in clause, and early exit terms?

QUICK ANSWER

Understand the contract before you sign it. It should state the minimum commitment, renewal terms, notice period, exit process, and any early termination charges, so you know exactly what leaving costs if the service disappoints.

Why this question matters. A two-year contract with a 100% early-termination penalty makes every other evaluation factor irrelevant. If the platform is underperforming by month three, you need to know the price of leaving.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ The minimum term stated clearly at the start of negotiations, usually 12-24 months
- ✓ No early-termination penalty after a defined notice period
- ✓ Data portability on termination written into the contract
- ✓ Contractual remedies for SLA non-compliance

KEY RED FLAG

- ✗ Auto-renewal clauses that renew for years with cancellation windows under 30 days

PRIORITY



EXECUTIVE TIP

Ask the vendor to walk you through the exit process before signing. A transparent vendor explains notice, data handover, final billing, and transition support without hesitation.

- ▶ Check the exit clause before the features; an easy exit from a bad vendor is worth more than a discount from a locked-in one.

Q11

How does your platform handle payroll errors discovered after salary disbursement?

QUICK ANSWER

Ask what happens when a payroll mistake is found after payout. The steps should be defined in the product, with processes that actually resolve the situation.

Why this question matters. Mistakes happen. What separates vendors is how they are handled. An over-credit to 200 people means bank reversal, individual communication, and recovery in the next cycle.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ A reversal process defined in the system, not a manual workaround
- ✓ Anomaly detection before disbursement
- ✓ A proven bank reversal workflow
- ✓ Automatic TDS recalculation when annual income is affected

KEY RED FLAG

- ✗ Error handling described as "raise a support ticket" with no timeline or process - meaning your HR team handles it manually

PRIORITY ★★★★★

EXECUTIVE TIP

Ask for a real example of a payroll error the vendor resolved. Clear, specific steps are a good sign of operational readiness.

► The cheapest payroll error is the one caught before the bank file goes out; the vendor's job is to catch it there.

Q12

What is your system uptime SLA, and do maintenance windows affect payroll processing dates?

QUICK ANSWER

Do not stop at the uptime percentage. Ask when the system goes down for maintenance and whether the vendor guarantees uninterrupted access during payroll processing and statutory filing windows.

Why this question matters. Payroll filing runs on statutory deadlines: PF by the 15th, ESIC by the 15th. If the system is under maintenance on the 14th, when challans must be generated, the SLA number is irrelevant.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ A minimum uptime SLA of 99.5% or above, with the measurement method explained
- ✓ Maintenance windows outside Indian business hours
- ✓ No maintenance on payroll filing and statutory deadline days
- ✓ Incidents notified by email or SMS, not left to a status page

KEY RED FLAG

✗ A 99.9% uptime claim with no guarantee that maintenance avoids the last three working days of the month

PRIORITY ★★★★★

EXECUTIVE TIP

Get the vendor's typical maintenance schedule in writing. Availability only matters at the hour you actually need it.

► An uptime SLA without a maintenance policy is irrelevant to payroll; the only hour that counts is the hour before your statutory due date.

Q13

How does your platform handle multi-entity or group company payroll from a single login?

QUICK ANSWER

If you run more than one business, or plan to, confirm the platform manages all companies from one login while keeping payroll fully separate per legal entity.

Why this question matters. Companies operating through subsidiaries, joint ventures, or independent entities often discover their payroll system treats each entity as an entirely new account.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ All entities visible and manageable from a single login
- ✓ Consolidated MIS reporting across entities for the CFO
- ✓ Separate statutory registrations (PF, ESIC, PT) maintained per entity
- ✓ Inter-entity salary transfers and secondment payroll handled natively

KEY RED FLAG

✗ Multi-entity setup requiring separate contracts and implementations per entity, with no group-level reporting

PRIORITY ★★★★★ **EXECUTIVE TIP** Have the vendor demonstrate switching between entities and producing a consolidated report, live. It beats any feature list.

► If you have or expect multiple entities, test multi-entity capability before signing; retrofitting it is expensive.

Q14
What does your training and onboarding process include, and who delivers it?
QUICK ANSWER

Successful payroll implementation is more than software. Ask who trains your team, what the training covers, how long it lasts, and whether it is tailored to your payroll setup and compliance obligations.

Why this question matters. Implementation quality is the single biggest predictor of payroll software satisfaction. Training delivered by a junior support executive reading a manual is not the same as training delivered by an implementation specialist who knows your configuration.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ Training customised to your salary structures, compliance obligations, and workflow, not a generic walkthrough
- ✓ Separate sessions for HR administrators, payroll managers, and finance users
- ✓ Training delivered before go-live, not after
- ✓ Session recordings available for future use and new joiners

KEY RED FLAG

✗ Training described as “online documentation and video tutorials” with no live sessions from the implementation team

PRIORITY ★★★★★ **EXECUTIVE TIP** Meet the implementation team before signing. The people onboarding your organisation directly determine how smoothly payroll goes live.

► Ask who will train your team and what implementations they have run; the trainer’s experience is part of the product.

Q15
How frequently do you release software updates, and how are customers notified?
QUICK ANSWER

Ask how quickly the platform updates when payroll or labour law changes. Compliance updates should be timely, applied with minimal effort from your team, and clearly communicated.

Why this question matters. Indian payroll law changes constantly: budget announcements, state PT revisions, EPFO circulars, ESIC changes, and the Labour Codes. A vendor shipping compliance updates quarterly through newsletters cannot keep pace.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ Compliance updates released within 48 hours of statutory notification
- ✓ Customers notified by email or in-app alert, not left to check a changelog
- ✓ Configuration changes applied automatically, without HR action
- ✓ Release notes specific to India statutory updates, beyond product changes

KEY RED FLAG

✗ A quarterly release cycle for compliance updates – any statutory change between releases becomes HR's manual job

PRIORITY

EXECUTIVE TIP

Ask for the vendor's track record on a recent statutory amendment and how fast it shipped. Past speed is the best predictor of future speed.

► Ask when the vendor shipped the last PT rate change; a payroll system on quarterly compliance updates is permanently behind the statute.

Q16
Which biometric attendance devices are you compatible with, and how does the integration work?
QUICK ANSWER

Never assume compatibility between your existing biometric hardware and the payroll platform. Confirm your specific device is supported and that attendance data imports automatically through an API.

Why this question matters. Most organisations asking this already have devices installed. The question is whether the integration is real-time and API-based (data flows automatically) or a batch file import (IT sets it up, it breaks when formats change, and it adds a manual step to every cycle).

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ A list of compatible devices by make and model, not just make
- ✓ API or push-based data flow, not CSV import-export
- ✓ Verification of your exact device model before contract signature
- ✓ Multi-location device consolidation without manual merging

KEY RED FLAG

✗ "We support all major biometric systems" without device specifics – this usually means CSV import, not integration

PRIORITY

EXECUTIVE TIP

Ask the vendor to show your biometric hardware integrated live, or evidence of your model running at another customer's deployment.

► Confirm your biometric device model is supported via API, not via CSV export, before signing any contract.

Q17
Can your platform generate payroll cost forecasts for workforce planning?
QUICK ANSWER

If your workforce will grow, ask whether the platform can forecast future payroll cost from hiring plans, salary revisions, statutory contributions, and workforce changes – not just report what already happened.

Why this question matters. The CHRO and CFO must forecast headcount cost 6–12 months out. Software that reports last month is a reporting system. Software that projects next quarter from current headcount, hiring plans, attrition risk, and statutory rate changes is a forecasting system.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ Headcount and payroll forecasting together, not a separate paid module
- ✓ Statutory liabilities (PF, ESIC, PT) projected inside the forecast
- ✓ Scenario modelling: what does payroll cost if we add 50 people in Q3?
- ✓ CFO-ready outputs, not a data dump

KEY RED FLAG

- ✗ Forecasting described as “export to Excel and build your own model” – that is data access, not forecasting

PRIORITY

EXECUTIVE TIP

Have the vendor run a forecast scenario on your actual workforce numbers. Within seconds it is clear whether there is real capability or just report generation.

- ▶ Payroll forecasting moves payroll from the past into the future; find out whether it exists in the product or has to be built manually.

Q18
How do you handle mid-year salary revisions and their TDS recomputation?
QUICK ANSWER

Confirm that TDS recalculates automatically whenever an employee's salary changes during the financial year.

Why this question matters. Promotions and revisions change an employee's estimated annual income, which requires TDS recomputation for the remaining months. Miss it and you create under-deduction or over-deduction problems.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ A salary revision automatically recomputes TDS for the remaining months of the year
- ✓ Arrears taxed against the year they relate to, not the year they are paid
- ✓ Form 10E support for employees claiming relief on arrears

KEY RED FLAG

- ✗ “Very easy to update salaries” with no mention of TDS recomputation

PRIORITY

EXECUTIVE TIP

Ask for a live demo of a mid-year promotion. Future TDS deductions should update without manual intervention.

- ▶ A salary revision without TDS recomputation is a compliance risk; test the TDS logic before your first increment cycle.

Q19
What happens to our payroll data if your company is acquired, changes pricing significantly, or ceases operations?
QUICK ANSWER

Ask how you access your payroll data if the vendor is acquired, restructures pricing, or shuts down. You should be able to retrieve complete historical records quickly, in standard formats, without depending on the vendor.

Why this question matters. Payroll data must be retained 7-10 years for statutory audit. An acquisition, pricing restructure, or business failure can make historical records inaccessible at exactly the moment a statutory authority asks for them.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ A contractual data portability clause allowing full export at any time, without vendor assistance
- ✓ Standard export formats (CSV, Excel, PDF), never a proprietary format requiring the vendor's software
- ✓ An escrow arrangement for source code or data if the business discontinues
- ✓ A data access SLA maintained through any ownership change

KEY RED FLAG

✗ "We have never had a data access issue" with no contractual protection - past performance is not a contractual guarantee

PRIORITY



EXECUTIVE TIP

Review the contract for data ownership, portability, and post-termination access before signing. If these are not documented, ask for them to be added.

► Data portability is a statutory requirement, not a commercial preference; get the export clause in writing before any other criterion.

Q20

Can you provide three client references of similar employee count and industry - and can we contact them without you present?

QUICK ANSWER

Ask for references that closely match your organisation in industry, employee count, and payroll complexity - and insist on speaking with them without the vendor on the call.

Why this question matters. Every vendor supplies references. What matters is whether you can call them independently and whether they resemble your organisation. If you have 1,500 employees and the reference is a 20-person IT startup, there is no comparison at all.

WHAT A GOOD VENDOR SHOULD ANSWER

- ✓ At least three references matching your employee count and industry
- ✓ References contactable by phone or email without the vendor present
- ✓ References offered proactively, which signals confidence
- ✓ At least one reference that has been a client for more than two years

KEY RED FLAG

✗ Only one reference, a mismatched industry or employee count, or a request to be present on the reference call

PRIORITY



EXECUTIVE TIP

Prepare your question list before the call: implementation, support quality, compliance update speed, problem resolution, and whether sales-cycle promises were kept.

► A reference call without the vendor present, from a client of your size and industry, is worth more than any demo. Make it the final step before signing.

Common Red Flags When Evaluating Payroll Vendors

Most warning signs surface in the first month after the contract, not during the demo. The pattern is standard: an excellent demonstration, followed by gaps in compliance, integration, or support.

Watch for implementation charges mentioned only after signing. Watch for compliance modules sold separately from the core product, especially multi-state PT and Form 130 processing. Watch for support that is promised in the sales cycle but defined only as email in the contract SLA. Watch for providers claiming Labour Code 2025 compliance without being able to prove it live.

The most dependable check is a reference call with an organisation of your size and complexity, without the vendor present. Ask about implementation quality, support response on payroll day, and whether the product matched the sales claims.

Validate every claim in this guide during your evaluation. A single unvalidated assumption in a payroll vendor selection can cost more to correct than the entire annual subscription.

Conclusion

Choosing a payroll vendor is a multi-year operational and compliance commitment. The businesses that choose well spend 70% of their evaluation effort on compliance depth, implementation quality, and post-sale support, and 30% on features and pricing. The businesses that choose poorly do the reverse.

Treat the 20 questions in this guide as the minimum bar for any supplier on your shortlist. If a vendor cannot answer all of them, no matter how attractive the price or how familiar the name, do not move to contract negotiation.

The right payroll solution is not the one with the most features; it is the one that covers everything the law requires, connects cleanly with your other systems, and keeps doing both as your business grows.

ABOUT TANKHAPAY

TankhaPay, developed by AKAL Information Systems Ltd (CMMI Level 5, ISO 27001, 26+ years in Indian statutory technology), combines payroll software, managed payroll outsourcing, domestic and international EOR, NATS apprenticeship management, and global talent mobility on one platform. Trusted by 1,000+ enterprise clients, including Bank of Baroda and UIDAI.

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