

Doing business set to get easier

NEW DELHI: Having been at the bottom of the pyramid in terms of ease of doing business, the government has drawn up plans which range from special benches in high courts for enforcing high value contracts to halving the processing time for issuing PAN and TAN to a week as part of a strategy to climb up the global competitiveness ladder.

While a committee of secretaries was set up a few months ago to draw up an action plan, the blueprint is ready which partly focuses on following the best practices within the country. So, Mumbai will follow the Jaipur model for starting business to reduce the processing time in all offices, be it the registrar of companies or the agency that issues PAN. Similarly, the Orissa model will be followed for giving construction clearances.

But officials said that will only reduce the processing time by a few days and, therefore, structural reforms would also be initiated. Of the 10 areas covered by the annual Doing Business Report prepared by World Bank arm International Finance Corporation, there is special emphasis on four areas — payment of taxes and levies, closing business, enforcing contracts and issuing licenses and registering property.

As reported in TOI in September, India was ranked 120th among 178 countries in terms of ease of doing business.

While some 60 payments have to be made annually in India — which range from taxes to statutory payments to employees — the government has decided to focus on reducing the number of transactions.

So, the Centre is approaching states to ensure that like corporation tax, companies pay Vat every quarter if not a half-yearly basis. Similarly, the labour ministry is being asked to adopt a similar payment strategy for Employees Provident Fund and Employees State Insurance Corporation. If the agencies agree to a mechanism of quarterly payments, companies would be required to make 12 payments for Vat, EPFO and ESIC instead of 36 at present. Besides, the government is also toying with the idea of allowing banks to collect all these levies. “The system is so complicated that a businessman in Rewari has to send cash to Chandigarh to make the payments and then report to Delhi. If the proposal goes through, then it will lower transaction cost for businessmen as well as the government,” an official said.

On bankruptcy and winding up, the government has decided to use the services of law firm Fox Mandal to improve the process. While amendments to the Companies Act are already underway, other related legislations could also undergo change. At present, some nine procedures have to be completed to close a business and it takes a decade to wind up.

While India might not be as notorious as China in enforcing contracts, it does have a bad reputation. So, the law secretary has been asked to devise a roadmap for enforcing contracts at all levels, be it the one with the cellphone operator, while the judiciary will be approached to set up special Benches that deal in high value contracts.

Investors have told the government that the present legal system leaves no option but to approach civil courts to settle any contractual dispute and the process could take up to a decade before an order is issued. So, the government is looking at a system akin to special courts and tribunals for speedier settlement of contractual disputes which would also help declog the system for other cases.

But the definition of high-value contracts is something that is yet to be finalised.

On the issue of licences and property transactions, the government has asked the National Institute of Urban Affairs to study the procedures in 10 Indian cities and suggest a practice that eases property purchase and registration and ushers in a simpler dispensation for construction licensing.

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