



Confederation of Indian Industry

RESEARCH

EASE OF DOING

BUSINESS WATCH

Volume 04 | December 2019

Doing Business in India Getting Easier...

Interview - Secretary, DPIIT

EoDB TRACKER

News Digest & Doing Business Ranking 2020

STATE SPACE

Haryana & Telangana

BEST PRACTICES

Select top countries

CII INITIATIVES

Across regions







Foreword

Foreword

India has once again recorded an impressive improvement in the global Doing Business ranking of the World Bank. Doing Business Report 2020, released on 24th October 2019, showed the country jumping by 14 spots to 63rd position (out of 190 economies), which is the 5th successive improvement from a position of 142 rank in 2015. Now, we are within reach of joining the league of top 50 nations by next year, realizing the dream of the Hon'ble Prime Minister, Mr. Narendra Modi.

Continuing improvement in the business environment should aid in boosting GDP growth and investment. It, along with fiscal and monetary measures, is an important tool to provide impetus to business sentiments in the country. Not surprisingly, the government has been unveiling a series of initiatives for further reducing the regulatory cost, time and compliances.

One of the major reforms under implementation is the Codification of nearly 44 Central Labour Acts into 4 Codes viz; Wages; Occupational Safety, Health & Working Conditions; Industrial Relations; and Social Security & Welfare, which promises to reduce the compliance burden for the industry in a big way. As of now, the Code on 'Wages' has been notified as an Act whereas the Code on 'Occupational Safety, Health & Working Conditions' has been placed under the consideration of the Parliament.

With a view to facilitate larger participation of foreign companies in India, the government has recently allowed 100% FDI in coal mining and contract manufacturing, eased the sourcing norms for single-brand retailers and approved 26% overseas investment in digital media. Considering our recommendations positively, the government has reversed its decision to decriminalize the violation in Corporate Social Responsibility (CSR) by the corporates.

Further, the government has announced replacing the Merchandise Exports from India Scheme (MEIS) with the scheme for Remission of Duties or Taxes on export Product (RoDTEP) from January 2020 to incentivize exporters. Other new announcements to boost exports include emphasis on electronic refund module for quick and automated refund of Input Tax Credit to exporters, allowing banks for higher insurance for working capital loans to exporters, and RBI modifying the priority sector norms to increase the credit to exporters.

In a historic move to reduce the cost of doing business, the government has slashed the corporate tax rate to 22% from 30% for existing companies, and to 15% from 25% for new manufacturing companies (excluding surcharges).

Moving from the successful implementation of Business Reform

Action Plan (BRAP), which entails annual assessment and ranking of states / UTs on numerous areas of Ease of Doing Business (EoDB), the government of India (DPIIT) is now extending the exercise to the District level. This again is a landmark initiative to enthuse the spirit of competitiveness among the districts to improve the business environment.

Going forward, we expect the continuation of EoDB reforms covering a wide range of areas, including Enforcing Contracts, Registering Property, and Starting a Business, where we still rank low at 163, 154 and 136, respectively. We

also need to be working on ensuring that the business reforms introduced by the state governments deliver the maximum intended benefits to the industry.

CII has adopted a two-pronged approach to support the government in implementation of business reforms. First, it creates awareness among industry members across length and breadth of the country about the business reforms being introduced by the government through various ways such as e-mails, publications, meetings and conferences. Second, it invites feedback from stakeholders on the effectiveness of the reforms being introduced and what should be done

further. This periodical aims to achieve both these objectives.

In this issue of the CII Ease of Doing Business Watch, we start with highlighting some recent developments on EoDB front through 'EoDB Tracker', which captures major news items reported in various print media. The issue also carries interview / articles from the relevant senior government officials and Industry members to provide an insight into the developments on business environment in India. It also includes the mention of some EoDB best practices and the coverage of CIIs' key initiatives at pan-India level.



Chandrajit Banerjee

Director General

Confederation of Indian Industry



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Total Dissolved Solids (mg/100 ml)	30	Not mentioned
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A person in a dark suit is shown from the chest down, holding their right hand outstretched towards the viewer. A glowing, semi-transparent network of white nodes (person icons) connected by lines is superimposed over the hand and the background. The text 'EoDB Tracker' is written in a bold, orange, sans-serif font, underlined, and positioned in the upper left quadrant of the image.

EoDB Tracker



EoDB NEWS Digest

Extracts from leading Newspapers (June-Nov 2019)

India ranks 63rd in World Bank's Doing Business Report

The World Bank released its latest Doing Business Report (DBR, 2020) on 24th October 2019. India has recorded a jump of 14 positions against its rank of 77 in 2019 to be placed now at 63rd rank among 190 countries assessed by the World Bank.

The DBR ranks countries on the basis of Distance to Frontier (DTF), a score that shows the gap of an economy to the global best practice. This year, India's DTF score improved to 71.0 from 67.23 in the previous year.

India has improved its rank in 7 out of 10 indicators and has moved closer to international best practices (Distance to Frontier score). Significant improvements have been registered in 'Resolving Insolvency', 'Dealing with Construction Permits', 'Registering Property', 'Trading

across Boards' and 'Paying Taxes' indicators.

Source: October 24, 2019, PIB

Centre approves Industrial Relations Code Bill

The Centre approved the Industrial Relation Code Bill on 20th November 2019. The bill provides for setting up of a 2-member, thus introducing a concept that some of the important cases will be adjudicated jointly. The bill also provides for the definition of Fixed Term Employment and that it would not lead to any notice period and payment of compensation on retrenchment excluded.

Also, the re-skilling fund is to be utilised for crediting to workers in the manner to be prescribed. It also provides for vesting of powers with the government officers for adjudication of disputes involving penalty as fines.

Source : November 21, 2019, The Hindu Business Line

Implementation of RFID based Port Access Control System in Kolkata

Shri Mansukh Mandaviya, Minister of State (Independent Charge) for Shipping and Chemicals and Fertilizers inaugurated Ease of Doing

Business-Implementation of Radio Frequency Identification (RFID) based Port Access Control System (PACS) at Kolkata Dock System (KDS).

RFID based PACS will provide single window system to the Port users for obtaining permit/ pass through 100% cashless transaction. The operational efficiency of KDS will also be increased due to system driven gate operation. To ease out road congestion near the port, Kolkata Port has developed 30,000 sq.m of its own land at Sonai, Coal Dock Road and Bhutghat into 3 truck parking terminals at an approximate cost of Rs. 6 crores. These will cater to approximately 400 trucks/trailers.

Source: October 25, 2019, PIB

Kolkata, Bengaluru to be included in World Bank's DBR

The World Bank will now include Kolkata and Bengaluru, besides Delhi and Mumbai, for preparing Doing Business Report (DBR) to provide a holistic picture of business environment of the country.

"The country of the size of India was not properly represented by just two



cities, and now with the inclusion of Kolkata and Bengaluru, Indian ranking in the World Bank's report will present a much better picture," an official said

The official added that the exercise to include these two new cities has already been initiated and would be included in the World Bank's ranking in the years to come.

Source: October 23, 2019, *The Economic Times*

New rules mandate company boards to explain independent directors' suitability

Come December, boards of directors of companies will have to provide shareholders details on the integrity, expertise and experience of independent directors hired during the year, according to new rules the Centre has introduced.

Independent directors should also have passed an online proficiency self-assessment test conducted by the Indian Institute of Corporate Affairs (IICA), attached to the Ministry of Corporate Affairs, according to the Companies (Accounts) Amendment rules 2019 notified by the ministry.

The test will evaluate the candidate's knowledge of the Companies Act, securities law, basic accountancy and of other subjects that are required for the individual to perform as an independent director. The new rules are effective from 1st December.

They have to pass the proficiency self-assessment test within one year of inclusion of their name in IICA's database. Individuals who have already served ten years as director or as a key managerial person in a listed or unlisted public company with ₹10 crore or more paid up capital are not required to take the test.

Source: October 23, 2019, *Mint*



Centre may retain export scheme MEIS till March 2020

Worried about falling exports, the Centre is considering the option of extending the popular Merchandise Export Incentive Scheme (MEIS) for exporters till the end of the on-going fiscal and offering it to fabrics and yarn as well instead of withdrawing it by end of calendar year 2019.

The Remission of Duties or Taxes on Export Product (RoDTEP) scheme, which is scheduled to replace the MEIS from January 1, 2020, but is yet to get Cabinet approval, has not received an enthusiastic response from exporters as the rates under the scheme may be lower than the existing MEIS rates.

Cotton yarn and fabric, which has taken a beating in the last few months due to low exports and high imports, may get included under MEIS.

Source: October 21, 2019, *The Hindu Business Line*

DPIIT launches website and mobile app for IPR

Secretary DPIIT, Dr Guruprasad Mohapatra launched the website and mobile application Intellectual Property Rights (IPRs) in New Delhi. The website and app have been developed by Cell for IPR Promotion and Management (CIPAM)-DPIIT in collaboration with Qualcomm and National Law University (NLU), Delhi.

The L2Pro India IP app, which will have 11 modules for three different levels: Basic, Intermediate and

Advanced. [ro India Mobile App] will aid and enable youth, innovators, entrepreneurs and small and medium industries (SMEs) in understanding IPRs for their ownership and protection, integrate IP into business models and obtain value for their R&D efforts. The L2Pro has been successfully implemented in Germany, United Kingdom, Italy and France.

Source: October 14, 2019, *PIB*

Input tax credit under GST regime restricted to 20% of claims: CBIC

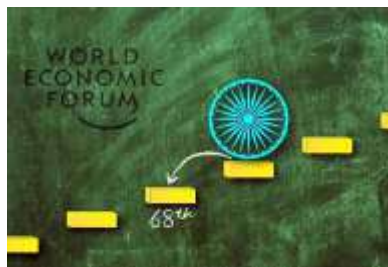
Businesses will have to pursue their vendors on a monthly basis to upload their invoices to enable them to take the entire input tax credit (ITC) after the indirect tax board came out with a notification to restrict these credits to 20 % of the claims.

Concerned at dwindling revenues, the CBIC has put this condition on the claims where vendors have not uploaded their invoices within a month.

Businesses are supposed to reconcile their input tax credit at the time of annual returns. However, the deadline of annual returns even for the first year of the GST rollout - 2017-18 - have been deferred a number of times. This means that there was no restriction on the businesses to claim their input tax credit, provided they have the invoices to support their claims.

Now, businesses have to follow-up with non-compliant vendors on a monthly basis to upload their invoices in the form GSTR 2A.

Source: October 10, 2019, *Business Standard*



India slips 10 places on Global Competitiveness Index

India has moved down 10 places to rank 68th on an annual global competitiveness index, largely due to improvements witnessed by several other economies, while Singapore has replaced the US as the world's most competitive economy.

India is among the worst-performing BRICS nations along with Brazil (ranked even lower than India at 71st this year).

In the overall ranking, India is followed by some of its neighbours including Sri Lanka at 84th place, Bangladesh at 105th, Nepal at 108th and Pakistan at 110th place.

The WEF said the drop of 10 places in India's position may look dramatic, but the decline in the country's competitiveness score is relatively small. A number of similarly-placed economies including Colombia, South Africa and Turkey improved over the past year and hence have overtaken India.

Source: October 09, 2019, The Economic Times

Revenue Secretary inaugurates National e-Assessment Centre of IT Department

Revenue Secretary Shri Ajay Bhushan Pandey inaugurated National e-Assessment Scheme (NeAC) on 7th October 2019 that will look after the work of e-Assessment scheme which is recently notified for faceless e-assessment for income tax payers.

In the first phase, the Income Tax

Department has selected 58,322 cases for scrutiny under the faceless e-Assessment Scheme 2019 and the e-notices have been served before 30th of September 2019 for the cases of Assessment Year 2018-19.

Under the new system of faceless e-Assessment, tax payers will receive notices on their registered emails as well as on registered accounts on the web portal with real time alert by



way of SMS on their registered mobile number, specifying the issues for which their cases have been selected for scrutiny. The replies to the notices can be prepared at ease by the tax payers at their own residence or office and be sent by email to the National e-Assessment Centre by uploading the same on the designated web portal.

Source: October 07, 2019, PIB

Key Recommendations of 37th GST council

The 37th GST Council meeting in Goa recommended the following Law & Procedure related changes:

1. Relaxation in filing of annual returns for MSMEs for FY 2017-18 and FY 2018-19 as under:
 - a. waiver of the requirement of filing FORM GSTR-9A for Composition Taxpayers for the said tax periods; and
 - b. filing of FORM GSTR-9 for those taxpayers who (are required to file the said return but) have aggregate turnover up to Rs. 2 crores made optional for the said tax periods.

2. A Committee of Officers to be constituted to examine the simplification of Forms for Annual Return and reconciliation statement.
3. Extension of last date for filing of appeals against orders of Appellate Authority before the GST Appellate Tribunal
4. Imposition of restrictions on availment of input tax credit by the recipients in cases where details of outward supplies are not furnished by the suppliers in the statement.
5. New return system now to be introduced from April, 2020 (earlier proposed from October, 2019), in order to give ample opportunity to taxpayers as well as the system to adapt and accordingly specifying the due date for furnishing of return in FORM GSTR-3B and details of outward supplies in FORM GSTR-1 for the period October, 2019 - March, 2020.
7. Integrated refund system with disbursal by single authority to be introduced from 24th September, 2019.
8. In principle decision to link Aadhar with registration of taxpayers under GST and examine the possibility of making Aadhar mandatory for claiming refunds.

Source: September 24, 2019, PIB

CIM launches Steel Import Monitoring System

Union Minister of Commerce & Industry and Railways, Piyush Goyal launched Steel Import Monitoring System (SIMS) in New Delhi today. The system has been developed in consultation with Ministry of Steel on the pattern of US Steel Import Monitoring and Analysis (SIMA) system. Steel Import Monitoring System (SIMS) has been notified with effect from 1st November, 2019. The system shall require importers to

submit advance information in an online system for import of 284 steel tariff lines at 8-digit HS code in order to obtain an automatic Registration Number by paying prescribed registration fee. Importer shall have to enter the Registration Number and expiry date of Registration in the Bill of Entry to enable Customs for clearance of consignment. The SIMS will be effective from 01.11.2019, i.e., Bill of Entry on or after 01.11.2019. The facility of on line Registration will be available with effect from 16th September 2019

Source: September 16, 2019, PIB

Commerce Ministry through ECGC raises Insurance cover for Banks up to 90% for Working Capital Loans

Union Minister of Commerce & Industry and Railways, Piyush Goyal informed about the details of the Export Credit Insurance Scheme (ECIS) which was announced by the Finance Minister, Nirmala Sitharaman, as part of measures to boost exports, on 14th September 2019 in New Delhi.

To facilitate banks further, Ministry of Commerce & Industry has enhanced Insurance cover for Banks up to 90% for the working capital loans and moderation in premium incidence for the MSME sector. Enhanced cover will ensure that Foreign and Rupee export credit interest rates will be below 4% and 8% respectively for exporters.

A single cover document for ECIS shall be issued covering both the Pre-shipment and Post-shipment advances.



The scheme envisages simplified procedure for settlement of claim and also for provisional payment up to 50% within 30 days on production of proof of end-use of the advances in default by the Insured Bank.

For accounts with limits below Rs.80 crore the premium rates will be moderated to 0.60 per annum and for those exceeding Rs. 80 crore, it will be 0.72 per annum for the same enhanced cover.

Under the scheme, inspection of bank documents and records by ECGC officials shall be mandatory for losses exceeding Rs.10 crore as against the present Rs.1crore.

Source: September 16, 2019, PIB

CIM Launches Common Digital Platform for Issuance of e- Certificates of Origin

Union Minister of Commerce & Industry and Railways, Piyush Goyal launched Common Digital Platform for Issuance of electronic Certificates of Origin (CoO) which entails following benefits:

- The issuance process is electronic, paperless and transparent
- Real-time tracking of FTA utilization at product level, country level etc.
- Electronic Certificate of Origin issued
- Possible to electronically exchange CoO with the partner countries
- Reduces transaction cost and time for the exporters

This platform will be a single access point for all exporters, for all FTAs/PTAs and for all agencies concerned.

Exporters may register on this platform and apply for CoOs to any of the designated agencies. At present preferential CoO is issued from the various notified agencies around the

country through manual processes. The digital platform has been conceptualized to address various challenges in the current process.

Source: September 16, 2019, PIB

Latest Reform measures announced by Finance Minister

1. Taxation:

- Prefilling of IT returns
- Faceless scrutiny from Vijaya Dashmi 2019
- Reduction in GST returns and simplification of forms
- Refund process of GST simplified
- Risk based approach in dealing with tax payer

2. Labour laws:

- Fixed term employment for flexibility in hiring
- Contribution of ESIC reduced from 6.5% to 4%
- Web-based and jurisdiction-free Inspections
- Inspection report to be uploaded within 48 hours
- Compounding of offences
- Self-certification for start-ups - 6 labour laws

3. Environment clearances:

- Single air and water clearance for MSMEs
- Single consent to establish a factory by MSMEs

4. Corporate Affairs:

- 1 day to incorporate a company - Central Registration Centre for name reservation & incorporation
- Integrated Incorporation Form
- Shifting of 16 offence sections to monetary penalty only
- Faster & easier approvals for mergers and acquisitions

- Modifications in provisions for Differential Voting Rights
- Withdrawal of over 14,000 prosecutions under Companies Act
- Robust IBC framework with amendments supporting MSMEs and home buyers

5. Start-ups:

- To mitigate genuine difficulties of start-ups and their investors, it has been decided that section 56(2)(viib) of the Income-tax Act shall not be applicable to a startup registered with DPIIT.
- It has also been decided to set up a dedicated cell under Member of CBDT for addressing the problems of startups. A startup having any income-tax issue can approach the cell for quick resolution of the same.

6. MSME:

- TReDS to use GSTN system in medium term to enhance market for bill discounting for MSMEs
- Amendment to MSME Act to move towards single definition to be considered

7. Issue of IT orders, notices, summons, letters etc. through a centralized system:

- On or after 1st October, 2019 all notices, summons, orders etc. by the income-tax authorities shall be issued through a centralized computer system and will contain a computer generated unique Document Identification Number.
- Any communication issued without computer-generated unique Document Identification



Number shall be non-est in law.

- All old notices to be decided by 1st October 2019 or uploaded again through the system
- From 1st October, 2019 all notices to be disposed off within three months from the date of reply.

8. Extend the scheme of Reimbursement of Taxes & Duties for Export promotion

- Scheme for Remission of Duties or Taxes on Export Product (RoDTEP) will replace MEIS.
- Existing dispensation in textiles of MEIS + old ROSL will continue up to 31st December 2019
- Textiles and all other sectors which currently enjoy incentives upto 2% over MEIS will transit into RODTEP from 1st January 2020
- In effect, RODTEP will more than adequately incentivize exporters than existing schemes put together.

Revenue foregone projected at up to Rs. 50,000 crores.

9. Expanding scope of Export Credit Insurance Scheme (ECIS) by ECGC:

- Will offer higher insurance cover to banks' lending working capital for exports
- Premium incidence for MSMEs

will be moderated suitably.

- It is expected that the initiative will cost about Rs 1700 cr per annum.
- This will enable reduction in overall cost of export credit including interest rates, especially to MSMEs

10. CSR Violations : Not to be treated as criminal offence and would instead be civil liability. Ministry of Corporate Affairs to review the sections under Companies Act. Government has provided companies through revised orders, time for completing ongoing projects towards fulfil their CSR obligations. 1

11. All pending GST refund due to MSMEs shall be paid within 30 days. In future all GST refunds shall be paid within 60 days from the date of application

12. Withdrawal of enhanced surcharge on short-term and long-term capital gains by FPIs and domestic investors

13. Fully automated electronic refund route for Input Tax Credits (ITC) in GST for quick and automated refund of ITC nearing completion and will be implemented by end September 2019.

14. Priority Sector Lending (PSL) norms for Export credit have

been examined and enabling guidelines are under consideration of RBI. This will release an additional Rs. 36,000 crs. to Rs 68,000 crores as export credit under priority sector.

15. An action plan to reduce Time to export/turn-around time in airports and ports benchmarked to international standards will be implemented by Dec 2019.
16. An Online "Origin Management System" for exporters to enable them to obtain Certificates of Origin - CoO (under Rules of Origin) will be launched in the next few weeks by DGFT in collaboration with Exports Inspection Council.
17. Affordable testing and certification infrastructure will be adequately expanded and developed in PPP mode to enable exporters to get all internationally accepted tests and certification done within India.

Source: PIB

Corporate Tax Slashed For Domestic Companies

The Centre slashed effective corporate tax to 25.17% inclusive of all cess and surcharges for domestic companies. The new tax rate will be applicable from the current fiscal which began on April 1. The revenue foregone on reduction in corporate tax and other relief measures will be Rs 1.45 lakh crore annually. Other announcements made are:

- Manufacturing companies set



up after October 1 to get option to pay 15% tax. Effective tax rate for new manufacturing firms to be 17.01% inclusive of surcharge & tax.

- Listed companies that have announced buyback before July 5, 2019, tax on buyback of shares will not be charged
- Higher surcharge will also not apply on capital gains on sale of security including derivatives held by FPIs
- Enhanced surcharge will not apply to capital gains arising on equity sale or equity-oriented funds liable to STT stabilise flow of funds into capital markets
- To provide relief to companies availing of concessions and benefits, a MAT relief by reducing it from 18% to 15%
- CSR 2% spending to include government, PSU incubators and public funded education entities, IITs

Source: Sep 20, 2019, The Economic Times

Review of FDI Policy in Various Sectors

The Union Cabinet has approved the proposal for Review of Foreign Direct Investment in the following sectors:

Single Brand Retail Trading (SBRT)

The latest relaxation in single brand retail trade norms allow the retailers to open online stores before setting up physical stores in India.

Further, as regards the local sourcing requirement, the same can be met as an average during the first five years, and thereafter annually towards its India operations.

All procurement made from India by the SBRT entity for that single-brand shall be counted towards local sourcing, irrespective of whether the goods procured are sold in India or exported.



Coal Mining

100% FDI to be permitted under automatic route for sale of coal, for coal mining activities.

Contract Manufacturing

The extant FDI policy provides for 100% FDI under automatic route in manufacturing sector. There is no specific provision for Contract Manufacturing in the Policy. In order to provide clarity on contract manufacturing, it has been decided to allow 100% FDI under automatic route in contract manufacturing in India.

Digital Media

It has been decided to permit 26% FDI will be permitted under government route for uploading/streaming of News & Current Affairs through Digital Media, on the lines of print media.

Source: Aug 28, 2019, PIB

Government to tweak Income Tax Act, won't replace it with DTC

The government is unlikely to replace the Income Tax Act with the Direct tax code (DTC), and will only incorporate select suggestions from the draft law to avoid creating more uncertainty for businesses amid an economic slowdown.

The idea of replacing the close to six-decade-old law is less appealing to the government now as this would involve unsettling well-established jurisprudence, which could create uncertainty for businesses that are grappling with a deep economic downturn. The finance ministry has not made public the report of the

expert panel. The panel has proposed significant relief for taxpayers, including an across-the-board 25% tax rate for both local and foreign companies, and changes in personal income tax slabs.

Besides, a lot of sub-rules, exemptions and carve-outs included in the law that have arguably made the Act complex are meant to take care of specific needs of industries and sections of people.

Source: Sept 10, 2019, Mint

Credit linked Capital Subsidy Scheme for MSMEs

The government launched the updated Credit linked Capital Subsidy Scheme (CLCSS) to allow micro, small and medium enterprises (MSMEs) access to capital.

The CLCSS scheme would be crucial in raising MSME contribution to GDP from the current 29 % to 50 %, in addition to increasing exports from the sector to 50 % from 40 %.



The scheme also provides an upfront subsidy of 15 per cent on institutional credit up to Rs 1 crore for MSMEs in the specified 51 sub-sectors.

In the relaunched scheme, there is an additional 10 % subsidy for SC-ST entrepreneurs while special provisions have been made for 117 'aspirational' districts, hill states and the north-eastern region.

Source: September 5, 2019, Business Standard

CII TechSaksham for MSMEs

Mr Nitin Gadkari, Minister for MSMEs and Road Transport & Highways, launched 'CII TechSaksham'- a project focused on supporting MSMEs in India to become tech-enabled.

The initiative brings together an intersection of technology providers to enable the next wave of growth for MSMEs. The 3 year long comprehensive project which, in its first phase, will focus on sectors that are labour intensive and have propensity to respond positively to tech-adoption, and will spark a larger discussion in other MSME clusters. Through various policy recommendations, knowledge sessions, mentoring initiatives, and useful resource banks for MSMEs, TechSaksham will help the ecosystem address critical barriers such as awareness and cost of technology purchase/maintenance, resources and manpower required to run the technologies, return on investments, etc. The project is envisioned to create a movement which will have a long-term impact among the MSMEs in India.

Source: Aug 29, 2019, The Economic Times

Global Competitiveness of Indian MSMEs Sector

Government implemented National Manufacturing Competitiveness Programme (NMCP) to support MSMEs in improving their competitiveness. Schemes to promote Lean Manufacturing, Design improvement, Zero Defect Zero Effect Certification, Support for Incubators, Awareness of Intellectual Property Rights and Digital Empowerment to MSMEs have been put in place to achieve the related objectives.

Ministry of Micro, Small and Medium Enterprises (MSMEs) implements Credit Linked Capital Subsidy-Technological Up-gradation Scheme (CLCS-TUS) to support MSMEs in their technology up-gradation endeavours.

Source: July 1, 2019, PIB



Central Government Notifies Code of Wages 2019

The Government has notified the Code on Wages 2019, which paves the way for the introduction of mandatory minimum wages at the national level for 50 crore workers after it received assent from the President of India on August 8.

The Lok Sabha on July 30 had cleared The Code on Wages Bill, 2019, followed by the Rajya Sabha's nod on August 2.

The Code has subsumed four labour laws - Minimum Wages Act, Payment of Wages Act, Payment of Bonus Act and Equal Remuneration Act. After the enactment of the Code, all the four Acts stand repealed.

According to the new law, a tripartite committee comprising representatives of trade unions, employers and the state government would fix floor wages for workers throughout the country. It would also ensure that there is no discrimination between men and women as well as transgenders in getting wages. The Code seeks to universalise the provisions of minimum wages and timely payment of wages to all employees irrespective of the sector and wage ceiling. The provisions of both the Minimum Wages Act and the Payment of Wages Act used to apply on workers below a particular wage ceiling working in Scheduled Employments only.

Source: Aug 23, 2019, The Hindu Business Line

Labour Reforms Bill

The Ministry has taken steps for drafting four Labour Codes on Wages; Industrial Relations; Social Security; and Occupational Safety, Health and Working Conditions respectively, by simplifying, amalgamating and rationalizing the relevant provisions of the existing Central Labour Laws. The 4 Labour Codes contain provisions relating to wage, social security, safety, health



and grievance redressal mechanism for workers.

The process of Legislative reforms on Labour includes consultation with stakeholders including Central Trade Unions, Employers' Associations and State Governments in the form of tripartite consultation.

The proposed labour reforms initiatives will reduce the complexity in compliance due to multiplicity of labour laws and facilitate setting up of enterprises and thus creating the environment for development of business and industry in the country and generating employment opportunities without diluting basic aspects of safety, security and health of workers.

Start-up Cell for redressal of grievances

One of the measures pertaining to taxation announced by the Hon'ble Finance Minister as part of the several measures to boost the economy, was the withdrawal of 'Angel Tax' provisions for Start-ups and their investors.

In order to redress grievances and address various tax related issues in the cases of Start-ups, a Start-up Cell has been constituted by CBDT on 30th August 2019..

The Cell will work towards redressal of grievances and mitigate tax-related issues in case of Start-up entities with respect to administration of the Income-tax Act, 1961.



Start-up entities can approach the Cell for speedy resolution of their grievances. This initiative is the latest amongst the recent initiatives taken by CBDT to further ease the compliance issues pertaining to Start-ups.

Source: Aug 30, 2019, PIB

DPIIT-registered start-ups exempt from Angel Tax

In a major relief to start-ups, Finance Minister Nirmala Sitharaman announced that Section 56(2)(viib) of the Income-tax Act, popularly known as the Angel Tax, shall not be applicable to a start-up registered with the Department for Promotion of Industry and Internal Trade (DPIIT).

The stated section of the Income-tax Act lays down that any excess premium received by a closely held company upon the issue of shares (above fair market value) is liable for taxation.

Angel tax has been at the forefront of the concerns highlighted by the country's start-up ecosystem. Ms Sitharaman had in the Budget said that start-ups who complete all the requisite declarations will not be subject to valuation scrutiny.

Source: Aug 23, 2019, The Hindu Business Line

Assessment process for Start-ups simplified

The Finance Ministry has simplified the process of assessment in the case of Start-up entities. In cases where scrutiny assessments of Start-up entities are pending, the CBDT has decided that:

- a. In case of Start-up Companies recognized by DPIIT which have filed Form No. 2 and whose cases are under "limited scrutiny" on the single issue of applicability of section 56(2)(viib), the contention of the assessee will be summarily accepted.
- b. In case of Start-up Companies recognized by DPIIT which have filed Form No. 2 and whose cases



have been selected under scrutiny to examine multiple issues including the issue of section 56(2)(viib), this issue will not be pursued during the assessment proceedings and inquiry on other issues will be carried out by the Assessing Officer only after obtaining approval of the supervisory authority.

- c. In case of Start-up Companies recognized by the DPIIT, which have not filed Form No. 2, but have been selected for scrutiny, the inquiry in such cases also will be carried out by the Assessing Officer only after obtaining approval of the supervisory authorities.

In addition to the above, the Central Government has further decided to relax Para-6 of the DPIIT notification No.127 (E) dated 19.02.2019 and make it clear that this notification will also be applicable to Start-up Companies where addition under section 56(2)(viib) has been made and the assessee has been recognized by DPIIT and subsequently filed Form No. 2.

Source: Aug 10, 2019, PIB

Decriminalisation of non-serious offenses under Companies Act

The Srinivas committee constituted last July recommended re-categorising 16 offences under the Companies Act - out of 81 in the category of compoundable offences - as defaults carrying civil liabilities.

The changes have been introduced through the Companies (Amendment) Act, 2019, which received President's consent on July 31.



Following are some key amendments:

- a. Failure to file an annual return will now result in a penalty instead of a fine or imprisonment. Under Section 92 of the Companies Act, in case of non-compliance, the "company and its every officer who is in default shall be liable to a penalty of Rs 50,000". In case of continuing failure, a further penalty of Rs 100 for each day will be imposed subject to a maximum of Rs 5 lakh.
- b. Non-compliance with Section 53 of the Companies Act, which prohibits issuance of shares at a discount, is now punishable only with a fine instead of a penalty or imprisonment.
- c. Any person guilty of wilfully furnishing false or incorrect information - or knowingly suppressing any material information - in accordance with the provisions of Section 77 would be liable for action under Section 447, which covers fraud. As per Section 77, every company creating a charge within or outside India, on its property or assets or any of its undertakings, has to register the particulars of the charge with the Registrar within thirty days of its creation.

Under Section 447, the penalty for frauds involving amounts of at least Rs 10 lakh or 1% of the turnover of the company (whichever is lower) and those which don't involve public interest has been increased to Rs 50 lakh from Rs 20 lakh. Previously,

violators were also punishable with a jail term of anywhere between 6 months and 10 years.

A new Section 454A has been introduced to tackle repeat offences. The penalty for second or subsequent default within a period of three years, whether by a company or corporate employees, is pegged at "an amount equal to twice the amount of penalty provided for such default under the relevant provisions" of the Companies Act.

Source: Aug 19, 2019, Business Today

Government removes DRR requirement

The Ministry of Corporate Affairs has amended the Companies (Share Capital & Debentures) Rules by removing Debenture Redemption Reserve (DRR) requirement for Listed Companies, NCFs and HFCs.

Through these amendments, the provisions relating to creation of DRR have been revised with the objective of:

- a. Removing the requirement for

creation of a DRR of 25% of the value of outstanding debentures in respect of listed companies, NBFCs registered with RBI and for Housing Finance Companies registered with National Housing Bank (NHB) both for public issue as well as private placements;

- b. Reduction in DRR for unlisted companies from the present level of 25% to 10% of the outstanding debentures.

Previously, Listed Companies had to create a DRR for both Public Issue as well as Private Placement of Debentures, while NBFCs & HFCs had to create DRR only when they opted for Public Issue of Debentures.

Source: Aug 19, 2019, PIB

MCA amends provisions related to DVRs

The Ministry of Corporate Affairs has amended the provisions relating to issue of shares with Differential Voting Rights (DVRs) provisions under the Companies Act with the objective of enabling promoters of Indian companies to retain control of their companies in their pursuit for growth and creation of long-term value for shareholders, even as they raise equity capital from global investors. Following are the key amendments:

- a. Under Companies (Share Capital & Debentures) Rules, the existing cap of 26% of the total post issue paid up equity share capital has now been revised to a cap of 74% of total voting power in respect of





shares with Differential Voting Rights of a company.

- b. The earlier requirement of distributable profits for 3 years for a company to be eligible to issue shares with Differential Voting Rights has been removed.
- c. The time period within which Employee Stock Options (ESOPs) can be issued by Start-ups recognized by the DPIIT to promoters or Directors holding more than 10% of equity shares, has been enhanced from 5 years to 10 years from the date of their incorporation.

Source: Aug 16, 2019, PIB

IBC (Amendment) Act, 2019 Paves Way for Easier Resolution

With the introduction of the Insolvency and Bankruptcy Code (Amendment) Act, 2019, major changes have been made to the bankruptcy law that will enforce a strict 330-day timeline for the insolvency resolution process, including any legal challenges, and uphold secured creditors' priority right on the sale or liquidation proceeds of bankrupt companies.

The eight amendments to the Insolvency and Bankruptcy Code (IBC) will also aid decision-making in the case of bankrupt entities such as property developers, who have a large number of creditors, including



homebuyers. Promoters of large bankrupt companies have been steadfastly resisting loss of control over their business by challenging decisions of lenders and bankruptcy tribunals in higher courts.

One of the key amendments proposed is to make explicit the rights of financial creditors, who have not voted in favour of a rescue plan, as well as that of operational creditors. The amendments specify that they will get a share of proceeds from the sale of the debtor company or its liquidation as per the hierarchy specified in IBC.

Another key amendment is to specify that the bankruptcy resolution or liquidation arrived at under IBC is binding on Central, state and local governments, to whom the bankrupt firm may owe dues.

The amendments will also rework voting rights in the case of companies where there are a large number of creditors such as homebuyers and bondholders. According to the new formula, if more than half of these creditors who are present approve a plan, it will be considered that the entire class of creditors has approved it.

Source: July 17, 2019, Mint

Note: The Bill was passed by Rajya Sabha and Lok Sabha on 29th July 2019 and 1st August, 2019, respectively and received Presidential assent on 5th August 2019.

Arbitration and Conciliation (amendment) Bill, 2019

The Arbitration and Conciliation Amendment Bill, 2019, received Presidential assent and was notified in the official gazette on August 9, 2019. The Bill was passed by the Lok Sabha on August 1, 2019, after the Rajya Sabha passed it on July 18, 2019.

The 2019 bill aims to establish an independent body, namely the Arbitration Council of India ('ACI') that will frame policies, provide



grading of arbitral institutions, and oversee the timely and cost-effective disposal of arbitration cases. It will be chaired by a judge of the Supreme Court, or the Chief Justice of a High Court or an eminent person, having special knowledge and experience in the conduct of arbitration.

Other important features of the 2019 bill include provisions to facilitate prompt appointment of arbitrators through designated arbitral institutions by the Supreme Court or the High Court, completion of arbitral proceedings within 12 months from completion of pleadings and strict implementation of confidentiality obligations towards arbitral institutions, arbitrators and parties during the pendency of arbitral proceedings.

The Government's focus with the 2019 Bill is clearly on promoting India as a hub of institutional arbitration for both domestic and international arbitrations. Institutional arbitration in India has been beset by a number of factors hindering its progress, and the causal nexus has resulted in Indian parties favouring international institutional arbitrations for resolution of their dispute, an issue that the 2019 Bill seeks to remedy.

Source: Aug 14, 2019, Financial Express

Tax dispute limits doubled for appeals in high courts, Supreme Court

With a view to reduce tax dispute cases, government has doubled the monetary limits of tax disputes for filing appeals by the income-tax (I-T) department in High Courts and the Supreme Court (SC).

The limit for filing appeals in the Income Tax Appellate Tribunal (ITAT) has been more than doubled; from the existing limit of Rs 20 lakh, it has since been revised to Rs 50 lakh. Similarly, the limit for appealing against an order in the high courts has been revised up to Rs 1 crore, from Rs 50 lakh. Now appeals can be filed in the SC, if a tax dispute is over Rs 2 crore, against the present Rs 1 crore.

Source: Aug 9, 2019, Business Standard

UN Convention on Intl Settlement Agreements

The Union Cabinet on Wednesday approved the signing of the United Nations Convention on International Settlement Agreements resulting from mediation by India. This move will send a positive signal to foreign investors about India's commitment to adhere to international practice on the Alternative Dispute Resolution.

In order to encourage international commercial arbitration in India, to evolve a comprehensive ecosystem of arbitration the Government is establishing the New Delhi International Arbitration Centre (NDIAC) as a statutory body. The Commercial Courts Act, 2015, has been further amended and legislative exercise to further amend the Arbitration and Conciliation Act, 1996, is currently underway.

The Convention provides a uniform and efficient framework for the enforcement of international settlement agreements resulting from mediation and for allowing parties to invoke such agreements, akin to the framework that the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958) (the "New York Convention") provides for arbitral awards.

Source: July 31, 2019, PIB

International Arbitration Centre Bill, 2019

The Union Cabinet approved the 'New Delhi International Arbitration Centre' (NDIAC) Bill, 2019 for introduction in the ensuing session of Parliament.

It replaces the New Delhi International Arbitration Centre Ordinance, 2019, promulgated by President on 02.03.2019 for the creation of an independent and autonomous regime for institutionalized domestic and international arbitration and establishing India as an International Hub of Arbitration.

The Bill provides for the repeal of the New Delhi International Arbitration Centre Ordinance, 2019 and saves all the actions done or taken under the Ordinance which will be deemed to have been done or taken under the provisions of this Bill.

Source: June 12, 2019, PIB

Parliament approves bill to scrap 58 archaic laws

Parliament passed a bill to repeal 58 old central laws which the government said has been done to achieve maximum governance.

The Repealing and Amending Bill, 2019 was passed by the Rajya Sabha through voice vote. It was passed by the Lok Sabha on July 29.

The current bill aims to repeal 58 old central laws, which have become "irrelevant". This is being done to ensure minimum legislation and maximum governance

Source: Aug 2, 2019, Business Standard

India to conduct 1st National Time Release Study

The Department of Revenue, Ministry of Finance, as part of its strategic commitment to improve global trade, is conducting India's first national Time Release Study (TRS) from 1st to 7th August 2019. TRS is an internationally recognized tool



advocated by WCO to measure the efficiency and effectiveness of international trade flows.

This initiative for accountable governance, will measure rule based and procedural bottlenecks (including physical touchpoints) in the clearance of goods, from the time of arrival until the physical release of cargo. The aim is to identify and address bottlenecks in the trade flow process and take the corresponding policy and operational measures required to improve the effectiveness and efficiency of border procedures, without compromising efficient trade control. Expected beneficiaries of this initiative will be export oriented industries and MSMEs, who will enjoy greater standardization of Indian processes with comparable international standards.

The exercise will be conducted at the same time across 15 ports including sea, air, land and dry ports which cumulatively account for 81% of total Bills of Entries for import and 67% of Shipping Bills for export filed within India.

Source: Aug 1, 2019, PIB

JNPT awarded 'Best Port of the year (Containerised)'

The Jawaharlal Nehru Port Trust (JNPT) received the 'Best Port of the Year- Containerised' award at the 4th India Maritime Award '19. The Port won this coveted stature amidst some of the best Ports in the country, being nominated in the same category. The category evaluates the Ports across various parameters like Volume Handled, Year on Year Growth, Expansion Plans, New Initiatives, Variety of Cargo Handled, Handling



Equipment, E- Business and Customer Satisfaction, to name a few. JNPT showed remarkable growth across all these parameters, be it crossing the 5 Million TEUs milestone in container handling for a financial year or the various projects underway such as the on-going development of the 4th Terminal, the mega road infrastructure development project, dredging of the navigational channel, development of Dry Ports, JNPT-SEZ project, automation & digitization of services and many similar initiatives focused on Port expansion and enhancing operational efficiency.

Source: June 28, 2019, PIB

National trader's welfare board under DPIIT

The government will soon set up a National Traders Welfare board to improve access to funds and expedite welfare benefits to traders, under DPIIT.

It will make recommendations to reduce compliance burden by cutting down on licenses and will act as an intermediary between traders and the government, an official said.

The board will be chaired by a 'person capable of representing the issues of traders' who will be nominated by the government. DPIIT has also assumed charge of the discussions on a proposed national retail policy that aims to upgrade and modernize the existing format of retail trade.

Source: July 30, 2019, Business Standard

Draft National Policy on EoDB

Aiming to break India into top 50 in the global Ease of Doing Business ranking, the Department for Promotion of Industry and Internal Trade (DPIIT) has proposed a series of reforms including reduction in licenses, simpler registration processes and removal of renewal requirements.

The proposals are part of a draft cabinet note on a national policy on ease of doing business that the department has circulated.

The proposed policy, which is in line with the government's agenda of further improving India's rank in 'Ease of Doing Business' ranking, has also proposed norms about regular stakeholder consultation on the issue, grievance redressal mechanism; and creation of sector specific single point mechanism to promote domestic and foreign investment.

The government has already chosen six districts in Maharashtra, Bihar, Uttar Pradesh, Andhra Pradesh, and Himachal Pradesh for district-level ease of doing business.

Source: June 27, 2019, Business Standard

India Ranked 52nd in Global Innovation Index-2019

India climbed five notches on the Global Innovation Index (GII) this year to the 52nd position, from 57th last year, amongst 129 countries ranked on the basis of more than 80 indicators measuring various aspects of innovation.

The event in New Delhi was co-organised by the Commerce Ministry, WIPO and CII.

"The culture of innovation is taking centre stage in the country. India is well poised to focus on R&D. This innovation will help us find sustainable solutions to challenges such as growing pollution, food crisis and water crisis," said Piyush Goyal, speaking at the launch of the report.

Source: July 24, 2019, The Hindu Business Line

National e-commerce policy after a year

The wait for an e-commerce policy will get much longer now with the government setting a 12-month deadline for it. After an e-commerce policy draft in February had drawn industry flak, the government was in the process of reviewing it. While a comprehensive policy is expected around the middle of 2020, the government has made clear that there would be no changes in the foreign direct investment (FDI) rules in the sector.

Current rules allow up to 100% FDI under automatic route in the marketplace model of e-commerce, but bar any investments in the inventory based model of e-commerce. In December 2018, the government had tightened the FDI conditions in the online space, stating that an e-commerce platform with foreign investment cannot exercise ownership or control over the inventory sold on its platform.



Source: June 26, 2019, Business Standard



Key Highlights of World Bank's Doing Business Report – 2020

- The World Bank's annual Ease of Doing Business report ranks 190 economies across 10 broad indicators, on how conducive their business environment is for setting up and operating local firms.

Table 1: Top 5 Ranking Countries

Country	Rank	
	2020	2019
New Zealand	1	1
Singapore	2	2
Hong Kong	3	4
Denmark	4	3
Korea	5	5

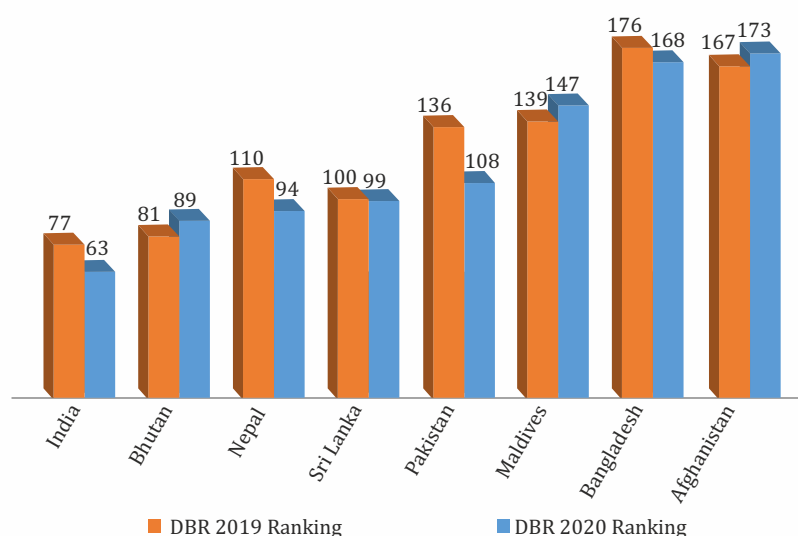
Source: World Bank

- The rankings are based on the Distance to Frontier score, which measures the distance from the maximum achievable value of 100 in an indicator.
- Overall 115 economies around the world implemented 294 business regulatory reforms making it easier to do business.
- In the latest report, India is ranked at 63rd position, moving up 14 places from the 77th position in 2019. It is among the top 10 most improved countries for the third year. Other countries that have improved the most include Saudi Arabia, Jordan, Togo, Bahrain, Tajikistan, Pakistan, Kuwait, China

and Nigeria. India has continued to remain at the 1st spot among South Asian countries. (Fig.1)

Taiwan, China (15th); and Thailand (21st).

Fig. 1 : Comparative Performance of South Asian Economies



Source: World Bank

- New Zealand is ranked at 1st position followed by Singapore, Hong Kong, Denmark and Republic of Korea. United States ranked 6th, United Kingdom 8th and China 31st. Somalia ranked last (190th) in the report (Table 1).
- Five East Asia and the Pacific economies were among the top 25 global performers, including Singapore (2nd); Hong Kong SAR, China (3rd); Malaysia (12th);

Some recent business reforms - Delhi & Mumbai

1. Resolving insolvency:

- A Fast Track Corporate Insolvency Resolution Process (CIRP) for mid-sized companies

2. Dealing with construction permits:

- Latent Defect and Decennial liability, which holds architects, structural engineers, site supervi-

sor/ site engineer and the construction company, liable for any defects in buildings for a period of 10 years and mandates such professionals to take decennial liability insurance to cover for such liability

- Improved Building Quality Control Measures by strengthening professional certification requirements
- Submission of Labor inspector commencement and completion notifications through a single-window clearance system
- Replacement of multiple inspections/site visits with a single joint inspection
- No requirement of submission of notarized certificates or affidavits for building plan approval, and replaced with e-undertaking

3. Trading across borders:

- Rationalized documentation requirements for exports and imports from 7 and 10, respectively to 3 each.
- Online Single Window Interface for Trade (SWIFT), which provides importers and exporters the facility to submit clearance documents and obtain required permissions at a single point.
- Authorized Economic Operator (AEO) scheme, which provides benefits such as Mutual Recognition Agreements (MRA), paperless declarations without supporting documents and deferred duty payments, among others.
- Increasing dependence on the Risk Management System (RMS) for self-assessment of shipments and identification of suspicious cargos based on pre-determined risk parameters.
- Direct Port Delivery and Direct Port Entry scheme to reduce release time and costs.

4. Registering property:

- Digitized land records across major offices like the Sub-Registrar's Office, Land Records Office and Local Municipality Office for the past 2 years.
- Availability of data of all land banks in industrial estates on a single portal helping prospective business entities to identify business units based on availability of land & title verification.
- Integration of the registration and mutation process.
- Online availability of statistics on the number of land disputes in first instance courts (Revenue Courts) online

5. Paying taxes:

- Increased exemption threshold for GST for small businesses to Rs 40 lakh from Rs 20 lakh.
- Reduced the corporate tax rate to 22% from 30% for existing companies, and to 15% from 25% for new manufacturing companies.
- Continuous revisions in the GST regime to make it tax-payer friendly
- Enhanced digitization of tax compliances to reduce burden on businesses

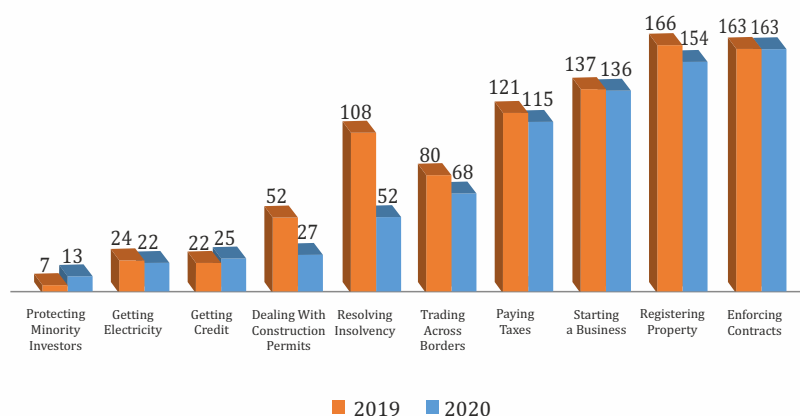
6. Starting a business:

- Simplified Proforma for Incorporating Company Electronically (SPICe) forms to integrate procedures and do away with the need of repetitive submission of the same documents
- Reduced filing fees for start-ups and MSMEs
- Central Registration Centre, incorporation of a company is completed in a single day.
- Shram Suvidha portal, which integrates registration under labour related laws for EPFO and ESIC into one form
- Relaxed Angel Tax rules for start-ups registered with the Department for Promotion of Industry and Internal Trade

7. Enforcing contracts:

- Amendment in the Commercial Courts, Commercial Divisions and Commercial Appellate Divisions Act, 2015 to allow district level commercial courts.
- Provision of pre-institution mediation under the Commercial Courts Act, 2015 to ease out and fast track the settlement of dispute at the first instance in commercial cases.

Fig. 2 : India's Performance in DBR 2020



Source: World Bank



UK Sinha Committee Report on MSMEs - Key Recommendations

With a view to help unlock the potential of Indian MSME sector, the U K Sinha Committee has submitted a detailed 'Report of the Expert Committee on Micro, Small and Medium Enterprises' in June 2019, making a wide range of recommendations in the areas covering capacity building, policy changes and financing. Here are a few **key recommendations** from the report.

- In India, MSMEs are presently defined based on investment in plant and machinery / equipment (Table 1). The Government has proposed turnover-based definition by replacing the current investment-based definition of MSMEs. The **proposed definition is rational, transparent, progressive and easier.**
- To address the issue of **delayed**

Facilitation Council (MSEFC) to cater to delayed payment cases, which should be increased in numbers, particularly in larger states.

- As per the MSMED Act, PSUs / Govt Depts have to make 25% of their procurement from MSEs. The Govt has also launched the Government e-Marketplace (GeM) portal. The Govt should make it **mandatory for PSUs / Depts to procure through the GeM portal only.**

Table 1: Definition of MSME

Classification	Manufacturing Enterprise (Investment in Plant and Machinery)	Service Enterprise (Investment in Equipment)
Micro	Upto ₹ 25 lakh	Upto ₹ 10 lakh
Small	Above ₹ 25 lakh to ₹ 5 crore	Above ₹ 10 lakh to ₹ 2 crore
Medium	Above ₹ 5 crore to ₹ 10 crore	Above ₹ 2 crore to ₹ 5 crore

Source: Ministry of Micro, Small and Medium Enterprises

- The **MSMED Act, 2006**, was enacted to provide enabling policy environment for promotion and development of the sector. However, in the changed circumstances, it is imperative that the **thrust of this important legislation should be focused more on market facilitation and promoting ease of doing business for MSMEs.**

payments to MSMEs, the MSMED Act should be amended by requiring all MSMEs to **mandatorily upload all their invoices above an amount to an Information Utility**, which should be monitored by an appropriate authority. It will act as a moral suasion on the buyers to release payment to MSE suppliers. Further, majority of the States have only one MSE



RBI's MSME panel, led by former SEBI Chairman U.K. Sinha, submitted its report in June 2019. The report suggests solutions for the economic and financial sustainability of the MSME sector in India.

Advantages of the Government e-Marketplace (GeM) Portal

The GeM is a one-stop portal, which facilitates online sale and procurement of goods and services to various Government departments and PSUs. Some of its advantages are:

For Buyers

- Comprehensive listing of products for individual categories of goods/services
- Search, Compare, Select and Buy facility
- Buying goods and services online, as and when required
- Transparent and ease of buying
- Continuous vendor rating system
- User-friendly dashboard for buying and monitoring supplies and payments
- Easy Return policy

For Sellers

- Direct access to all Government departments
- One-stop shop for marketing with minimal efforts
- One-stop shop for bids/reverse auction on products/services
- New Product Suggestion facility available to Sellers
- Prices can be changed based on market conditions
- Seller-friendly dashboard for selling and monitoring of supplies and payments
- Consistent and uniform purchase

Source: india.gov.in

- Presently, MSMEs must do multiple registrations with various entities such as Udyog Aadhaar portal, GSTN, NSIC, etc, resulting in **duplication of efforts**. The Govt should make **PAN as a Unique Enterprise Identifier (UEI)** and the same should be used for various purposes like procurement, availing government sponsored benefits, etc.
- **Suitable financial and non-financial incentives** must be deployed to retain successful Indian startups entities in India.
- **Establish Enterprise Development Centres (EDCs)** within District Industries Centres (DICs) in each district and strengthen them to be able to run professionally and facilitate development of entrepreneurs into full-fledged, self-sustaining enterprises.
- Presently, MSME **clusters are inadequately equipped** in areas such as tool rooms, innovation centres, testing facility, etc. These clusters should collaborate with companies having innovation infrastructure, R&D institutions and universities that specialize in a specific industry or knowledge area.
- MSMEs lack expertise in product development, technology adoption and marketing strategy. The Govt should **build networks of development service providers that can provide** customized solutions in these areas.
- SIDBI is the apex body responsible for the development of the MSME sector. The Govt should **deploy the PSL shortfall to SIDBI** on the lines of RIDF fund of NABARD, for lending to state Governments as soft loans for infrastructural and cluster development.
- **SIDBI should deepen credit markets for MSMEs** in underserved districts and regions by handholding private lenders such as NBFCs and MFIs.
- SIDBI should play the role of a facilitator to create platforms wherein various **Venture Capital Funds** can participate and in turn create multiplier effect for providing equity support to MSMEs.
- **Insolvency and Bankruptcy Code** provides for a differentiated regime for insolvency / bankruptcy of firms, proprietary firms and individuals. Delegated legislation / rules in this regard are currently under discussion. The finalization of these rules can boost lender confidence because lenders will have more certainty and predictability regarding the recovery of defaulted loans. Considering their vulnerability and size, **Insolvency Code / delegated legislation should provide for**
- **out-of-court assistance to MSMEs**, who are predominantly proprietorships, such as mediation, debt counselling, financial education, etc.
- **Create a Distressed Asset Fund**, with a corpus of ₹ 5000 crore, to assist units in clusters where a change in the external environment (e.g. a ban on plastics) has led to a large number of MSMEs becoming NPAs.
- **Credit guarantee** is an important risk mitigating tool which provides cushion to the lender for lending to MSEs. Currently, CGTMSE and NCGTC have devised credit guarantee schemes for MSE loans. However, these entities are currently outside the purview of regulation. Therefore, all Credit Guarantee Schemes should be subject to the regulation and supervision of RBI.
- With a view to help MSMEs cope with situations like **natural calamities**, Govt should take active efforts to provide insurance coverage to MSME employees on the lines of PMSBY and PMJJBY schemes.
- MUDRA would require enhancement of in-house (or outsourced) capabilities, including underwriting, risk management, fund raising based on its own AAA rating and sharper focus on emerging trends in the market.

Hence, a reimagining of MUDRA is necessary, including assessing the rationale for continuing it as a subsidiary of SIDBI.

- With the increased availability of data from several sources, including GSTN, Income Tax, Credit Bureaus, Fraud Registry, etc., it is now possible **to do most of the due diligence online and appraise the MSME loan proposals expeditiously**. The banks should have access to such surrogate data for speedier and robust credit underwriting standards.
- The **PSBLoansIn59Minutes portal** as of now caters only to existing entrepreneurs having information required for in-principle approval such as GSTIN, Income Tax returns, bank statement, etc. The portal should also cater to new entrepreneurs, who may not necessarily have such information, including those applying under PMMY loan and Stand-Up India. A timeline of 7 - 10 days needs to be fixed for disposal of applications, which have received in-principle

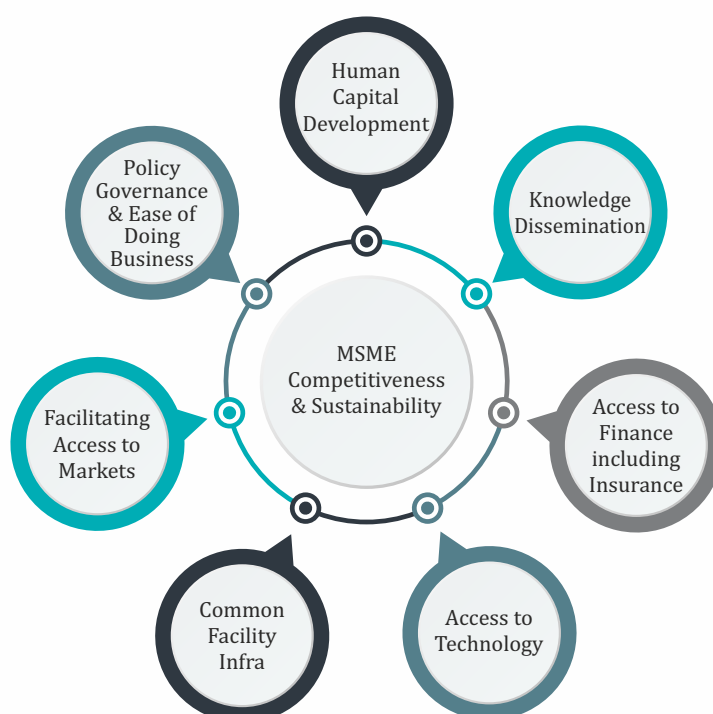
approval and threshold of loan should be enhanced upto ₹5 crore.

- The traditional bank lending system by banks is based on financial statements and collateral of the borrower. Operationalization of GSTN has made available turnover related data. Further, when Account Aggregators (AA) gets operationalized, lenders will have access to borrowers' transactions at a single point. **The banks need to move towards cash flow-based lending.**
- The **Trade Receivables electronic Discount System (TReDS) is an effective mechanism to solve the problem of delayed payments and liquidity issues of MSMEs**. The Committee recommends creation of pooled API of all TReDS platforms providers that would enable the financiers to understand the past repayment history of buyers, thus enabling them to take more informed decisions. It will also rule out the possibility of dual financing.

National Payments Corporation of India (NPCI), which acts as settlement entity for TReDS, may consider creating such an API.

- The PSL guidelines apply uniformly to all the lenders and mandates specific targets to banks to lend to priority sectors, i.e. agriculture, small and marginal farmers, micro enterprises, weaker sections, etc. There should be a concept of adjusted PSL to **enable the banks to specialise in lending to a specific sector**.
- As per RBI's extant guidelines issued in 2010, banks are mandated not to seek collateral security for loans upto ₹10 lakh. Considering price rise, the **collateral free loan limit should be enhanced to ₹ 20 lakh**. The same should also apply to loans sanctioned under PMMY and to SHG based enterprises.
- With a view to reduce the credit gap, a **new intermediary** i.e., Loan Service Providers (LSPs) - who will be an agent of the borrowers, is recommended for consideration by RBI.

Key Elements of MSME Ecosystem



Source: UK Sinha Committee Report on MSMEs 2019

From The Policy Makers



India Will Continue to Stride Ahead in Doing Business Ranking

India has rapidly climbed to the 63rd position in the global ranking of Doing Business.

Dr Guruprasad Mohapatra, Secretary, DPIIT, in an interview to CII, mentions what has majorly contributed to this improvement and shares the government's plans to sustain the momentum in future...



Dr Guruprasad Mohapatra

Secretary
DPIIT, Govt of India

First of all, a hearty congratulations to you and your team for sustaining the growth momentum of India's Doing Business Ranking where the country has secured the 63rd position by recording an improvement of 14 positions from last year. Could you share some major insights about this remarkable achievement in the ranking?

● It is noteworthy that for the third consecutive year, India has been recognized as one of the top ten countries improvers. India stands first amongst the South Asian economies and third amongst the BRICS nations. 4 out of the 10 indicators measured in this index

witnessed significant improvement viz. Starting a Business, Dealing with Construction Permits, Trading across Borders and Resolving Insolvency. India has made trading across borders easier by enabling post clearance audits, integrating trade stakeholders in a single electronic platform, upgrading port infrastructures and made the electronic submission of documents efficient.

The Insolvency and Bankruptcy Code, 2016 introduced the option of reorganization (corporate resolution insolvency process) for commercial entities as an alternative to liquidation or other mechanisms of debt enforcement, reshaping the way insolvent firms could restore their financial well-being or closedown. As a result, reorganization has become the most likely procedure for viable companies as measured by Doing Business, increasing the overall recovery rate from 27 to 72 cents on the dollar.

With India all set to join the league of top 50 nations by the coming year itself, what would be your ranking targets in the next 3-5 years?

● Employing workers and contracting with the government are two new indicators which may be included in the next year's report. Considering these inclusions, the Department is carrying out a thorough analytical exploration of the on-ground scenario to understand the underlying concerns and ways to move forward. Also, current processes in the new parameters are under review. The overall strategy would be to take on board all stakeholders of business to cope with the challenge. Given these developments, it is likely that India will continue to stride ahead in the ranking and achieve improvements in its rank.

What are the reform measures that the government intends to implement to improve India's ranking in 'Registering Property'?

and 'Enforcing Contracts', where India still has a long way to go in the global ranking?

● While there has been substantial progress, India still lags in areas such as Enforcing Contracts (163rd) and Registering Property (154th). It takes 58 days and costs on average 7.8% of a property's value to register it. Institutional changes on registering property, proper land management, digitization of the land data and making the data readily available throughout India would facilitate the buying & selling of land through which India can better its Ease of Doing Business ranking.

For Enforcing Contracts extensive reform exercise has been undertaken under the aegis of the Task Force created under the Chairmanship of Secretary, Department of Justice with members from Department for Promotion of Industry and Internal Trade, Department of Legal Affairs, the High Court of Delhi and Bombay, Law departments of Delhi and Bombay and the eCommittee of the Supreme Court. With the enactment of the Commercial Courts Amendment Act 2018, reducing the specified value to Rs. 3 lakh, it is expected that the time frame for disposal of cases will be reduced substantially.

In Mumbai, 16 Courts have been designated as Commercial Courts, while in Delhi, 75 Courts have been designated as Commercial Courts. Pre-institution mediation and settlement of commercial cases through the District Legal Services Authorities under the Commercial Courts has been commenced.

While the government has undertaken transformational reforms in the indicators of 'Starting a Business' and 'Paying Taxes', we are yet not among the

The average time for filing taxes and number of payments will be significantly lower, once the proposed changes in the existing tax structure are implemented.

top performing nations. What are the government's plans to improve India's ranking in these two indicators?

● The government is continuously making efforts in bringing all the clearances required for establishing a business in India under one roof and on an integrated online platform. SPICe & AGILE forms are such instances. We aim to create an investor friendly regulatory environment. As for Paying Taxes, India's score has risen to 115th. The government is planning to further simplify the GST regime, and make the system taxpayer-friendly. The average time for filing taxes and number of payments will be significantly lower, once the proposed changes in the existing tax structure are implemented.

Which are the global best practices of the top performing countries that you would like India to learn from?

● New Zealand ranks first in Starting a Business and Getting Credit indicators. It takes shortest time to start a business there. Here, in Starting a Business, despite implementation of reforms, we have witnessed difficulties in climbing upwards in the ranking. It would be ideal to adopt New Zealand's process and customize it for Indian settings.

Earlier, adoption of the South Korean model in the Getting Electricity indicator has yielded great results and efforts will

continue in similar lines.

Next, Malaysia is ranked very well in the Construction Permits indicator, with only 9 procedures and 41 days taken to provide construction permits, it sets quite an example. Risk based inspection system, as implemented in Hong Kong, for obtaining construction permit is another area which can be customized as per Indian standards and adopted.

In an example of Government-Industry partnership, DPIIT has been keeping the private sector stakeholders involved in implementation of business reforms and have given patience hearing to CII views and suggestions. What is your message to the industry on ease of doing business?

● The initiative to usher in transparency, accessibility into the regulatory environment of the nation is a means to an end. By enabling citizens to become employers from employees and thereby access to a better living standard would be triumphant.

Though it might seem to take a little longer for reforms to be felt on ground, the positive changes will trickle down definitely, and changes will be apparent to all. Views of all stakeholders are of utmost importance and helpful, it provides access to vital concerns that need urgent attention. We welcome industry inputs and appreciate their cooperation.

Institutional changes on registering property, proper land management, digitization of the land data and making the data readily available throughout India would facilitate the buying & selling of land.



Trade Facilitation Initiatives by Indian Customs

Trade facilitation reforms, aimed at reducing dwell time, cost and regulatory compliances, are being unleashed at a rapid pace in India. Businesses should match the pace in reaping fuller benefits of these initiatives being introduced by the government...



Vivek Johri
Principal Chief Commissioner
Mumbai Customs



Ravindra Kumar Singh
Additional Commissioner
Nhava Sheva, Mumbai

Government of India in the last few years has undertaken several initiatives to ease trade facilitation, both within as well as across borders, benefiting all stakeholders in the trading ecosystem, including exporters and importers. This is evident from the fact that India's ranking in the Trading Across Borders indicators of the Doing Business Report of the

World Bank has improved substantially in just two years from 146 in 2018 to 68 in 2020. There is still a scope to leap forward in the ranking further.

The reform initiatives in trade facilitation in India have largely revolved around simplification, modernization, harmonization, and automation of processes and procedures. Implementation of reforms as part of the Trade Facilitation Agreement (TFA) since February 2017 has greatly contrib-

uted to the endeavor.

Trade facilitation reforms aim at reducing the transaction cost and dwell time for traders. The logistics costs account for as much as 15% of the cost of goods and services in India. These costs obviously include the cost of moving goods across our international borders whether by way of imports or exports. The cost share is high by international standards and clearly makes our exports less competitive in international markets. Also, this cost is

India's Comparative Performance in Trading Across Borders

Border Compliance	India	South Asia	OECD High Income
EXPORTS			
Time (Hrs)	52	53.4	12.7
Cost (USD)	212	310.6	136.8
IMPORTS			
Time (Hrs)	65	85.7	8.5
Cost (USD)	266	472.9	98.1
Documentary Compliance	India	South Asia	OECD High Income
EXPORTS			
Time (Hrs)	12	73.7	2.3
Cost (USD)	58	157.9	33.4
IMPORTS			
Time (Hrs)	20	93.7	3.4
Cost (USD)	100	261.7	23.5

Source : World Bank

directly related to the average time taken from the unloading of import cargo to its actual release and the carting in of export cargo into a CFS/Port to its actual shipment.

Some of the key reforms introduced by the government of India as part of the implementation of TFA include the adoption of a holistic approach for reducing the release time and cost by bringing under lens all the agencies and stakeholders at the border and the entire value chain from unloading of goods to their clearances; drawing up of a National Trade Facilitation Action Plan (NTFAP) with clear measurable targets for agency; and the setting up of the administrative structure in the form of the National Committee on Trade Facilitation (NCTF), chaired by the Cabinet Secretary with participation of key ministries and private sector.

The government has also constituted two Committees at local levels - the Customs Clearance Facilitation Committee (CCFC) headed by the Chief Commissioner and the Permanent Trade Facilitation Committee (PTFC) convened by the Commissioner of Customs at the port - to ensure effective implementation of TFA at the ground level. The USP of these Committees is that they have diversified representations of stakeholders, which include border management agencies, importers, exporters, Customs brokers, Customs authorities, among others.

Key Instruments of Trade Facilitation

Trade Facilitation reforms in India have primarily placed reliance on three key tools / instruments for reducing dwell time and cost, namely, Risk Management System (RMS), Pre-Arrival Processing and Streamlining of Procedures, which have found to be effective tools globally and are discussed below.

Risk Management System

The first tool is the adoption of Risk

Indian ports are increasingly adopting the risk-based system in customs procedures. At Nhava Sheva port (Mumbai), for instance, more than 70% of the consignments are currently being "facilitated" and passed through Customs without any interdiction. The level of facilitation is even higher for Air Cargo where it could go up to as much as 90%.

Management System, which entails identification and differentiation of "risky" and "risk-free" consignments as well as entities. This enables Customs and other Border management agencies to focus their controls on risky consignments / individuals, while allowing others to be cleared with minimal or no intervention. Indian ports are increasingly adopting the risk-based system in customs procedures. At Nhava Sheva port (Mumbai), for instance, more than 70% of the consignments (measured by the number of Bills of Entry) are currently being "facilitated" and passed through Customs without any interdiction. The level of facilitation is even higher for Air Cargo where it could go up to as much as 90%. The cargo screened out of the RMS that is not facilitated is sent out for further verification / examination.

As part of the larger adoption of risk-based system in clearances of cargo, India has launched the Authorized Economic Operators (AEO) program, which is based on the application of risk management to entities and enables their segmentation encompassing wide range of stakeholders like importers, exporters, Customs brokers, Shipping Lines, Terminal Operators, and Container Freight Stations (CFS). The criteria used for such categorization include past compliance behavior, financial solvency, physical security of the supply chain of which the entity is a part of and the internal controls to ensure such security etc. Enrolment or accreditation under the AEO program is not given suo moto by

Customs but has to be obtained through an application and process of rigorous evaluation. Further, the Indian AEO program provides three-tiered accreditation with Tier 3 being the highest. While the rigor of evaluation for accreditation increases with every tier, the extent of benefits also goes up. Accreditation of Tier 2 and 3, for instance, entitles an entity to deferred payment of duty in addition to several other benefits such as expedited assessment or examination, reduced bank guarantees etc.

AEOs at the Jawaharlal Nehru Customs House (JNCH, Mumbai) are also allowed to lodge a request electronically for having their document assessed or goods examined on priority in case the same is selected for assessment or examination by Risk Management. An SMS is sent immediately to the officer dealing with the case who completes the assessment or examination within 2 hours of receipt of the message. The scheme is very popular and used regularly by several AEOs.

It is fair to expect that with improvement in compliance behavior and greater sophistication in risk management, the degree of facilitation would increase, thereby



generating further reduction in release time and cost.

Pre-Arrival Processing

The second Trade Facilitation tool is "Pre-arrival Processing" and timely filing of import or export declarations. Importers have the option of filing Bills of Entry and supporting documents such as the invoice, packing list, bill of lading and Certificate of Origin in advance of the actual arrival of cargo. Likewise, Shipping Lines have the option of filing the Import General Manifest (IGM) before the arrival of the vessel. The advantage of advance filing is that the risk assessment of cargo and the determination whether it is to be facilitated or interdicted for assessment or examination can be completed before the goods arrive. In case it is facilitated, importers can pay duty even before the arrival of goods, thereby leaving only the last stage of obtaining "Out of charge" for the consignment after it arrives. If the consignment is selected for assessment, even that process can be completed, and duty paid before arrival of the goods. In both these situations, the release time, which is computed starting from the physical arrival of cargo, gets curtailed because post-arrival residuary processes are minimal and do not take much time to complete.

Unlike risk management that is universally applied to all consignments / declarations, advance filing is a tool whose use is left to the option of the importer or his broker. Thus, Customs authorities need to constantly 'nudge' the trade to file in advance. There may be good reasons



such as non-receipt of original documents through the banking channel why advance filing is not possible. In such cases, provisions have been built into the law to induce filing of declarations as soon as possible upon arrival of the goods. Thus, a late filing fees is chargeable for every day of delay with a grace period of 24 hours after the arrival of goods. These provisions help contain the release time for such consignments within certain bounds owing to the pecuniary cost of delay which increases progressively with the duration of delay. This, in turn, prevents very wide dispersion in release time of individual consignments and has a moderating influence on the overall average.

Procedural Streamlining

The third tool that has been deployed is procedural simplification or rationalization through schemes such as Direct Port Delivery (DPD) so that unnecessary steps in procedure are discarded. Under DPD, for instance, consignments that are not selected for

physical examination or inspection, are delivered to the importer directly from the port terminal without being transported to a CFS or a Shed once duty has been paid off. Of course, a 48-hour window from unloading of the container is available to the importer for taking such a delivery. If he fails to do so, the container is transported by the port terminal to a CFS nominated by the Shipping Line. Apart from the obvious saving in release time, DPD allows a substantial savings in the cost of transportation of the container from the terminal to the CFS / a Shed and the payment to CFS.

There are numerous other ways in which procedures have been rationalized / simplified, leveraging on technology. The implementation of Single Window (SWIFT) in 2016 allows an integrated declaration to be filed for Customs and other regulatory agencies at the border such as Plant Quarantine, Animal Quarantine, Health and Food safety etc. whose intervention may be required depending on the nature of the goods. Consignments are referred to these agencies electronically and their NOCs also transmitted electronically to Customs who can then allow clearances.

Another significant improvement in procedures is the automation of registration and Out-of-charge processes for facilitated bills of entry. Earlier the Customs brokers had to physically produce the

The advantage of advance filing is that the risk assessment of cargo and the determination whether it is to be facilitated or interdicted for assessment or examination can be completed before the goods arrive. In case it is facilitated, importers can pay duty even before the arrival of goods, thereby leaving only the last stage of obtaining "Out of charge" for the consignment after it arrives.

documents for registration after payment of duty even for facilitated bills of entry. The registration was done by a Customs officer on the System and Out-of-charge order also given by him after verification of documents. This has now been replaced with a procedure where the broker can complete registration electronically from the comfort of his office. Thereafter, the registered bills of entry are queued up chronologically and appear automatically in that sequence on the screen of the officer who gives Out-of-charge. Since the documents needed for verification such as the invoice, bill of lading, packing list etc have already been uploaded by the broker at the time of filing using e-Sanchit, the officer can verify them himself and give an Out-of-Charge order if he finds everything in order. In other words, except in cases where the Original Certificate of Origin has to be verified and debited for extending an FTA benefit or where a Container is picked up for scanning and a clean scan report has to be produced by the broker, there is no manual interface with the Customs for obtaining Out-of-charge. At the Nhava Sheva port (Mumbai), nearly 70% of the bills of entry are facilitated. After adjustment is made for bills requiring verification of original Certificate of origin and clean scan reports in such fully facilitated Bills of entries, almost 60% of the bills filed go through a completely hands-free process from filing to Out-of-charge.

Another innovative step introduced in Mumbai is the publication of IGM-wise scan status of every container on www.dpdjnch.com. Thus, soon after the IGM is filed, the broker can check whether any of the containers covered by a bill of entry have been selected for scanning. If so, he can arrange to have the scanning done in a timely manner and produce the clean scan report before Out-of-charge is given. Further, in order to redress the grievance of AEO/DPD

clients, JNCH Customs has set up an on-line complaint registration facility for them on its DPD website www.dpdjnch.com. These complaints are resolved in a time-bound manner and the complainant gets the status of the same on-line.

Strengthening Industry - Government Partnership

Time Release Study (TRS) 2019 conducted by JNCH in January this year showed that release time of import cargo could be reduced substantially if there is a timely payment of duty by importers / brokers. This component accounts for the longest duration in the overall release time. Not only have we been 'nudging' brokers through monthly EoDB Score Cards to improve promptness in payments etc., we have also been encouraging importers to graduate to Tier 2 accreditation under the AEO Scheme. This is because it offers the benefit of deferred payment of duty for all clearances for a fortnight.

Lastly, TRS studies of both 2018 and 2019 show that very substantial reduction in release time is possible if importers avail the benefits mentioned above in combination. The case study for import of auto components in both studies revealed that where importers availed advance filing, AEO and DPD and their bills of entry were facilitated, the release time dropped to half of what it was when these benefits were not availed.

The juggernaut of trade facilitation reforms continues to roll in Indian Customs. Many more innovations and improvements are on the anvil. Their success, however, depends not on Customs or other border management agencies alone. Members of the trade and industry need to step forward and embrace these reforms and spread word about their efficacy to their peer group just as they need to keep giving feedback to Government about the roadblocks and deficiencies. This partnership is a critical success factor. For it to happen, the top management of corporates would have to take note that such significant opportunities for cost saving are so close at hand and can be availed without much extra effort.

Conclusion

The Indian Customs authorities are working pro-actively and continuously to improve the trade environment in the country by undertaking measures which enhance transparency, encourage cooperation between stakeholders, and improve traders' compliance. While these reform measures have helped us achieve several milestones, the sustained implementation of dynamic reforms, coupled with strong industry participation, will enable India to offer one of the best trading-across-borders environment in the world.

(Views are personal)





Rajasthan MSME Act (2019) – Dawn of a new chapter

With a view to sustain the improvement in business climate for MSMEs, the government of Rajasthan has recently passed a new MSME Act 2019 (Facilitation of Establishment and Operation), which provides for much relaxed approval norms and a dedicated online single window portal...



Dr Subodh Agarwal

Addl Chief Secretary Industries
Government of Rajasthan

With increasing global attention towards improvement in the investment climate, both the Central as well as State governments in India are working towards simplifying the intricate administrative processes aimed at promoting investment, generating employment opportunities and aiding overall economic development. A series of facilitative reforms are being introduced at a pan-India level, mandating digitization of procedures, revising obsolete policies and promoting e-governance.

The growing popularity of the buzzword 'Ease of Doing Business' among the businesses accentuates

the importance of a healthy regulatory environment. As a result, all the states in the country are competing with each other to reach the top of the ladder by undertaking major reforms while maintaining the spirit of cooperative federalism. The motive behind this exercise is to attract investments and generate employment.

Moving in line with this objective, the Rajasthan Government has undertaken several measures to

simplify and rationalize the business procedures. One of these revolutionary steps include putting in place the MSME Ordinance on 4th March, 2019 to give an unprecedented fillip to the MSME segment. Going a step further, an online MSME portal was also launched by the Hon'ble Chief Minister, Rajasthan on 12th June, 2019. The Micro, Small and Medium Enterprises (Facilitation of Establishment and Operation) Act was subsequently enacted on 17th July, 2019.



The driving force behind these reform initiatives was to promote the growth of MSMEs which are the real backbone of the country's economy and have a huge potential to generate optimum employment opportunities for the masses. Rajasthan stands at the 9th position in terms of the number of MSME units in the country (Fig. 1). Over 26 lakh MSME units have been established in the state, creating about 46 lakh jobs (Annual Report 2018-19, Ministry of MSME, Government of India).

The present article attempts to delve into the key features of the Micro, Small and Medium Enterprises (Facilitation of Establishment and Operation) Act 2019 and the MSME Portal, while analyzing the industry's response to these dynamic initiatives.

Micro, Small and Medium Enterprises (Facilitation of Establishment and Operation) Act

With the enactment of the Micro, Small and Medium Enterprises (Facilitation of Establishment and Operation) Act, we have given the MSMEs what they wanted - "Freedom to do business". As per the provisions of this Act, any person who intends to start an enterprise will furnish a "Declaration of Intent" and an "Acknowledgment Certificate" will be issued. The enterprise shall be exempted from the approvals and inspections for 3 years under all Rajasthan Laws. After 3 years, the enterprise shall have to obtain required approvals within 6 months. The enterprise, however will be required to follow all the prevailing rules and regulations. The provisions of this Act shall have an overriding effect over any other Rajasthan Law.

“...any person who intends to start an enterprise will furnish a "Declaration of Intent" and an "Acknowledgment Certificate" will be issued. The enterprise shall be exempted from the Approvals and Inspections for 3 years under all Rajasthan Laws. After 3 years, the enterprise shall have to obtain required approvals within 6 months.”

Additionally, the Act also gives power to the state government departments, or any authority under them, to exempt any enterprise from any approval or inspection under any Central Act, if the Central Act allows the State Government to exercise such powers. The state government departments are viewing the legalities to notify exemptions from approvals under the Central Acts.

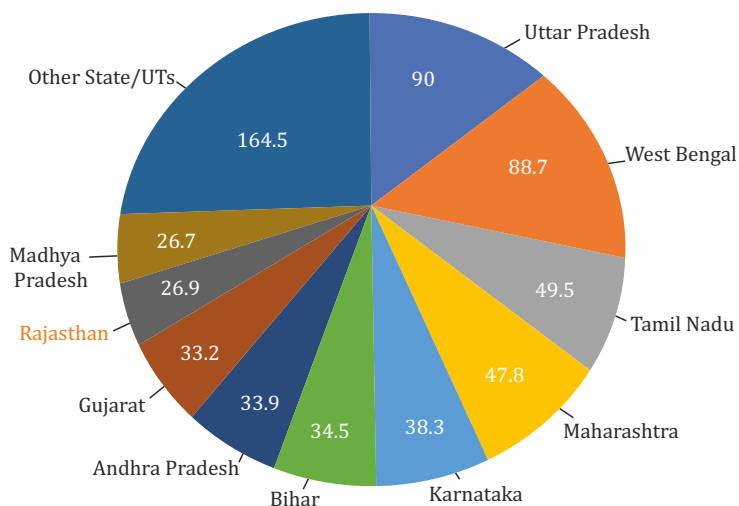
The Rajasthan MSME Act has been accepted in the country as a path breaking policy innovation. The basic premise of the Act is placing the TRUST on the MSMEs to follow the rules and regulations of the State which marks a sea change in the approach of the government towards them. We believe in empowering the MSME investors and giving them hassle-free playing field. This, of course, could have its own flip-side as well. There will be

some, who will take undue advantage of the freedom but a vast majority will derive benefits from the new law. For instance, one of the applicants applied for "Sand Mining" which actually is a banned activity in the state. Still we cannot ignore the vast majority for the sake of a few bad apples. Practically seeing, the ease of doing business has never been as comforting as under the Act.

Rajasthan's MSME Portal

Industry members of the state are receiving benefits from the unique initiative of a dedicated portal for the MSME. This can be validated by the fact that there were 125 online applications on the MSME web portal ([rajudyog mitra.rajasthan.gov.in](http://rajudyog.mitra.rajasthan.gov.in)) from all parts of the State on the very first day itself. Currently, the portal has crossed over 2000 registrations within a span of 4 months.

Fig. 1: Estimated Number of MSMEs in India (in lakh)



Source: Ministry of Micro, Small and Medium Enterprises



Source: <http://swcs.rajasthan.gov.in>

The aim of the overarching Act is the smooth establishment and development of MSME units in Rajasthan by providing exemption to the applicant from any approval and inspection required from various departments under different Acts of Rajasthan for 3 years. The filing of Aadhaar authenticated application is absolutely free of cost and has been kept very simple (only a one page 'Declaration of Intent') without the requirement of any additional documents. An 'Acknowledgement Certificate' is issued online at the same time within a few seconds of filing of the application.

The portal is receiving a positive response from the industry with almost 25 applications being filed on a daily basis. The portal data indicates that Jaipur has marched way ahead in receiving applications or the investment interests followed by Jodhpur, Ajmer and Udaipur. In addition, the services sector, in

comparison to the manufacturing, is receiving greater interest with a share of more than 60% applications. Maximum interest in the state lies with the small sector, accounting for around 41% applications, followed by the Micro and Medium sectors with around 36% and 23% applications, respectively.

Capturing Industry's Outlook

In order to assess the efficacy of the initiative at the ground level, a survey, covering over 500 applicants from almost all the districts of the state, was conducted. Some interesting facts have surfaced from the survey findings. Although maximum number of applications have been received from Jaipur, yet the maximum proposed investment lies with Alwar. Udaipur leads in terms of proposed employment. Out of the total applicants surveyed, around 49% are first generation

entrepreneurs, indicating that more and more youngsters are keen to get associated with the MSME sector, which is a very positive sign for the overall growth of the state's economy. The survey shows that around 63% applicants are quite serious about their investment intentions. Also around 84% of the total users have rated the initiative as excellent/good, while the remaining have shown a need for further improvement in the portal. Survey data on extrapolation for 1,000 applicants indicates employment generation of more than 4,600 persons and an investment of over Rs. 160 crore. The application numbers are continuously on the rise and so are the investment and employment opportunities, giving the much needed boost to the state's economy.

The awareness of the initiative and its usage need to be augmented. Since it is the initial phase of the implementation of the Act, there is room for refinement. We would leave no stone unturned to make the MSME environment in the state more and more conducive.

“Out of the total applicants surveyed, around 49% are first generation entrepreneurs, indicating that more and more youngsters are keen to get associated with the MSME sector, which is a very positive sign for the overall growth of the state's economy.”



Launch of MSME portal on 12th June, 2019

Upcoming Reform Initiative - A Glimpse

Taking the Ease of Doing Business to the next level, we plan to make the Single Window Mechanism for large sector investors (above Rs 10 crore) even more effective by restructuring the Bureau of Investment Promotion (BIP) and making it a

"One-Stop Shop" in the real sense. The Commissioner, BIP, would be empowered to issue all necessary clearances for starting a project in the state. Officers from the concerned departments would be deputed in BIP for facilitating the same.

In sum, continuing reforms initiatives are indicative of the

Rajasthan government's strong intent and commitment to make the business environment more conducive in the state. The accent is on promoting greater digitization of the regulatory processes to facilitate setting-up and operationalization of projects/investment proposals in the state in a speedy and hassle-free manner.



**Bureau of
Investment
Promotion
Rajasthan**

The Bureau of Investment Promotion (BIP), founded in 1991, is the nodal agency in charge of investment promotion and single window clearances in the state of Rajasthan, India. BIP plays a significant role in developing investment policies for the State.

Services currently offered at BIP

BIP provides an interface between Investors and the Government for speedy clearances and redressal of issues, acting as a single point of contact for the investor.

During the exploratory phase:

- Provide general and sector-specific information on Rajasthan
- Provide support in identification and coordination for site selection
- Provide information on clearances and permissions required

During implementation phase:

- Receive permit/license applications via Single Window Mechanism
- Facilitate contact with government entities for obtaining land

During the operational phase:

- Support in reinvestment related activities
- Ongoing support in handling investment related issues

Source: BIP



Enhanced Ease of Doing Business for MSMEs in Tamil Nadu

Efforts to reduce regulatory compliances for starting and operating a business under MSME segment has received further boost in the state of Tamil Nadu. The emphasis is on providing greater facilitation to businesses by leveraging on the technology and well-defined approval processes...



Dr Rajendra Kumar

Principal Secretary, Industries
Commissioner and Director of Industries &
Commerce, Government of Tamil Nadu

The Micro, Small and Medium Enterprises (MSME) sector is one of the most important, vibrant and dynamic sections of the Indian economy. The MSMEs manufacture more than 6,000 products, contributing about 45% to manufacturing and around 40% to the exports. With its agility and dynamism, the sector has shown an admirable innovativeness and adaptability to survive in the recent economic scenario. It is this very sector which can help realize the target of the National Manufacturing Policy of raising the share of manufacturing sector in GDP from around 16% at present to 25% by 2022.

MSMEs in Tamil Nadu

There has been a phenomenal growth of MSMEs in Tamil Nadu with diversified participation across wide range of sectors. The prominent among them are textile, garments, engineering products, auto components, leather products, plastics, etc.

Around 20.13 lakh entrepreneurs have filed the Entrepreneurs' Memorandum (EM) Acknowledgement Part-II and Udyog Aadhaar Memorandum (UAM), providing

employment opportunities to about 128.91 lakh persons with a total investment of over Rs 2.23 lakh crore.

Tamil Nadu Business Facilitation Act, 2018

The Government of Tamil Nadu has enacted the Tamil Nadu Business Facilitation Act 2018, to enhance the ease of doing business in the state. The Act provides for single point receipt of applications for securing clearances that are required to establish or expand an enterprise



and for those required during the normal course of business, including renewals in a time-bound manner. The Act also provides for an effective grievance redressal mechanism and fine in case of failure of Competent Authorities to act within a time frame and for matters connected therewith or incidental thereto.

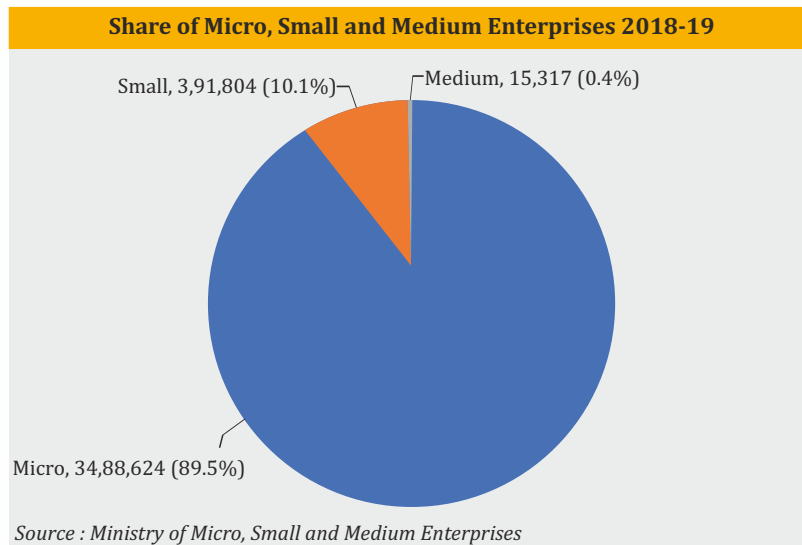
The Act covers 54 clearances which include pre-establishment, pre-operation, renewals, incentives, etc. District Industries Centres and Guidance Bureau are designated as the Nodal Agencies for MSMEs and large industries, respectively for operating the single window mechanism.

The Act provides for a 3-tier institutional structure to monitor and review the progress of single window mechanism for the MSMEs:

- District MSME Single Window Committee;
- State MSME Single Window Committee;
- MSME Investment Promotion and Monitoring Board

Dedicated Single Window Portal for MSMEs

The Commissionerate of Industries and Commerce of the Government of Tamil Nadu has taken a number of steps to improve the ease of doing business and create an investor-friendly climate for the MSMEs. The most important initiative in this regard has been to create an online Single Window Portal exclusively for the MSMEs to enable them in obtaining approvals and 'No Objection Certificates (NoCs)' from various government departments and agencies for establishing their enterprises. It allows the MSMEs to



obtain all the approvals and NoCs through a single Composite Application Form (CAF) from 12 government departments and agencies in the state, including the Directorate of Town and Country Planning (DTCP), Tamil Nadu Pollution Control Board (TNPCB), Fire Department, Directorate of Industrial Safety and Health (DISH), Public Health, Rural Development and Panchayati Raj (RD&PR) and Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO). The approvals cover pre-establishment, operation and renewal stages and the entire process is completely online, including payment of fees. All the departments and agencies are required to give approvals online within a defined time-frame after the complete application has been submitted. The applicant need not submit any paper documents and visit any government office in person.

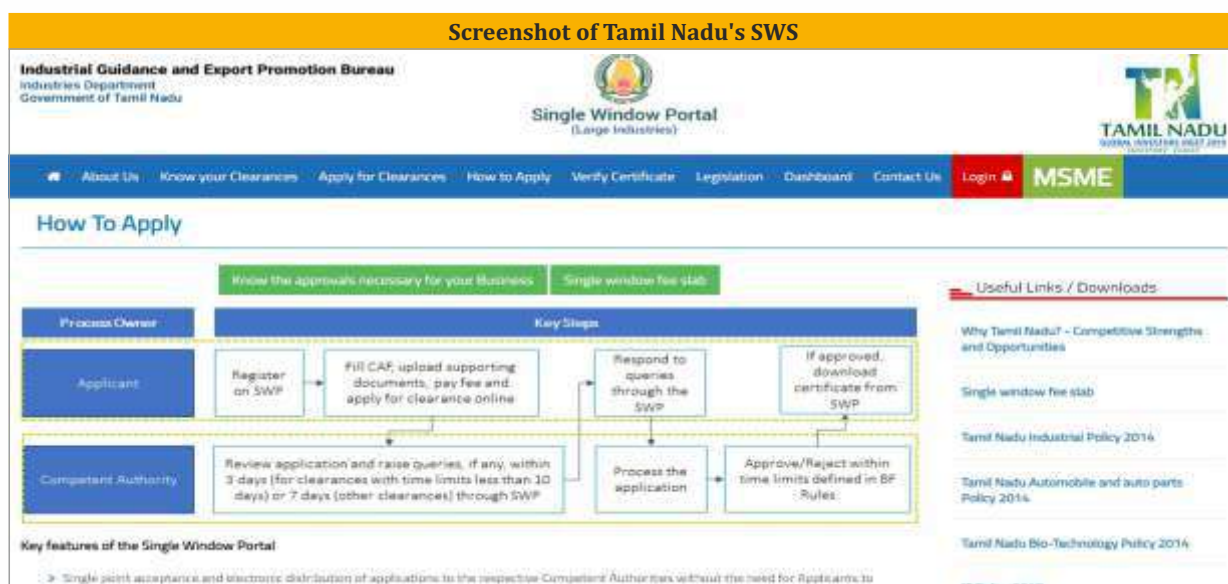
The key features of the portal, available at <https://easybusiness.tn.gov.in/msme/>, include the following:

- Single point acceptance and electronic distribution of applications to the respective Competent Authorities without the need for applicants to physically visit the concerned offices
- Custom generation of forms for individual Competent Authorities along with requisite attachments
- Single point of capture of information with the feature of auto-population of data
- Online approval by the concerned Competent Authorities and provision to download the certificate online
- Online tracking /automatic alerts to applicants through SMS/emails
- Customized online MIS reports for monitoring at different levels

Online Implementation of All Schemes and Incentives for MSMEs

The Commissionerate of Industries and Commerce has taken another major step towards improving the ease of doing business in the state for the MSMEs by making the implementation of all the schemes and incentives for them completely online. The portals for the various

“SWS allows the MSMEs to obtain all the approvals and NoCs through a single Composite Application Form (CAF) from 12 government departments and agencies in the state”



Source : https://easybusiness.tn.gov.in/Pages/how_to_apply

schemes and their respective incentives are given below:

Loan Schemes

- **New Entrepreneur cum Enterprise Development Scheme (NEEDS)**

The objective of this scheme is to provide educated youth with opportunities for entrepreneurship by providing capital and interest subsidy. (<https://msmeonline.tn.gov.in/needs/index.php>)

- **Unemployed Youth Employment Generation Programme (UYEGP)**

The UYEGP scheme endeavors to

eliminate the unemployment problems of socially and economically weaker section of the society, particularly among the educated and unemployed to become self-employed by setting up Service, Manufacturing, Business enterprises by availing loan with subsidy assistance from the State Government. (<https://msmeonline.tn.gov.in/uyegp/index.php>)

- **Prime Minister's Employment Generation Programme (PMEGP)**

This programme aims to offer continuous and sustainable employment to a huge segment

of traditional and potential artisans and unemployed youth, so as to aid the arrest migration of rural youth to urban areas. (<https://www.kviconline.gov.in/pmegportal/pmegphome/index.jsp>)

Incentive Schemes

- **Capital Subsidy:**

<https://msmeonline.tn.gov.in/incentives/capital/index.php>

- **LTPT Subsidy:**

<https://msmeonline.tn.gov.in/incentives/index.php>

- **Generator Subsidy:**

<https://msmeonline.tn.gov.in>

Industry's Voice

"First of its kind in India, the Tamil Nadu government has launched an online Single Window System (SWS) portal exclusively for MSMEs, which has expedited and simplified the process for obtaining approvals, NOCs, licenses, etc. The portal also facilitates disbursal of government subsidies to the businesses. In an example of excellent outreach initiatives of the government, the official of the Districts Industries Centers (IDC) have been reaching out to the MSMEs to explain them the facilities provided at the portal.

With the portal getting operationalized, regulatory approvals are not only being provided within the stipulated timeline but also much earlier than this. In many cases, approvals have come in just 21 days, much ahead of stipulated time of 30 days."



Mr M Ponnuswami
Chairman & MD, Pon Pure Chemical India Pvt Ltd and Member, CII Task Force on EoDB

[/incentives/index.php](https://msmeonline.tn.gov.in/incentives/index.php)

- **Interest Subvention:**
<https://msmeonline.tn.gov.in/incentives/is/index.php>
- **Promotion of Energy Audit and Conservation of Energy (PEACE):**
<https://msmeonline.tn.gov.in/incentives/index.php>
- **Amma Skill Training and Employment Scheme:**
<https://msmeonline.tn.gov.in/ammaskill/index.php>

It is important to note that all the

above initiatives have been implemented with full involvement of all the relevant stakeholders, e.g., MSME associations at the state and district levels and the District Industries Centers in the districts. In recognition of its successful efforts to implement the Single Window Portal and transform the implementation of various schemes and incentives for the MSMEs through online applications, the Commissionerate of Industries and Commerce has been awarded the ISO 9001:2015 certification by the Bureau of Indian Standards (BIS) in July 2019.

Conclusion

Tamil Nadu is a leading state in the country in the MSME sector, both in terms of its overall size and the varieties of products that it produces. It is poised to achieve even greater heights in the years to come with a number of initiatives already being implemented in the state to improve the ease of doing business for the MSMEs. The Commissionerate of Industries and Commerce will continue to work pro-actively with all the stakeholders in the MSME ecosystem in the state to ensure that it is able to support the growth of the sector even further.

(Views are personal)



Source : <https://msmeonline.tn.gov.in/incentives/index.php>





Decoding the Labour Codes on Ease of Doing Business

The labour law reform does not end with amalgamation, simplification and rationalization of labour Acts into Codes; the modalities for implementation, enforcement, and monitoring require equal importance to ensure that the benefits reach the last mile...



A. Srija
Economic Adviser
Ministry of Finance, Govt. of India

Ease of doing Business in India should be the first facilitating move if India is to become a 5 trillion-dollar economy by 2024, as desired by the government. Simplification of Labour Regulations would be among the most important action points to move towards the mission.

Labour reforms, though part of the early structural reforms agenda, have received much attention only in the last 5 years with the Centre and States initiating numerous measures in easing the regulatory compliance burden for enterprises. One of the major labour reforms under implementation, as part of

the recommendations of the 'Second National Commission on Labour', is the Codification of nearly 35 Central Labour Acts. The Central Labour Acts are being amalgamated, simplified and rationalised into four Codes viz; Wages; Occupational Safety, Health & Working Conditions; Industrial Relations; and Social Security & Welfare. Of these, the Code on 'Wages' has been notified as an Act in August 2019, while the Code on 'Occupational Safety, Health & Working Conditions' has been laid in the lower House of the Parliament in July 2019. The Code on Wages as well as that on Occupational Safety endeavour to simplify and introduce uniformity in commonly used terms such as the workers, employees, employers, wages, industry etc. Other 2 Codes, viz; Industrial relations and Social security & Welfare, having significant implications on the ease of doing business, are in the pre-legislative process.

The present article attempts to

capture the key implications of some of the key provisions of the 4 Codes on ease of doing business and suggest a few modifications in certain cases.

Key highlights of the Labour Codes

Code on Wages Act, 2019

Under the Code on Wages Act, 2019, the minimum wages, which was earlier applicable only to scheduled employments engaging 1,000 or more workers, has now been extended to all wage employments. And the National Floor Level Minimum Wage has been made statutory. The number of minimum wages has also been brought down



by basing it on just two criteria viz; skills and the geographical location of the region, which is again left to the discretion of the States to go for either or both criteria.

By extending the Wage Code to all wage employments, irrespective of being organized or unorganized, a well-defined monitoring system is to be put in place for implementing these provisions. Effective implementation of the Wage Code requires availability of up-to-date information on the minimum wages prevalent across States. As mentioned in Economic Survey 2018-19, a national level dashboard should be created at the Centre with access to the State Governments whereby States can regularly update their notifications regarding minimum wages. This portal should be made available at Common Service Centres (CSCs), rural haats etc., with the required mass media coverage so that the workers are well-informed about the minimum wage structure which would enhance their bargaining skills and decision-making power. Information on various combinations of wages, occupations/skills and States can be made available on the portal so that workers get easy access to whatever combination of minimum wages they want to know.

To ensure minimum wages are paid to all workers, a grievance redressal mechanism is to be put in place. Economic Survey 2018-19 recommends availability of an easy-to-remember toll-free number for a complainant to register his grievance

The Code on OSH is applicable to establishments hiring 10 or more workers, which would keep majority of the establishments outside of its purview, as evident from the 6th Economic Census Report, 2013-14.

ance on non-payment of the statutory minimum wages. This number should be given wide publicity to make people aware of this avenue for grievance redressal.

Code on Occupational Safety, Health & Working Conditions Bill, 2019 (OSH)

This Code aims to incorporate the essential welfare features of 13 labour legislations relating to factories, mines, dock workers, building & other construction workers, plantation labour, contract labour, inter-state migrant workmen, working journalist & other newspaper employees, motor transport workers, sales promotion employees, beedi & cigar workers, cine & cinema theatre workers and to repeal the respective enactments. This act of amalgamating the welfare acts of workers belonging to different occupations/sectors under one Code brings in ease of compliance.

The Code on OSH is applicable to establishments hiring 10 or more workers, which would keep majority of the establishments outside of its purview, as evident from the 6th Economic Census Report, 2013-14. As per the report, 98.6% of total agricultural establishments and 94.6% of non-agricultural establishments in the country were employing only in the

range of 1-5 workers. Further, out of the total 58.5 million establishments in the country, nearly 42 million or 72% were own account establishments (OAE), without any hired worker. Such a large exclusion of segments, which is arguably more exposed to safety and health risks, would perhaps not serve the full intent of the Code.

Code on Industrial Relations

The Code on Industrial Relations (IR) is an amalgamation of 3 major Acts viz; the Industrial Disputes (ID) Act, 1947; the Trade Unions Act, 1926; and the Industrial Employment (Standing Orders) Act, 1946. Under the present ID Act, the clause requiring permission of the appropriate government in case of closure, layoff or retrenchment of units with 100 or more workers is the stumbling block, often referred to as Chapter V-B. The Code should consider increasing the threshold limit for applicability of the Act to 300 or more workers, following in line with the practice adopted by a few States like Rajasthan, Andhra Pradesh, Assam, Madhya Pradesh, Haryana, Uttarakhand, and Uttar Pradesh. This, while sparing several small companies from tedious compliances, would help in bringing uniformity in the threshold of ID Act across States.



By extending the Wage Code to all wage employments, irrespective of being organized or unorganized, a well-defined monitoring system is to be put in place for implementing these provisions

Trend in closures, Layoffs & Retrenchment at Pan-India level

Year	Closures (Number of Units Affected)	Workers Affected
2013	95	4476
2014	34	4726
2015(P)	21	1496
2016(P)	26	2079

Year	Lay-Offs (Number of Units Affected)	Workers Affected
2016(P)	29	4200
2017(P)	38	6449
2018(P)	20	3556
2019(P)	12	2646

Year	Retrenchment (Number of Units Affected)	Workers Affected
2013	22	1297
2014	14	1798
2015(P)	12	533
2016(P)	5	3654
2017(P)	3	86
2018(P)	5	70

Source : Ministry of Labour and Employment

Another major reform has been the inclusion of the concept of Fixed Term Employment, presently included in the Rules of the Industrial Employment (Standing Orders) Act, into the main IR Code. By bringing the provision in the main Act it would be implementable pan-India, give employers the flexibility to hire more workers without fear of ID Act and the workers are also entitled to social security benefits on par with the permanent workmen during the period of employment. The status of a fixed term worker in an establishment is definitely better than that of a contract worker. The other major Act in the IR Code is the Trade Union Act 1926 which provides for a trade union membership of at least 10

percent of the workers or 100 workers whichever is less for it to be registered. State Governments such as Rajasthan, Maharashtra, Madhya Pradesh have enhanced the limit to 25-30 percent of the workers for

trade union registration. The IR Code should consider enhancing the limit to 30 percent of workers in an establishment to bring in uniformity in the provision at the pan-India level.

India has a sizeable proportion of firms which remain outside the purview of IR Code. As per PLFS Report 2017-18, 68.4% of workers were engaged in proprietary or partnership enterprises in non-agriculture and AGE/GC2 sectors. The Code on Industrial Relations applies only to the organized manufacturing sector, which account for a small segment of the total employment. With the services sector also outside the purview of the IR Code, the process of enacting the IR Code Bill into a legislation needs to be speeded up, to open up the organized manufacturing sector.

Code on Social Security

The draft Code on Social Security is an amalgamation of about 15 Labour Acts, covering both the unorganised and organized sectors. In the light of the changing employer-employee relationship, there is a growing informalization within the formal sectors. We need to therefore look at two types of



informality: informality within the formal sector and informal workers employed in the unorganized sector. Where it is possible to establish an employer-employee relationship within an establishment, the legislation based social security schemes are easier to implement. But for the informal workers working in the unorganized sector and the self-employed such as freelancers, daily-wagers, where an employer-employee relationship cannot be properly defined, minimum contribution based social security schemes such as Atal Pension Yojana, Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana etc need to be targeted more

“...where an employer-employee relationship cannot be properly defined, minimum contribution based social security schemes such as Atal Pension Yojana, Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana etc need to be targeted more effectively to ensure universal coverage of the unorganized sector.”

effectively to ensure universal coverage of the unorganized sector.

Conclusion

To sum up, labour law reform does not end with amalgamation, simplification and rationalization of labour Acts into Codes; the modalities for implementation, enforcement and monitoring require equal importance so as to ensure the impact of labour reform reaches the last mile. Further, the advent of the

Fourth Industrial Revolution, new technology and innovations are constantly changing the job profile in organizations. The growth of start-ups, gig economy & aggregators are the other developments. In the light of these high tech developments, a simple set of Rules governing employer-employee relationship needs to be evolved over time to address the needs of today's changed business environment.

(Views are personal)

Social Security Schemes Offered by the Ministry of Finance



Jan-Dhan se Jan Suraksha



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Action Plan for Banks & Insurers

Renewal of PMJJBY & PMSBY Schemes open for the period of 21st May 2017 to 31st May 2017. Please ensure to Auto-Debit your account accordingly.

**Pradhan Mantri
Jeevan Jyoti Bima Yojana**

Life insurance worth ₹ 2 lacs at just ₹ 330 per annum

- ✓ For all Bank account holders whose age is between 18 to 50 years
- ✓ Life insurance amount for your family, after you

Period of Insurance, Annual : 1st June – 31st May

**Pradhan Mantri
Suraksha Bima Yojana**

Accident insurance worth ₹ 2 lacs at just ₹ 12 per annum

- ✓ For all Bank account holders whose age is between 18 to 70 years
- ✓ Insurance also covers permanent disablement due to accident

Period of Insurance, Annual : 1st June – 31st May

**Atal
Pension
Yojana**

Minimum Investment, Maximum Benefits during old-age

Age of joining (Contributions)	Years of Contributions	Minimum Monthly Contribution (in Rs.)	Monthly Pension to the subscriber and his spouse (in Rs.)	Estimated Return (2.5% to the subscriber of the contribution) (in Rs.)
18	40	210	5,000	5.5,000/-
20	40	240	5,000	6.0,000/-
25	35	315	5,000	6.5,000/-
30	30	510	5,000	7.0,000/-
35	25	590	5,000	7.5,000/-
40	20	1,450	5,000	8.0,000/-

Fixed monthly pension from Rs.1000 to Rs.5000 depending on the contributions

Source: <https://jansuraksha.gov.in/>



Some Recent EoDB TWEETS

#India has made major headway in 3 categories- 1. Resolving Insolvency, 2. Construction Permits and 3. Trading Across Borders Making it to top 10 economies with most notable improvements, 3rd year in a row #EaseOfDoingBusiness @FinMinIndia

CII congratulates the Govt of India on the stupendous leap of 79 ranks over the 5 yrs to reach the 63rd position in @WorldBank's #EoDB rankings. This accomplishment has come on the back of continued focus on total reengineering,digitization&rationalization of biz rules&procedures @FollowCII

India takes a giant leap in resolving insolvency. Jumps 56 ranks to 52 from 108 in 2018 #EaseOfDoingBusiness @FinMinIndia

Secured creditors are now given absolute priority over other claims within insolvency proceedings, strengthening access to credit in India. #Easeofdoingbusiness @EODB_India

The new drive-through scanner has been commissioned @JNPort which operates at a scan speed of 100 containers per hour versus 8-10 containers per hour by mobile scanners. The truck drivers don't have to get down during scanning of the consignments #Easeofdoingbusiness @EODB_India

In Mumbai, development charges payable for development of any land or building for warehouse have been exempted to the extent of 95%. #Easeofdoingbusiness @EODB_India

No inspection for registration under Shops and Establishments Act in Mumbai which simplified for starting a new business. #Easeofdoingbusiness @EODB_India

Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019,(SVLDRS) application has been made available online at <https://cbic-gst.gov.in> . Avail the benefits of the scheme and get relief from past disputes of Central Excise and Service Tax. #SabkaVishwas #MakeaNewBeginning @EODB_India

In Delhi and Mumbai, multiple inspections at completion stage have been replaced by a single joint inspection. #Easeofdoingbusiness @EODB_India

Lower rate of ESI contribution from 1st July 2019. Burden reduced from 6.5% to 4% of the payroll bill. #Easeofdoingbusiness @EODB_India

Requirement for minimum paid up capital to incorporate a company and statutory requirement for company seal removed, reducing financial and compliance burden in starting a new business. #Easeofdoingbusiness @EODB_India

Industry Perspective





India notches up in Doing Business Ranking 2020

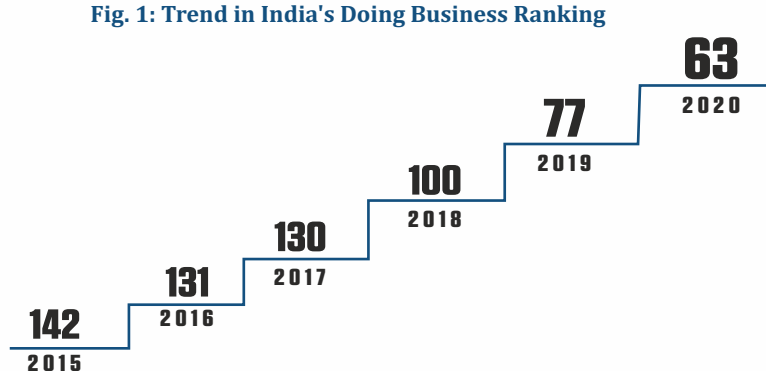
India has shown a commendable improvement in Doing Banking ranking once again. There are several areas in which the country is already among the top 50 economies. While continuing working on ensuring most effective delivery of reforms to industry across various parameters at pan-India level, special focus needs to be given to areas such as Enforcing Contracts and Registering Property, where we still need to go a long way...



Chandrajit Banerjee
Director General
CII

Doing Business Report 2020, released by the World Bank on 24th October 2019, shows India recording an impressive improvement of 14 spots this year to move to the 63rd position (out of 190 economies). This has been the 5th consecutive improvement since 2015, pulling up the country's ranking by 79 positions in just 6 previous years (Fig. 1). India's fast paced consecutive improvement can majorly be attributed to landmark reforms introduced in the following 6 (out of 10) areas: Starting a Business, Trading across Borders, Dealing with Construction Permits, Getting Electricity, Paying Taxes, and Resolving Insolvency.

Fig. 1: Trend in India's Doing Business Ranking



Source: World Bank

Now, in all likelihood, we are set to join the league of top 50 nations by the next round of the Report. The country is already ranked among the top 30 nations in as many as 4 indicators: Protecting Minority Investors (13), Getting Electricity (22), Getting Credit (25), and Dealing with Construction Permits (27). In 2 other indicators - Resolving Insolvency (52), and Trading Across borders (68), we are only at a stone-throw distance of joining the top 50 economies. While it is imperative to further improve

our performance in these indicators, special efforts should be made in the remaining 5 indicators of the Ranking, where we are still placed in the range of 115 to 163 (Table 1).



Table 1 : India's Indicator-wise Ranking

Indicator	DB 2020 Rank	Change in ranking over last year
Overall	63	14
Resolving Insolvency	52	56
Dealing with Construction Permits	27	25
Trading Across Borders	68	12
Registering Property	154	12
Paying Taxes	115	6
Getting Electricity	22	2
Starting a Business	136	1
Enforcing Contracts	163	0
Getting Credit	25	-3
Protecting Minority Investors	13	-6

Source: World Bank

Key Improvers in Doing Business Report 2020

The major pull in the latest year's ranking came from Resolving Insolvency (improving from 108 to 52), Dealing with Construction Permits (from 52 to 27) and Trading across Borders (from 80 to 68). Improvement in the ranking of Resolving Insolvency is primarily linked to growing benefits from the implementation of the Insolvency and Bankruptcy Code (IBC), 2016. The Code, prioritizing resolution of bankruptcy by way of restructuring over liquidation, has provided a fresh lease of life into many insolvent firms, while also balancing the interest of other stakeholders. The Code's emphasis on time-bound resolution, simplification of procedures, and well-defined roles of various stakeholders in the process has helped in the recovery

rate moving up to 43% (around twice of the previous regime) and the resolution time falling to 300 days (from 4 years earlier). As the Code is still evolving, we should expect continuing improvement in the ranking.

The large push in the ranking of Dealing with Construction Permits this year is majorly a result of the introduction of online single-window clearance system for building and construction related approvals in Delhi and Mumbai - 2 cities considered by the World Bank for preparation of India's ranking. Several other facilitative reform measures were also implemented, which include adoption of Universal Building Code, introduction of decennial liability, and risk-based inspection. These measures have helped in reducing the number of procedures to be adhered to 15 (from 18 last year). We must

“The major pull in the latest year's ranking came from Resolving Insolvency (improving from 108 to 52), Dealing with Construction Permits (from 52 to 27) and Trading across Borders (from 80 to 68)”



continue working on ensuring effective on-ground implementation of reforms and spreading these best practices in other states.

Trading across Borders has started bearing fruits of reforms being undertaken aggressively in the last few years. India's ranking in the indicator has moved up sharply by 78 spots in the previous 2 years alone. Some of the key reforms in this area include the emphasis on paperless customs' clearances, higher facilitation through Risk Management System (RMS), Direct Port Delivery (DPD) for importers, Direct Port Entry (DPE) for exporters, and growing popularity of the Authorized Economic Operator (AEO) scheme, which have all been supporting reduction in dwell time as well as costs.

Low hanging fruits

Paying Taxes (115) and Starting a Business (136) are the two areas, which have so far not been able to fully reflect the reforms process underway. With further refinement in the regulatory process and resolution of some last-mile pending issues, these indicators have the potential to deliver sharp improvement in their individual rankings next year.

In Paying Taxes, for instance, the government has recently reduced

“We must sustain the reform momentum and ensure that they deliver the fullest benefits to industry at pan-India level.”

the number of annual filings from 3 to 2, increased the exemptions threshold for GST for small businesses from Rs 20 lakh to Rs 40 lakh, reduced the corporate tax rate to 25% for companies with turnover upto Rs 250 crore. Further, implementation of GST and growing digitization of tax compliances have sharply reduced the burden on businesses. With continuing endeavour of the government to reduce the time and cost of tax compliance, we shall soon be among the top-ranking countries in this indicator too, especially if we could also consider expanding the ambit of GST by bringing in exempted goods and services such petrol, natural gas, electricity and real estate.

In Starting a Business, the government of India has introduced the Simplified Proforma for Incorporating Company Electronically (SPICE) form, which combines five procedures of incorporating a company into just one. Other major reforms in the area include establishment of the Central Registration Centre that provides for incorporation of a company in a single day, making the Common Seal under Companies Act optional, launching of the Shram Suvidha portal (which integrates the registration under labour related laws for EPFO and ESIC into one form), and the relaxation in the Angel Tax for start-ups. With a view to encourage the establishment of start-ups, majority of state governments have started offering clearances, NOCs and Approvals through the online Single Window

System, reducing cost and time for starting a business.

Areas requiring structural reforms

India is doing poorly in the area of Enforcing Contracts (163) and Registering Property (154). Poor ranking in the indicator of Enforcing Contracts is indicative of time-consuming and costly resolution of commercial disputes. As per the Doing Business report, it takes 1,445 days in India to resolve a commercial dispute as against only 164 days in Singapore. We must work towards developing a fast-track mechanism to settle commercial disputes. Some of the desirable measures in this regard include the strengthening of the judicial capacity, promotion of Alternative Dispute Resolution (ADR) mechanism, mandating pre-trial hearings, adopting the latest case management practices and technological tools, and training of dedicated judicial officers.

Similarly, poor ranking in

Registering Property underlines the need for major reforms. Lack of digitization and integration of property records across relevant departments, high stamp duty and time consuming process for land allotment are among the major issues.

With a view to enhance India's performance in Registering Property, rigorous administrative measures are required, especially at the state level. Some key suggestions in this regard include digitizing and integrating the land records across the Sub-Registrar's Office, Land Records Office, and Local Municipality Office; introducing the Geographical Information System (GIS); defining clear timelines for processing applications for land allotment; adopting a model sale deed format for property registration; and enhancing the efficiency of Land Banks.

To sum up, India has come a long way in the Doing Business ranking. The government has truly toiled its way through this remarkable achievement. We must sustain the reform momentum and ensure that they deliver the fullest benefits to industry at pan-India level.



Doing Business 2020

India

Ease of Doing Business in

India



Region	South Asia
Income Category	Lower middle income
Population	1,352,617,328
City Covered	Mumbai, Delhi

DB RANK

63

DB SCORE

71.0

“Authorities in Mumbai and New Delhi made it easier to obtain construction permits by allowing the submission of labor inspector commencement and completion notifications through a single-window clearance system. Starting a business is less costly thanks to abolished filing fees for the SPICe company incorporation form, electronic memorandum of association and articles of association. Exporting and importing is also easier following the integration of several government agencies into an online system and the upgrading of port equipment and infrastructure. India's achievements this year build on a sustained multi-year reform effort. Since 2003/04, India has implemented 48 reforms captured by Doing Business. The most improved business regulatory areas have been starting a business, dealing with construction permits and resolving insolvency.” World Bank

Where India Stands on Doing Business Indicators

Starting a Business (rank)	136	Getting Credit (rank)	25	Trading across Borders (rank)	68
Score of starting a business (0-100)	81.6	Score of getting credit (0-100)	80.0	Score of trading across borders (0-100)	82.5
Procedures (number)	10	Strength of legal rights index (0-12)	9	Time to export	
Time (days)	18	Depth of credit information index (0-8)	7	Documentary compliance (hours)	12
Cost (number)	7.2	Credit registry coverage (% of adults)	0.0	Border compliance (hours)	52
Paid-in min. capital (% of income per capita)	0.0	Credit bureau coverage (% of adults)	63.1	Cost to export	
				Documentary compliance (USD)	58
Dealing with Construction Permits (rank)	27	Protecting Minority Investors (rank)	13	Border compliance (USD)	212
Score of dealing with construction permits (0-100)	78.7	Score of protecting minority investors (0-100)	80.0	Time to export	
Procedures (number)	15	Extent of disclosure index (0-10)	8.0	Documentary compliance (hours)	20
Time (days)	106	Extent of director liability index (0-10)	7.0	Border compliance (hours)	65
Cost (% of warehouse value)	4.0	Ease of shareholder suits index (0-10)	7.0	Cost to export	
Building quality control index (0-15)	14.5	Extent of shareholder rights index (0-6)	6.0	Documentary compliance (USD)	100
		Extent of ownership and control index (0-7)	6.0	Border compliance (USD)	266
Getting Electricity (rank)	22	Extent of corporate transparency index (0-7)	6.0		
Score of getting electricity (0-100)	89.4			Enforcing Contracts (rank)	163
Procedures (number)	4	Paying Taxes (rank)	115	Score of enforcing contracts (0-100)	41.2
Time (days)	53	Score of paying taxes (0-100)	67.6	Time (days)	1,445
Cost (% of income per capita)	28.6	Payments (number per year)	11	Cost (% of claim value)	31.0
Reliability of supply and transparency of tariff index (0-8)	6	Time (hours per year)	252	Quality of judicial processes index (0-18)	10.5
		Total tax and contribution rate (% of profit)	49.7		
Registering Property (rank)	154	Postfiling index (0-100)	49.3	Resolving Insolvency (rank)	52
Score of registering property (0-100)	47.6			Score of resolving insolvency (0-100)	62.0
Procedures (number)	9			Recovery rate (cents on the dollar)	71.6
Time (days)	58			Time (years)	1.6
Cost (% of property value)	7.8			Cost (% of estate)	9.0
Quality of the land administration index (0-30)	10.8			Outcome (0 as piecemeal sale and 1 as going concern)	1
				Strength of insolvency framework index (0-16)	7.5

Source: World Bank



Ease of Doing Business in India – Focus areas and CII's key initiatives

Business environment in the country has been improving consistently. There are, however, some gaps that need to be bridged. CII remains committed to work with the government in bridging such gaps in implementation of business reforms...



Piruz Khambatta

Chairman & MD, Rasna Pvt. Ltd. and
Chairman, CII Task Force on EoDB

Over the years, the investment climate in India has witnessed a sea change with the government undertaking significant measures to transform the regulatory landscape for businesses in the country. Several path-breaking reforms have been introduced by the government, including the Goods and Services Tax (GST) and the Insolvency and Bankruptcy Code (IBC), 2016. Emphasis of the government has been to reduce the regulatory time and costs of compliances for businesses by leveraging on technology and rationalization of rules and procedures. With a view to ensure

that business reforms reach out to all nooks and corners of the country, the government of India, (DPIIT) through its regular ranking of states / UTs, has instilled the spirit of competitive federalism, which is only growing with the passage of time.

The impact of these measures is for everyone to see. India's rank in the Doing Business Report of the World Bank has improved sharply from the 142nd position in 2015 to the 63rd position now (out of 190 countries). The country is among the top 30 nations in the following 4 (out of 10) indicators - Protecting Minority Investors, Getting Electricity, Getting Credit, and Dealing with Construction Permits. In the next 2 indicators - Resolving Insolvency and Trading across Borders - India ranks among the top 70 economies.

We, however, rank poorly in the range of 115 to 163 in the rest of the 4 indicators - Paying Taxes, Starting a Business, Registering Property and Enforcing Contracts.

Key focus areas of CII EoDB for 2019/20

Ensuring effective implementation of business reforms

Working under the Business Reform Action Plan (BRAP) of DPIIT, States / UTs have been introducing business reforms at a rapid pace. In certain cases, however, it is found that the reforms are not effectively implemented at the ground level, undermining the benefits to the industry. CII has been endeavoring to identify and bridge such gaps for effective implementation of business reforms.

“In certain cases, however, it is found that the reforms are not effectively implemented at the ground level, undermining the benefits to the industry”

Decriminalization of Laws

It is important that the laws are not unnecessarily criminalized; instead hefty penalties and compounding can be prescribed based on the gravity of the offence, which may be applicable from retrospective effect to allow for withdrawal / compounding of cases in the courts. This should, however, not be done for genuine criminal offences (where grievous injury is caused) and cases involving habitual offenders.

Extension of Legacy Scheme to VAT

The Sabka Vishwas Legacy Dispute Resolution Scheme, announced by the government of India in the Union Budget 2019-20, allows tax payers to close their pending disputes relating to legacy service tax and central excise cases, which is a welcome move. The government may consider extending the scheme to VAT as well across states.

Repealing Archaic Laws

There are several outdated laws which the industry still needs to comply with. These laws are archaic and should be amended / abolished to ease the business environment. Examples of such laws include the Essential Commodity Act, and the Packaging Commodity order (PCO).

Implementation of District Level BRAP Reforms

There are numerous elements of business environment that pertain to the district level administration. While it is important to streamline reforms at the Centre and state levels, it is equally vital that the district level delivery of reforms is as efficient. The DPIIT, Ministry of Commerce and Industry, has finalized the Reforms Action Plan for districts, which identifies important government services that are delivered through district administration and provides suitable recommendations on the

“The Government, especially at state levels, should take proactive measures for simplifying compliance burden for labour laws.”

same. The states must ensure their proactive and effective implementation.

Reducing Labour Compliances

The Government, especially at state levels, should take proactive measures for simplifying compliance burden for labour laws. Currently, only a few states have integrated with the Centre's Shram Suvidha Portal. Other State Governments must also come on board and align with the portal for ensuring transparent enforcement of labour laws. Further, in order to reduce labour compliance burden on small businesses, the threshold limits for applicability of Industrial Disputes Act, 1947; Contract Labour (Regulation & Abolition) Act, 1970; and Factories Act, 1948, need to be increased, following in line with states like MP, Rajasthan, Gujarat, etc.

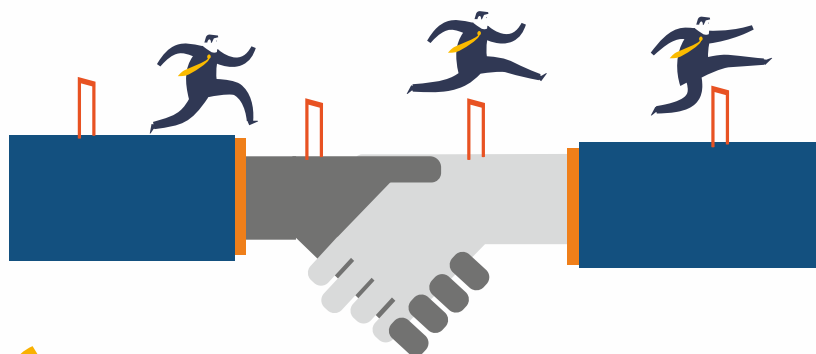
Easing Environment Compliance

Cumbersome environment registration process continues to be an area of concern for the industry. There are several measures that need to be initiated. First, the criterion for classification of industries under the Pollution

Control Board as green, orange and red needs to be looked into. Many industries including the food processing sector, which can be green, are classified under orange, leading to unnecessary delays. Second, each state should notify the white category industries in their state and exempt them from select environmental clearances. Third, all states must provide for the policy for auto-renewal of CTE / CTO after 5 years or more, based on self-certification/third party certification.

Strengthening the Dispute Resolution Mechanism

India ranks poorly at 163rd position in Enforcing Contracts, reflecting high cost and long delays involved with resolution of commercial disputes. To address the issue of slow dispute resolution, the following initiatives can be taken: (i) States need to work towards developing a strong e-court system to facilitate a paperless court system; (ii) Government must build capacity of the judicial staff in dealing with commercial disputes and allocate higher number of judges for resolving commercial



“While it is important to streamline reforms at the Centre and state levels, it is equally vital that the district level delivery of reforms is as efficient.”

disputes; (iii) State governments should ensure availability of adequate infrastructural facilities in commercial courts; (iv) Alternative Dispute Resolution (ADR) should be strengthened by increasing the capacity and efficiency of mechanism, such as arbitration and mediation and; (v) Sector-wise model contract templates must be developed, and states should be encouraged to use them.

Simplifying Land Acquisition and Property Registration

Procurement of land for industrial purposes has been a cumbersome and costly process. Several state governments have been working assiduously to ease the process of land procurement by measures such as the introduction of GIS, Land Banks, and digitization of land records. There is a need to extend such reforms at pan-India level, ensuring maximum delivery at the ground level. Further, there is also a need for integration of the land records across the Sub-Registrar's Office, Land Records Office and Local Municipality Office across states.

Rationalizing the Inspection Mechanism

Repeated and numerous inspections conducted by several regulatory authorities round the year pose heavy compliance and time costs for businesses. To rationalize the inspection mechanism, CII has suggested the following measures: (i) All states should develop online Central Inspection System by bringing on board all relevant departments (like fire, lift, electricity, labour, PCB, Boilers, etc). Only a few states have so far done this effectively and their online coverage of departments is extremely limited; (ii) Self-certifications must be allowed by all states for low-risk

industries, and third-party certification can be introduced for all medium-risk industries and; (iii) A practice of synchronized joint inspections by various departments must be encouraged.

In sum, the government has been assiduously introducing a range of policy reforms in the realm of doing business, which have started yielding results for the industry. Transaction costs are coming down and the business procedures are becoming more investor friendly. Given that there is still a long way to cover before our business environment becomes at par with the best in the world, it is important that we continue sustaining our efforts tirelessly. CII, in partnership with the government, will continue to work on pending areas of business reforms and provide its regular feedback to policy makers, at both Central as well as state levels.

Some Recent CII Initiatives on EoDB

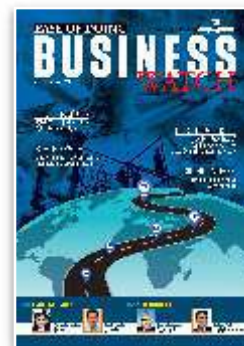
CII, under the aegis of its Task Force on Ease of Doing Business, has been working closely with Central and state governments to improve the business climate in the country. Through our surveys, meetings, and conferences, we collect regular feedback from the businesses on the impact as well as pending areas of reforms. The findings, in the form of reports, representations and periodicals, are taken up with the relevant authorities for consideration. Further, when business reforms are being introduced at a rapid pace, it becomes crucial that industry gets to know about them clearly and provides their feedback on the same to policy makers. We

have been pro-actively involved in this area as well at a pan-India level.

Here are some of our major initiatives on EoDB in recent times:

EoDB Watch - Periodical

The Watch captures the recent developments and policy initiatives implemented by central and state governments and provides industry perspective on business reforms



and best practices at the national and international level in the EoDB space.

Report on Cross Border and Personal Insolvency

CII, in partnership with the British High Commission (New Delhi) and AZB Partners, undertook a detailed study on Cross-Border and Personal Insolvency Laws in India, identifying the key challenges and setting roadmap for their implementation. The study was supported by the



CII, under the aegis of its Task Force on Ease of Doing Business, has been working closely with Central and state governments to improve the business climate in the country.

Foreign Commonwealth Office (FCO).

Report on 'Trade Facilitation Reforms in India - Progress & Way Forward'

CII has been bringing out a Report on 'Trade Facilitation Reforms in India' annually. The latest Report highlights various trade facilitation initiatives undertaken by the government of India and makes



suggestions for further improvement in key areas like Risk Management System (RMS), Authorized Economic Operator (AEO) Programme, and Direct Port Delivery (DPD).

Report on 'MNCs in India - Creating Mutual Value'

As a part of its endeavour to create a conducive investment climate, CII has launched the periodic report on MNCs in India. It highlights a few major contributions of foreign companies in India in both eco-



nomical and social spheres and also underlines the need for further improvement in the policy environment for MNCs.

Series of National Conferences on Resolving Insolvency in India

CII has been organizing conferences in the area of Resolving Insolvency by creating awareness about recent developments and highlighting pending areas of reforms.

In the latest national conference on Resolving Insolvency in India organized on 11th November 2019 in New Delhi, Dr M S Sahoo, Chairman, Insolvency and Bankruptcy Board of India (IBBI) stated that "IBC is a dynamic law, which is evolving to meet emerging needs of the stakeholders to further the objec-



tive of the code. The Code has passed the Constitutional muster and with every challenge, it has come out with stronger roots."

Series of Conferences on Trade Facilitation in India

In order to create a business friendly trading ecosystem, CII has been organizing conferences, seminars and workshops on trade facilitation.

The recently organized day-long conference on AEO programme on 23rd August 2019 in Mumbai aimed to create awareness about the AEO scheme in the context of the WCO's SAFE Framework and TFA, validation and accreditation process of AEO application, benefits of the programme, and experiences of the AEO users.

Interaction with DPIIT for Promoting Exports via e-commerce

CII organized half-a-day interactive Session of industry with Mr Shailendra Singh, Additional Secretary, DPIIT, on promoting Exports by leveraging on e-commerce platforms on 29th May 2019 in New Delhi. Based on the feedback emerging from the interaction, DPIIT is preparing action points for the relevant departments of the government, including Commerce, Customs, Postal Services and Banking.

Capacity building Workshops

We have been involved in organizing conferences on various indicators of



ease of doing business, including Resolving Insolvency. We organized a two-day training workshop on Cross-border and Personal Insolvency on 26th and 27th March, 2019, in New Delhi, for key stakeholders, including officials from IBBI, MCA, lawyers, and insolvency professionals.





Construction Permit Enablers in India

India's global ranking in 'Dealing with construction permits' has improved remarkably by 158 positions in just last 3 years. We must continue with the reform momentum; implementing global best practices, ensuring maximum realization of benefits to targeted stakeholders and spreading the reforms at pan-India level...



Neel Raheja

Group President, K Raheja Corp and
Member, CII Task Force on EoDB

Construction sector, which has numerous forward and backward linkages with the rest of the sectors, plays a crucial role in the overall growth and development of an economy. It is, therefore, important to ensure that the sector maintains a healthy pace of expansion, especially at a time when we need acceleration in the growth momentum of the economy. A wide range of policy measures are in place to help the sector from both demand and supply sides. Demand-side measures include reduction in borrowing costs, larger credit support to NBFCs, and emphasis on affordable housing and 'Housing for All' under the Pradhan Mantri Awas Yojana. Supply-side measures are in the form of faster clearances of

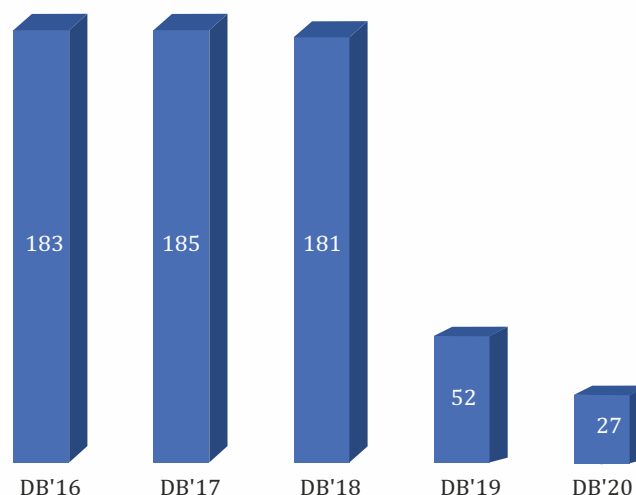
construction projects, release of locked-up assets in disputes and improvement in the regulatory environment for construction permits.

The present article is an attempt to understand India's regulatory environment in the construction sector and what can possibly be done to ease the supply-side constraints.

Construction Permits - India's regulatory environment

The latest Doing Business report (2020) of the World Bank (WB) shows India leapfrogging to the 27th rank (out of 190 economies) in 'Dealing with Construction Permits' from a level of 185th rank in the 2017 report (Fig. 1). This is a truly

Fig. 1: Trend in India's rank in Dealing with Construction Permits



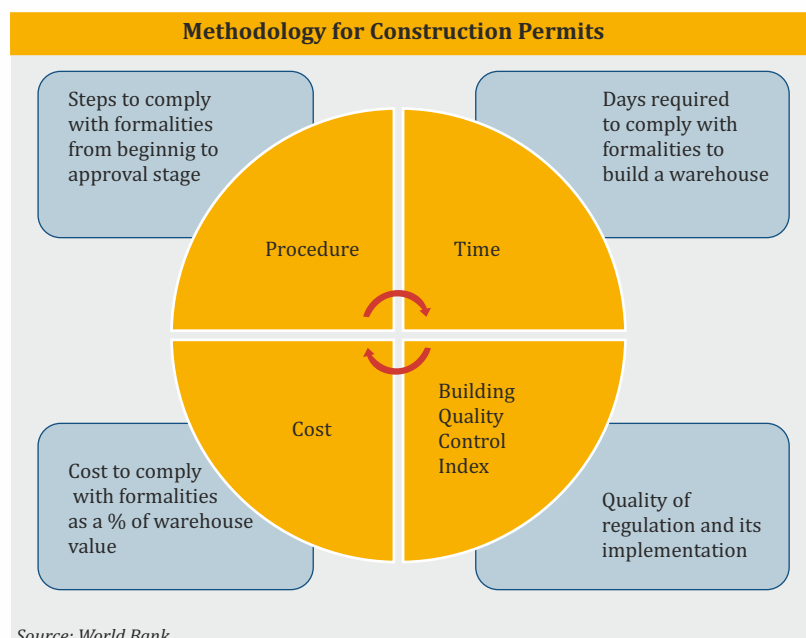
Source: World Bank

remarkable and commendable achievement for the country!

The historical improvement of 158 places in India's rank in 'Dealing with Construction Permits' in just a matter of 3 years can be attributed to a number of regulatory reforms that have been introduced in Delhi and Mumbai, including the introduction of an Online Building Plan Approval System and Common Application Form (CAF) for the online submission of applications/notifications as well as the receipt of NOCs from relevant departments. Other reform measures include introduction of Uniform Building Code/By-laws, risk-based classification for approvals, fast-track approval of building plans, and adherence to timelines, which have not only led to a reduction in the number of procedures, time and cost of obtaining construction permits but also improved India's score on the Business Quality Control Index.

In Delhi and Mumbai - 2 cities considered in the WB ranking - time taken to obtain a construction permit has reduced from 157.5 days and 128.5 days in DB 2018 to 113.5 days and 98 days in DB 2020, respectively. Number of procedures have also come down from 24 and 37 in DB 2018 to 11 and 19 in DB 2020 in Delhi and Mumbai (Table. 1).

It should be noted that while the World Bank ranking provides a good idea of a country's regulatory environment, it may not be taken as a true representative of all states in a



country of the size and diversity of India.

Enforcement of regulations in construction permits remains complex and asymmetric in India which needs to be simplified and standardised to the extent possible for the benefit of all stakeholders. The complexity becomes especially evident when a comparison is drawn with some of the most efficient countries in the world.

The costs of obtaining construction permits in Delhi and Mumbai, for instance, are 2.8% and 5.4% of the value of the warehouse assumed to be constructed (according to World Bank), compared to only 0.3% in Hong Kong and 1.1% in the UK. While there have been several initiatives to reduce the number of procedures and time to streamline the construction permits in India, additional focus to reduce the money cost would be welcome.

Major Reforms in Delhi & Mumbai	
■	Implemented Universal Building Code/By-laws and made them easily accessible online
■	Improved building quality control index through decennial liability/insurance, risk based inspection and strict qualification requirements
■	Common Application Form & Online Building Plan Approval System
■	Eliminated requirement of multiple inspections by introducing a single joint inspection
■	Requirement of submitting notarized certificates or affidavits for building-plan approval replaced with e-undertaking

Improvement in Construction Permits Enablers (DB' 18 vs DB' 20)	
Delhi	Mumbai
● Number of procedures reduced from 24 to 11	● Number of procedures reduced from 37 to 19
● Time reduced from 157.5 to 113.5 days	● Time reduced from 128.5 to 98 days
● Building quality control index improved from 11 to 15	● Building quality control index improved from 12 to 14

Source: World Bank

Table 1 - India vis-à-vis top performing countries

	India		Hong Kong	Singapore	UK
	Delhi	Mumbai			
No. of Procedures	11	19	8	9	9
Time (days)	113.5	98	69	35.5	86
Cost	2.8%	5.4%	0.3%	3.3	1.1
BQC Index (0-15)	15	14	15	13	9
Construction Permits Rank	27		1	5	23

Source: World Bank

Similarly, time taken to obtain construction permits in India is between 98 -114 days, much higher than 35.5 days in Singapore. This can be linked to voluminous procedures attached with obtaining construction permits in the country. There are 11-19 procedures in India for construction permits as compared to only around 9 procedures in countries like Hong Kong, UK and Singapore. Such a large number of procedures lead to delays in decisions from the government authorities and overshooting of deadlines for delivery of projects.

Learning from some key global best practices

It may be worthwhile to explore learning from some other countries,

which are doing well in the Dealing with Construction Permits indicator. Here are some best practices, which may be considered for adoption.

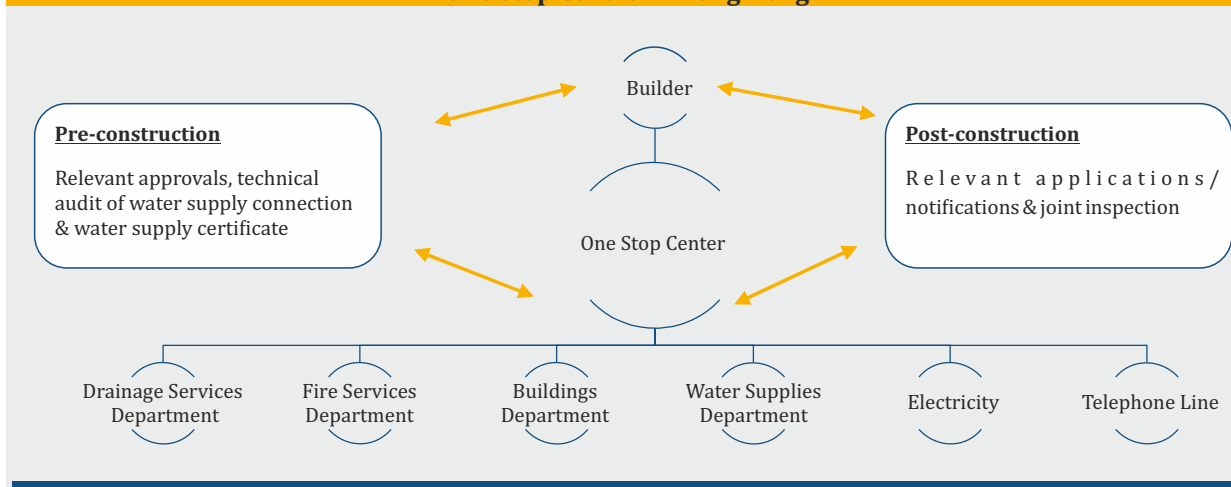
One-Stop Center

In India, inspections are conducted separately by various departments, adding to delays in getting permits, even though Maharashtra has

mandated the departments to coordinate a joint-site inspection for approval of building-plan. An officer from Planning/Engineering section is tasked to coordinate the joint inspections. While it is a welcome move, joint-site inspection is problematic in the absence of an exclusive coordinating body for the purpose.



One Stop Centre in Hong Kong



A One-Stop Center, similar to the one in Hong Kong (also in Taiwan and Malaysia), can help address this issue. The Center in Hong Kong brings together 6 local departments and two private utility companies (telephone line and electricity supply) under one roof. This centralized office eliminates the need to apply for inspections separately and improves coordination among the concerned departments. One-Stop Centre allows obtaining the following certificates jointly after the final inspection: (a) Fire Services Certificate, (b) Occupation Permit, (c) Certificate of Compliance, and (d) Water Supply Certificate. If implemented in India, this could further lead to a significant ease in obtaining construction permits.

Greater reliance on specialized software

There is scope for placing higher reliance on technology for cutting down processes and procedures for construction permits. Success of information technology solutions like Business Information Modeling (BIM) in countries such as Singapore and Australia provides a strong case for their consideration in India. The BIM software provides a platform to store important project related data digitally in the form of a 3-dimensional representation of the building design along with its hidden specifications. The Design Check program implemented in Australia is capable of automating the verification of building code compliance. Basic code compliance tests can be conducted automatically through the software. This data can then be directly sent to the Building Authorities, thereby allowing those in charge of code compliance to focus on high risk aspects.

Singapore's online building

Building Information Modeling (BIM) in Singapore & Australia

- a. BIM softwares like AutoCAD & DesignCheck manage essential project data in digital format. In its simplest form, it is a three-dimensional representation of the building and its specification details
- b. Singapore's e-permitting system, CORENET, is the world's leading web-based platforms for processing construction permits.
- c. Singapore's Building & Construction Authority trains private building practitioners & provide technical guidance
- d. The DesignCheck program implemented in Australia provides an automated code checking tool

approval platform, CORENET, is a leading example of how technology can improve not just the agility but also the quality of construction approvals. Singapore's Building Control Department also undertook

the mammoth task of providing training and technical support to both public and private sector stakeholders.

Allowing Private sector as a third-party regulator

Another potential area for India could be to allow third party in construction regulations. Initially adopted by high income economies, like Australia, Japan and the United Kingdom, this model of competitive public and private third-party reviews is slowly but surely gaining traction in lower and upper income economies. In the UK, builders are free to choose between local authorities and approved third-party inspectors, who often also provide expert advice on other aspects of construction, such as fire safety. This innovative practice has generated a competitive spirit among the public sector regulators, encouraging local authorities to drive down their costs and adopt a more client-oriented approach to maintain their revenue generation.

Local bodies in the UK now perform



Approved third party inspector in UK

- System of competitive private and public-sector third party review
- If a private inspection firm is hired, only one procedure is recorded for the firm in DB report of the WB
- Some third party agencies also provide expert design advice on matters such as fire services

two key functions: (i) filing approved inspector's inspection reports & documents, and (ii) serving as an option when an approved inspector is not available. For safety purposes, the Approved Inspector program is supplemented by a mandatory requirement to carry decennial liability and insurance. It should be noted that if a private inspection firm is hired, then only one procedure is recorded for the builder, which helps in securing

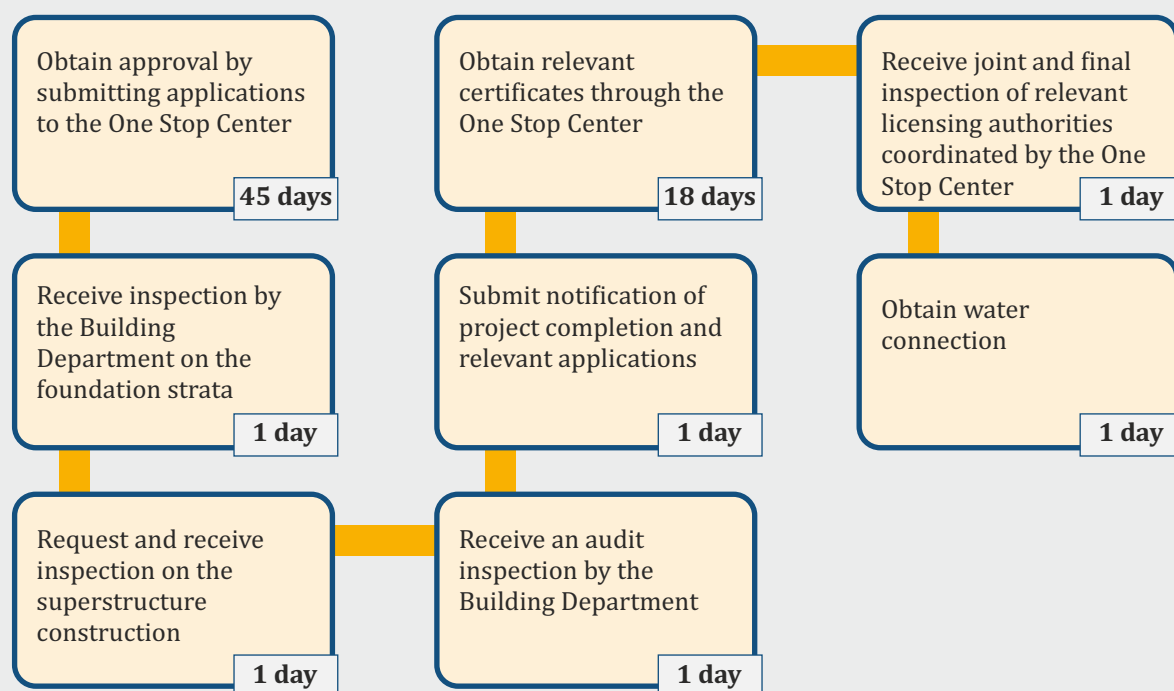
a higher score in WB ranking. This may explain why only 9 procedures are required in the UK, as compared to 11-19 in India.

Conclusion

India, led by Mumbai and Delhi, has been making strong efforts to rationalize processes and procedures for dealing with construction permits, thereby, streamlining regulatory compliances. While reform measures have started

delivering results at the ground level, there is still a lot that can be done to further reduce the regulatory burden in construction permits. We will do well to learn from some best practices followed by countries like Hong Kong, Singapore, UK, and Australia to make the system more robust. It would also be important to monitor the effectiveness of the implemented reforms and ensure that reforms are introduced at pan-India level.

Dealing with Construction Permits in Hong Kong (Rank -1): Procedure & Time



Source : World Bank



Insolvency and Bankruptcy Code Amendment Bill, 2019 – Key highlights & impact on industry

The Insolvency and Bankruptcy Code Amendment Bill, 2019 has closed the loop on several contentious issues such as low recovery rates and delays in the resolution process for companies. The amendment will be known as an example of swift action on part of the legislature in protecting the basic tenets of the law...



Bahram N Vakil

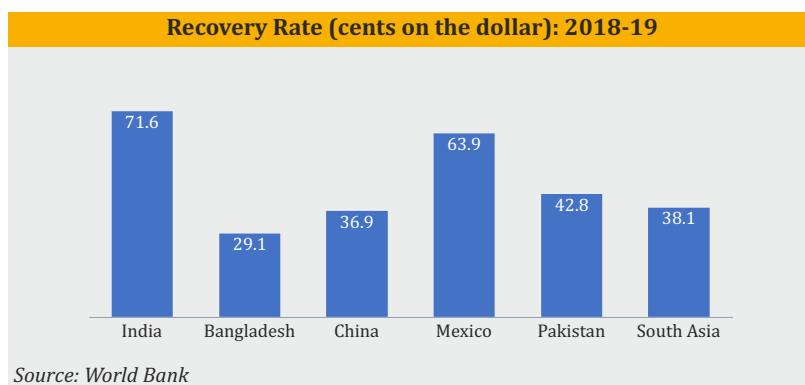
Founder & Senior Partner, AZB & Partners
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Suharsh Sinha

Partner
AZB & Partners

The Insolvency and Bankruptcy Code (IBC), introduced by the government of India in 2016, has played a pivotal role in revolutionizing the bankruptcy regime in the country. The effectiveness of the Code can be validated by the fact that while institutional mechanisms, such as

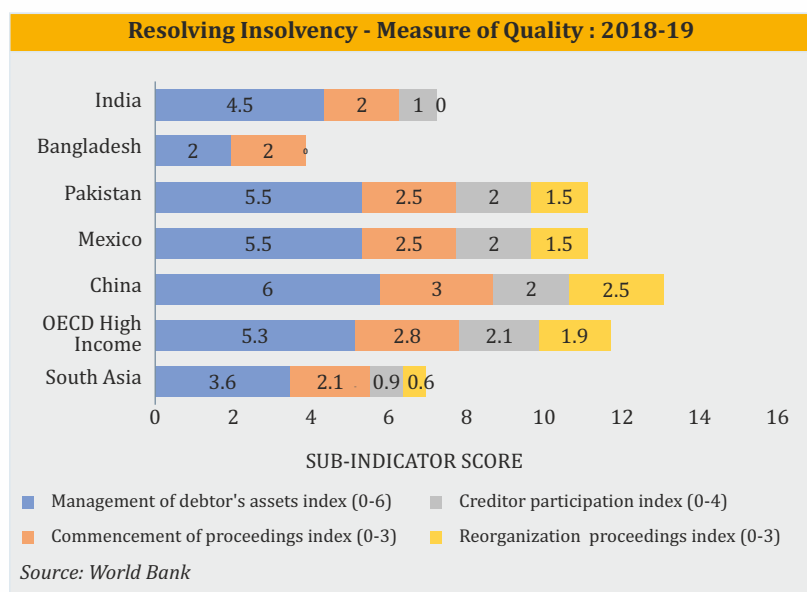


Lok Adalat, Debt Recovery Tribunal, and SARFAESI Act have resulted in an average recovery of only 23% to lenders, the IBC has yielded a recovery rate of 43% (Economic Survey, 2019).

While IBC, 2016 has proved to be a game changer by reducing the time taken for winding up of companies, releasing Non-Performing Assets

(NPAs), and contributing towards the overall improvement in the investment climate, it is still evolving. Each of its key elements has faced judicial scrutiny, right from timelines and categorisation of creditors to the role of the Committee of Creditors (CoCs) and tribunals. However, the fundamental tenets of the IBC have been

“The fundamental tenets of the IBC have been upheld by the Courts owing to its strong foundation and the research-based amendments.”



upheld by the Courts owing to its strong foundation and the research-based amendments. While dealing with the new issues sprouting over a large number of corporate insolvency resolution processes, the Code has evolved in words, perceptions as well as interpretations, yet the spirit of the law has only been reinforced.

The most recent example of ensuring that the vital elements of the Code continue to exist as contemplated by the architects of the law is the Insolvency and Bankruptcy Code (Amendment) Act, 2019 ("2019 Amendment"). This amendment of the IBC primarily reaffirms the importance of timely resolution of firms and of protection of interests of all stakeholders. It further provides flexibility to resolution applicants in terms of devising means of resolving distressed companies and provides clarity on the voting process when dealing with a class of creditors in the Committee of Creditors (CoC).

In this article, we highlight the key features of the 2019 Amendment and provide an overview of its implications on the market.

Key Features of the IBC (Amendment) Act, 2019

Enhanced Timeline for Corporate Insolvency Resolution Process

Expeditious resolution of firms was a vital element of the 2016 insolvency reform. However, the mandatory nature of timelines specified in the Code was diluted over time. Increasing litigation in the IBC regime and a dire need for capacity building at the National Company Law Tribunals ("NCLTs") were the driving forces leading to delays in timelines. To deal with this issue and revive the true intent of the IBC, the legislature has increased the timeline for resolution of firms from 270 days to a period of 330 days to take into account any intervening litigation proceedings. It has then gone a step further and specifically used the word 'mandatorily' in the Section, specifying timelines to keep all doubts and loopholes at bay.

Time-bound Disposal of the Resolution Application

With respect to the admission timelines, it seeks the recording of reasons when petitions under the

IBC are not admitted / rejected within the stipulated period of 14 days. The move comes in the light of recent additions to members and benches of the NCLTs, which should act as a catalyst in ensuring speedy resolution. It is also likely to mitigate frivolous litigations and multiple adjournments in IBC cases.

Distributions under the Resolution Plan

In terms of protection of interests of all stakeholders in the IBC process, the amendment provides for specific payment requirements in resolution plans for dealing with claims of operational creditors, dissenting financial creditors and secured creditors. When dealing with the interests of operational creditors, the 2019 Amendment provides for payment of amounts which must not be less than the higher of: (a) the value which would have been payable to such creditors on liquidation of the corporate debtor; or (b) the amount such operational creditors would have received if the resolution amount was distributed in accordance with the priority specified in the liquidation waterfall under section 53 of the Code.

Thereafter, for financial creditors who do not approve the successful resolution plan, the amendment provides for the payment of amounts which must not be less than the value which would have been payable to such creditors in case of liquidation. The amendment has also clarified that these two provisions shall have retrospective



effect on all pending proceedings. A further bone of contention in most IBC proceedings has been the treatment of inter se priority rights among secured creditors. While the position in liquidation proceedings was clarified by the Insolvency Law Committee (ILC) in its report of March 2018, there was uncertainty as to the protection of such rights in resolution. The 2019 Amendment, while clarifying this, has stated that resolution plans may take into account the order of priority amongst secured creditors as well as the value of their security interest.

Voting by an Authorised Representative on Behalf of Certain Classes of Financial Creditors

Another challenge in the IBC proceedings was the clarity on the process of voting when the Committee of Creditors includes a class of creditors or holders of bonds, debentures, etc. Thus far, voting by an authorised representative on behalf of such creditors was provided to be on a pass-through basis - and the representative was required to vote on behalf of the financial creditors to the extent of the financial debt held by each financial creditor. The 2019 Amendment clarifies that an authorized representative (including a trustee, agent etc.) shall vote on behalf of all creditors represented by her as per the decision of more than 50% of the creditors who have cast their votes. Such majority vote within a class of creditors will be counted as a 100% vote from that class of creditors in favour or against a voting item. Not only will this provision encourage increased participation in the voting process but will also provide clarity to an authorised representative tasked with aggregation of votes in case of a class of creditors who are large in number. The amendment will be

“The Amendment clarifies that the resolution plan may adopt means such as merger, demerger and amalgamation for restructuring of the corporate debtor.”

especially beneficial when dealing with the interests of home buyers who have so far not been very active participants in the Committee of Creditors.

Comprehensive Corporate Restructuring through Merger, Amalgamation and Demerger under a Resolution Plan

To widen the scope of means and proposals for resolution, the 2019 Amendment clarifies that the resolution plan may adopt means such as merger, demerger and amalgamation for restructuring of the corporate debtor. In the past, there was difference in views in the market as to whether a resolution plan could provide for such means owing to the requirement in the IBC that a resolution plan must provide for resolution of the corporate as a going concern. This flexibility in resolution is likely to incentivise wider participation in resolution processes and better chances of resolution of firms. This may pave the path for bespoke resolutions which deal with hiving off of assets or sale of distinct verticals of the corporate debtor in case acquisition of the entire company is not lucrative.

Conclusion

The aforementioned key amendments have closed the loop on several contentious issues. The amendments will also be known as an example of swift action on the part of the legislature in protecting the basic tenets of the law.

The first week of July 2019 saw an order of the National Company Law Appellate Tribunal (NCLAT) in the case of Essar Steel Limited which departed from widely accepted

market norms when dealing with some of the issues discussed above. The Ministry of Finance is quoted to have initiated the 2019 Amendment to deal with the implications of this order of the appellate tribunal. The Bill proposing the 2019 Amendment was introduced in the Rajya Sabha on July 24, 2019, and was passed by both the Houses of Parliament by August 8, 2019 and has been notified with effect from August 16, 2019. Interactions with market participants have shown that this promptness of the legislature and the corresponding amendments have been welcomed in the market, especially by foreign investors. Foreign investors had started focussing on the Indian distressed asset market only post the enactment of the IBC. Such prompt action on the part of the legislature to ensure certainty of the law is seen most favourably by such market participants.

In sum, the Insolvency and Bankruptcy Code (Amendment) Act, 2019 is a welcome step for facilitating revival of corporate debtors by ensuring resolution of cases in a time bound manner and upholding the Code's spirit of providing a fair and equitable treatment to all stakeholders. This legislative reform will indeed help boost the investors' confidence by reducing the level of distressed debt in the country.





Business Reforms at District Level – A breakthrough initiative

After the successful implementation of BRAP reforms, DPIIT is now implementing business reforms in the sphere of district administration. This new initiative would help in the last mile delivery of business reforms...



Rishi Bagla

Director, OMR Bagla and
Member CII Task Force on EoDB

In line with the Business Reform Action Plan (BRAP) at the state level, the Department for Promotion of Industry and Internal Trade (DPIIT), Government of India, is issuing a list of business reforms to be implemented at the district level. The DPIIT has identified an exhaustive list of reform areas at the district level, whose implementation would make a significant improvement in doing business environment in the country by making it easier for businesses to obtain approvals, licenses, NOCs, and renewals from the district administration (Table 1). This is going to be done by promoting the use of technology for various business compliance procedures.

DPIIT recommends the time bound online facility of obtaining information, application submission, access to tracking status, obtaining approval, making payments, recording grievances (if any), and minimizing physical touch-points of the applicants with the government authorities.

The district level reforms are to cover the following broad key areas: (i) Starting a business; (ii) Urban local body services; (iii) Land reform enabler; (iv) Land administration and property registration enablers; (v) Obtaining approval for construction; (vi) Paying taxes; (vii) Miscellaneous; and (viii) Grievance redressal / paperless courts and law & order.

DPIIT has recommended state / UTs to create web portals, online systems, mandate timelines, and eliminate touch points between the applicant and the department / agency. The portal may be a department portal or the state Single Window System and not necessarily a district specific portal. Based on the responses of the districts, the state would prepare score and ranking of the districts and put the results in the public domain.

This is undoubtedly a remarkable initiative of the DPIIT. In line with the implementation of BRAP at the state level, DPIIT has now decided to extend the exercise to the district level of administration. This, hence,

“DPIIT has recommended state / UTs to create web portals, online systems, mandate timelines, and eliminate touchpoints between the applicant and the department / agency. The portal may be a department portal or the state Single Window System and not necessarily a district specific portal.”

The district level reforms cover the following broad key areas

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- (ii) Urban-local body services
- (iii) Land reform enablers
- (iv) Land administration and property registration enablers
- (v) Obtaining approval for construction
- (vi) Paying taxes
- (vii) Grievance redressal / paperless courts and law & order.
- (viii) Miscellaneous

helps in completing the supply chain in provision of a conducive business environment, running from the Centre to the local level of administration. Not very often one finds an initiative like this, which tracks the delivery of reforms till the last mile of destination in an objective and quantifiable manner.

District level reforms, besides providing a checklist for the districts to plan actions, would promote competitive spirits among the peers to perform better than others. We saw how state/UTs started working aggressively after implementation of BRAP to keep themselves ahead of others in the ranking, which saw several even laggard states emerging rapidly at the top of the ranking. Now similar pressure will build on districts to implement reforms, which would benefit all stakeholders.

Implementation of the district level reforms is expected to do even better than the success of BRAP reforms at the state level. In case of BRAP, the Centre (DPIIT) only suggests a set of reforms to the states, and the states, enjoying federal autonomy, are under no direct compulsion to implement those reforms. In case of district

level reform, however, the direction would come from the higher authority in the same government and the districts would take it more seriously. If any district is ranked poorly, it would have to answer the higher authority in the same government.

There is, in fact, a scope for developing a mechanism for districts to go beyond ensuring ease of doing business only at their end. If approached by businesses for help and clearances at the Central or state government levels, district administration should provide handholding to them in a transparent and timely manner. Districts' performance could be assessed on this parameter too.

While the district level reforms offer high potential to deliver benefits, there are at least couple of challenges that would need to be addressed. First, many districts may find it difficult to implement reforms, without the necessary

support from the relevant experts. The states would need to create a help desk, possibly in partnership with the industry, to provide such support promptly. States should first focus their attention on creating a few model districts in select locations, which could later on provide the handholding to the needy districts.

Second challenge could be with regard to an objective assessment of the implementation of reforms. Since the state will be assessing their own districts, a mechanism would need to be built to ensure that biases in assessment are avoided. Developing an independent and reliable mechanism for generating feedback from industry would be crucial, which would help in ensuring that the reforms claimed to be implemented by districts are not only confined to papers but are benefitting the industry in the intended magnitude.

In sum, this dynamic initiative by DPIIT provides the industry optimism that business procedures would be streamlined and expedited even at the last level of delivery of reforms. The District Level reforms promises to play a pivotal role in not only creating a faster and a more transparent approvals processes from the authorities, but also in promoting competitive as well as cooperative spirit among the districts to improve the business environment.

“Developing an independent and reliable mechanism for generating feedback from industry would be crucial, which would help in ensuring that the reforms claimed to be implemented by districts are not only confined to papers but are benefitting the industry in the intended magnitude.”

Table 1: District Reform Plan

S.no	Office/Department Concerned	Processes with common District Evaluation Criteria ¹
I. Starting a Business		
1	District Registrar, Co-operative Societies	Registration of cooperative societies
2	Public Works Department	Registration of Contractors for works and services
3	Urban Local Body	Trade Licence and Renewal Thereof
II. Urban Local Body Services		
4	Urban Local Body	Obtaining Water Connection
5	Urban Local Body	Obtaining Sewer Connection
6	Urban Local Body / Water Supply Agency	Certificate of non-availability of water from water supply agency
7	District Collector/ District Magistrate	NoC for water abstraction from Central Ground Water Authority/ Relevant Authority
8	Urban Local Body/ Road Owning Agencies	Road Cutting Permission
III. Land Reform Enabler		
10	Sub Registrar Officer/ Stamps and Registration Department	Encumbrance Certificate
11	District Collector/ District Magistrate	Measurement/ Demarcation of Land
12	District Collector/ District Magistrate	Change of Land Use
13	District Collector/ District Magistrate/ Town and Country Planning Officer	Certificate of Land Use
IV. Land Administration and Property Registration Enablers		
14	Sub Registrar Office	Property Registration - Online system
V. Obtaining Approval for Construction		
15	Urban Local Body	Construction Permit - Online System
16	Fire Department/ Urban Local Body	NOC from Fire Department (prior to commencement of construction activities)
VI. Miscellaneous		
18	Legal Meteorology Officer	Certificate for Verification of Weights & Measures and Its Renewal
19	Division Forest Officer/ District Collector / District Magistrate	Certificate of Non-Forest land
20	Division Forest Officer	Letter for Distance from Forest
21	Food Safety Officer	NoC from Municipality or other Local Body for State License for Food Business
22	Municipal Health Officer/ Sanitary Inspector	Health NoC by Municipality/ Panchayat for Food Registration Certificate
23	District Registering Authority	Registration for provisional/ permanent certificate for clinical establishment under Clinical Establishments (Registration and Regulation) Act & its Renewal
24	Chief Medical Officer/ District Appropriate Authority	Registration under PC&PNDT Act, 1994 (Amended, 2003) (For 5 years) & its Renewal
25	District Collector/ District Magistrate	NOC required for setting up of explosives manufacturing, storage, sale, transport

¹ **Common Evaluation Criteria :** a) No manual application to be required; b) No requests for physical copies of documents; c) Application to be disposed off within the stipulated timeline; d) District Authorities (DA) to accept downloaded certificate; e) No requirement to meet DA, unless mandated by law

Contd...		
S.no	Office/Department Concerned	Processes with common District Evaluation Criteria
26	District Collector/ District Magistrate	License for Sale of Crackers
27	District Transport Officer	Transfer of vehicle registration
28	District Transport Officer	Goods Carriage Permit
29	District Transport Officer	Issuing Vehicle Fitness Certificate
30	District Superintendent of Education	Approvals for setting up Hostel
31	District Superintendent of Education	Approval for setting up and operating a Play School
32	District Superintendent of Education	Registration of schools under Right to Education
33	District Superintendent of Education	NoC for setting up CBSE School
34	District Collector/ District Magistrate/ District Mining Office	Mining lease/ Composite License/ Non-exclusive Reconnaissance Permit
35	District Mining Office	Issue of letter of intent in case of fresh lease (for environmental clearance - category B2- Less than 5 acres)
36	District Collector/ District Magistrate	NoC for soil excavation /filling
37	District Collector/ District Magistrate/ Commissioner of Police	Licensing for Auditorium/ Places of Public Amusement / Performance for Public Amusement
38	District Collector/ District Magistrate/ Commissioner of Police	Cinematograph License & License for Screening a Films
39	District Collector Excise	Following licenses/ permits issued by the State Excise Departments
40	District Agriculture Officer	Licenses/authorizations required for sale/ storage of fertilizers under Essential Commodities Act, 1955 (in accordance with Fertilizer Control Order)
41	District Level Officer	Licenses/authorizations required for sale/ storage of commodities (other than fertilizer) under Essential Commodities Act, 1955 (as applicable)
42	District Agriculture Officer	Application for grant of license under Insecticide Act, 1968 for manufacture, storage and sale of insecticides and pesticides and its renewal
43	District Food and Supplies Controller	Grant of license for 'Fair Price Shops' under the relevant act and its renewal

Source: DPIIT

TAX REFORM

Recent Tax Reforms to Help Ease of Doing Business

Government's recently introduced tax reforms are aimed at providing fillip to the growth trajectory of the Indian economy. There is a need to continue with the momentum...



Neeru Ahuja

Partner, Deloitte India and Member,
CII National Committee on Taxation

Since the beginning of the current financial year, the Indian economy appears to be facing a growth slowdown. Amidst the sluggish demand and fall in investment in various sectors, the government has introduced a series of tax reforms that are aimed to correct the situation by giving a boost to the Indian economy and by bringing growth back on track.

It is laudable that the government is not waiting for the annual budget exercise to usher in such reforms. It is evident that the government is closely monitoring the economy and is perceptive to the taxpayer's challenges.

Some of the significant tax reforms that have been proposed provide a glimpse of the approach adopted by the government to smoothen

functioning of doing business in India.

Corporate tax rate cuts

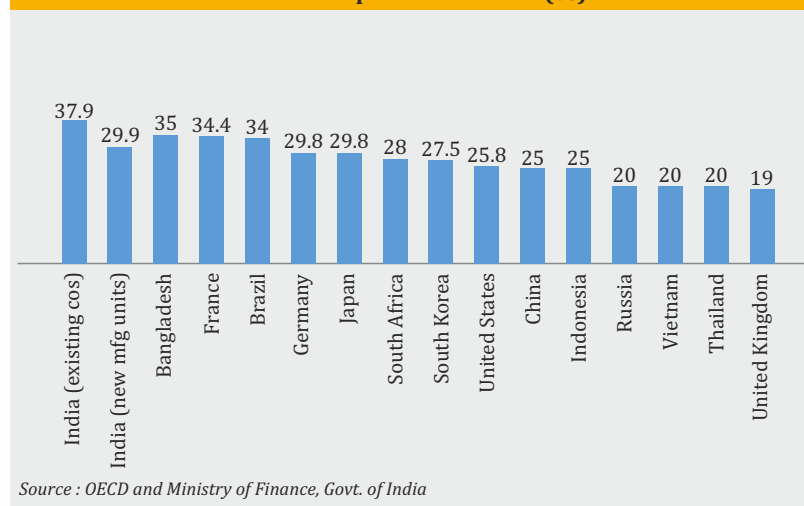
The government recently issued an ordinance slashing the base corporate tax rates to 22 percent for all domestic companies. It has further reduced the base corporate tax rate to 15 percent for newly set-up domestic companies (incorporated on or after 1 October 2019), engaged in manufacturing business.

To avail the option of concessional tax rates, companies will have to

give away specified exemptions / incentives available under the domestic tax law. Further, new manufacturing companies will have to commence their production on or before 31 March 2023. Companies opting for concessional tax rates would also not be subject to minimum alternate tax.

This is a welcome move by the government and should revive growth and boost investment. Reduced corporate tax rates make India an attractive investment destination making it competitive,

Effective Corporate Tax Rates (%)



Source : OECD and Ministry of Finance, Govt. of India

especially in the Asia Pacific region.

Faceless assessment

The government has notified e-assessment scheme 2019 to enable faceless assessment. Assessment will be carried out by various e-assessment centres set up at national and regional level. Income tax return will be picked up randomly for scrutiny cases. E-assessment scheme also involves specialized technical units, verification units and review units to facilitate smooth conduct of assessment proceedings. The scheme eliminates requirement of one-on-one interaction of taxpayers with the Assessing Officer. Any personal hearing, if required, would be carried out via video conferencing.

Faceless assessment would involve use of technology for conducting assessment, and is already adopted by emerged economies. This new scheme of assessment will represent a paradigm shift in the functioning of the tax department as mentioned by the Finance Minister in her Budget 2019 speech.

The new e-assessment scheme provides greater transparency and accountability, by eliminating the interface between the Assessing Officer and the taxpayer. Specialized assessment units, technical units, verification units, review units etc. should bring efficiencies and improve the quality of assessment orders. Also, the new e-assessment scheme eliminates wastage of time required to visit the tax office.

Monetary limits or threshold for

filing of appeals by the tax department

Taxpayers in the past have expressed concern over litigation handling cost due to protracted litigation by the tax department and absence of an appropriate mode of dispute resolution. While there is a demand by the industry to bring tax amnesty to resolve long pending direct tax litigation (similar to that introduced for indirect tax cases), the government has increased the monetary limits for the tax department to file an appeal before Tax Tribunals, High Court and Supreme Court. The government has also reached out to the tax department to withdraw appeals that are below such threshold.

This move will certainly reduce the number of cases pending before various courts and speed-up litigation settlement.

Relaxed norms for prosecution (initiation of criminal proceedings for income-tax defaults)

The government recently issued a circular relaxing few norms relating to prosecution of income tax defaulters for delay in depositing tax deducted at source, under-reporting of income in the Income-tax return and non-filing of the Income-tax return.

Under the relaxed norms, no prosecution shall be initiated where non-payment of tax deducted at source is below Rs. 25 lakhs and the delay in deposit is less than 60 days from the due date. Prosecution may still be initiated in the case of

habitual defaulters with the prior approval of a collegium comprising of two senior-ranking officers, even when such defaulters do not meet the above threshold. Circular further provides for minimum threshold of Rs. 25 lakhs for initiating prosecution proceedings for cases of under-reporting of income or for non-filing of Income-tax returns (where the amount of tax which have been evaded by not filing the Income-tax return is Rs. 25 Lakhs or more).

This is again a welcome move and will safeguard the honest taxpayer from getting prosecuted even for small one-time defaults.

The above-mentioned series of significant tax reforms introduced by the government should help put the Indian economy back on track and further improve brand India. This would improve overall ease of doing business ranking of India and make the country an attractive destination.

Having said that, it would be imperative for the government to keep the reforms an on-going process. The government should continue interacting with various industry associations and trade bodies to understand various challenges faced by taxpayers and should strive for timely resolution. One such area where government requires immediate consideration is setting up of past tax disputes with taxpayers. There is a demand to provide option of settling tax disputes by negotiated settlement with the tax department and any reforms of this sort would go a long way in rebuilding the trust of the investors' community.

One may expect more such reforms from the government, with clear focus on increased foreign investors and with the 'Make in India' initiative.

The new e-assessment scheme provides greater transparency and accountability, by eliminating the interface between the Assessing Officer and the taxpayer. Specialized assessment units, technical units, verification units, review units etc. should bring efficiencies and improve the quality of assessment orders.



The Code on Wages, 2019 – What it means for the employer?

Does the new Code on Wages, 2019 achieve its purpose to 'amalgamate, simplify and rationalize' existing laws on Payment of Wages, Minimum Wages, Payment of Bonus, and Equal Remuneration? What would change for the common employer?...



Atul Gupta

Partner, Trilegal and
Member, CII Task Force on EoDB

The Code on Wages, 2019 (Wage Code), which aims to transform the old and obsolete labour laws into more accountable and transparent ones, was re-introduced in the Lok Sabha on 23 July 2019, after its first iteration from 2017 lapsed. The earlier draft of this proposed law had been scrutinized by the Standing Committee on Labour, which provided its recommendations in December 2018 based on inputs from trade unions, industry associations and experts. The updated Wage Code considers several suggestions offered by the Standing Committee. It has now been approved by the Parliament and has also received Presidential assent. It only remains to be notified,

before it becomes a binding law.

Does this new Wage Code achieve its purpose to "amalgamate, simplify and rationalise" existing laws on the subjects of Payment of Wages, Minimum Wages, Bonus and Equal Remuneration? Once notified, what would change for the common employer? This article analyses these and other related questions in brief.

Welcoming provisions of the Wage Code

The Wage Code offers significant improvement over the previous set of laws governing Wages. The key ones are mentioned below.

Equal Remuneration made Gender Neutral

The Wage Code has now made the provisions on equal remuneration gender neutral. Section 5 of the Equal Remuneration Act currently only protects women against discrimination in matters of recruitment or other post-employment service conditions like promotions, trainings and transfers. The Wage Code propo-ses a neutral

approach and disallows "any discrimination on the grounds of sex" in matters of recruitment for same or similar work or in the conditions of employment. It further expands the definition of "same or similar work" to account for "experience" of the individual as well, in addition to skill, effort and responsibility.

New definition of contract labour to exclude service contracts

The Wage Code has proposed a new definition of "contract labour", which expressly excludes individuals who are regularly employed by the contractor under mutually accepted conditions of employment, and who get periodic increments in pay, social security benefits, etc. A similar definition appears in the Occupational Safety, Health and Working Conditions Code 2019 as well. This has been the demand of the industry for a long time (a proposed amendment to the CLRA Act on this has languished for some time now), which will ease compliances to a great extent. This definition allows organizations to

not treat staff of well-established service providers (who hire employees for their ongoing business needs and not necessarily for just a client project) as contract labour. The definition of "employer" includes a "contractor" too, which appears to indicate that a contractor would also need to independently comply with all the obligations in the Wage Code vis-a-vis. its own employees and workers, thereby safeguarding the interest of the employees.

Decriminalization of first offence

The Wage Code has decriminalized all offences except where it is a repeat similar offence within 5 years. It also allows compounding of the first offence. On the other hand, it also prescribes larger fines for non-compliance and the compensation payable for any default in payment of wages, minimum wages, bonus, etc. could be up to 10 times the claim determined by the relevant authority. While this is a positive move, the Wage Code could have gone a step further to stipulate imprisonment only for more serious offences (if they are repeated) and done away with any sort of imprisonment for mere procedural non-compliances.

Transparent inspections and facilitation by inspectors

The Wage Code states that the appropriate government must lay down an "inspection scheme", which may also provide for web-based inspection and calling of information, thereby avoiding the potential harassment organizations undergo in physical inspections.

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The definition of "employer" includes a "contractor" too, which appears to indicate that a contractor would also need to independently comply with all the obligations in the Wage Code

Further, labour inspectors have been given the dual role of a "Facilitator" as well. The Inspector-cum-Facilitator must first give the employer an opportunity to cure the non-compliance (provided it's not a repeat offence) within a stipulated period, and only on failure to do so, should prosecution be initiated. This would help in mitigating the needless prosecution for unwitting / unintentional non-compliances, since often these can be easily corrected.

Revised regime surrounding Minimum Wages

A key feature of the Wage Code, which has been debated most extensively, is the provision allowing the Central Government to stipulate a "floor wage" (which may vary based on geographical areas), based on advice from the Central Advisory Board. While State governments retain the authority to determine their own minimum wages, these cannot be lower than the floor wage set by the Central Government. This provision has met with some push-back, as it takes away a State's autonomy in determining the wages for its workforce based on its own regional and economic conditions. To try and achieve balance, the Wage Code has revised the composition of the Central Advisory Board to now also include five representatives of State

Governments nominated by the Central Government. Further, the Wage Code also expects the Government to keep "at minimum" the number of minimum rates of wages, which would be a welcome change from the current system, where minimum wages are prescribed across multiple sectors, industries, skill sets, jobs, zones, and other factors, making it hard to track for both the employers and workmen concerned.

Concern areas of the Code on Wages

Varying Definition of Wages

The issues arising from multiple definitions of wages is only partially being tackled by the Wage Code. Organizations will still have to rely on the definition of "wages" under State specific Shops and Establishments Acts to calculate leave entitlements, many of which continue to take different approaches to the definition of wages. Further, the definition of wages under the proposed Code on Social Security is also different.

In today's economy, the concept of cost to company or CTC has become almost customary in terms of practice and implementation. When the question arises as to what components of this CTC should an employer take into account while determining various legal obligations (such as to pay wages every month, or whether it's complying with minimum wage requirements, or to determine eligibility for statutory bonus), one needs to look at the law to examine how 'wages' are defined in relation to each of these obligations. There is some

The Wage Code also excludes the "remuneration payable under any award or settlement between the parties" from the definition of Wages

merit in the argument that different laws serve different purposes, and hence definitions can vary based on the objective of the law, for e.g. overtime payments should not be treated as part of the minimum wages of an employee but should be considered wages as far as the employer's obligation to make timely payments goes. However, the Wage Code seems to be taking a complex approach, in resolving the issue.

For instance, in case of exclusion of HRA, even though the current Minimum Wages Act (MWA) expressly includes the house rent allowance or HRA within the meaning of wages, the Wage Code does not do so. It states that "all allowances" payable if the terms of employment are fulfilled are wages, but later the same definition excludes HRA from the scope of wages, without any explanation. Would HRA payments (which are guaranteed in nature) not be counted towards minimum wages due to this exclusion? That would be manifestly unfair to the employer. But more than that, such drafting creates ambiguity and legal uncertainty, resulting in more law suits and litigation.

Similarly, the Wage Code also excludes the "remuneration payable under any award or settlement between the parties" from the definition of wages. In a unionized environment, all wages are agreed under settlements between the employer and unionized workers, which often span 2-3 years or more. It may not be appropriate to say that none of these mutually negotiated and settled elements of pay would be treated as "wages" for certain

purposes. A proviso towards the end of the definition goes on to clarify that this item (along with a few others like HRA, overtime allowance and conveyance allowance) will be included for the purpose of (a) payment of wages, and (b) to determine equal wages to all genders. However, this does not extend to minimum wages and bonus. It's not clear why some of these components (like guaranteed HRA or remuneration agreed in a settlement) would be excluded from the ambit of minimum wages or wages for the purpose of determining bonus eligibility.

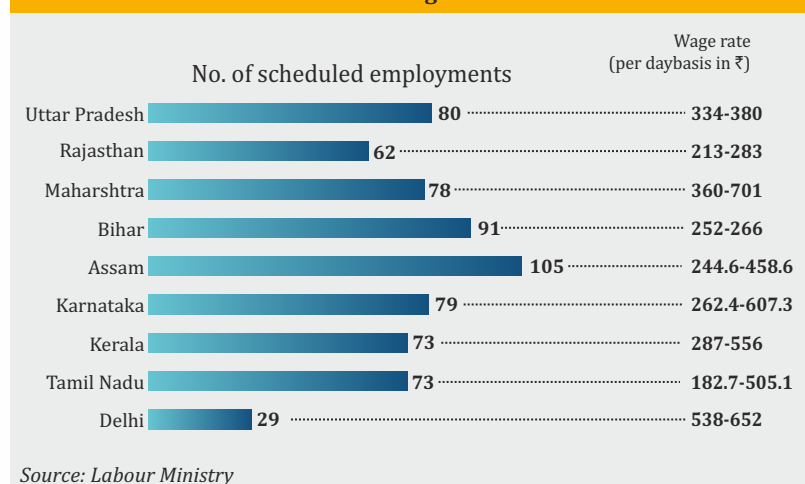
As a compromise, the Code seems to say that if the sum-total of the excluded components exceeds 50% (or such other prescribed percentage) of the total remuneration calculated under the definition, then the amount exceeding 50% would also be counted as "wages". Such an approach is not effective in the context of the Wage Code at least. Therefore, in the attempt to simplify the law, the Wage Code seems to create some more confusion.

Multiple definitions for workers and employees

The Wage Code prescribes two separate definitions of "employees" and "workers". The definition of "employees" includes individuals in supervisory and managerial roles too, whereas the definition of "workers" excludes such individuals (while specifically including sales promotion employees and working journalists). Therefore, the definition of "workers" seems to be a subset of the definition of "employees".

These overlapping definitions have sometimes been used interchangeably, creating confusion. For e.g., Clause 5 requires all employers to pay minimum wages notified by the appropriate government to "any employee". This indicates that the obligation to pay minimum wage has nothing to do with the employee's stature or designation in the organization. Does the government intend to fix minimum wages for the management level employees as well? What would be the guiding criteria? Would such senior employees be entitled to overtime wages under Clause 14, which states that "where an employee whose minimum rate of wages has been fixed under this Code.... works in excess of.... a normal working day....

Minimum wages in states



the employer shall pay him over-time”?

However, Clause 6 states that the appropriate government will fix minimum rate of wages “payable to the employees”, whereas Clause 6(6) (which lays down some criteria for the government to fix minimum wages) talks only of the skill, working conditions and geographic area of “workers”, while fixing minimum wages.

Removal of wage threshold in connection with Payment of Wages and Wage Deductions

Obligations relating to payment of wages, deductions from wages, etc. have been extended to all “employees”, i.e. even individuals in supervisory and managerial roles, without any wage threshold. In comparison, the existing Payment of Wages Act (PWA) currently only extends to individuals whose wages don't exceed Rs 24,000 / month. Since no such wage limit has been contemplated by the Wage Code, these provisions would apply even to senior employees, including the C-suite of an organization. This would make matters cumbersome and onerous for employers, especially when it comes to structuring pay and benefits agreements with senior employees. Such arrangements increasingly involve claw back and other deduction provisions, which may fall afoul of this law. It would be desirable to re-introduce a wage threshold or, at the very least, limit the application of these sections of the Wage Code only to “workers”.

Old limited list of permissible

It is, therefore, suggested that such deduction related provisions only be applied to employees earning below a certain wage threshold and not to every employee in an organization.



deductions

The Wage Code has not made improvements in an employer's ability to make payroll deductions, ignoring market realities and practices. Making deductions from employees who receive large joining / retention bonuses and quit soon thereafter, or other similar circumstances remain illegal under the Wage Code, which is unfavourable to employers and allow employees to capitalize by defaults. Any contracting out of such provisions is expressly prohibited under Clause 60. It is, therefore, suggested that such deduction related provisions only be applied to employees earning below a certain wage threshold and not to every employee in an organization.

Class-action law suits

The claim handling procedure under the Wage Code permits a single application to be filed “on behalf or in respect of any number of employees employed in an establishment”, subject to such rules as may be made. This suggests a move towards “class-action” disputes, where similarly

placed aggrieved employees can join hands and tag their claims together for greater force and persuasiveness before the adjudicating authority appointed under the Wage Code. This, coupled with the fact that the onus to demonstrate compliance has expressly been shifted onto the employer in case of any dispute, may result in overly cautious decisions by the management.

Recommendations

Redefining the “Wages”

Rather than a lengthy definition with several inclusions, exclusions, provisos and explanations, a simpler approach may be followed to tackle the definition of “wages” based on core principles. Any component that is fixed or guaranteed in nature should be treated as wages, whereas anything which is conditional, contingent or discretionary should be outside along with other obvious exclusions towards pension contributions, benefits in kind, expense reimbursements and the end of service payments. A few components like overtime, based on the context, may be treated as wages for the purpose of ensuring timely wage payments but not for calculating minimum wages.

Overtime payments

It is uncommon to see companies in

“Rather than lengthy definitions with several inclusions, exclusions, provisos and explanations, a simpler approach may be followed to tackle the definition of “wages” based on core principles.”

the services sector to pay overtime wages, arguably on the ground that the employees therein usually earn much higher than the prescribed minimum wages. Overtime wages are typically only paid in manufacturing establishments to traditional “blue collar” workers. In such a scenario, where employees are earning much higher than the minimum wages,



further burdening the organization with overtime related expenditure would act as a deterrent to employment generation. It would be advisable for the Wage Code to consider including a specific exemption from overtime provisions for employees who earn above a specific (comfortable) wage threshold, that can be specified by the government.

To avoid employee burn-out and health concerns for such individuals, there can be reasonable limits imposed on the total number of overtime hours in a week, month or quarter (for e.g. Maharashtra

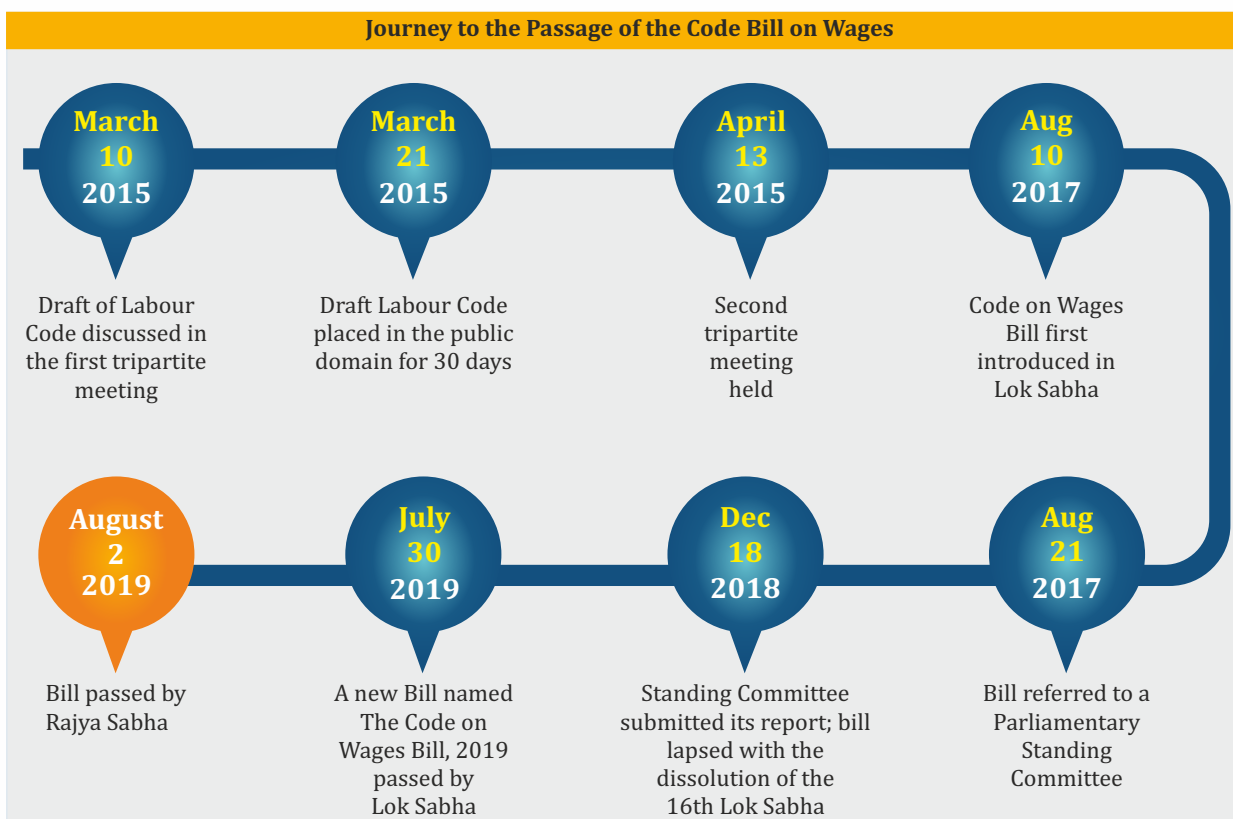
recently stipulated a 125 hours limit in a quarter under its Local Shops Act).

Concluding remarks

In sum, the Wage Code is a leap forward in its attempt to cut through the earlier four large statutes of Payment of Wages Act, 1936, Minimum Wages Act, 1948, Payment of Bonus Act, 1965, and Equal Remuneration Act, 1976 and condense them into a more concise law with just 69 sections. The Code, if implemented with redressal of the existing issues and in the true intent of the legislature, will undoubtedly prove to be a catalyst in increasing the welfare of the employee and reducing the compliance burden for the employer.

(Views are personal. Author can be contacted on atul.gupta@trilegal.com for any comments or queries.)

Journey to the Passage of the Code Bill on Wages



Source: The Economic Times



AEO Programme – Evolution and adoption in India

Originating from WCO's SAFE framework, AEO programme has been implemented comprehensively in India, which offers numerous benefits to stakeholders in the trading ecosystem. The membership for the programme is, however, still limited, calling for measures to make the program even more lucrative...



Joshua Ebenezer

Director
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With a view to revamp the trading ecosystem in the country, the government of India has unleashed a plethora of reform initiatives dedicated to providing a more conducive environment to conduct business. Complex procedures have been subjected to simplification, modernization and harmonization to increase the ease of doing business. These targeted measures have played a pivotal role in making international trade easier, transparent and efficient for the Indian industry. This seamless shift to electronic exchange of data has not only reduced the transaction costs and dwell time, but also helped India secure the 68th rank in the

'Trading across Borders' parameter of the latest Doing Business Report of the World Bank.

One of the key measures, which has contributed to India's improvement in trade facilitation is the introduction of Authorized Economic Operator (AEO) Programme, which allows faster clearances of cargo.

This article attempts to highlight the evolution of the AEO scheme globally and its adoption in India. We also mention some pending areas of reforms, which would make the programme even more attractive and viable to the trading community.

Evolution of Global AEO Programme

In early 2000s, WCO established the High-Level Strategic Group (HLSG) comprising of 12 WCO members, which developed the SAFE Framework. In June 2005, the WCO Council adopted this Framework as a voluntary standard.

Following are the 4 core elements of the SAFE Framework:

- Commitment to harmonize advance electronic cargo information requirements on imports, exports and goods in transit;
- Application of a consistent risk assessment approach for screening containerized cargo to identify potential security threats;
- Provision for examination of outbound high-risk containerized cargo, based on a comparable risk targeting methodology by the country of export on the request of the importing country; and
- Establishment of AEO programs where customs, upon successful validation or authorization of International Trade Organization (ITO) who meet stipulated supply chain security standards and best practices, will grant trade facilitation benefits.

Therefore, the SAFE Framework is the basis for the AEO programme. The AEO Scheme has been

conceptualized from the WCO's 'International Convention on the Simplification and Harmonization of Customs Procedures,' also known as the revised Kyoto Convention, which was adopted in 1973 and revised in 1999. As per the Convention, authorized persons who meet the required criteria and have an appropriate record of compliance with Customs requirements and a satisfactory system for managing their commercial records, the Customs authorities shall provide for:

- release of the goods on the provision of the minimum information necessary to identify the goods and permit the subsequent completion of the final Goods declaration;
- clearance of the goods at the declarant's premises or another place authorized by the Customs; and in addition, to the extent possible, other special procedures such as; allowing a single Goods declaration for all imports or exports in a given period where goods are imported or exported frequently by the same person (WCO 1973).

The SAFE Framework AEO and Mutual Recognition Agreements (MRAs)

In 2005, the SAFE Framework was adopted in India as a part of which facilitation schemes were rolled out, including the Risk Management System (RMS) and Accredited Clients Program (ACP). These reform measures were well aligned to WCO's endeavor to usher in a regime of increased facilitation, expecting the trade to reciprocate with supply chain security.

In 2006, the WCO, in consonance with its trade partners, formulated the AEO Conditions, Requirements, and Benefits within the SAFE Framework. This furthered the development of the AEO concept.

Customs administrations are making progress in negotiating Mutual Recognition Agreements (MRAs) as they see it as the primary reason to establish an AEO Program. These agreements allow businesses of one trading country to receive benefits identical or comparable to those conferred to businesses participating in another country.

To agree on mutual recognition, the AEO Program must encompass compatible requirement as per the guidelines stated in SAFE Framework. All the AEO MRAs are bilateral. India presently has 3 MRAs with South Korea, Hong Kong and Taiwan and dozen-plus MRAs are being negotiated with various countries.

AEO Scheme in India

The AEO programme was introduced in India as a pilot project under the SAFE Framework in 2012, which replaced the ACP scheme that involved many obligations without tangible benefits. The new AEO programme was introduced for the Importers and Exporters, grouped under 3 Tiers with proportionally increasing benefits with the concomitant responsibilities. A single Tier Programme was also introduced for the Logistics Providers, Custodians or Terminal Operators, Customs Brokers and Warehouse Operators.

In the revised new AEO scheme, an authorized operator would be eligible for benefits in tangible and intangible forms for the trade to reap cost reduction and quick turnaround of customs clearance because of the exceptional Post Clearance Audit (PCA) controls.

For a tier two level accreditation, the key benefits include Direct Port Delivery (DPD), deferred duty payments and relaxation in procedures, an officer deputed as Client Relationship Manager (CRM) to address all grievances, aligning

with PGA's (Partnering Government Agencies), reduction in the percentage of Bank Guarantees, direct exports & faster rebate processing and most importantly, all AEO MRA benefits.

Eligibility Requirements for Various AEO Tiers

General Requirements:

- o Handled 25 documents (S/B & Bills of Entry) in last Financial Year.
- o Undertakes Customs Related Work
- o Part of international supply chain
- o Has had business activity for 3 Financial Years (can be waived in deserving cases).

Tier 1

Applicants should fulfill the eligibility criteria pertaining to legal compliance, records maintenance and financial solvency.

Tier 2 & Single Tier AEO - Logistics Operator

In addition to the criteria of AEO- T1, the AEO - T2 applicant should fulfill the 7 aspects of Safety & Security of the SAFE Framework of Standards including security measures for procedures, premises, cargo, conveyance, personnel, business partners, security training and threat awareness.

Tier 3

- The importer/exporter should have continuously maintained the status of AEO-T2 for at least 2 years preceding the date of application for seeking AEO- T3 status, or;
- applicants who are AEO - T2 certificate holders with Business Partners who are either AEO- T2 or AEO- LO status holders also meet the eligibility criterion.



AEO Benefits in India		
Tier 1	Tier 2	Tier 3
<ul style="list-style-type: none"> High level RMS facilitation Direct Port Delivery Direct Port Entry All zone access - ID Cards Earmarked place at Custodian WH Bank Guarantee @ 50% (not for seized goods) Priority Investigation within 6-9 months Dispute Settlement within 6 months No Post Clearance Audit OSPCA (on Site Post Clearance audit) - once in 2 years e-Mail intimation (vessel ETA/ETD) 24x7 clearance without MOT (Merchant Over Time) 	<ul style="list-style-type: none"> All T1 benefits + Deferred duty payment Priority assessment (if not processed by RMS) Drawback settlement in 72 hours from EGM submission Factory Stuffing approval Faster SVB process for related party transaction Bank Guarantee @ 25% MRP Labeling - at Importers-factory or warehouse premises OSPCA once in 3 years ICEGATE access Paperless submission Dedicated Single Point of Contract from Customs Refund & rebate in 45 days Mutual Recognition Arrangement (MRA) benefits 	<ul style="list-style-type: none"> All T2 benefits + No container scanning (except specific intelligence) Self-certified documents for assessment Bank Guarantee - Nil Approach base intervention OSPCA - on request from Importer Refund/Rebate in 30 days

Source : CBIC

Eventually, an importer or exporter can upgrade to tier 3 by complying to additional compliances for a higher level of facilitation.

Director General of Performance Management (DGPM) under Directorate of International Customs (DIC) has been entrusted with the responsibility to review the processes notified to the trade and to approve them to get enrolled. The eligibility is driven by a screening mechanism, which measures the applicants past record in compliance.

The AEO Tier 2 should be considered as the real facilitation program,

under which the applicant will be entitled to MRAs and deferred duty benefits, issued only to applicants (Importers and Exporters) after a rigorous audit by DGPM office upon verifying the Safety and Security of the following aspects: the procedural security, premises security, cargo security, conveyance security, personal security, business partner security and security training and threat awareness.

A Time Release Study 2019 by Indian Customs has shown the

efficacy of the Tier 2 programme. In the study, many Tier 2 operators have testified about the transaction cost reduction, even though all PGAs are yet to align with the customs authorities. However, there is a long way to go in making the Indian AEO Programme as successful as its global contemporaries.

In India, as per DGFT portal, there are 7.27 lakh IEC holders, whereas the total number of AEOs stands at only 3,868. The bifurcation across tiers is given below:

AEOs across various layers in India			
LO	Tier 1	Tier 2	Tier 3
700	2703	459	7

Source : CBIC

A Time Release Study 2019 by Indian Customs has shown the efficacy of the Tier 2 programme. In the study, many Tier 2 operators have testified about the transaction cost reduction



“Given the threats facing the international community, the need for ensuring supply chain security cannot be the responsibility of the government agencies alone, the industry has an equally important role to play. The trade should, therefore, rise up to the occasion to embrace the AEO scheme to contribute their might.”

Unlocking the Full Potential of the Programme

While the AEO number is picking up in the country, there is scope for providing acceleration to the pace. Following are some pain-point areas in the Indian AEO Programme, which must be addressed for even more effective implementation of the scheme:

- Time-consuming and cumbersome application procedure for tier two applicants
- Voluntary nature of the scheme, which limits the scope of benefits
- Difficulty in obtaining clearances from PGAs
- Stringent adherence to the Legal Compliance Norms

Further, it has been observed that there is lack of awareness among the members of the trading ecosystem. Some are not at all aware about the programme; some are not willing to open up for DGPM inspection and expose their internal processes and would like to continue the status-quo as long as possible; some are fully aligned with the programme and reaping the best and thriving to become a tier 3 operator (the best-case scenario) and some having an eagerness to enroll, but are not eligible because of the strict legal compliance requirements pertaining to past cases.

AEO: The Way Forward

The authorities need to find innovative ways to popularize the scheme among the relevant

members of the trade and to mitigate the trust deficit by providing necessary handholding to make this programme even more successful.

A large number of importers and exporters have been hit by the legal compliance during the last three years and are unable to move ahead into the registration, which includes many MNCs who are an AEO in other countries. Such applicants could be given the benefit of doubt if the legal non-compliance was a procedural and not a substantial or a case involving legal interpretation pending before any court.

Conclusion

The underlying mantra of the AEO scheme is the same as that of the SAFE Framework viz., marrying facilitation with increased responsibilities in terms of ensuring supply chain integrity. Given the threats facing the international community, the need for ensuring supply chain security cannot be the responsibility of the government agencies alone, the industry has an equally important role to play. The trade should, therefore, rise up to the occasion to embrace the AEO scheme to contribute their might.

The AEO scheme has been instrumental in rationalizing the trade procedures, we have several more milestones to achieve. A strong industry-government partnership has a key role to play in this regard.

(Views are personal)



source: dgft.gov.in

STATE SPACE





Haryana - Charting the success story

Haryana has consistently improved its business environment and established itself as an industrial powerhouse...

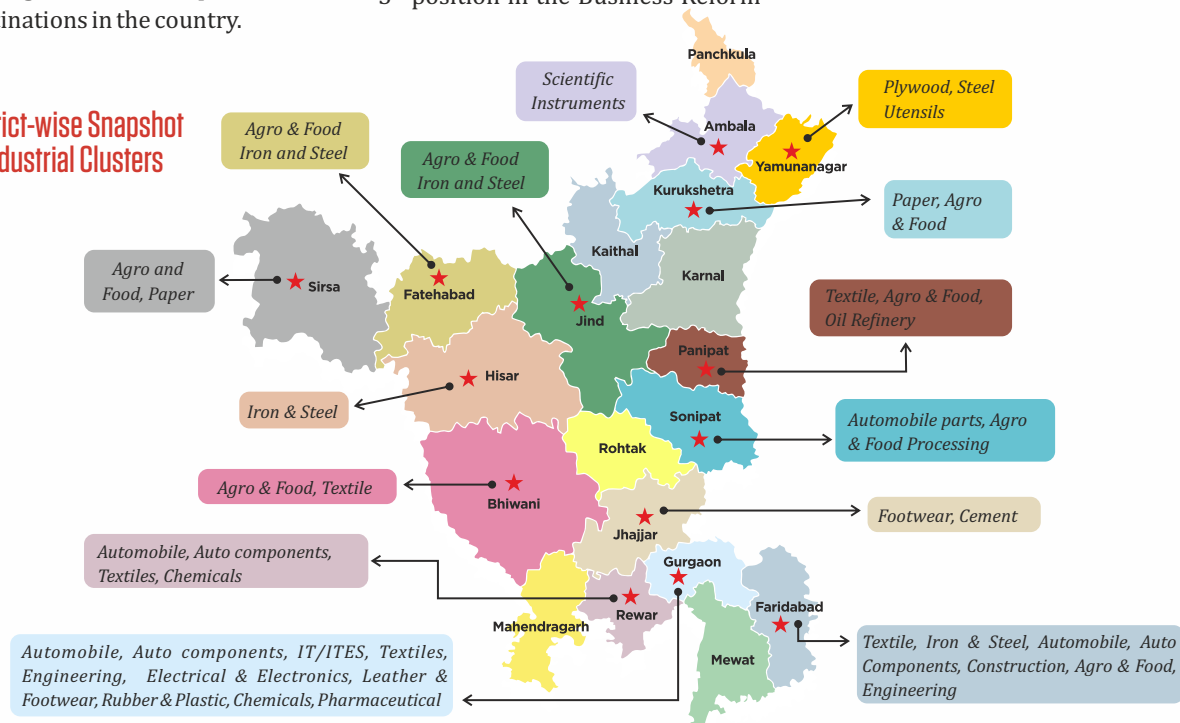
Haryana is one of the fastest growing industrial states in the country. It has witnessed tremendous progress in the last few years which is evident from its GDP growth of 12.16% (compound rate) between FY12-19. The state received FDIs worth USD 74.15 billion during the same period, making it one of the top investment destinations in the country.

Historically an agrarian state, Haryana is now the largest producer of passenger vehicles and motorcycles in India. It has also emerged as a base for the knowledge industry, including IT and biotechnology and is the country's third-largest exporter of software.

The state is currently ranked at the 3rd position in the Business Reform

Action Plan (BRAP) report released by DPIIT. Haryana's phenomenal performance on this front is due to the multiple reforms introduced by its government to streamline business and regulatory compliances and rationalise processes in order to reduce time and costs involved.

District-wise Snapshot of Industrial Clusters



Source: Department of Industries and Commerce, Government of Haryana.

Select Doing Business Reforms in Haryana

Inspection Reform Enablers

- Exempted Low risk industries with history of satisfactory compliance from labour compliance inspections allowing self-certification in lieu of conducting physical inspections under all Labour laws
- Mandated joint/synchronized inspection under all labour laws by a team of maximum three inspecting officers
- Set timeline for the submission of inspection reports on the website to 48 hours
- Disallowed same inspector to inspect an establishment twice consecutively under transparent inspection policy

Commercial Dispute Resolution

- Approved timelines for key court events like: first hearing; filing of statement of defense; completion of the evidence period; filing of testimony by expert etc
- Developed an online system with the provision of services like, E-filing, E-Payment, E-Scrutiny, Online Listing of cases etc.
- Limited the maximum number of adjournments that can be granted in commercial disputes

Registering Property

- Digitized land records and cadastral maps of its Urban and Rural areas of the last two years
- Digitized and published property tax payment records of last 2 years with provision to check balance payments at all local municipality offices
- Implemented system allowing online application, payment and tracking & monitoring of property registration documents

Single Window System

- Launched the Single Window Clearance System - HEPC for online application, submission of documents, payments, tracking of status, approvals and issuance of certificates
- Implemented a standardized online Composite Application Form (CAF) combining all industrial clearances for new or existing enterprises into one
- Defined timeline for provision of all industrial services to maximum 30 days

Construction Permit Enablers

- Allowed issuance of completion certificates by authorized architects at all ULBs and IDCs replacing separate completion certificates
- Allowed approval based on third party certification (during construction and/or completion stage) of structural design and architectural drawings by authorized structural engineers and architects
- Combined all affidavits and undertakings required for obtaining building plan approval into one
- Established dedicated resolution mechanism for land and construction permits

With a view to set up versatile single touch-point portals that consolidate multiple processes, ease access to information and promote transparency, the Haryana government has conceptualized two online systems under the Haryana Enterprises Promotion Centre (HEPC) - the Single Window Clearance System and the Central Inspection System. The portals provide its users a modern and hassle-free experience to avail services and complete compliance procedures efficiently.

Key Features of the Single Window Clearance System

- It is a single-roof facility that provides more than 80 clearances from 20+ departments

eliminating the need for investors to approach different ministries and submit multiple documents to obtain approvals/certificates

Select Departments under the HEPC

- | | |
|--|---|
| 1. Department of Labour | 7. Department of Land Records |
| 2. Department of Industries & Commerce Haryana | 8. Haryana State Industrial and Infrastructural Development Corporation |
| 3. Department of Land Records | 9. Haryana State Pollution Control Board |
| 4. PWD (B&R) Department | 10. Urban Local Bodies, Haryana |
| 5. Town & Country Planning Department | |
| 6. Department of Power | |

- All new/existing industrial approvals are necessarily provided through the Online Composite Application form which allows online application submission, payment, tracking of status, auto fetching of common information in forms and issuance of certificates
- All state level clearances /services are granted within 30 days with additional 15 days in case further information is required from the investor making the process more efficient
- Investors can track services of different departments under one roof and get information about the incentives and policies related to their projects and sectors
- It consists of two types of committees, the District Level Clearance Committees (DLCCs) and the Empowered Executive Committee (EEC) which grant clearances. Projects with investment up to rupees 10 Crore and involving Change of Land Use (CLU) of up to one acre are cleared by the DLCC and projects with investment of more than rupees 10 Crore and involving CLU of more than one acre are cleared by the EEC
- The system has set up Investor Help Desks and appointed dedicated Relationship Managers and Executives who support investors in the implementation of their projects, facilitate quick resolution of issues faced by them and provide other technical support in the application process

Key Features of the Central Inspection System

- It is an integrated inspection system that combines multiple inspection agencies to eliminate duplication of processes and overlapping of mandates between different agencies to ensure transparency in the inspection process
- Facilitates risk-based selection of companies for inspection and allocates inspection officers on a random basis
- Synchronizes inspections between various departments such as the Department of Industries (Boilers), Labour Department, Haryana State Pollution Control Board (HSPCB), Excise & Taxation Department, Food and Drug Administration etc.
- Statutory inspections, surprise inspections and complaint-based

inspections under various Labour Laws are carried out through CIS and inspection reports are uploaded on the portal within 48 hours

- Other services such as availability of third-party inspection/audits, prior intimation of inspection schedule and self-certification services are provided through the system
- The portal allows individuals to add and track inspection complaints, carries information on inspection procedures and checklists and lists all industries along with their respective inspecting department

Conclusion

Over the years, Haryana has emerged as a leading investment destination for both domestic and foreign investors. The state has consistently improved its business environment and established itself as an industrial powerhouse. The constructive and well-defined regulatory reforms have enthused the business sentiment and transformed its investment landscape, making the state a favourable location for setting up and operating businesses.



Source: <https://it.telangana.gov.in/>

Telangana Start-up Model

Creating a facilitative business environment for start-ups is necessary to promote entrepreneurship and employment in the country. A few states are working on innovative models in this direction. Here is the model developed by Telangana for promoting start-ups, extracted from the U K Sinha Committee Report on MSMEs...

Telangana, aims to promote innovation and entrepreneurship, leveraging upon its natural demographic assets as well as its base of skilled technology and research professionals. The innovation policy of the Government of Telangana is based around five broad pillars:

- o Developing physical infrastructure & program management capabilities
- o Focus on creating sustainable funding models, through funds and other instruments
- o Develop human capital, by creating the right environment and support systems for learning, experimentation and innovation from the early phases of education
- o Proactive engagement with industry to continuously promote and identify innovation
- o Encourage start-ups in the Rural and Social Enterprise space by providing additional incentives

Incentives for Incubators

Reimbursement of paid Stamp Duty and Registration Fee - Incubators and Host Institutes shall be eligible for 100% reimbursement of the Stamp Duty and Registration Fee paid on sale/ lease deeds on the first transaction and 50% thereof on the second transaction.

Incentives for start-ups

- i. Reimbursement of SGST: The unit can pay SGST to the concerned department and avail reimbursement on a yearly basis. This will be applicable only on the SGST paid to the State of Telangana and for a maximum total turnover of ₹1 Crore/ annum for the first three years of operation.
- ii. Promotions: Government shall provide reimbursements of 30% of the actual costs including travel incurred in international marketing through trade shows. This incentive will be subject to a

maximum of ₹5 lakh per year per company.

- iii. Patent Filing Cost: The cost of filing and prosecution of patent application will be reimbursed to the incubated start-up companies subject to a limit of ₹2 lakh per Indian patent awarded. For awarded foreign patents on a single subject matter, up to ₹10 lakh would be reimbursed. The reimbursement will be done in 2 stages, i.e., 50% after the patent is filed and the balance 50% after the patent is granted.
- iv. To promote idea stage companies, the government shall offer recruitment assistance of ₹10,000 per employee for the first year.
- v. Start-ups that record a year-on-year growth rate of 15%, as per audited accounts, shall be eligible to get a grant of 5% on Turnover, subject to a limit of ₹10 lakh within a period of three years from the date of incorporation.

Non-Fiscal Incentives

Start-ups and incubators in the state will be permitted to file self-certifications, in the prescribed formats under the following acts and rules framed there under barring inspections arising out of specific complaints. The same shall

be facilitated through the start-up cell:

- i. The Factories Act, 1948
- ii. The Maternity Benefit Act, 1961
- iii. The Telangana Shops & Commercial Establishments Act, 1988
- iv. The Contract Labour (Regula-

tions & Abolition) Act, 1970

- v. The Payment of Wages Act, 1936
- vi. The Minimum Wages Act, 1948
- vii. The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959

Source : U K Sinha Committee Report on MSMEs

Other Incentives Offered to Incubators by the State

- Financial Assistance as Matching Grants
- Performance Linked Assistance: Government will assist the Host Institutes of recognized
- Incubators with an Operating Grant to be calculated based on number of Start-ups incubated in a year
- The Government shall ensure

uninterrupted supply of electricity at industrial tariff

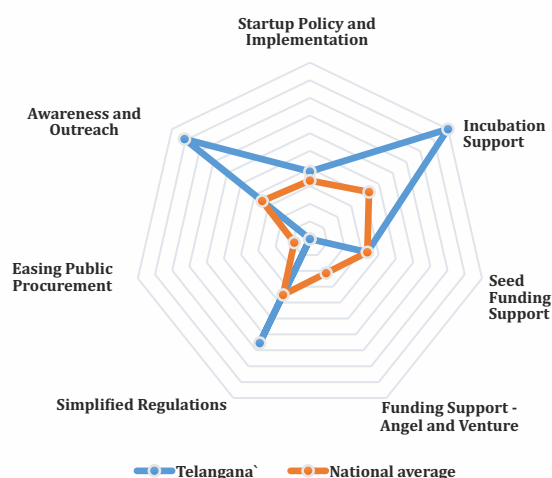
- 25% reimbursement on Internet charges
- In case of Government-owned buildings leased to technology Incubators, no lease rent or Operation & Maintenance charges will be levied for a period of five years or until the

Incubator is self-sustainable

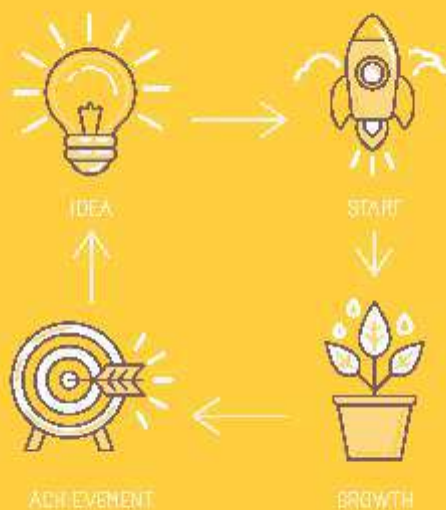
- In case where private premises are taken on lease or rent basis, a rental reimbursement up to a certain amount will be provided
- An investment subsidy of 20% of the value of the Capital Expenditure, other than land and building, shall be provided to Incubator

Source: Start-up India Report, MoCI

Telangana's Comparative Performance in Promoting Start-ups



Source: Start-up India Report, MoCI



Best Practices



Doing Business Report 2020

Key best practices of 1st Ranked Countries across Doing Business Indicators



NEW ZEALAND

- Single Procedure
- 0.5 day
- 0.2% of income per capita as a cost
- Zero minimum capital requirement

Starting a Business



HONG KONG SAR, CHINA

- 8 Procedures
- 69 days
- 0.3% of warehouse value as a cost
- Building quality control index is 15

Dealing with Construction Permits



QATAR

- 1 Procedure
- 1 day
- 0.3% of property value as a cost
- Index of Quality of land administration is at 26.0

Registering Property



UNITED ARAB EMIRATES

- 2 Procedures
- 7 Days
- Zero cost involved
- Index of Reliability of supply and transparency of tariffs is at 8

Getting Electricity



NEW ZEALAND

- Index of Strength of legal rights is at 12
- Index of Depth of credit information is at 8
- Credit Bureau coverage is 100.0
- Credit Registry coverage is 0.0

Getting Credit



KENYA

- Index of corporate transparency is at 5
- Index of ownership and control is at 6
- Index of shareholder rights is at 6
- Index of shareholder suits is at 9
- Index of disclosure index is at 10
- Index of director liability is at 10

Protecting Minority Investors



DENMARK

- Documentary compliance takes 1 hour to export and import
- Border compliance takes zero hour to export and import
- No cost involved for Documentary & Border compliance for both export & import

Trading across Borders



BAHRAIN

- 3 Payments are required in a year
- 23 hours per year
- Total tax and contribution rate is 13.8% of profit
- Post filing index does not exist

Paying Taxes



SINGAPORE

- 164 days
- 25.8% of claim value as a cost
- Index of Quality of judicial processes is at 15.5

Enforcing Contracts



FINLAND

- 0.9 year
- 3.5% of estate as a cost
- Recovery rate is 88 cents on the dollar
- Index of strength of insolvency is at 14.5

Resolving Insolvency

Key CII Initiatives



Key CII Initiative in EoDB - Across regions

Working closely with the Central and state governments, CII has been taking numerous initiatives to improve the business environment at pan-India level. These efforts, among other things, include submitting representations to policy makers, preparing reports, organizing meetings/conferences and bringing out publications. This Section endeavors to capture some of such key initiatives across CII regions in India.

Northern Region

Invest North Conclave 2019

29 August 2019, Bengaluru



Shri Vijay Inder Singla, Minister for School & Public Works, Govt. of Punjab; Shri Satpal Maharaj, Minister of Tourism, Government of Uttarakhand; Shri Trivendra Singh Rawat, Chief Minister of Uttarakhand; Shri Manpreet Singh Badal, Finance Minister of Punjab, among others, releasing the 'Investment Climate: A Report on Northern States of India' during 'Invest North 2019'.

CII Northern Region organized the 8th Edition of Invest North Conclave 2019 at Bengaluru with the objective to showcase the doing business environment and investment opportunities in the Northern states of India. Government of Punjab, Rajasthan and Uttarakhand, led by their high-level delegations, engaged with the business & industry leaders in Karnataka.

Some of the key highlights of the Conclave included:

- State Governments of Punjab, Rajasthan and Uttarakhand highlighted their investment promotion policies
- Around 90 one-to-one meetings of investor and business community with Government of Punjab, Rajasthan and Uttarakhand took place during the Conclave

Industry interaction with Govt. of Punjab on EoDB

20 June 2019, Mandi Gobindgarh



Ms Vini Mahajan, Additional Chief Secretary - Industries & Commerce, Govt. of Punjab, addressing the industry members at Mandi Gobindgarh

With an objective to understand the issues and challenges faced by the steel industry in Mandi Gobindgarh, an Interaction was organised with Ms Vini Mahajan, Additional Chief Secretary - Industries & Commerce, Government of Punjab and Mr Rajat Agarwal, CEO, Punjab Bureau of Investment Promotion, at Mandi Gobindgarh.

Some of the issues discussed include:

- Speedy implementation of Notification on reduction in Stamp Duty on Registered Mortgage
- Capping of Power Tariffs for Industry to Rs 7.50 per unit & simplification of obtaining power Connection
- Expediting the process of obtaining Letters of Regulatory Compliance Clearances

Interaction with Mr Devender Singh, Addl. Chief Secretary - Industries, Govt. of Haryana

12 July 2019, Chandigarh



CII Industry Delegation led by Mr Harbhajan Singh, Chairman, CII Haryana Special Task Force on Ease of Doing Business met Mr Devender Singh, Addl. Chief Secretary- Industries, Govt. of Haryana on reforms related to labour laws.

An industry interaction with Mr Devender Singh was organised to share issues related to labour laws in Haryana. Some of the suggestions presented by CII included promotion of self-certification among the industry members for compliance under various labour laws, implementation of the provision of deemed approval in its true sense, deployment of female workers in night shift while taking due care of their safety, time-bound grant of factory licenses etc.

Interaction with Dr Shrikant Baldi, the then Addl. Chief Secretary cum Principal Secretary to the Chief Minister, Govt. of Himachal Pradesh

18 July 2019, Shimla



CII delegation with Dr Shrikant Baldi, the then Addl. Chief Secretary cum Principal Secretary to the Chief Minister

CII Industry delegation, led by Mr Harish Agarwal, Chairman, CII Himachal Pradesh, interacted with Dr Shrikant Baldi.

Various infrastructure related issues, primarily connectivity issues (such as 4-laning of Pinjore-Baddi-Nalagarh National Highway, and construction of Chandigarh-Baddi Rail Link) were discussed during the meeting.

Interaction with Shri Jai Ram Thakur, Chief Minister, Govt. of Himachal Pradesh on EoDB

18 July 2019, Shimla



CII delegation with Mr Jai Ram Thakur, Chief Minister, Govt. of Himachal Pradesh

An industry delegation, led by Mr Harish Agarwal, Chairman, CII Himachal Pradesh, interacted with the Chief Minister, Government of Himachal Pradesh and apprised him about certain challenges being faced by the industry on doing business in the state.

The issues discussed with him included support to curb the monopolistic approach of transport unions (charging exorbitantly high freight charges). The delegation also suggested the introduction of the onetime Amnesty scheme for old vat case to settle pre-GST era VAT cases. Shri Jai Ram Thakur assured support on the issues.

Interaction with Shri Ashok Gehlot, Chief Minister, Govt. of Rajasthan

28 July 2019, Jaipur



CII delegation interacting with Mr Ashok Gehlot, Chief Minister, Govt. of Rajasthan

A delegation of industry members, led by Mr Anand Mishra, Chairman, CII Rajasthan, interacted with the Chief Minister, Government of Rajasthan on increase in rates of the Captive Power Plant.

The CII delegation suggested withdrawal of increased rates of the Captive Power Plant from 40 paisa to Rs 1 in the proposed budget. CII took up the issue with the state government and the same was rolled back to 65 paisa per unit.

Setting up of Dispute Resolution Mechanism, Govt. of Rajasthan

Further to the suggestion of CII, Government of Rajasthan has recently constituted the Dispute Resolution Mechanism (DRM) to resolve the genuine issues of industry involving various state government departments such as Fire, Labour, Factories & Boilers, Pollution Control Board, GST, and Vidyut Vitran Nigams. The DRM has been constituted as a two-tier System headed by Collector at District Level and Chief Secretary, Government of Rajasthan, at the state level.

Eastern Region

Presentation on “Business Made Easy in Bengal”

16 August 2019

In the second meeting of CII ER Governance Taskforce in Kolkata, officials from the West Bengal EoDB team interacted with the taskforce members and made an elaborate presentation on the initiatives taken by the government to improve the ease of doing business in the

state. With a strong focus on Transparent Governance, Trust Building, Maximising e-services and Simplifying of documentation, the state has undertaken about 80 reforms across 15 departments. The state has developed a one-stop portal for all statutory clearances - Single

Window System (Silpa Sathi) for making business easy.

The presentation titled "Business Made Easy in Bengal - Ease licenses, Ease lives" was circulated among members in the state to apprise them of the recent reforms.

Representation to Smt Nirmala Sitharaman, Finance Minister, Govt. of India from the CII North East Council

- The sanctioning power of SBI was Rs.100 crore in Guwahati few years back, which has now been reduced to Rs. 30 crores. Any proposal worth more than Rs. 30 crores have to go to Mumbai HQ for approval. This leads to delays in the commencement of projects/commercial activities. Request was to reinstate the sanctioning capacity to Rs. 100 crore so that execution of projects/commercial activities can take place at a faster pace.
- NEDFI needs to be strengthened to enable them to support more entrepreneurs in the region by

increasing their financial capacity of the bank.

- The 59-minutes loan concept is yet to gain popularity in the region. For this, banks need to empower and train their staff, specially in this region who can help MSMEs avail the benefits.
- The North East region is facing challenges of access to markets elsewhere in India due to limitations in connectivity infrastructure. The North East region should get its fair share in the Rs 100 Lakh Crore to be spent on infrastructure nationally.

Meeting with Shri B S Pant, Minister - in-charge, Department of Commerce & Industry and Civil Aviation and Tourism, Govt. of Sikkim

6 August 2019

Meeting with Shri B S Pant took place to apprise the minister of various CII initiatives being taken by CII on ease of doing business and seek his guidance on collaboration opportunities to work with his ministry.

Southern Region

Session on 'EoDB in Tamil Nadu – A Leap Forward'

15 June 2019, Madurai



Dr Neeraj Mittal, IAS, Managing Director & Chief Executive Officer, Tamil Nadu Industrial Guidance & Export Promotion Bureau, addressing the participants

The session included several prominent speakers from the government of Tamil Nadu. Dr Neeraj Mittal, IAS, Managing Director & Chief Executive Officer, Tamil Nadu Industrial Guidance & Export Promotion Bureau, in his special address, highlighted some of the path breaking business reforms that the State Tamil Nadu is taking on ease of doing business. The session also saw presentations from the Tamil Nadu Water & Drainage Board; Municipal Administration; Directorate of Town & Country Planning; Tamil Nadu Pollution Control Board; Commercial Department and TANGEDCO. Senior Government Officials from these departments made a detailed presentation on the various business reforms that are being carried out by the state government as part of improving the business environment in the state.

Some of the key issues highlighted during the session included delay in getting patta approval from the relevant department, need for dedicated special officer to address issues of compliance, the need to integrate all sub-registrar offices with PAN and Aadhar data to create a state level database to verify the accuracy of documents.

Session on 'EoDB in Tamil Nadu – A Leap Forward'

22 June 2019, Coimbatore



Session on "Ease of Doing Business in Tamil Nadu – A Leap Forward" on 22 June 2019 in Coimbatore

Various speakers from the government highlighted the key initiatives undertaken by the government of Tamil Nadu to improve the business environment in the state. Mr T P Rajesh, Additional Commissioner, Directorate of Industries and Commerce, Government of Tamil Nadu, in his address informed the industry members that 517 applications had been received through Single Window Portal, of which 410 applications were processed.

Other government representatives, highlighting the various policy initiatives of the Government of Tamil Nadu to improve ease of doing

business in the state included Mr M Sekaran, Deputy Director, Directorate of Town & Country Planning, Chennai, Dr B Gayathri Krishnan, Joint Commissioner (ST), Department of Commercial Taxes - Coimbatore, Dr R Nanthagopal, Commissioner - Labour, Government of Tamil Nadu and representatives from TANGEDCO and TNPCB.

One of the key issues highlighted during the Session was the issue of Master Plan for Coimbatore. Members pointed out that the draft master plan has several loopholes. Giving examples, it was mentioned that several industries in Coimbatore fall in the red category and need to be allocated space accordingly. However, there is no provision for such industries in the draft plan.

Session on 'Ease of Doing Business in Tamil Nadu – A leap forward'

28 June 2019, Trichy



Session in progress in Trichy

CII Tamil Nadu in association with the Industrial Guidance and Export Promotion Bureau, Government of Tamil Nadu, organised this session.

Senior officials from several relevant departments such as Commercial Taxes, Directorate of Town & Country Planning, Tamil Nadu Pollution Control Board, TANGEDCO, TWAD Board, SIPCOT and SIDCO made a detailed presentations on the Ease of Doing Business reforms implemented in their respective areas.

Issues raised at the session included change of classification of land and its status under single window clearance, the issue of software compatibility and plan approvals for real estate sector.

Session on Ease of Doing Business in Tamil Nadu

13 July 2019, Hosur



Shri M C Sampath, Minister for Industries, Steel Control and Special Initiatives, Government of Tamil Nadu, addressing the participants in Hosur

The prime objective of this Session was to help promote investment in the state by enabling the business community with insights on various schemes and facilities provided by the Government of Tamil Nadu.

Shri M C Sampath, Minister for Industries, Government of Tamil Nadu, and Shri V Rajendran, Member of Legislative Assembly, were the key dignitaries who interacted with industry members. Mr N Muruganandam, Principal Secretary, Industries Department, Government of Tamil Nadu, along with representatives from TANGEDCO, TNPCB, SIPCOT and other key departments joined the discussion. Issues such as delay in DTCP approval and taxation related refund was raised during the discussion.

Session on “Ease of Doing Business in Tamil Nadu – A Leap Forward”

19 July 2019, Thoothukudi



Mr K P Karthikeyan, IAS, Executive Director, Tamil Nadu Industrial Guidance & Export Promotion Bureau addressing the gathering

Senior state level officers at the Session included Mr V P Jeyaseelan, Commissioner, Thoothukudi City Municipal Corporation and Mr K P Karthikeyan, Executive Director, Tamil Nadu Industrial Guidance & Export Promotion Bureau.

The speakers highlighted various reforms initiatives of the state government on ease of doing business and invited regular feedback from industry. They informed that the steps are being taken to provide 54 services of the government in end-to-end manner. These 54 services will be applied online and the approval process will be fully implemented within a year. Issues such as levying of higher property tax slab for SIPCOT industrial land / warehouse premises located inside corporation limit were raised during the session.

Industry Interaction with Central Provident Fund Commissioner

3 August 2019, Bengaluru



Mr Sunil Barthwal, CPFC, Employees' Provident Fund Organization at the interactive session with industry

To help shape the EPFO services as per the stakeholders' requirement and to understand the challenges faced by them, CII organized half-a-day interactive session with Mr Sunil Barthwal, Central Provident Fund Commissioner (CPFC), Employees' Provident Fund Organization.

Interactive Session with Mr P K Das, Chairman, CBIC, Ministry of Finance, Govt. of India

5 August 2019, Bengaluru



CII organized half-a-day interactive session on Customs and GST with Mr P K Das, Chairman, Central board of Indirect Taxes and Customs (CBIC), Ministry of Finance, Government of India, where Chief Commissioners and Commissioner of Customs and GST from various states of the Southern India also participated.

Interactive Session with Members of Parliament from Andhra Pradesh

17 July 2019, New Delhi

Mr. Vijay Naidu Galla, Chairman, CII Andhra Pradesh State Council, in his presentation suggested 9-point agenda to work with the Government for accelerating growth and development of the State. The 9-point agenda includes, primary sector, IT sector, knowledge & skills, multiple world class green cities, multi model logistics hub, tourism, Industrial corridors, National Manufacturing Zones and encouraging MSMEs. It was suggested to the Members of Parliament to simplify the Goods and Services Tax legislation for the benefit of Micro and Small enterprises.



Whitepaper on Telangana Tourism - Unleashing the growth potential through policy initiatives

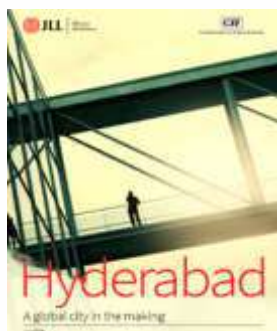
June 2019



The Whitepaper, released by Mr V Srinivas Goud, Minister for Prohibition & Excise, Sports & Youth Services, Tourism & Culture and Archaeology, Government of Telangana, highlights the inherent strengths & challenges in the Tourism sector of Telangana and suggests the way forward to devise a planned approach to address the challenges and lay out a long-term vision for tourism development in Telangana

Report on Hyderabad – The City in Making

July 2019



A Report, released at the Conference on “Rise Infrastructure Hyderabad – Enhancing Liveability” held at Hyderabad on 24 July 2019, offers a broad overview of the impact Indian Global of key infrastructure projects in Hyderabad and opportunities that exist by decentralization of business hubs. The report also touches upon key areas of concern and recommendations to the stakeholders.

Western Region

Interaction on EoDB in Gujarat

3 May 2019, Ahmedabad



Members deliberating on EoDB initiatives in a meeting in Ahmedabad

Organised under the aegis of CII Gujarat Panel on Policy Advocacy, the objective of this interaction was to seek feedback on EoDB initiatives of the Government from industry. Participants deliberated upon the effectiveness of government in implementation of business reforms and conducive policy enablers that need to be implemented to improve EoDB.

Workshop on EoDB in Maharashtra

23 August 2019, Mumbai



CII, in partnership with Industries Department, Government of Maharashtra, organized this Workshop. The Workshop discussed various EoDB issues and sought inputs for improving our ranking in Doing Business Report of the world Bank as well as in DPIIT's ranking of the states. Participants shared their feedback and suggestions related to various departments on EoDB. Dr Harshdeep Kamble, Development Commissioner – Industries led this interaction and Mr Rishi Bagla, Chairman - CII Western Region Subcommittee on Ease of Doing Business & Director OMR Bagla Group, Chaired the Session.

Stakeholder Meeting with Dr Rajesh Rajora, Principal Secretary, Govt. of MP

With an aim to revamp the existing Industrial Policy and create new sectoral policies on Auto, Food Processing, Textiles & Pharmaceuticals, CII in Madhya Pradesh organized stakeholder meetings of various industry groups in the state chaired by Dr Rajesh Rajora, Principal Secretary, and Government of MP. Industry members made several suggestions on improving ease of doing business in the state, of which the state government assured to address the below:

- Exploring on methods of reduction in power cost for industries in state
- Labour department to explore possibility of auto renewal of labor licenses (behavior based)
- Departments to consider deemed approval systems for services covered under Public Service Guarantee Act
- Government would explore integration of Registration of Lease deeds with INVEST portal (online single window system of MP)
- Government would streamline system for building permission which will be applicable to all the industries in industrial areas.
- Government would create separate building permission rules reflecting the needs of the industry.

World Bank Doing Business Ranking 2020 - Select Economies



Rank	Economy
1	New Zealand
2	Singapore
3	Hong Kong SAR, China
4	Denmark
5	Korea, Rep
6	United State
7	Georgia
8	United Kingdom
12	Malaysia
13	Mauritius
14	Australia
15	Taiwan, China
16	United Arab Emirates
20	Finland
21	Thailand
22	Germany
23	Canada
24	Ireland
27	Austria
28	Russian Federation
29	Japan
30	Spain
31	China
32	France
33	Turkey
35	Israel
36	Switzerland
37	Slovenia
38	Rwanda
39	Portugal

Rank	Economy
42	Netherlands
43	Bahrain
46	Belgium
47	Armenia
49	Belarus
50	Montenegro
51	Croatia
52	Hungary
53	Morocco
54	Cyprus
55	Romania
56	Kenya
58	Italy
59	Chile
60	Mexico
61	Bulgaria
62	Saudi Arabia
63	India
64	Ukraine
65	Puerto Rico (U.S.)
67	Colombia
68	Oman
69	Uzbekistan
70	Vietnam
71	Jamaica
73	Indonesia
74	Costa Rica
75	Jordan
76	Peru
77	Qatar
79	Greece
83	Kuwait
84	South Africa
85	Zambia
86	Panama
88	Malta
89	Bhutan
91	El Salvador
92	San Marino

Rank	Economy
93	St. Lucia
94	Nepal
95	Philippines
97	Togo
99	Sri Lanka
101	Uruguay
102	Fiji
103	Tonga
104	Namibia
106	Tajikistan
107	Vanuatu
108	Pakistan
109	Malawi
110	Côte d'Ivoire
112	Djibouti
114	Egypt, Arab Rep.
115	Dominican Republic
116	Uganda
118	Ghana
119	Bahamas, The
120	Papua New Guinea
124	Brazil
125	Paraguay
126	Argentina
127	Iran, Islamic Rep.
128	Barbados
129	Ecuador
130	St. Vincent and the Grenadine
131	Nigeria
135	Belize
140	Zimbabwe
141	Tanzania
143	Lebanon
144	Cambodia
146	Grenada
147	Maldives

Rank	Economy
148	Mali
150	Bolivia
153	Marshall Islands
154	Lao PDR
155	Gambia, The
156	Guinea
157	Algeria
159	Ethiopia
160	Comoros
161	Madagascar
162	Suriname
163	Sierra Leone
164	Kiribati
165	Myanmar
166	Burundi
167	Cameroon
168	Bangladesh
169	Gabon
170	São Tome and Príncipe
171	Sudan
172	Iraq
173	Afghanistan
174	Guinea-Bissau
175	Liberia
176	Syrian Arab Republic
177	Angola
178	Equatorial Guinea
179	Haiti
180	Congo, Rep.
181	Timor-Leste
182	Chad
183	Congo, Dem. Rep.
186	Libya
187	Yemen, Rep.
188	Venezuela, RB
189	Eritrea
190	Somalia

Source : Doing Business Report, World Bank, 2020

The Global Competitiveness Index 2019 Rankings - Select Economies



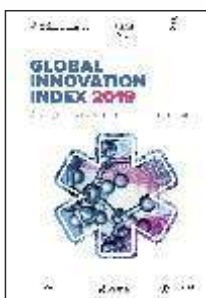
Rank	Economy
1	Singapore
2	United States
3	Hong Kong SAR
4	Netherlands
5	Switzerland
6	Japan
7	Germany
8	Sweden
9	United Kingdom
10	Denmark
11	Finland
12	Taiwan, China
13	Korea, Rep
14	Canada
15	France
18	Luxembourg
19	New Zealand
20	Israel
23	Spain
24	Ireland
25	United Arab Emirates
26	Iceland
27	Malaysia
28	China
29	Qatar
30	Italy
33	Chile
34	Portugal
35	Slovenia
36	Saudi Arabia
37	Poland
40	Thailand
41	Latvia
42	Slovak Republic
43	Russian Federation
44	Cyprus
45	Bahrain
46	Kuwait
47	Hungary

Rank	Economy
48	Mexico
49	Bulgaria
50	Indonesia
51	Romania
52	Mauritius
53	Oman
54	Uruguay
55	Kazakhstan
56	Brunei Darussalam
57	Colombia
58	Azerbaijan
59	Greece
60	South Africa
61	Turkey
62	Costa Rica
63	Croatia
64	Philippines
65	Peru
66	Panama
67	Vietnam
68	India
69	Armenia
70	Jordan
71	Brazil
72	Serbia
73	Montenegro
74	Georgia
75	Morocco
76	Seychelles
77	Barbados
78	Dominican Republic
79	Trinidad and Tobago
80	Jamaica
81	Albania
82	North Macedonia
83	Argentina
84	Sri Lanka
85	Ukraine
86	Moldova
87	Tunisia
88	Lebanon
89	Algeria
90	Ecuador
91	Botswana
92	Bosnia and Herzegovi
93	Egypt
94	Namibia

Rank	Economy
95	Kenya
96	Kyrgyz Republic
97	Paraguay
98	Guatemala
99	Iran, Islamic Rep.
100	Rwanda
101	Honduras
102	Mongolia
103	El Salvador
104	Tajikistan
105	Bangladesh
106	Cambodia
107	Bolivia
108	Nepal
109	Nicaragua
110	Pakistan
111	Ghana
112	Cape Verde
113	Lao PDR
114	Senegal
115	Uganda
116	Nigeria
117	Tanzania
118	Côte d'Ivoire
119	Gabon
120	Zambia
121	Eswatini
122	Guinea
123	Cameroon
124	Gambia, The
125	Benin
126	Ethiopia
127	Zimbabwe
128	Malawi
129	Mali
130	Burkina Faso
131	Lesotho
132	Madagascar
133	Venezuela
134	Mauritania
135	Burundi
136	Angola
137	Mozambique
138	Haiti
139	Congo, Dem. Rep.
140	Yemen
141	Chad

Source : World Economic Forum

Global Innovation Index 2019 Rankings - Select Economies



Rank	Economy
1	Switzerland
2	Sweden
3	United States of America
4	Netherlands
5	United Kingdom
6	Finland
7	Denmark
8	Singapore
9	Germany
10	Israel
11	Republic of Korea
12	Ireland
13	Hong Kong, China
14	China
15	Japan
16	France
17	Canada
22	Australia
25	New Zealand
26	Czech Republic
27	Malta
28	Cyprus
29	Spain
30	Italy
31	Slovenia
32	Portugal
35	Malaysia
36	United Arab Emirates
37	Slovakia
38	Lithuania
39	Poland
40	Bulgaria
41	Greece
42	Vietnam
43	Thailand
44	Croatia

Rank	Economy
45	Montenegro
46	Russian Federation
47	Ukraine
48	Georgia
49	Turkey
50	Romania
51	Chile
52	India
53	Mongolia
54	Philippines
55	Costa Rica
56	Mexico
57	Serbia
58	Republic of Moldova
59	North Macedonia
60	Kuwait
61	Iran (Islamic Republic of)
62	Uruguay
63	South Africa
64	Armenia
65	Qatar
66	Brazil
67	Colombia
68	Saudi Arabia
69	Peru
70	Tunisia
71	Brunei Darussalam
72	Belarus
73	Argentina
74	Morocco
75	Panama
76	Bosnia and Herzegovi
77	Kenya
78	Bahrain
79	Kazakhstan
80	Oman
81	Jamaica
82	Mauritius
83	Albania
84	Azerbaijan
85	Indonesia
86	Jordan
87	Dominican Republic
88	Lebanon

Rank	Economy
89	Sri Lanka
90	Kyrgyzstan
91	Trinidad and Tobago
92	Egypt
93	Botswana
94	Rwanda
95	Paraguay
96	Senegal
97	United Republic of Tanzania
98	Cambodia
99	Ecuador
100	Tajikistan
101	Namibia
102	Uganda
103	Côte d'Ivoire
104	Honduras
105	Pakistan
106	Ghana
107	Guatemala
108	El Salvador
109	Nepal
110	Bolivia (Plurinational State of)
111	Ethiopia
112	Mali
113	Algeria
114	Nigeria
115	Cameroon
116	Bangladesh
117	Burkina Faso
118	Malawi
119	Mozambique
120	Nicaragua
121	Madagascar
122	Zimbabwe
123	Benin
124	Zambia
125	Guinea
126	Togo
127	Niger
128	Burundi
129	Yemen

Source: World Intellectual Property Organisation

Corruption Perception Index 2018 - Select Economies



CPI Rank	Economy	CPI Rank	Economy	CPI Rank	Economy
1	Denmark	45	Korea, South	132	Bolivia
2	New Zealand	45	Cabo Verde	138	Guinea
3	Singapore	45	Dominica	138	Lebanon
3	Sweden	48	Rwanda	138	Mexico
3	Finland	48	Costa Rica	138	Papua New Guinea
3	Switzerland	50	Saint Lucia	138	Russia
7	Norway	51	Malta	138	Iran
8	Netherlands	52	Namibia	144	Comoros
9	Canada	53	Oman	144	Nigeria
9	Luxembourg	53	Italy	144	Guatemala
11	Germany	53	Grenada	144	Kenya
11	United Kingdom	56	Mauritius	144	Mauritania
13	Australia	57	Slovakia	149	Central African Republic
14	Austria	58	Jordan	149	Uganda
14	Hong Kong	58	Saudi Arabia	49	Bangladesh
18	Estonia	60	Croatia	152	Tajikistan
18	Japan	61	Cuba	152	Madagascar
18	Ireland	61	Malaysia	152	Cameroon
21	France	61	Romania	152	Nicaragua
22	United States of America	64	Vanuatu	152	Azerbaijan
23	Uruguay	64	Hungary	157	Eritrea
23	United Arab Emirates	64	Sao Tome and Principe	158	Uzbekistan
30	Portugal	67	Senegal	158	Mozambique
31	Brunei Darussalam	67	Montenegro	160	Zimbabwe
31	Taiwan	67	Greece	161	Turkmenistan
33	Qatar	70	Solomon Islands	161	Cambodia
34	Botswana	70	Belaru	161	Democratic Republic of the Congo
34	Israel	70	Jamaica	161	Haiti
36	Poland	73	Morocco	165	Angola
36	Slovenia	73	Suriname	165	Chad
38	Cyprus	73	Tunisia	165	Congo
38	Czech Republic	73	South Africa	168	Iraq
41	Spain	77	Bulgaria	68	Venezuela
41	Latvia	78	Kuwait	170	Libya
41	Saint Vincent and the Grenadines	78	Ghana	170	Burundi
		78	India	172	Afghanistan
		78	Turkey	172	Sudan
		78	Trinidad and Tobago	172	Equatorial Guinea
		78	Burkina Faso	172	Guinea Bissau
		78	Lesotho	176	Yemen
		85	Argentina	76	Korea, North
		85	Benin	178	South Sudan
		87	China	178	Syria
		87	Serbia	180	Somalia
		89	Indonesia		
		89	Bosnia and Herzegovina		
		89	Sri Lanka		
		89	Swaziland		
		93	Gambia		
		93	Macedonia		
		93	Mongolia		
		93	Panama		
		93	Guyana		
		93	Kosovo		
		99	Philippines		
		99	Bahrain		
		99	Tanzania		
		99	Colombia		
		99	Thailand		
		99	Albania		
		105	Egypt		
		105	Algeria		
		105	El Salvador		
		105	Armenia		
		105	Cote d'Ivoire		
		105	Brazil		
		105	Peru		
		105	Zambia		
		105	Timor-Leste		
		114	Ecuador		
		114	Niger		
		114	Ethiopia		
		117	Moldova		
		117	Pakistan		
		117	Vietnam		
		120	Ukraine		
		120	Liberia		
		120	Malawi		
		120	Mali		
		124	Djibouti		
		124	Kazakhstan		
		124	Nepal		
		124	Gabon		
		124	Maldives		
		129	Dominican Republic		
		129	Sierra Leone		
		129	Togo		
		132	Honduras		
		132	Kyrgyzstan		
		132	Laos		
		132	Paraguay		
		132	Myanmar		

Source : Transparency International

Logistics Performance Index Ranking 2018 - Select Economies

Country	LPI		Customs		Infrastructure		International shipments		Logistics competence		Tracking & tracing		Timeliness	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Germany	1	4.2	1	4.09	1	4.37	4	3.86	1	4.31	2	4.24	3	4.39
Sweden	2	4.05	2	4.05	3	4.24	2	3.92	10	3.98	17	3.88	7	4.28
Belgium	3	4.04	14	3.66	14	3.98	1	3.99	2	4.13	9	4.05	1	4.41
Japan	5	4.03	3	3.99	2	4.25	14	3.59	4	4.09	10	4.05	10	4.25
Netherlands	6	4.02	5	3.92	4	4.21	11	3.68	5	4.09	11	4.02	11	4.25
Singapore	7	4	6	3.89	6	4.06	15	3.58	3	4.1	8	4.08	6	4.32
Denmark	8	3.99	4	3.92	17	3.96	19	3.53	9	4.01	3	4.18	2	4.41
United Kingdom	9	3.99	11	3.77	8	4.03	13	3.67	7	4.05	4	4.11	5	4.33
United Arab Emirates	11	3.96	15	3.63	10	4.02	5	3.85	13	3.92	13	3.96	4	4.38
Hong Kong, China	12	3.92	9	3.81	15	3.97	8	3.77	12	3.93	15	3.92	15	4.14
Switzerland	13	3.9	16	3.63	9	4.02	20	3.51	11	3.97	5	4.1	13	4.24
United States	14	3.89	10	3.78	7	4.05	23	3.51	16	3.87	6	4.09	19	4.08
New Zealand	15	3.88	13	3.71	13	3.99	27	3.43	8	4.02	16	3.92	9	4.26
France	16	3.84	19	3.59	12	4	17	3.55	17	3.84	12	4	14	4.15
Australia	18	3.75	7	3.87	16	3.97	40	3.25	21	3.71	20	3.82	21	3.98
Italy	19	3.74	23	3.47	18	3.85	21	3.51	24	3.66	18	3.85	17	4.13
Canada	20	3.73	18	3.6	21	3.75	30	3.38	14	3.9	21	3.81	22	3.96
Norway	21	3.7	21	3.52	24	3.69	26	3.43	23	3.69	14	3.94	24	3.94
Czech Republic	22	3.68	30	3.29	26	3.46	10	3.75	20	3.72	24	3.7	16	4.13
Portugal	23	3.64	35	3.17	32	3.25	7	3.83	22	3.71	23	3.72	18	4.13
Luxembourg	24	3.63	20	3.53	25	3.63	31	3.37	19	3.76	29	3.61	26	3.9
Korea, Rep.	25	3.61	25	3.4	22	3.73	33	3.33	28	3.59	22	3.75	25	3.92
China	26	3.61	31	3.29	20	3.75	18	3.54	27	3.59	27	3.65	27	3.84
Taiwan	27	3.6	22	3.47	23	3.72	24	3.48	30	3.57	25	3.67	35	3.72
Hungary	31	3.42	27	3.35	30	3.27	43	3.22	38	3.21	26	3.67	32	3.79
Thailand	32	3.41	36	3.14	41	3.14	25	3.46	32	3.41	33	3.47	28	3.81
South Africa	33	3.38	34	3.17	36	3.19	22	3.51	39	3.19	35	3.41	34	3.74
Israel	37	3.31	29	3.32	28	3.33	75	2.78	34	3.39	32	3.5	48	3.59
Iceland	40	3.23	54	2.77	37	3.19	72	2.79	25	3.61	37	3.35	37	3.7
Malaysia	41	3.22	43	2.9	40	3.15	32	3.35	36	3.3	47	3.15	53	3.46
Greece	42	3.2	47	2.84	38	3.17	35	3.3	48	3.06	45	3.18	42	3.66
Oman	43	3.2	44	2.87	39	3.16	36	3.3	49	3.05	66	2.97	29	3.8
India	44	3.18	40	2.96	52	2.91	44	3.21	42	3.13	38	3.32	52	3.5
Indonesia	46	3.15	62	2.67	54	2.89	42	3.23	44	3.1	39	3.3	41	3.67
Mexico	51	3.05	53	2.77	57	2.85	51	3.1	52	3.02	62	3	49	3.53
Brazil	56	2.99	102	2.41	50	2.93	61	2.88	46	3.09	51	3.11	51	3.51
Philippines	60	2.9	85	2.53	67	2.73	37	3.29	69	2.78	57	3.06	100	2.98
Mauritius	78	2.73	59	2.7	59	2.8	151	2.12	59	2.86	63	3	99	3
Sri Lanka	94	2.6	79	2.58	85	2.49	112	2.51	109	2.42	78	2.79	122	2.79
Bangladesh	100	2.58	121	2.3	100	2.39	104	2.56	102	2.48	79	2.79	107	2.92
Jamaica	113	2.52	99	2.42	107	2.32	107	2.53	94	2.54	116	2.48	121	2.79
Nepal	114	2.51	122	2.29	123	2.19	129	2.36	105	2.46	98	2.65	89	3.1
Pakistan	122	2.42	139	2.12	121	2.2	97	2.63	89	2.59	136	2.27	136	2.66
Bhutan	149	2.17	135	2.14	150	1.91	160	1.8	115	2.35	130	2.35	146	2.49
Afghanistan	160	1.95	158	1.73	158	1.81	152	2.1	158	1.92	159	1.7	153	2.38

Source: World Bank

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Confederation of Indian Industry

CII Invites Feedback on **Ease of Doing Business** Reforms/ Issues

The government of India in last few years has laid special emphasis on simplification and rationalization of business regulations and introduction of information technology to make the compliances easier and cost effective for businesses. As a result, the country in the last 5 years has moved up 79 positions in global Doing Business Ranking of the World Bank.

CII has been supporting the government, both at Central and State levels, in ensuring effective implementation of business reforms and resolution of pending issues by providing regular feedback from industry by way of meetings, workshops, conferences, surveys and reports.

Against this backdrop, CII invites feedback, if any, from stakeholders on ease of doing business reforms / issues that would further help in improving the business environment in the country.



You may send your feedback to us at:

CII EoDB Department, The Mantosh Sondhi Centre, 23, Institutional Area, Lodi Road, New Delhi - 110003
Tel: 91-11-45771000/ 24629994 - 7 | E-mail: cii.eodb@cii.in



Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India's premier business association has more than 9100 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 300,000 enterprises from 291 national and regional sectoral industry bodies.

CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, healthcare, education, livelihood, diversity management, skill development, empowerment of women, and water, to name a few.

India is now set to become a US\$ 5 trillion economy in the next five years and Indian industry will remain the principal growth engine for achieving this target. With the theme for 2019-20 as 'Competitiveness of India Inc - India@75: Forging Ahead', CII will focus on five priority areas which would enable the country to stay on a solid growth track. These are - employment generation, rural-urban connect, energy security, environmental sustainability and governance.

With 68 offices, including 9 Centres of Excellence, in India, and 11 overseas offices in Australia, China, Egypt, France, Germany, Indonesia, Singapore, South Africa, UAE, UK, and USA, as well as institutional partnerships with 394 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community.



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RESEARCH

CII Research is an Industry think-tank providing thought leadership on strategic economic and industry issues critical to national growth and development. Drawing on a deep reservoir of industry leaders and industry associations spanning all sectors and present across the country, CII Research originates analytical reports in consultation with stakeholders. Based on strategic perceptions and data, these in-depth insights suggest specific policies and action plans that would enhance the role of Indian industry in nation-building.

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