

Starting a Business

1.

Description of Reform: Procedure 2 for both cities in DBR2018 stated that there was a need to obtain director identification number (DIN) for each of the 2 directors. Applications for appointment of director and obtaining DIN for any individual in a new company now have to be mandatorily submitted through the “Simplified Proforma for Incorporating Companies electronically” (SPICe) eform as there is no other mode of application for obtaining DIN number for individuals in new companies. However, eform DIR-3 continues to exist, but only for cases where individuals are appointed as directors of an existing company. The procedure is completely online, and so the separate procedure of obtaining ‘Director Identification Number’ by the director of a new company has been done away with and there is no separate application for obtaining DIN prior to incorporation of a Company.

Impact: Procedure number 2, i.e. “Obtain director identification number (DIN) online from the Ministry of Corporate Affairs portal” is merged with procedure number 4 of incorporating a company. Henceforth there is no separate procedure for obtaining DIN for a director of a new company.

Date of Entry into Force: 26th January, 2018

Legal

Basis:

http://www.mca.gov.in/Ministry/pdf/AppointmentQualificationDirectoramendmentrules2018_25012018.pdf

2.

Description of Reform: Discontinuation of INC-1 Form

Procedure 3 for both cities in DBR2018 stated that eForm INC-1 was required to fill, which was a 5 page e-form for reserving name. Now, a simplified web service named as Reserve Unique Name (RUN) is launched which requires only three fields to be filled, and does not require Digital Signature Certificate (DSC), DIN or Permanent Account Number (PAN) of the applicant.

The end to end procedure is completed online against an application fee of INR 1,000/-. On completing the application and submitting payment of INR 1,000/- the system instantly generates a (i) Service Request Number (SRN) for future correspondence with MCA and (ii) a Challan depicting details of the fees paid by the user. An acknowledgement of approval / rejection of name with related documents (if any) is sent to the user by email.

After reserving name, the applicant can immediately proceed with incorporation of company with SPICe form. As the entire name reservation and incorporation process is completed online without the requirement of any physical follow up by applicants or any document submission, according to the doing business methodology, it should be treated as a single procedure merged with procedure number

Impact: The process of name reservation (Procedure number 3) and application for company incorporation under SPICe (Procedure number 4) should be treated as a single procedure.

Date of Entry into Force: 26th January, 2018

Legal Basis:

<http://www.mca.gov.in/mcafoportal/runService.do>

http://www.mca.gov.in/Ministry/pdf/RUN_help.pdf

3.

Description of Reform: Procedure 6 for both cities in DBR2018 stated that there was a need to submit separate applications to obtain a Permanent Account Number (PAN) card and a Tax deduction and Collection Account Number (TAN). Now, the application procedure i.e. Form 49A and Form 49B (required for PAN and TAN) has been integrated in totality into the SPICe form at procedure 4. Stakeholders are no longer required to download, populate and submit Forms 49A/49B separately, post submission of SPICe.

Additionally, PAN and TAN are mentioned in the Certificate of Incorporation (CoI) and that there is no need for companies to await physical PAN cards for further applications. Therefore, procedure 6 ceases to be a separate procedure.

Impact: Deletion of procedure number 6 i.e. "Submit and obtain a Permanent Account Number (PAN) and card and a Tax deduction and collection Account Number (TAN)".

Reforms 1,2 and 3 captioned above have collectively subsumed procedures 2, 3 and 6 of Doing Business Report, 2018 into one procedure i.e. procedure 4 “Pay stamp duties, file the SPICe form and obtain the certificate of incorporation.”

Date of Entry into Force: 4th November 2017 & 1st February 2016

Legal Basis: http://www.mca.gov.in/Ministry/pdf/IncorporatinRules_27012017.pdf

4.

Description of Reform: Procedure 4 for both cities in DBR2018 stated that it takes 5 days to get a certificate of incorporation. Procedure 4, i.e. "file the SPICe form and obtain the certificate of incorporation" is a fully online procedure without any physical touch point. Also, as per our system log data (Annexure 1), average time to obtain a certificate of incorporation is 1 day.

Impact: Reduction of time associated with procedure number 4 from 5 days to 1 day.

Date of Entry into Force:

Legal Basis:

5.

Description of Reform: Procedure 5 for both cities in DBR, 2018 stated that a company seal is no longer a legal requirement. But, making a company rubber stamp is still commonly used in practice. The stamp is normally required to be affixed in order to file several applications relevant to business startup. The examples cited include, (i) opening of bank account and (ii) applications for registration with the Employee State Insurance Corporation (ESIC) and (iii) application for a company PAN.

Two of three examples cited above [i.e. (ii) & (iii)] are completely online procedures. Hence, there is no question of affixing company rubber stamp.

Also, account opening form for leading bank is attached (Annexure 2) and IBA letter to banks (Annexure 3) wherein there is no field for rubber stamp and banks do not insist on the same.

Impact: Procedure 5 should be deleted from Doing Business Report, 2019 along with its associated time (1 day) and cost (INR 350-500).

Date of Entry into Force:

Legal Basis:

<http://www.esic.in/ESICInsurance1/ESICInsurancePortal/Signup.aspx>

<https://www.onlineservices.nsdil.com/paam/endUserRegisterContact.html>

6.

Description of Reform: Procedure 8 for both cities in DBR2018 stated that a business requires VAT registration in Mumbai/Delhi. India introduced GST (Goods and Services tax) with effect from 1st July, 2017. Consequently all indirect taxes have been dispensed with for a unified tax system. In both practice as well as law, the Government is issuing GST registrations within three days, the entire procedure of which is completed online. In case, application is not approved within three days, the registration is automatically granted as deemed approval on the end of third day.

Impact: Procedure number 8 i.e. "Register for Value-Added Tax (VAT)" will be replaced by GST registration which is online. This has resulted in reduction of time associated with procedure number 8 (i.e. 7-10 days in Mumbai & 9 days in Delhi) to 3 days.

Date of Entry into Force: 1st July, 2017

Legal Basis: <http://www.cbec.gov.in/resources//htdocs-cbec/gst/gst-31.03.17-registration-rules.pdf>

7.

Description of Reform: Procedure 9 and 10 for both cities in DBR2018 stated that there were two separate procedures for registration under Employees Provident Fund Organization (EPFO) and Employee State Insurance Corporation (ESIC). Now, registrations on EPFO & ESIC websites have been done away with, and it is available on "Shram Suvidha Portal" only where common registration facility is available.

Combined registration of ESIC and EPFO is possible and in-practice by companies which expect to hire more than 20 employees within the first month. Therefore, procedure 9 and 10 should be merged into one procedure.

Impact: Procedure 9 and 10 will be subsumed under one procedure, and the time recorded will be reduced to 0.5 days.

Date of Entry into Force: 30th April, 2017

Legal Basis: <https://registration.shramsuvridha.gov.in/user/login>

8.

Description of Reform: For EPFO registration,

- a. Bank account details / Scanned copy of cancelled cheque are not mandatory
- b. Scanned copy of PAN card is not required
- c. No physical document submission is required

Impact: As procedure 9 is fully online, the time recorded will be reduced to 0.5 days.

Date of Entry into Force:

Legal

Basis:

https://epfindia.gov.in/site_docs/PDFs/OLRE_PDFs/OLRE_withDSC_RevisedMarch2017.pdf

9.

Description of Reform: Procedure 4 for both cities in DBR, 2018 stated that following fees are applicable for incorporation of a company a) for SPICe (INR 500), b) e-Memorandum of Association (INR 4,800) and c) e-Articles of Association (INR 400). Now, abovementioned fees are not applicable for incorporation of companies with authorized capital up to INR 1 million.

In India, majority of companies are incorporated with authorized capital up to INR 1 million. For example, during the period from 26.01.2018 to 18.02.2018, 97% of the companies were incorporated with authorized capital up to INR 1 million.

Impact: Substantial reduction of cost in the “Starting a Business” indicator.

Date of Entry into Force: 26th January, 2018

Legal

Basis:

http://www.mca.gov.in/Ministry/pdf/CompaniesIncorporationAmendmentRules2018_25012018.pdf

Mumbai

1.

Description of Reform: Procedure 11 for Mumbai in DBR 2018 stated that it takes 7 days to register with Office of Inspector, Mumbai Shops & Establishments Act. Now, the procedure to register under Mumbai Shops & Establishments is completely online without manual follow up. Therefore, the time associated with this procedure must be recorded as 0.5 days.

Impact: The time associated with Procedure 11 will be revised to 0.5 days as the procedure is end to end completed online. As per our system log data (in Annexure 4), 95% of the registrations completed instantaneously. This reform is applicable to Mumbai only.

Date of Entry into Force: 17th January, 2018

Legal

Basis:

<http://www.mcgm.gov.in/irj/go/km/docs/documents/MCGM%20Department%20List/EODB%20Circulars%20%26%20Notifications/2.%20Shops%20%26%20Establishment%20Department/circular%20no.6230%20in%20english.pdf>

2.

Description of Reform: Procedure 12 for Mumbai in DBR 2019 stated that an inspection is carried out after applying for registration under the Mumbai Shops and Establishments Act. Now, no inspection is carried out post or prior to an application for registration under the Mumbai Shops and Establishments Act and inspection has been dispensed with in entirety. Therefore, procedure 12 ceases to be a procedure.

Impact: Inspection for registration of Shops and Establishments is eliminated as a procedure as the registration process is completely online.

Date of Entry into Force: 17th January, 2018

Legal

Basis:

<http://www.mcgm.gov.in/irj/go/km/docs/documents/MCGM%20Department%20List/EODB%20Circulars%20%26%20Notifications/2.%20Shops%20%26%20Establishment%20Department/circular%20no.6230%20in%20english.pdf>