

**GOVERNMENT OF INDIA  
MINISTRY OF COMMERCE & INDUSTRY  
DEPARTMENT OF INDUSTRIAL POLICY & PROMOTION**

**LOK SABHA**

**UNSTARRED QUESTION NO. 3097.  
TO BE ANSWERED ON MONDAY, THE 6<sup>TH</sup> AUGUST, 2018.**

**INCENTIVES UNDER EODB**

**3097. SHRI N.K. PREMACHANDRAN:**

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

**वाणिज्य एवं उद्योग मंत्री**

- (a) the details regarding the initiatives taken by the Government to relax the conditions for Ease of Doing Business for corporates;
- (b) the change in laws and concession given by the Government during the last four years for ease of doing business for the corporates in the country;
- (c) the details of the action taken by the Government for relaxing the conditions for issuing construction permits to corporates;
- (d) the details of the concession declared by Government during the last four years for the electricity tariff and connection to the corporates;
- (e) the details of the action taken by the Government during the last four years for relaxing the provision for registering the property for corporates; and
- (f) the details of the action taken by the Government during the last four years for making corporate investor protection?

**ANSWER**

**वाणिज्य एवं उद्योग मंत्रालय में राज्यमंत्री (श्री सी.आर. चौधरी)**

**THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY  
(SHRI C.R. CHAUDHARY)**

- (a) & (b):** A number of initiatives have been taken by Government of India to improve the overall business regulatory environment in the country. Steps taken to facilitate ease of doing business are placed in Annexure-I.
- (c):** Following initiatives have been taken to facilitating issuance of construction permits, but not limited to corporates-
- i. For issuing construction permits, an Online Building Permission System (OBPS) has been implemented in Delhi and Mumbai,

- integrating all internal and external agencies for granting No Objection Certificates (NOCs) for construction activities.
- ii. Ministry of Housing and Urban Affairs has released Model Building Bye Laws (MBBL), 2016, which contains a Chapter on Streamlining the Building Plan approval in a time bound manner using online tools. The MBBL-2016 have been shared with all the States/Union Territories (UTs) for adoption. Further, detailed Guidelines on Online Building Permission System (OBPS) have been issued to all States/UTs.
  - iii. 16 States/UTs have stipulated construction permits to be provided within 45 days:-
    - a. Building plan approval in 30 days of applying
    - b. Plinth level inspection is done in 7 days of intimation
    - c. Final completion/occupancy certificate is provided within 8 days of applying
  - iv. 12 States/UTs have developed online single window for building plan approval which allows users to upload building plans, apply for NOCs from various agencies, pay fee online and download certificates/ approvals/ NOCs.

**(d):** Regulatory reforms undertaken by Central Electricity Authority (CEA) and regulators are as under, but not limited to corporates-

- i. CEA regulations amended for allowing installation of transformers up-to 500 KVA on double pole structure.
- ii. CEA notification to waive off electrical inspector approval for 11 KV installations carried out by DISCOMs and allowing self-certification by DISCOMs engineers in such cases
- iii. Changed Tariff Regulation in Delhi to allow Low Tension (LT) connection up-to 150 KVA and rationalized LT Tariff for taking LT connection up-to 150 KVA. Mumbai has also allowed upto 140 KVA connections to be LT connections. This has resulted in reduction of number of procedures (External works of meter board conducted by customer's electrical contractor) and associated costs of Distribution infrastructure which add up to the cost of obtaining electricity connection by Commercial Consumers.
- iv. Change in Supply code in Delhi to facilitate reduction in cost and time for new connection.
- v. Rationalization of service connection and security deposit costs to commercial consumers under LT connections have resulted in a reduction of costs to be paid for by such consumers for obtaining electricity connections.

**(e):** Following steps have been taken to facilitate registering of property but not limited to corporates:-

- i. Department of Land Resources is running Digital India Land Records Modernization Programme (DILRMP) and providing funds to the States/UTs for Digitization of Cadastral Maps and Computerization of Registration in addition to Survey/Resurvey,

Computerization of Land Records and establishment of Modern Record Rooms. The main objective is to develop a modern comprehensive and transparent land records management system in the country to minimize scope of land/property disputes, enhanced transparency in the land records maintenance system. So far 31 States/UTs have completed the computerization of registration.

- ii. In Mumbai, deeds/title records have been digitized and have been made available online.
- iii. In Mumbai and Delhi, maps have been digitized and made available online.
- iv. Grievance Redressal Systems have been implemented for Sub-registrar office (Mumbai and Delhi) and cadastral mapping agency (Delhi).
- v. In Delhi, property transaction statistics have been made available online.

**(f):** Following initiatives have been taken for protecting corporate investors:-

- i. In order to protect the corporate investors, the approval of shareholders in a general meeting has been made mandatory effective from 30.03.2017 for contracts or arrangements with a related party for (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten per cent of turnover of the company or Rupees one hundred crore whichever is lower, (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding ten per cent of net worth of the company or Rupees one hundred crore, whichever is lower, (iii) leasing of property of any kind exceeding ten per cent of the net worth of the company or ten per cent of turnover of the company or Rupees one hundred crore, whichever is lower, (iv) availing or rendering of any services, directly or through appointment of agent, exceeding ten per cent of the turnover of the company or Rupees fifty crore, whichever is lower.
- ii. Following amendments have been made to the Companies Act, 2013 to improve Ease of Doing Business:
  - a. Section 188 (1) of the Act read along with Rule 15 of the Companies (Meetings of Board & its Powers) Rules, 2014 ("Rules") provides that a special resolution is required by a company to enter into any contract or arrangement with a related party. In order to solve the problems faced by large stakeholders who are related parties, the Amendment Act has replaced the requirement of passing a 'special resolution' with 'ordinary resolution' for approval of related party transactions by non-related shareholders.
  - b. Explanation to Rule 15 of the Rules further provides that for the purpose of entering into a transaction between wholly owned subsidiary and a holding company, a special resolution passed by the holding company shall be

sufficient. By way of this amendment, related party transactions between holding companies and wholly owned subsidiaries have been exempt from the requirement of approval of non-related shareholders if the accounts of such a subsidiary are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

- c. As per The amendment Act, 2017, under section 188, the requirement related to restriction on voting by related party in the general meeting shall not apply to a company in which ninety per cent or more members in numbers are relatives of promoters or related parties. Non-ratification of transaction shall be voidable at the option of the Board or shareholders, as the case may be. Earlier it was only voidable at the option of the Board.
- d. Section 177 of the Act allows the audit committee of a company to approve and review related party transactions of the company. The Amendment Act now empowers such audit committees to give collective approvals for related party transactions on an annual basis. This amendment aligns the Act with the SEBI policy and further increases the ease of doing business for companies.
- e. As per the Amendment Act, 2017, under section 177, Instead of every listed company, every listed public company and such other class of Companies shall constitute an audit committee. Transactions with Related party other than those prescribed under section 188, if not approved by Audit committee, will require the approval of Board of Directors.
- f. In case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorized by any other director, the director concerned shall indemnify the company against any loss incurred by it.
- g. Approval of audit committee with respect to transactions between a holding company and its wholly owned subsidiary company will only be required, if the transactions falls under section 188.

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**ANNEXURE REFERRED TO IN REPLY TO PARTS (a) & (b) OF LOK SABHA UNSTARRED QUESTION NO. 3097 FOR ANSWER ON 06.08.2018.**

**World Bank's Doing Business Report (DBR)**

Some of the major indicator wise reforms undertaken by the Government towards easing the business environment in the country are as under:

**(a) Starting A Business:**

**Reforms accepted in DBR 2018:** India made starting a business faster by introducing a single form SPICe (Simplified Proforma for Incorporating Company electronically) by merging five different applications i.e. Name reservation, Company incorporation, Director Identification Number (DIN), Permanent Account Number (PAN) and the Tax Deduction/Collection Account Number (TAN), and by improving the online application system. This reform applies to both Delhi and Mumbai.

**Reforms implemented for DBR 2019:**

- Discontinued the INC-1 eform and launched a new and simplified web based service i.e. R.U.N. (Reserve Unique Name) on 26th January, 2018. This has also removed the requirement to use a Digital Signature Certificate (DSC) during name registration.
- Applications for obtaining Director Identification Number (DIN) for first time directors in a new company now have to be mandatorily submitted through the SPICe eform.
- Incorporation fees has been eliminated for Companies with authorized capital up to INR 10 lakh.
- Applications required for PAN and TAN have been completely integrated into SPICe form eliminating need of submitting online a separate form. Additionally, PAN and TAN are mentioned in the Certificate of Incorporation (CoI) which is now a sufficient proof for PAN and TAN.
- Registration for EPFO & ESIC is available on Shram Suvidha Portal .
- Registrations under Mumbai Shops & Establishments Act are processed in real time and without any physical inspection.

**(b) Dealing with Construction Permits:**

**Reforms accepted in DBR 2018:** India made dealing with construction permits less cumbersome by implementing an online system that has streamlined the process at the Municipality of New Delhi and Municipality of Greater Mumbai. The online system has streamlined the process of obtaining a building permit,

thereby reducing the number of procedures and time required to obtain a building permit in India.

**Reforms implemented for DBR 2019:**

- All approvals of the construction lifecycle (i.e. from building plan approval till issuance of completion-cum-occupancy certificate) are issued online.
- Introduction of provision of decennial professional liability insurance in Delhi and Mumbai.
- Delhi and Mumbai have introduced provision of joint inspection for issuance of Occupancy cum completion certificate.

**(c) Getting Electricity:**

**Reforms implemented for DBR 2019:**

- In Delhi, service line charges have been capped to INR 25,000/- in electrified areas for Low Tension loads up to 150 KW.
- In Delhi, DERC regulations mandate that the electrical connection process must be completed within 15 days of the application's acceptance.
- In Mumbai, Reliance Infrastructure Limited requires the applicant to pay the cost of electricity connection along with the first bill.

**(d) Registering Property**

**Reforms implemented for DBR 2019:**

- In Mumbai, deeds/title records have been digitized and have been made available online.
- In Mumbai and Delhi, maps have been digitized and made available online.
- Grievance Redressal Systems have been implemented for Sub-registrar office (Mumbai and Delhi) and cadastral mapping agency (Delhi).
- In Delhi, property transaction statistics have been made available online.

**(e) Getting Credit:**

**Reforms accepted in DBR 2018:** India strengthened access to credit by amending the rules on priority of secured creditors outside reorganization proceedings and by adopting a new law on insolvency that provides a time limit and clear grounds for relief to the automatic stay for secured creditors during reorganization proceedings. This reform applies to both Delhi and Mumbai.

**Reforms implemented for DBR 2019:** Notified and started the implementation of Section 20A of the SARFAESI Act with the objective of integration of all state and central registries with the CERSAI registry.

**(f) Protecting Minority Investors:**

**Reforms accepted in DBR 2018:** India strengthened minority investor protections by increasing the remedies available in cases of prejudicial transactions between interested parties. This reform applies to both Delhi and Mumbai.

**(g) Paying Taxes:**

**Reforms accepted in DBR 2018:** India made paying taxes easier by making payment of Employee Provident Fund (EPF) mandatory electronically and introducing a set of administrative measures easing compliance with corporate income tax. This reform applies to both Delhi and Mumbai.

**Reforms implemented for DBR 2019:**

- The implementation of GST has subsumed all indirect taxes including (i) Service Tax (ii) Value Added Tax (ii) Central Sales Tax and (iv) Excise Duty. Unification of these taxes will reduce the cascading effect of taxes and make taxes paid on inputs creditable to a higher percentage. Also, it is expected to reduce the time spent on filing and returns.
- Corporate income tax has been reduced from 30% to 25% for companies with a turnover up to INR 250 crores.
- Under the GST, Integrated Goods & Service Tax (IGST) is fully allowed as credit as against Central Sales Tax levied on which no input tax credit was allowable in erstwhile VAT regime, thereby reducing effective tax rate.

**(h) Trading Across Borders:**

**Reforms accepted in DBR 2018:** India reduced import border compliance time in Mumbai by improving infrastructure at the Nhava Sheva Port. Export and import border compliance cost were also reduced in both Delhi and Mumbai by eliminating merchant overtime fees and through the increased use of electronic and mobile platforms.

**Reforms implemented for DBR 2019:**

- To reduce the time taken for border compliance time, facility of filing advance bill of entry (import declaration) is provided by customs.
- Enhanced facilitation through Risk Management System (Facilitated Bill of Entry) by simplification of Risk Management System inspection process resulting in reduced time taken for clearance.

- Direct Port Delivery for import and Direct Port Entry for export is available at Jawarlal Nehru Port Trust (JNPT) to allow clearance and shipping of cargo directly from port premises, thus reducing the overall dwell time for both import and export.
- Promotion of Authorized Economic Operator (AEO) programme: AEO programme seeks to provide tangible benefits in the form of faster Customs clearances and simplified Customs procedures to business entities.
- Reduction in paper documentation and physical copies of EXIM related documents with the help of e-Sanchit; e-Sanchit, an online application on ICEGATE portal that allows a trader to submit all supporting documents for clearance of consignments electronically with digital signatures.
- Government of India has mandated the use of e-Payment, e-Invoice and e-Delivery order by all stakeholders in maritime trade from 2nd of April.
- Customs has implemented Electronic Sealing for Containers by exporters under self-sealing procedure; leading to faster export process.
- Infrastructure strengthening: In order to handle the rising number of cargo at JNPT, JNPT has added 15 e-RTGCs (Rubber Tyre Gantry Cars) to improve the operational efficiency.
- A fifth container terminal has been inaugurated at JNPT in February, 2018 which has added a capacity of 24 million TEUS (Twenty Feet Equivalent Units) at JNPT.

**(i) Enforcing Contracts:**

**Reforms accepted in DBR 2018:** India made enforcing contracts easier by introducing the National Judicial Data Grid, which makes it possible to generate case measurement reports on local courts. This reform applies to both Delhi and Mumbai.

**Reforms implemented for DBR 2019:** Implemented case management system for judges and lawyers in Delhi district court & Mumbai city civil court for speedier resolution of commercial cases.

**(j) Resolving Insolvency:**

**Reforms accepted in DBR 2018:** India made resolving insolvency easier by adopting a new insolvency and bankruptcy code that introduced a reorganization procedure for corporate debtors and facilitated continuation of the debtor's business during insolvency proceedings. This reform applies to both Delhi and Mumbai.

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