



Time to Change

**We need to Rediscover Ourselves...
Rediscover ourselves as a Proud Indian...
We need to Change the Way We Are...**

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(DIS) EASE

OF DOING BUSINESS IN INDIA



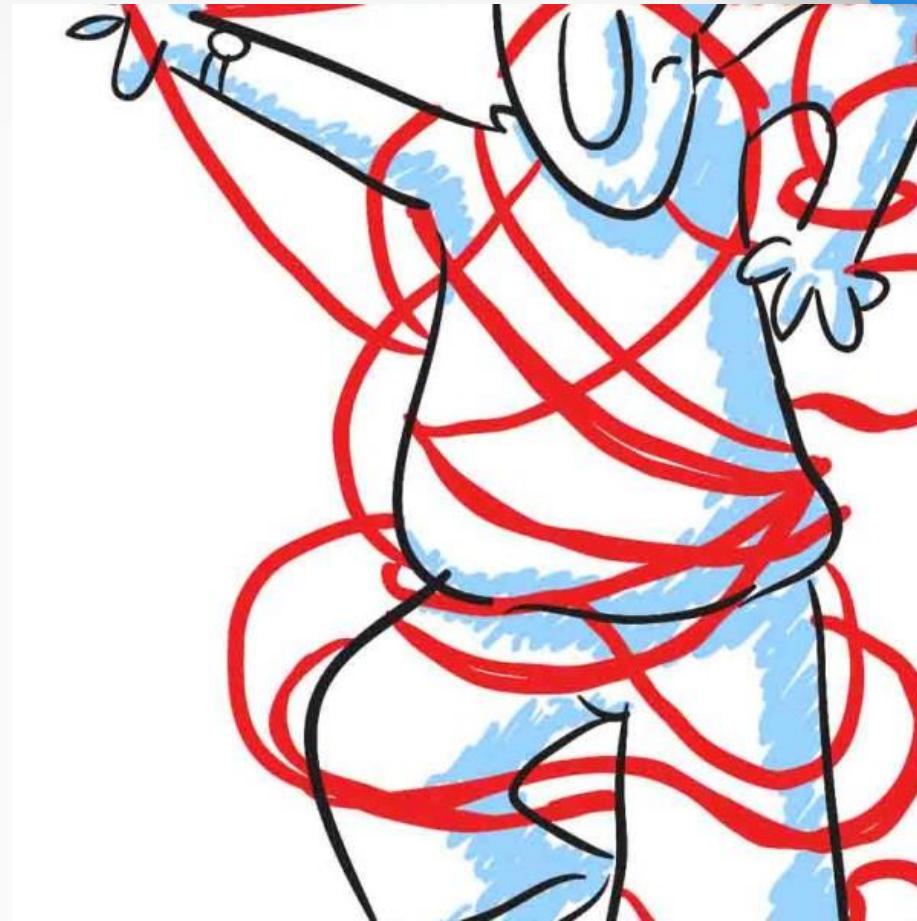
Why Is Doing Business a Crime??

- Is there any business today who can vouch that it has been honest throughout?
- Why are majority of businesses subjected to corruption – primarily extortionist corruption?
- Have we built a system that makes doing business honestly in India so tough?



What Ails the System?

- Too much of regulations
- Archaic laws that have lost relevance
- Discretionary powers vested in individuals
- A colonial mentality of continuing with laws for subjects
- Tougher the law, more the violation leading to greater corruption



THE ARCHAIC PROCESSES

- Existence of innumerable laws imply that the focus is more on process of executing law rather than principles
- And, laws that document process only complicate doing business in India
- Obscure and ridiculous laws fuels corruption
- There is a strong negative correlation between levels of corruption and business accessibility



We continue to be under a colonial Seize

We have inherited a partitioned India as a slave's legacy with corruption packaged free– with shackles in the mind for next 60 years



Need to get rid of the Prisoner Mentality & the Mental Block

**We are still following laws
framed Centuries ago –
Laws which are
impractical and need an
urgent relook**



PROBLEMS

SOLUTIONS

**We have spoken of problems more
than enough....**

ALWAYS

Time has come to speak of solutions

NOW

Land



Absence of an effective land acquisition process has made land acquisition very complex and time consuming

Land: The Solution

- Setting up of pre designated industrial zones (Industrial clusters) with pre clearances that are ready for the businesses to move in
- Need for a new/ revised balanced Act that takes care of proper R&R as well as ease of acquisition for industry – land auction may be a solution
- Adequate resettlement and rehabilitation- to earn the trust of the people and the industry
- GIS mapping of land

Regularizing land for Industrial Use

- Nature of private land purchased by industry directly from farmers for industrial use (at full value) should automatically get converted to Non Agricultural (NA) from Agricultural
- Need to do away with multiple approvals from various agencies:
 - DIC, District Collector, Office of District Land Records
 - Gram Panchayat, Taluka Panchayat, Mamlatdar
 - State Electricity Board, State Water Infrastructure
 - State Pollution Control Board and So on
- Need for Single Window registration and mutation process and conversion of nature of land to Non Agricultural

Labour

Existing restrictive labour laws have hampered the business growth and inflow of foreign investment in India as well as catalyzed labour unrest



There is no free Lunch

Labour: The Solution

- **Unwanted and obsolete laws must be done away with –**
 - **The Factories Act 1948**
 - **The Contract Labour Act 1970**
 - **The Trade Union Act 1926,**
 - **The Industrial Dispute Act 1947 and**
 - **The Minimum Wages Act 1948**
- **Minimize interference of outside bodies like political, local leaders or pressure groups under political patronage**
- **Mandate the submission of a single integrated return under all Labour laws**



Taxes: Direct & Indirect

Overly complicated tax systems have encouraged evasion and are associated with larger informal sectors, more corruption and less investment



We don't need a tax 'heaven'
neither do we want a tax 'hell'

An ideal tax structure is one where cost of evasion is more than compliance



Taxes: The Solution

- Immediate implementation of GST
- Reduction in number of ambiguous taxes
- Abolition of discretionary powers of the tax officials
- **Stop tax raids**- no place in a civilised society, but they continue because officials like the power it gives them over the richest men in India, and also the extra money earned
- Avoid multiple taxation regime
- Ambiguity / Overlap in Custom Duty/ Service Tax and VAT
- Incentives to the industry facing bias in indirect tax regime
- Increase in accountability of tax officials

Honour the Large Tax Payers

- Need to come out of 'Catch the Big Fish' mentality
- Honour the large tax payers and stop hounding them
- A list of large tax payers in a city (top 10) /state (top 50)/ country (top 200) may be published and honoured with annual VVIP status
- This is similar to business rankings and would encourage others to be large taxpayers and enter the coveted ranking by just peer pressure
- Encourage people to be compliant rather than coercing them



Regulatory & Compliance issues

Majority of business houses want to do business the noble way but are compelled to take recourse to some kind of corruption due to the existence of wide spread extortionary as well as collusive corruption resulting from too much of regulations and laws that have lost relevance



Public Servants – need for accountability

- **Arbitrary assessments** which are ultimately struck down on appeal causes unnecessary heartburn and an opportunity for the assessing officer to harass till the case is settled
- Or demand money by way of extortion for not doing an arbitrary assessment
- There should be **some penalty or accountability on the assessing officer for doing arbitrary assessments which are ultimately struck down on appeal**
- This is very much required so that assessee is not the only who is penalized for arbitrary assessments and this would refrain the officer from making it a tool to blackmail

Regulatory & Compliance issues: The Solution

- **Promote trust based compliance**
- **A large section of backlog of cases is due to multiple appeals by government officials**
- **Accountability should be fixed on the officials for appeals made in higher courts against unfavourable judgements**
- **There is a cost associated with each appeal and govt. officials should not be penalised for accepting the verdict if it goes against them.**
- **Would Reduce the overload on Judiciary**

Regulatory & Compliance issues: The Solution

- **Zero tolerance to non-compliance and certainty of punishment is a deterrent to the sibling effect**
- **All investigations and filing of complaints should be done within a maximum of 3 years**
- **Decision on cases should be declared within one year unless any extraordinary circumstances**
- **Specifying time lines for approvals and introducing 'silent is consent' clause**



You can stop
CORRUPTION

Dilemma of How & Why

– reforms in backgear

- Scams should not deter liberalisation process
- In past liberalisation has been negated by reaction to each scam
- Over zeal to plug **HOW** the scam happened, resulted into extra regulation, tightening the system and more laws
- We need to analyze **WHY** it has happened and **Rectify the Root Cause**



We did not analyse **Why** Satyam happened

Instead, on analysing **How** it happened, attempt was made to paint all NIFTY 100 companies in the same brush - Enquires were ordered

The changing approach to business by our leaders

- We today are fortunate to have a government which is willing to change
- A government which has shown intent to break out of the sloth and is open to suggestions for change
- Acknowledges the challenges faced by the industry
- Receptive to suggestions to bring growth back on track
- Need to now end the cat and mouse game between the government and the industry

Time to ACT

- The onus is now on us **to provide the right input to the government to partner in this development process**
- To help government in bringing revolutionary and path breaking measures to bring the economy back on track
- We at ASSOCHAM need to strike the iron when hot and present our agenda for change - **our recommendations for ease of doing honest business**





Let us all
Build a Society
on the
Foundation of TRUST

*"The only way to make a man
trustworthy is to trust him."*

