

Standing Committee Report Summary

Ease of Doing Business

- The Standing Committee on Commerce submitted its report on Ease of Doing Business, on December 21, 2015. The Report makes recommendations to improve India's Ease of Doing Business rankings, across various parameters.
- **Starting a business:** The Committee observed that there is a need to review all forms and rules related to incorporation of a company, issuance of Permanent Account Number, Value Added Tax registration, etc. This would ensure that administrative changes are implemented in an integrated manner. It recommended that a unique business ID containing all information about the company should be used as the sole reference for regulatory processes. Further, it suggested having a single application form and payment gateway for all registrations.
- In order to eliminate the need for verification, certification and digital signature, the Committee suggested linking Aadhaar, PAN and Passport. Further, it noted that streamlining of regulation will assist start-ups in getting seed capital.
- **Construction permits:** The Committee recommended introducing an online single window to approve construction based on the risk, structural requirements and intended use of the building. It also suggested that state governments demarcate areas where land use can conveniently be changed for industrialisation, without affecting fertile land.
- **Electricity:** The Committee observed that it takes a long time to get an electricity connection in metropolitan cities like Mumbai and Delhi. It recommended amending relevant laws to reduce regulatory hurdles in obtaining a connection. Further, it was of the opinion that these changes be replicated at the state level. The Committee also suggested setting up hubs for supply of electricity to entrepreneurs, till their connections are regularized.
- **Registering property:** The Committee remarked that the pace of digitising land records has been slow. It suggested that these records, maps, etc. be digitised at the earliest. It also recommended that the government upload standardized formats of documents like sale deed, lease deed, power of attorney, etc on their websites. Further, it suggested that conclusive land titling may be done by integrating space technology (such as satellites used for communication, positioning, etc.) and ID proofs like Aadhaar, which may facilitate smooth transfer of property. This would reduce the amount of capital that is locked up due to disputes over land titles.
- **Paying taxes:** The Committee recommended implementing a stable, fair and predictable tax regime in the country. It remarked that physical interface of taxpayers with authorities is seen as harassment. In order to reduce this, electronic scrutiny of taxes cases could be undertaken, without involving any physical interface. It also suggested that the corporate tax rate should be brought down to 25%. The current rate of corporate tax is 30%.
- In order to create a start-up friendly environment, the Committee suggested simplification of the existing tax structure. It also suggested having a separate tax regime for start-ups, to enable them to compete with foreign competitors. It also recommended reduction in volume of cash transactions by using technology for verification of financial transactions.
- **Cross-border trading:** In order to reduce delays caused by involvement of multiple agencies in obtaining relevant documents for cross border trade, the Committee recommended setting up an online portal -National Trade Portal. This will help in having a single online application for getting necessary certificates. It also recommended reduction of time for clearance of goods from a few days to half a day. Further, it suggested liberalisation of policies for cross border trading.
- **Resolving insolvency:** The Committee recommended that the National Company Law Tribunal be made functional. Additionally, it suggested the Bankruptcy Code and commercial benches in high courts be introduced to strengthen insolvency resolution.
- **Banking sector reforms:** The Committee expressed its concern about the rising number of stressed loans, which have affected the performance of banks. It recommended that RBI give new licenses to asset reconstruction companies, in order to bring more capital to businesses, and clean up stressed assets.
- **Enforcing contracts through judicial processes:** The Committee suggested that litigation processes be simplified and shortened. It recommended creation of certified practitioners, to assist dispute resolution. Further, it suggested that adjournments be limited to unforeseen and exceptional circumstances only. The Committee also recommended the implementation of e-courts which will reduce time and costs involved in resolving a case.
- **Other recommendations:** The Committee suggested that environment clearances be designed in a way that the Ministry responds in a time bound manner. It also recommended that labour law reforms be undertaken, to bring in clarity and simplify them.

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