



# EASE OF DOING BUSINESS

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## RANKINGS

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The Ease of Doing Business (EoDB) index is a ranking system established by the World Bank Group. In the EODB index, 'higher rankings' (a lower numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.

The research<sup>1</sup> presents data for 190 economies and aggregates information from 10 areas of business regulation:

1. Starting a Business
2. Dealing with Construction Permits
3. Getting Electricity
4. Registering Property
5. Getting Credit
6. Protecting Minority Investors
7. Paying Taxes
8. Trading across Borders
9. Enforcing Contracts
10. Resolving Insolvency

Rankings and weights on each of the mentioned parameters are used to develop an overall EoDB ranking. A high EoDB ranking means the regulatory environment is more conducive for starting and operating businesses.

## INDIA – EASE OF DOING BUSINESS RANKING

Among the chosen 190 countries<sup>2</sup>, India ranked 63<sup>rd</sup> in Doing Business 2020: World Bank Report. In 2014, the Government of India launched an ambitious program of regulatory reforms aimed at making it easier to do business in India. The program represents a great deal of effort to create a more business-friendly environment.

India has emerged as one of the most attractive destinations not only for investments but also for doing business. India jumps 79 positions from 142<sup>nd</sup> (2014) to 63<sup>rd</sup> (2019) in 'World Bank's Ease of Doing Business Ranking 2020'.<sup>3</sup>

Positive changes have led to this impressive improvement in India's ranking in the EoDB index. India's major achievement is summarised here:

**Construction Permits:** India's ranking on this parameter has improved from 184 in 2014 to 27 in 2019.<sup>4</sup> This improvement has been mainly on the account of a decrease in the number of procedures and time taken for obtaining construction permits in India.<sup>5</sup>

**Getting Electricity:** India's ranking on this parameter has improved from 137 in 2014 to 22 in 2019. It takes just 53 days and 4 procedures for a business to get an electricity connection in India.<sup>6</sup>

Apart from these significant improvements, among the 190 economies, India ranks 13<sup>th</sup> in Protecting Minority Investors and 25<sup>th</sup> in Getting Credit.<sup>7</sup>

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## CENTRAL GOVERNMENT INITIATIVES

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## **ACTIONS COMPLETED**

### **STARTING A BUSINESS**

1. Permanent Account Number (PAN), Tax Deduction & Collection Account Number (TAN), Director Identification Number (DIN) have now been merged into a single form (SPICe) for company incorporation.<sup>8</sup>
2. Five-page form and other attachments for reserving the name of the Company with the Ministry of Corporate Affairs has been simplified into a simple web service with only three fields to be filled.<sup>9</sup>
3. Registration under Employee State Insurance Corporation (ESIC) and Employee Provident Fund Organisation (EPFO) are available at Shram Suvidha portal as a common online service with no physical touch point.<sup>10</sup>
4. No requirement of inspection for before registration under Shops & Establishment Act in Mumbai and Delhi.<sup>11</sup>
5. Companies Act was amended to eliminate the requirement of a common company seal.<sup>12</sup>

### **DEALING WITH CONSTRUCTION PERMITS**

1. Municipal Corporations of Delhi, as well as Municipal Corporation of Greater Mumbai, have introduced fast track approval system for issuing building permits with features such as Common Application Form (CAF), provision of using digital signature and online scrutiny of building plans.
2. Delhi has uniform building by-laws which allow for risk-based classification regimes for different building types. It has a provision of deemed approval of sanctioning building plans within 30 days.
3. For construction permits, the time reduced from 128.5 to 99 days in Mumbai and from 157.5 to 91 days in Delhi between Doing Business 2018 and 2019 reports.<sup>13</sup>
4. Total number of procedures reduced to 20 in Mumbai and 16 in Delhi.<sup>14</sup>
5. Cost of obtaining construction permits reduced from 23.2% to 5.4% of the economy's per capita income.<sup>15</sup>

### **TRADING ACROSS BORDERS**

1. The Central Board of Excise and Customs (CBEC) has implemented 'Indian Customs Single Window Project' to facilitate trade. Importers and exporters can electronically lodge their customs clearance documents at a single point.
2. The number of mandatory documents required for customs purposes, for both import and export of goods, has been reduced to three.
3. e-Sanchit, an online application system, allows traders to file all documents electronically.<sup>16</sup>
4. The electronic self-sealing of the container at the factory has reduced time and cost for exporting firms.<sup>17</sup>
5. A computerized risk management system has brought transparency and reduced frequency of custom inspections significantly.<sup>18</sup>
6. Central Board of Indirect Taxes and Customs has provided a facility for Advance Bill of Entry (Advance Import Declaration).<sup>19</sup>

### **ENFORCING CONTRACTS**

1. The Commercial Courts and Appellate Division of High Courts have been established in Mumbai and Delhi.
2. National Judicial Data Grid (NJDG), provides case data including case registration, cause list, case status and orders/ judgements of courts district-wise across the country. NJDG is open for public since 2015.
3. New cases in district courts are assigned to Judges randomly through an automated system in Delhi and Mumbai.<sup>20</sup>
4. e-filing of cases has been introduced in district courts of Delhi and Mumbai.<sup>21</sup> 5. A case management tool has been developed with functionality of sending a notification to lawyers, viewing court orders/ judgements, tracking the status of cases, to semi-automatically generate court orders etc.<sup>22</sup>

## **GETTING CREDIT**

1. Central Registry of Securitization Asset Reconstruction and Security Interest (CERSAI) is a geographically unified electronic registry that provides for registration by asset type. Since 2017, CERSAI also provides search through debtor's name.<sup>23</sup>
2. Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) (Central Registry) Rules, 2011 was amended to include additional types of charges, including a security interest in - immovable property by the mortgage, hypothecation of plant and machinery, stocks, debt including book debt or receivables, intangible assets, patent, copyright, trademark, under-construction building.<sup>24</sup>
3. The definition of property, which now includes immovable as well as intangible, allows CERSAI to register these additional charges.<sup>25</sup>

## **GETTING ELECTRICITY**

1. Electricity connection is provided within 7 days if no Right of Way (RoW) is required and within 15 days where RoW is required.<sup>26</sup>
2. Service line cum Development charges is now capped at US\$ 357.6 in Delhi.<sup>27</sup>
3. Number of documents required for getting electricity connection has been reduced to two and no physical documents are accepted.<sup>28</sup>
4. Total number of procedures reduced to 3 in Delhi and 4 in Mumbai.<sup>29</sup>

## **REGISTERING PROPERTY**

1. All sub-registrar offices have been digitized and its records have been integrated with the Land Records Department, in both Delhi and Mumbai.
2. In Mumbai, all property tax records have been digitized. Property is mutated at automatically after registration.<sup>30</sup> The digitization of property records ensures transparency and allows citizens to ascertain the history of transactions in digital mode.
3. Online service for charges search at Registrar of Companies reduces the time taken for this procedure significantly.<sup>31</sup>
4. Statistics regarding the number of land disputes at Revenue Courts are available online in both Delhi and Mumbai.<sup>32</sup>

## **RESOLVING INSOLVENCY**

1. The Insolvency and Bankruptcy Code of 2016 has introduced new dimensions in resolving insolvency in India. It is India's first comprehensive legislation of corporate insolvency.<sup>33</sup>
2. Under Fast-track Corporate Insolvency Resolution Process (CIRP) for mid-sized companies, the process for insolvency shall be completed within 90 days with a maximum grace period of another 45 days.<sup>34</sup>

## **PAYING TAXES**

1. Reduction of corporate tax from 30% to 25% for mid-sized companies.<sup>35</sup>
2. Domestic companies can opt for concessional tax regime @ 22% (effective tax rate: 25.17% inclusive of surcharge and cess). Such company cannot claim any income tax incentive or exemption. Such companies are not be liable to pay the Minimum Alternate Tax (MAT)<sup>36</sup>
3. The tax rate for new domestic manufacturing companies is now 15% (17.01% inclusive of surcharge and cess). Companies that have been incorporated on or after 1st October 2019, making fresh investment manufacturing and commencing production on or before 31 March 2023, may opt for such concessional tax regime. Such companies cannot avail any other income tax exemption/ incentive under the Income-tax Act.<sup>36</sup>
4. A company that does not opt for the above concessional tax regime and avails any tax exemption/ incentive, shall continue to pay tax at pre-amended rates. However, the option of availing the lower tax regime of 22% can be opted for

after the expiry of tax the holiday/ exemption period. Once the same is opted for it cannot be subsequently withdrawn by the taxpayer. MAT rate for companies availing exemptions/ incentives reduced from 18.5% to 15%.<sup>36</sup>

5. Robust IT infrastructure of online return filing for Indian taxpayers.<sup>37</sup>

6. The Goods and Service Tax came into effect from 01 July 2017. It subsumes eight taxes at the Central and nine taxes at the State level.<sup>38</sup>

7. The Employee State Insurance Corporation (ESIC) has developed a fully online module for electronic return filing with online payment. This has substantially reduced the time to prepare and file returns.

8. With the introduction of the e-verification system, there remains no physical touch point for document submission to income tax authorities.

## MEASURES UNDERWAY

1. Paying Taxes: GST implementation.<sup>38</sup>

2. Resolving Insolvency: Increased usage of Fast-track Corporate Insolvency Resolution Process (CIRP) as more insolvent companies opt for reorganization plans instead of liquidation.<sup>39</sup>

3. Enforcing Contracts: Faster resolution of commercial disputes through dedicated commercial courts.<sup>40</sup> Registering Property: Digitization of land records and maps will bring transparency on encumbrances and ease the process of registering property.<sup>41</sup>

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## STATE REFORMS

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1. DPIIT has launched the latest Business Reform Action Plan for the year 2020 (BRAP 2019-20 ). It consists of 301 reform points across 15 areas. The highlights of State Reforms Action Plan 2020 are

- ‘Investment enablers’ - To incorporate reforms related to ‘Access to information and transparency’, ‘Online Single Window System And more.
- Single Window system- To enable the single window system including online submission of application, payment of application fee and many more
- Sectoral reforms pertaining to sectors like Tourism, Telecom, Hospitality, Trade License, Healthcare, Legal Metrology, Cinema Halls and Movie shooting.
- Public procurement has been introduced first time by Industries department in this year’s Action Plan.
- Reforms related to ‘elimination of the requirements of renewals of certificates/ approvals/ licenses’ and ‘implementation of computerized central random inspection system’.

2. For BRAP 2018-19, DPIIT has proposed to undertake a 100% feedback based assessment. The reform areas included.<sup>42</sup>

- Access to Information and Transparency Enabler
- Single window system
- Land administration and Transfer of Land and Property
- Land availability and allotment
- Environment Registration Enablers
- Construction Permit Enablers
- Labour Regulation-Enablers
- Obtaining Utility Permits
- Paying Taxes
- Inspection Enablers
- Contract Enforcement
- Sector Specific: Healthcare and Miscellaneous

3. BRAP 2017-18 was updated to 372 action points. It included new sectors such as Healthcare and Hospitality, Central Inspection system, Trade License, Registration under Legal Metrology, and Registration of Partnership Firms & Societies. Assessment for BRAP 2017-18 included feedback score which was sought on 78 reform points from actual users.

4. In 2016, DPIIT released a 340-point BRAP. It included recommendations on 58 regulatory processes and policies spread across ten reform areas spanning the lifecycle of a typical business.

5. Department for Promotion of Industry and Internal Trade (DPIIT) launched Business Reforms Action Plan (BRAP) and its assessment report in September 2015, capturing the findings of reforms implemented by States/Union Territories.

6. The Action Plan is spread across 24 reform areas and seeks to promote a sector-specific approach so as to create an enabling business environment across various sectors in the country. The various sectors include Trade License, Healthcare, Legal Metrology, Fire License/NOC, Cinema Halls, Hospitality, Telecom, Movie Shooting and Tourism.<sup>44</sup>

Detailed information on ease of doing business measures implemented by various states is available at <http://eodb.dipp.gov.in>.

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