

# Doing Business 2010

## India

COMPARING REGULATION IN 183 ECONOMIES



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# Introduction

*Doing Business 2010: Reforming Through Difficult Times* is the seventh in a series of annual reports investigating regulations that enhance business activity and those that constrain it. Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 10 stages of a business's life are measured: starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2010: Reforming Through Difficult Times* are current as of June 1, 2009\*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 27 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 19 in the Middle East and North Africa and 8 in South Asia, as well as 27 OECD high-income economies as benchmarks.

The following pages present the summary Doing Business indicators for India. The data used for this country profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator. The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2010: Reforming Through Difficult Times* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website ([www.doingbusiness.org](http://www.doingbusiness.org)).

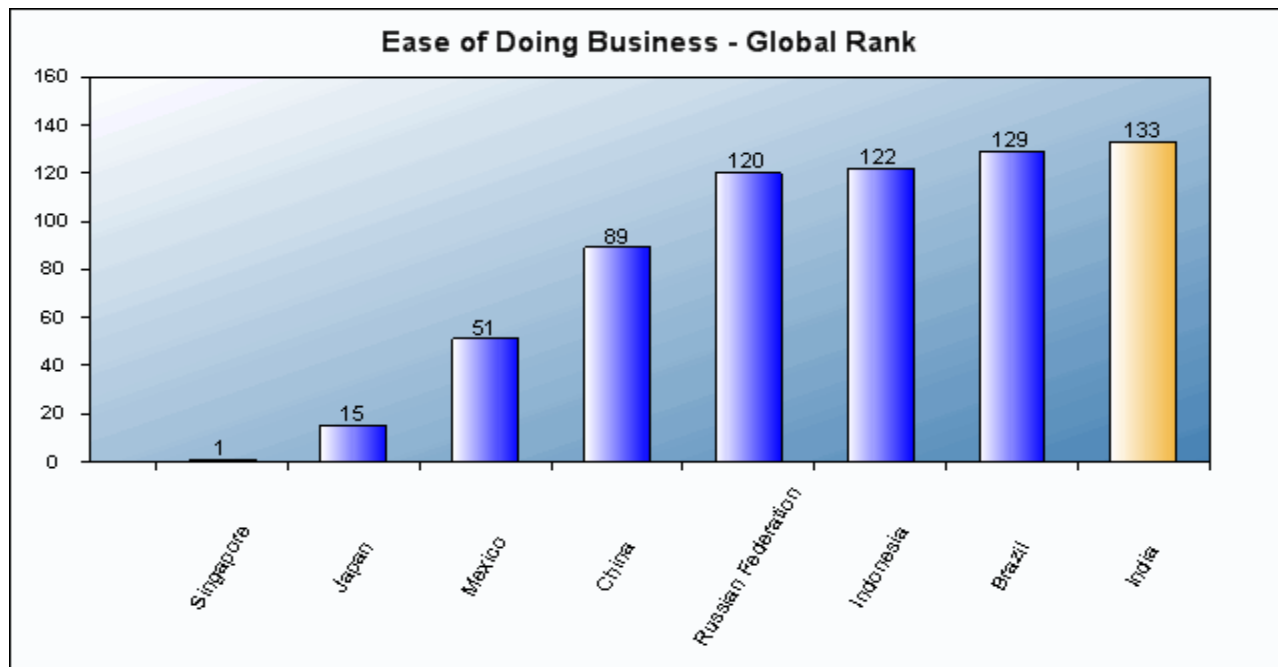
\* Except for the Paying Taxes indicator that refers to the period January to December of 2008.

*Note: Doing Business 2008 and Doing Business 2009 data and rankings have been recalculated to reflect changes to the methodology and the addition of new countries (in the case of the rankings).*

## Economy Rankings - Ease of Doing Business

India is ranked 133 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

### India - Compared to global good practice economy as well as selected economies:



### India's ranking in Doing Business 2010

Rank	Doing Business 2010
Ease of Doing Business	133
Starting a Business	169
Dealing with Construction Permits	175
Employing Workers	104
Registering Property	93
Getting Credit	30
Protecting Investors	41
Paying Taxes	169
Trading Across Borders	94
Enforcing Contracts	182
Closing a Business	138

## Summary of Indicators - India

<b>Starting a Business</b>	Procedures (number)	13
	Time (days)	30
	Cost (% of income per capita)	66.1
	Min. capital (% of income per capita)	210.9
<b>Dealing with Construction Permits</b>	Procedures (number)	37
	Time (days)	195
	Cost (% of income per capita)	2394.9
<b>Employing Workers</b>	Difficulty of hiring index (0-100)	0
	Rigidity of hours index (0-100)	20
	Difficulty of redundancy index (0-10)	70
	Rigidity of employment index (0-100)	30
	Redundancy costs (weeks of salary)	56
<b>Registering Property</b>	Procedures (number)	5
	Time (days)	44
	Cost (% of property value)	7.4
<b>Getting Credit</b>	Strength of legal rights index (0-10)	8
	Depth of credit information index (0-6)	4
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	10.2
<b>Protecting Investors</b>	Extent of disclosure index (0-10)	7
	Extent of director liability index (0-10)	4
	Ease of shareholder suits index (0-10)	7
	Strength of investor protection index (0-10)	6.0
<b>Paying Taxes</b>	Payments (number per year)	59
	Time (hours per year)	271
	Profit tax (%)	25.1
	Labor tax and contributions (%)	18.2
	Other taxes (%)	21.4
	Total tax rate (% profit)	64.7

<b>Trading Across Borders</b>	Documents to export (number)	8
	Time to export (days)	17
	Cost to export (US\$ per container)	945
	Documents to import (number)	9
	Time to import (days)	20
	Cost to import (US\$ per container)	960
<b>Enforcing Contracts</b>	Procedures (number)	46
	Time (days)	1420
	Cost (% of claim)	39.6
<b>Closing a Business</b>	Recovery rate (cents on the dollar)	15.1
	Time (years)	7.0
	Cost (% of estate)	9

# Starting a Business

When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed up the process or may decide to run their businesses informally.

Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices and fuel corruption.

## Methodology

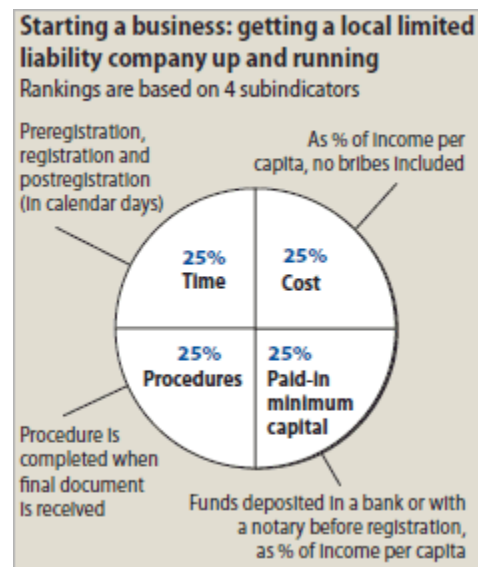
The data on starting a business is based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. This includes obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.

## Survey Case Study

*The business:*

- is a limited liability company conducting general commercial activities
- is located in the largest business city
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has between 10 and 50 employees
- does not qualify for any special benefits
- does not own real estate

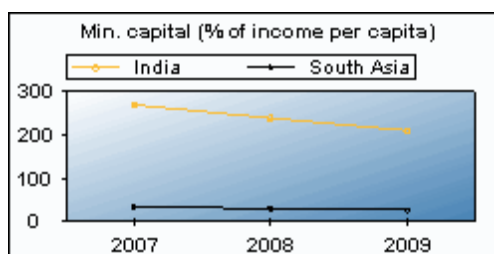
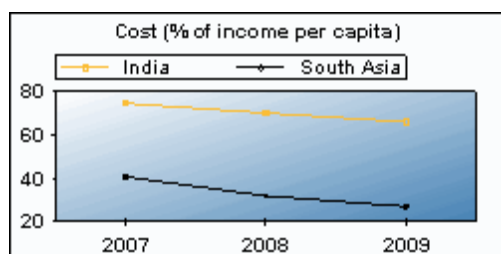
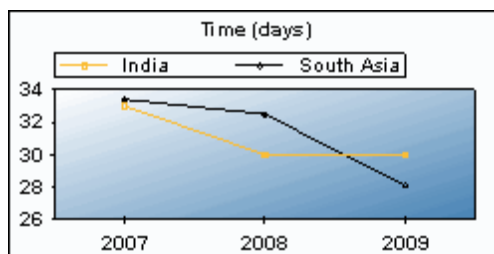
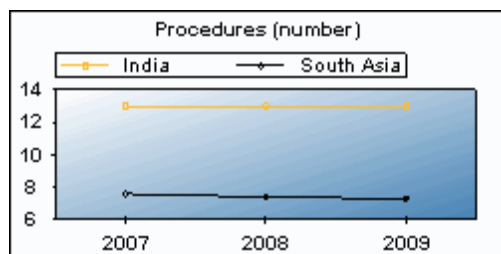




## 1. Historical data: Starting a Business in India

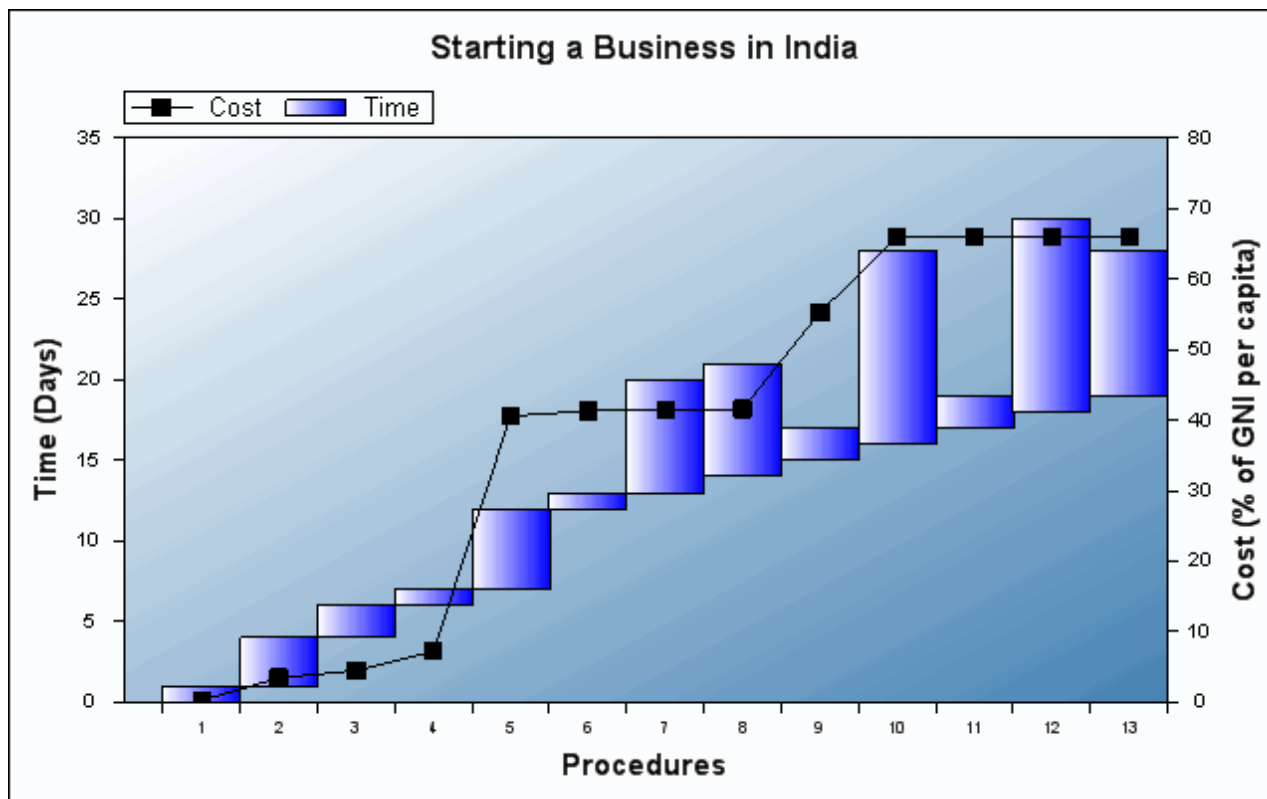
Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	166	169
Procedures (number)	13	13	13
Time (days)	33	30	30
Cost (% of income per capita)	74.6	70.1	66.1
Min. capital (% of income per capita)	269.5	239.4	210.9

2. The following graphs illustrates the Starting a Business indicators in India over the past 3 years:



### 3. Steps to Starting a Business in India

It requires 13 procedures, takes 30 days, and costs 66.06 % GNI per capita to start a business in India.



#### List of Procedures:

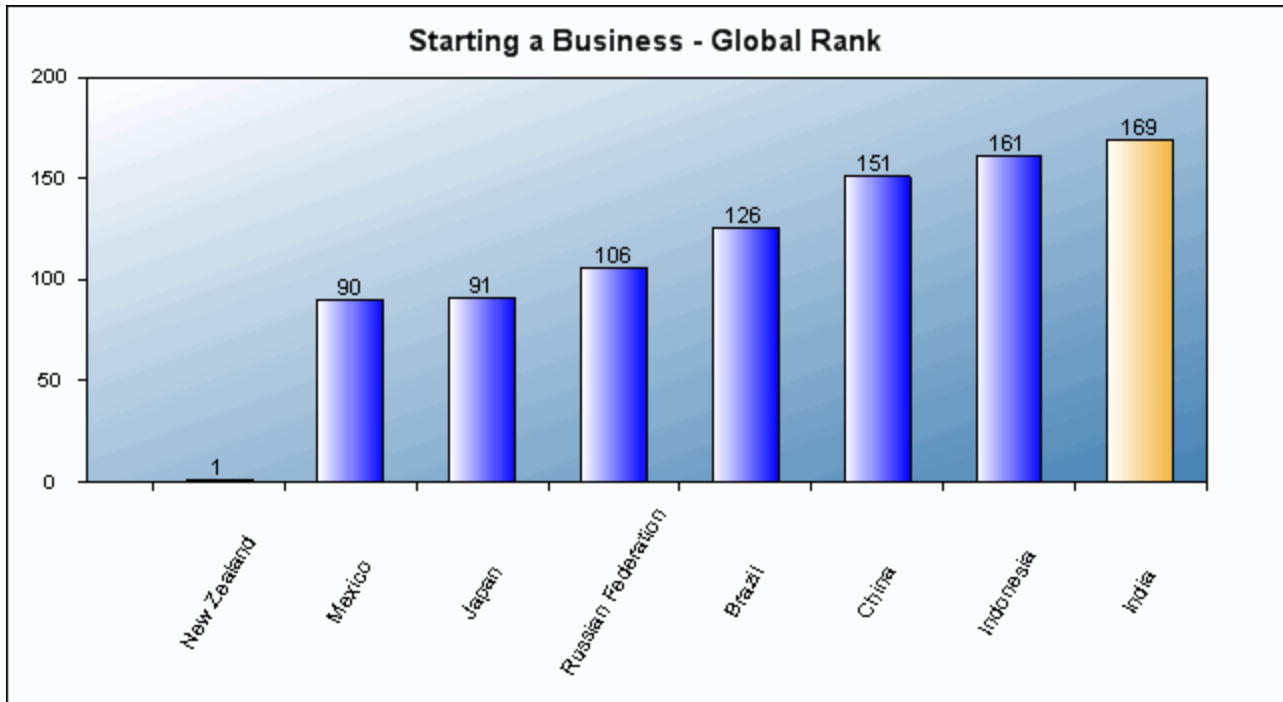
- |  |  |
|--|--|
| 1. Obtain director identification number (DIN) on-line   | 8. Obtain a tax account number for income taxes deducted at source from the Assessing Office in the Mumbai Income Tax Department |
| 2. Obtain digital signature certificate on-line  | 9. Register with Office of Inspector, Mumbai Shops and Establishment Act   |
| 3. Reserve the company name with the Registrar of Companies (ROC) on-line  | 10. Register for VAT before the Sales Tax Officer of the ward in which the company is located                                    |
| 4. Stamp the company documents either at the Superintendent or an authorized bank  | 11. Register for profession tax  |
| 5. Present the required documents along with the registration fee to the Registrar of Companies to get the certificate of incorporation  | 12. Register with Employees' Provident Fund Organization   |
| 6. Make a seal   | 13. Register for medical insurance (ESIC)  |
| 7. Visit an authorized franchise or agent appointed by National Securities Depository Services Limited (NSDL) or Unit Trust of India (UTI) Investors Services Ltd to obtain a Permanent Account Number (PAN) |  |

More detail is included in the appendix.

#### 4. Benchmarking Starting a Business Regulations:

India is ranked 169 overall for Starting a Business.

Ranking of India in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for India compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>	<b>Min. capital (% of income per capita)</b>
<b>Denmark*</b>			0.0	
<b>New Zealand*</b>	1	1		0.0

<i>Selected Economy</i>				
<b>India</b>	13	30	66.1	210.9

<i>Comparator Economies</i>				
<b>Brazil</b>	16	120	6.9	0.0
<b>China</b>	14	37	4.9	130.9
<b>Indonesia</b>	9	60	26.0	59.7
<b>Japan</b>	8	23	7.5	0.0
<b>Mexico</b>	8	13	11.7	8.9
<b>Russian Federation</b>	9	30	2.7	1.8

\* The following economies are also good practice economies for :

**Procedures (number): Canada**

**Cost (% of income per capita): Slovenia**

# Dealing with Construction Permits

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure from government to comply with inspections, with licensing and safety regulations, from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation; the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many economies, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

## Methodology

The indicators on dealing with construction permits record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

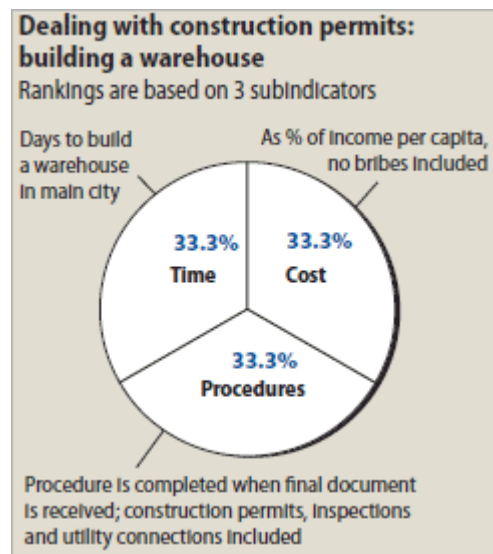
## Survey Case Study

*The business:*

- is a small to medium-size limited liability company
- is located in the largest business city
- is domestically owned and operated, in the construction business
- has 20 qualified employees

*The warehouse to be built:*

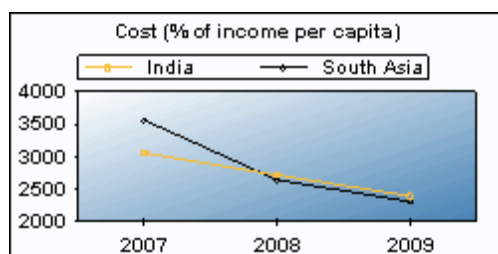
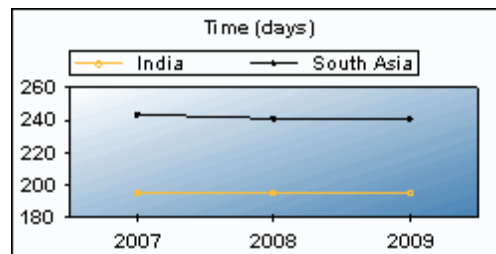
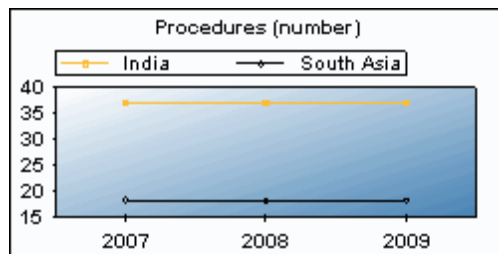
- is a new construction (there was no previous construction on the land)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).



## 1. Historical data: Dealing with Construction Permits in India

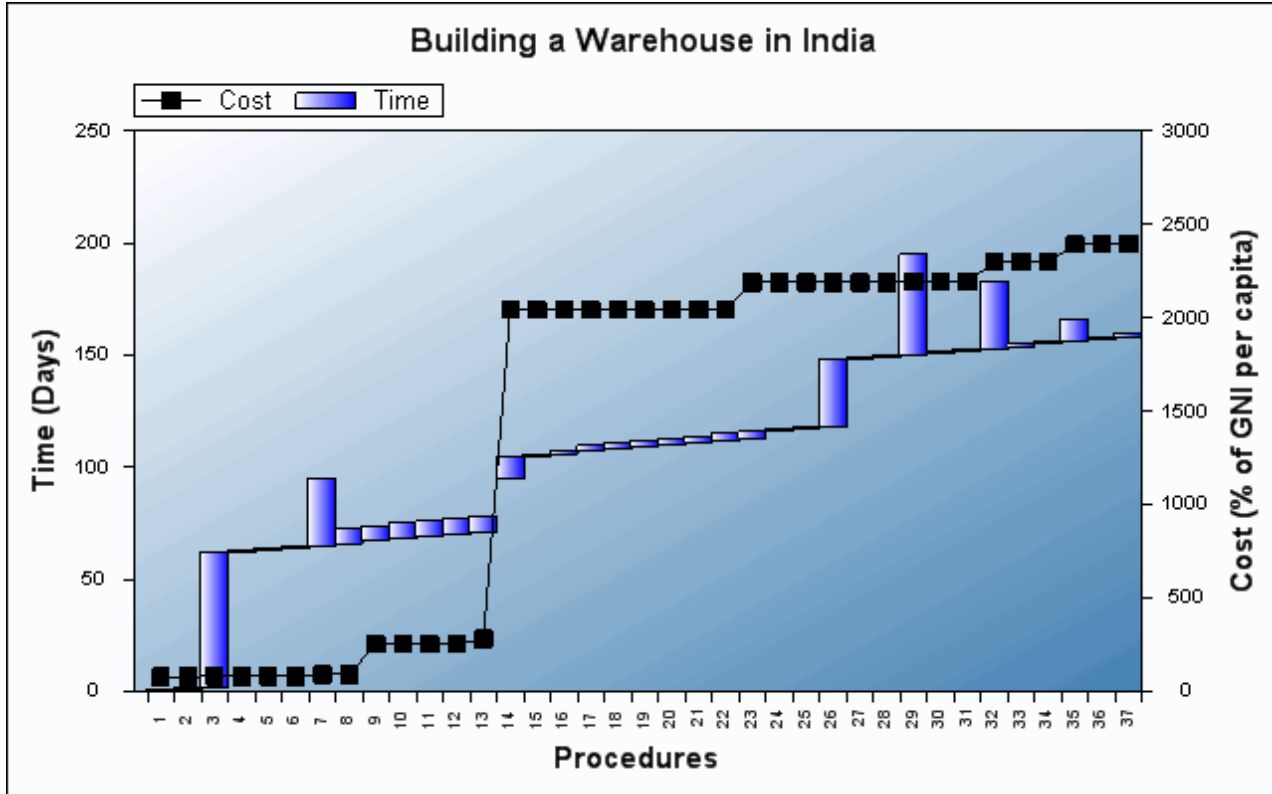
Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	174	175
Procedures (number)	37	37	37
Time (days)	195	195	195
Cost (% of income per capita)	3060.1	2717.8	2394.9

2. The following graphs illustrates the Dealing with Construction Permits indicators in India over the past 3 years:



### 3. Steps to Building a Warehouse in India

It requires 37 procedures, takes 195 days, and costs 2,394.86 % GNI per capita to build a warehouse in India.



#### List of Procedures:

- |  |   |
|--|---|
| 1. Submit application and design plans at Building Proposal office of BMC and pay scrutiny fee | 11. Request and obtain NOC from Environmental Department  |
| 2. Receive site inspection from Building Proposal Office                                       | 12. Request and obtain NOC from Traffic & Coordination Department   |
| 3. Obtain Intimation of Disapproval from the Building Proposal Office and pay fees             | 13. Request and obtain NOC from CFO   |
| 4. Submit structural plans approved by a structural engineer to BMC                            | 14. Obtain Commencement Certificate from Building Proposal Office and pay Development Charges                           |
| 5. Apply for NOC from Tree Authority   | 15. Request and receive inspection of plinth  |
| 6. Receive inspection from Tree Authority  | 16. Submit letter stating completion of building works to obtain an Occupancy Certificate and Certificate of Completion |
| 7. Obtain NOC from Tree Authority  | 17. Request and obtain completion NOC from Tree Authority   |
| 8. Request and obtain NOC from Storm Water and Drain Department                                | 18. Request and obtain completion NOC from Storm Water and Drain Department   |
| 9. Request and obtain NOC from Sewerage Department   |   |
| 10. Request and obtain NOC from Electric Department  |   |

19. Request and obtain completion NOC from Sewerage Department
20. Request and obtain completion NOC from Electric Department
21. Request and obtain completion NOC from Environmental Department
22. Request and obtain completion NOC from Traffic & Coordination Department
23. Request and obtain completion NOC from CFO
24. Request and receive competition inspection from BMC
25. Obtain Occupancy Certificate
26. Obtain Completion Certificate
27. Apply for permanent water connection
28. Receive on-site inspection for connection to water by the Water Supply Department
29. Obtain permanent water connection
30. Apply for permanent sewerage connection
31. Receive on-site inspection for connection to sewerage by Sewerage Department
32. Obtain permanent sewerage connection
33. Apply for permanent power connection and pay fees
34. Receive on-site inspection from BEST
35. Obtain power connection from BEST
36. Apply for telephone connection
37. Receive on-site inspection and connection to telephone by the utility provider

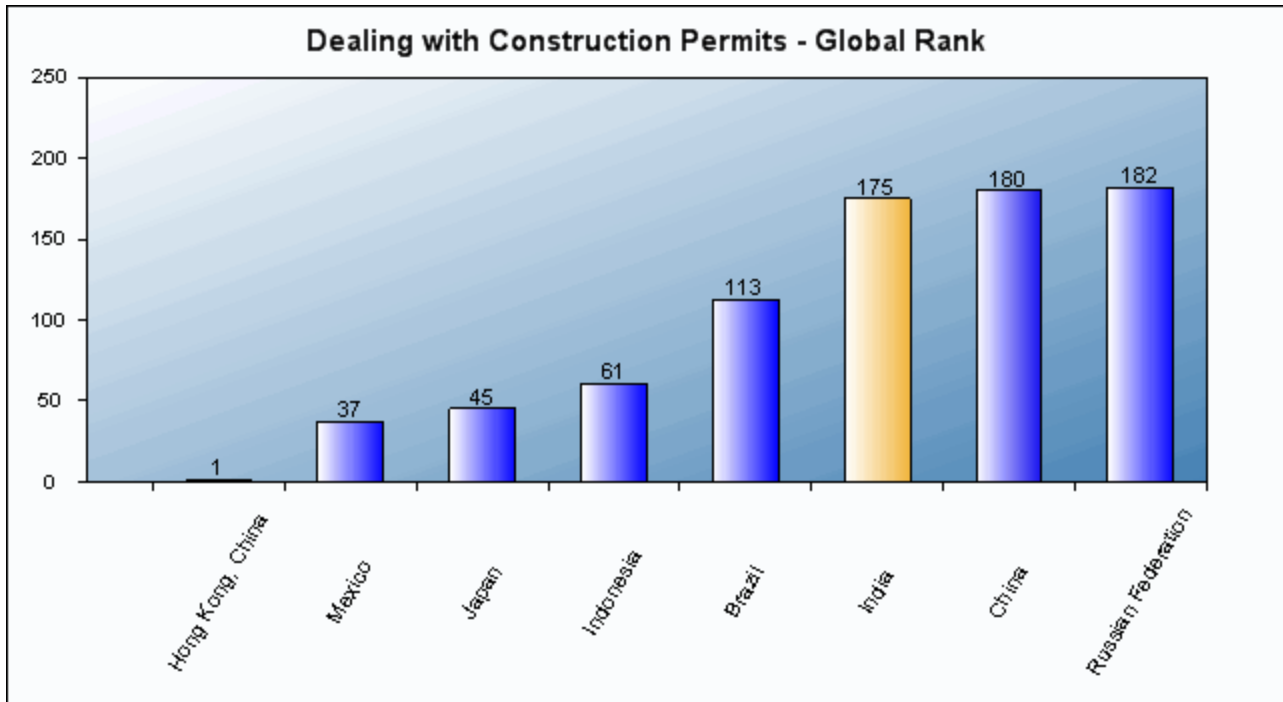
More detail is included in the appendix.



#### 4. Benchmarking Dealing with Construction Permits Regulations:

India is ranked 175 overall for Dealing with Construction Permits.

Ranking of India in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for India compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>
<b>Denmark</b>	6		
<b>Qatar</b>			0.6
<b>Singapore</b>		25	

<i>Selected Economy</i>			
<b>India</b>	37	195	2394.9

<i>Comparator Economies</i>			
<b>Brazil</b>	18	411	50.6
<b>China</b>	37	336	579.2
<b>Indonesia</b>	14	160	194.8
<b>Japan</b>	15	187	19.3
<b>Mexico</b>	12	138	113.1
<b>Russian Federation</b>	54	704	2140.7

# Employing Workers

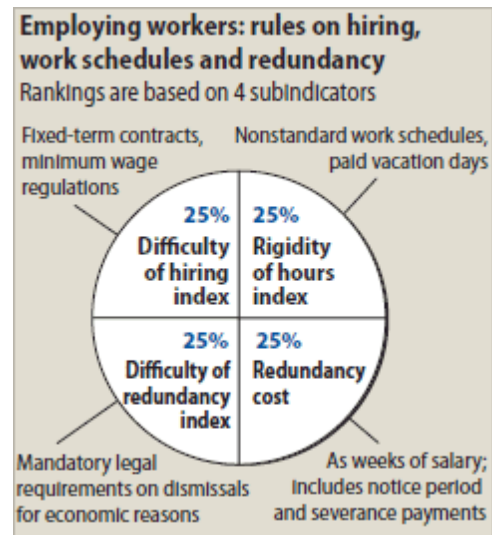
Economies worldwide have established a system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system generally encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws.

Employment regulations are needed to allow efficient contracting between employers and workers and to protect workers from discriminatory or unfair treatment by employers. Doing Business measures flexibility in the regulation of hiring, working hours and dismissal in a manner consistent with the conventions of the International Labour Organization (ILO). An economy can have the most flexible labor regulations as measured by Doing Business while ratifying and complying with all conventions directly relevant to the factors measured by Doing Business and with the ILO core labor standards. No economy can achieve a better score by failing to comply with these conventions.

Governments all over the world face the challenge of finding the right balance between worker protection and labor market flexibility. But in developing countries especially, regulators often err to one extreme, pushing employers and workers into the informal sector. Analysis across economies shows that while employment regulation generally increases the tenure and wages of incumbent workers, overly rigid regulations may have undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills, all of which may reduce productivity growth.

## Methodology

Two measures are presented: a rigidity of employment index and a redundancy cost measure. The rigidity of employment index is the average of three sub-indices: difficulty of hiring, rigidity of hours and difficulty of redundancy. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek taking into account legal provisions that refer specifically to small to medium-size companies in the manufacturing industry in which continuous operation is economically necessary, as well as mandated days of annual leave with pay. The difficulty of redundancy index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective): notification and approval requirements, retraining or reassignment obligations and priority rules for dismissals and reemployment.



The Redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

## Survey Case Study

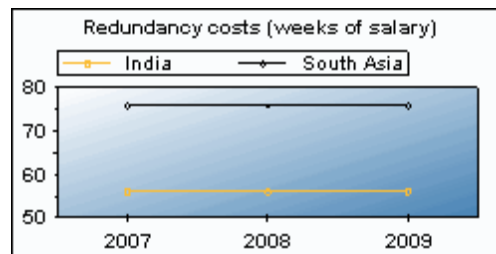
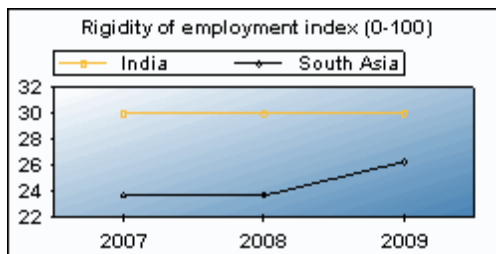
*The business:*

- is a limited liability company operating in the manufacturing sector
- is located in the largest business city
- is 100% domestically owned
- has 60 employees
- The company is also assumed to be subject to collective bargaining agreements in economies where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

## 1. Historical data: Employing Workers in India

Employing Workers data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	102	104
Redundancy costs (weeks of salary)	56	56	56
Rigidity of employment index (0-100)	30	30	30

2. The following graphs illustrates the Employing Workers indicators in India over the past 3 years:



### 3. Benchmarking Employing Workers Regulations:

India is ranked 104 overall for Employing Workers.

Ranking of India in Employing Workers - Compared to good practice and selected economies:



The following table shows Employing Workers data for India compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Rigidity of employment index (0-100)</b>	<b>Redundancy costs (weeks of salary)</b>
<b>Hong Kong, China*</b>	0	
<b>New Zealand*</b>		0

<i>Selected Economy</i>		
<b>India</b>	30	56

<i>Comparator Economies</i>		
<b>Brazil</b>	46	46
<b>China</b>	31	91
<b>Indonesia</b>	40	108
<b>Japan</b>	16	4
<b>Mexico</b>	41	52
<b>Russian Federation</b>	38	17

\* The following economies are also good practice economies for :

**Rigidity of employment index (0-100):** Australia, Brunei Darussalam, Kuwait, Marshall Islands, Singapore, St. Lucia, Uganda, United States

**Redundancy costs (weeks of salary):** Denmark, Iraq, Marshall Islands, Micronesia, Fed. Sts., Palau, Puerto Rico, Tonga, United States

# Registering Property

Formal property titles help promote the transfer of land, encourage investment and give entrepreneurs access to formal credit markets. But a large share of property in developing economies is not formally registered. Informal titles cannot be used as security in obtaining loans, which limits financing opportunities for businesses. Many governments have recognized this and started extensive property titling programs. But bringing assets into the formal sector is only part of the story. The more difficult and costly it is to formally transfer property, the greater the chances that formalized titles will quickly become informal again. Eliminating unnecessary obstacles to registering and transferring property is therefore important for economic development.

Efficient property registration reduces transaction costs and helps to formalize property titles. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

## Methodology

Doing Business records the full sequence of procedures necessary for a business (buyer) to purchase a property from another business (seller) and to transfer the property title to the buyer's name. The property of land and building will be transferred in its entirety. The transaction is considered complete when the buyer can use the property as collateral for a bank loan.

Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most economies the data are based on responses from both. Based on the responses, three indicators are constructed:

- number of procedures to register property
- time to register property (in calendar days)
- official costs to register property (as a percentage of the property value)

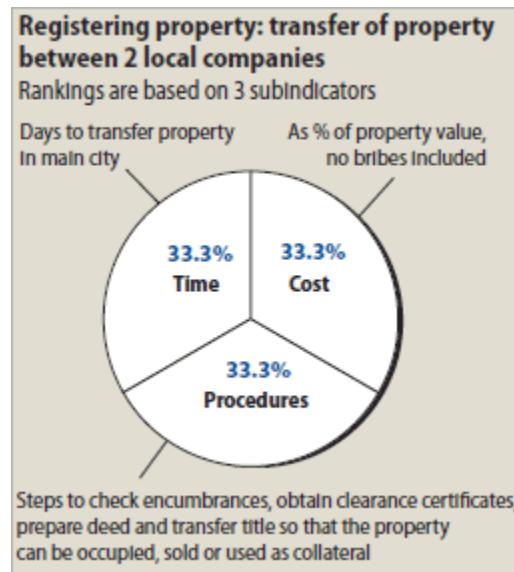
## Survey Case Study

*The buyer and seller:*

- are limited liability companies
- are private nationals (no foreign ownership)
- are located in periurban area of the largest business city
- conduct general commercial activities

*The property:*

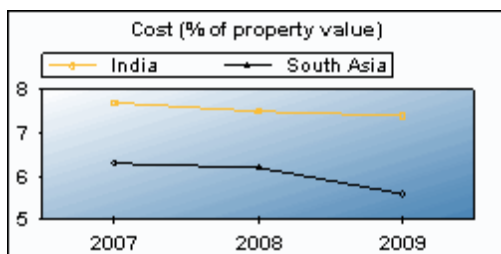
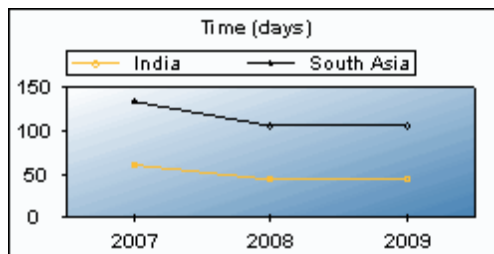
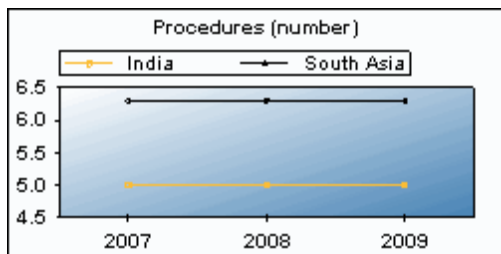
- consists of land and a 2-story building (warehouse)
- is located in the periurban commercial zone of the largest business city
- The land area is 557.4 m<sup>2</sup> (6,000 square feet).
- The warehouse has a total area of 929 m<sup>2</sup> (10,000 square feet).
- has a value equal to 50 times income per capita
- The seller company owned the property for the last 10 years.
- is registered in the land registry and/or cadastre and is free of all disputes.



**1. Historical data: Registering Property in India**

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	92	93
Procedures (number)	5	5	5
Time (days)	61	44	44
Cost (% of property value)	7.7	7.5	7.4

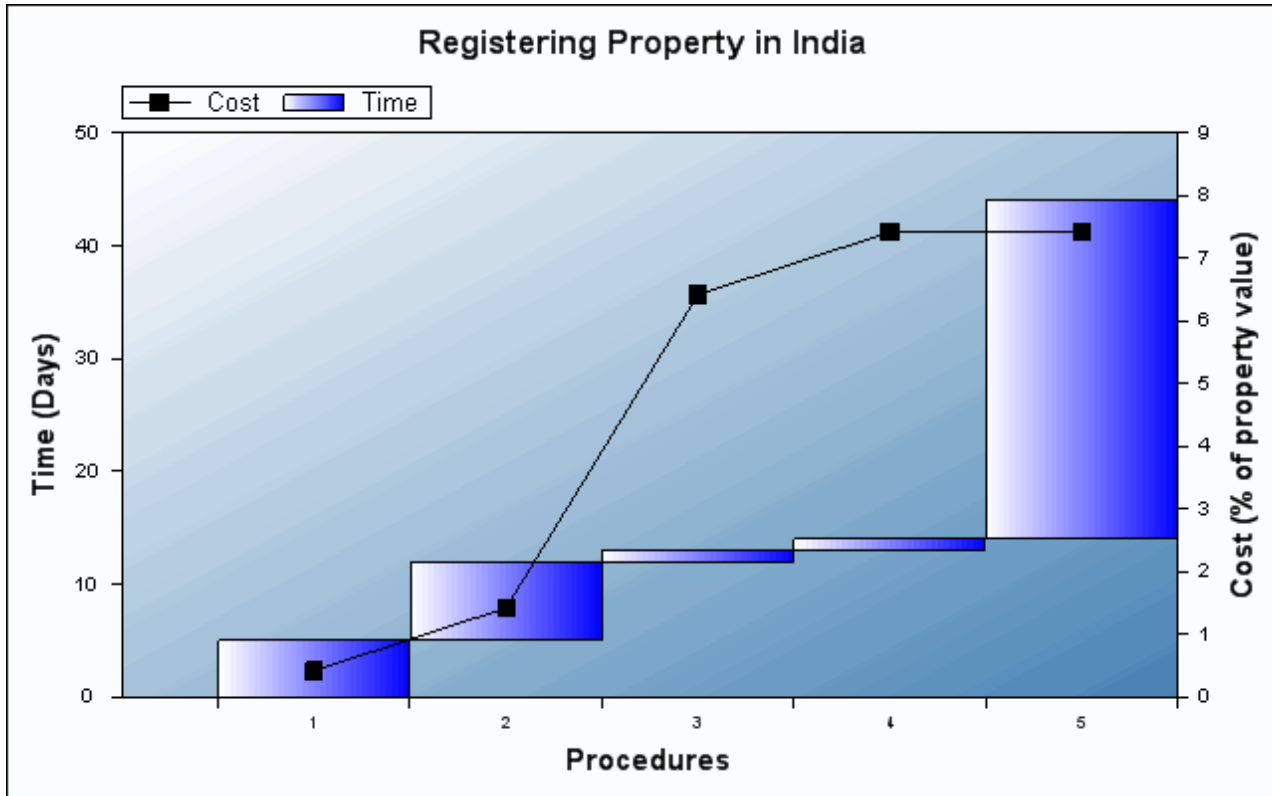
**2. The following graphs illustrates the Registering Property indicators in India over the past 3 years:**





### 3. Steps to Registering Property in India

It requires 5 procedures, takes 44 days, and costs 7.43 % of property value to register the property in India.



#### List of Procedures:

1. Check for encumbrances at the office of Sub-Registrar of Assurance
2. Preparation of the final sale deed by the purchaser's lawyer
3. Payment of Stamp Duty on the final Sale Deed through franking at the designated bank.
4. Execute final sale deed and submit documents to the local office of the Sub-Registrar of Assurances
5. Apply to the Land & Survey Office for mutation of the tile of the property

More detail is included in the appendix.

#### 4. Benchmarking Registering Property Regulations:

India is ranked 93 overall for Registering Property.

Ranking of India in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for India compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of property value)</b>
<b>New Zealand*</b>		2	
<b>Norway*</b>	1		
<b>Saudi Arabia</b>			0.0

<i>Selected Economy</i>			
<b>India</b>	5	44	7.4

<i>Comparator Economies</i>			
<b>Brazil</b>	14	42	2.7
<b>China</b>	4	29	3.1
<b>Indonesia</b>	6	22	10.7
<b>Japan</b>	6	14	5.0
<b>Mexico</b>	5	74	5.2
<b>Russian Federation</b>	6	43	0.1

\* The following economies are also good practice economies for :

**Procedures (number): United Arab Emirates**

**Time (days): Saudi Arabia, Thailand, United Arab Emirates**

# Getting Credit

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function: one on credit registries and the other on legal rights of borrowers and lenders. Credit registries, institutions that collect and distribute credit information on borrowers, can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. They also free entrepreneurs from having to rely on personal connections alone when trying to obtain credit.

## Methodology

Credit information: three indicators are constructed

- depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information
- public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population
- private bureau coverage, which reports the number of individuals and firms, covered by a private credit bureau as a percentage of the adult population

Legal Rights: the strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders. Ten points are analyzed:

- Can a business use movable assets as collateral while keeping possession of the assets, and can any financial institution accept such assets as collateral?
- Does the law allow a business to grant a non-possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets?
- Does the law allow a business to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of the secured assets?
- Can a security right extend to future or after-acquired assets and extend automatically to the products, proceeds or replacements of the original assets?
- Is general description of debts and obligations permitted in collateral agreements and in registration documents, so that all types of obligations and debts can be secured by stating a maximum rather than a specific amount between the parties?
- Is a collateral registry in operation that is unified geographically and by asset type as well as being indexed by the name of the grantor of a security right?
- Are secured creditors paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated?
- Are secured creditors subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure?
- Are parties allowed to agree in a collateral agreement that the lender may enforce its security right out of court?

## Legal Rights Survey Case Study

*The Debtor:*

- is a Private Limited Liability Company
- has its headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both debtor and creditor are 100% domestically owned.

## Getting credit: collateral rules and credit information

Rankings are based on 2 subindicators

Regulations on nonpossessory security interests in movable property

62.5%  
Strength of legal rights index  
(0-10)

37.5%  
Depth of credit information index  
(0-6)

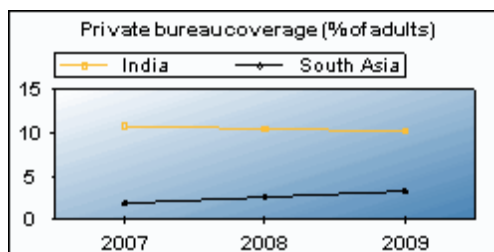
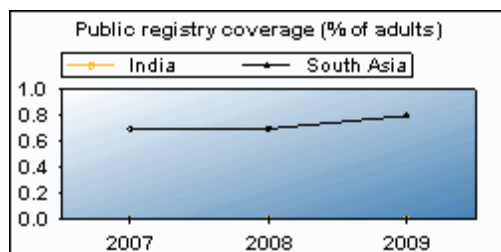
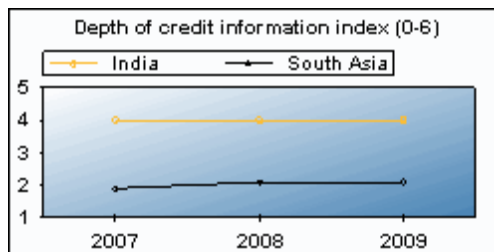
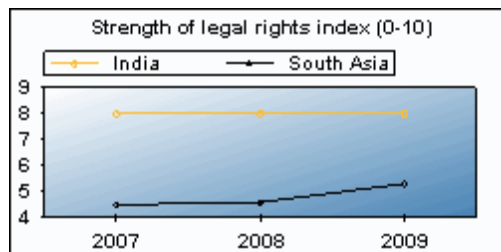
Scope, quality and accessibility of credit information through public and private credit registries

Note: Private bureau coverage and public registry coverage are measured but do not count for the rankings.

## 1. Historical data: Getting Credit in India

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	27	30
Strength of legal rights index (0-10)	8	8	8
Depth of credit information index (0-6)	4	4	4
Private bureau coverage (% of adults)	10.8	10.5	10.2
Public registry coverage (% of adults)	0.0	0.0	0.0

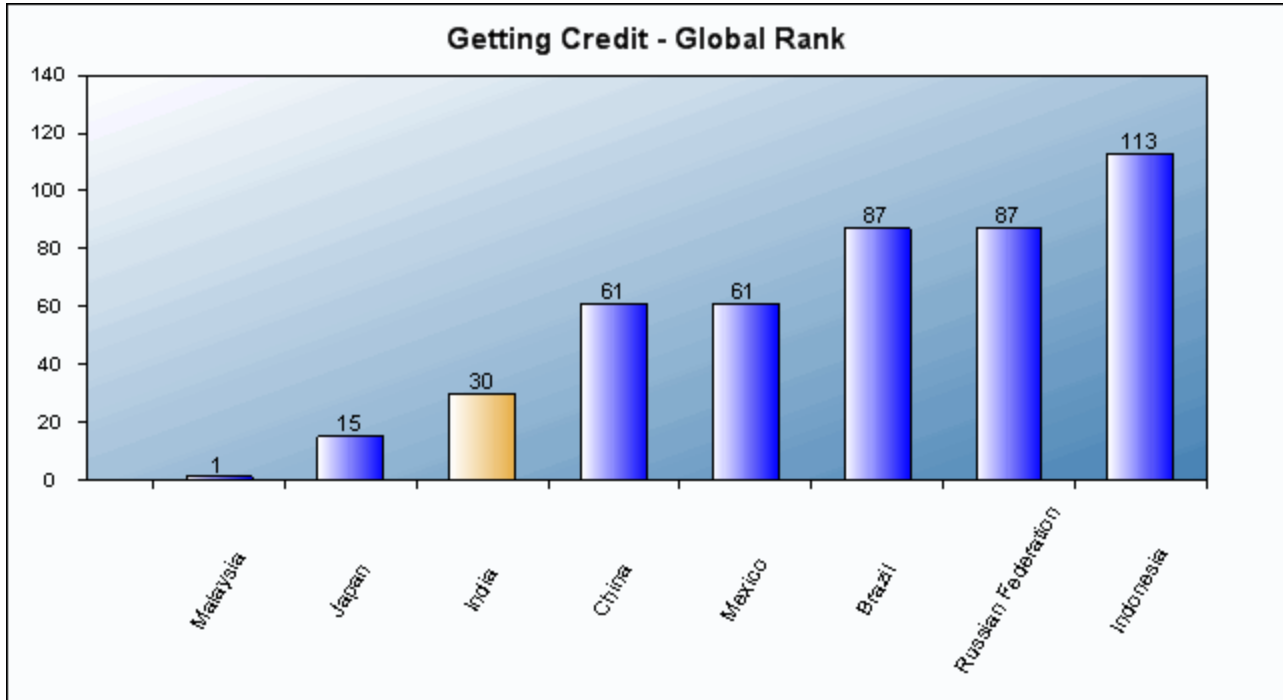
## 2. The following graphs illustrates the Getting Credit indicators in India over the past 3 years:



### 3. Benchmarking Getting Credit Regulations:

India is ranked 30 overall for Getting Credit.

Ranking of India in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for India compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of legal rights index (0-10)</b>	<b>Depth of credit information index (0-6)</b>	<b>Public registry coverage (% of adults)</b>	<b>Private bureau coverage (% of adults)</b>
<b>New Zealand*</b>				100.0
<b>Portugal</b>			81.3	
<b>Singapore*</b>	10			
<b>United Kingdom</b>		6		

<i>Selected Economy</i>				
<b>India</b>	8	4	0.0	10.2

<i>Comparator Economies</i>				
<b>Brazil</b>	3	5	23.7	59.2
<b>China</b>	6	4	62.1	0.0
<b>Indonesia</b>	3	4	22.0	0.0
<b>Japan</b>	7	6	0.0	76.2
<b>Mexico</b>	4	6	0.0	77.5
<b>Russian Federation</b>	3	5	0.0	14.3

\* The following economies are also good practice economies for :

**Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia**

**Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States**

**27 countries have the highest credit information index.**

# Protecting Investors

Companies grow by raising capital, either through a bank loan or by attracting equity investors. Selling shares allows companies to expand without the need to provide collateral and repay bank loans. However, investors worry about their money, and look for laws that protect them. A study finds that the presence of legal and regulatory protections for investors explains up to 73% of the decision to invest. In contrast, company characteristics explain only between 4% and 22%\*. Good protections for minority shareholders are associated with larger and more active stock markets. Thus both governments and businesses have an interest in reforms strengthening investor protections.

## Methodology

To document some of the protections investors have, Doing Business measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gain. Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure. The three indices are:

- The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.
- The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.
- The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.



These three indices are averaged to create the strength of investor protection index.

## Survey case study

Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise:

- Who approves the transaction?
- What information must be disclosed?
- What company documents can investors access?
- What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James?

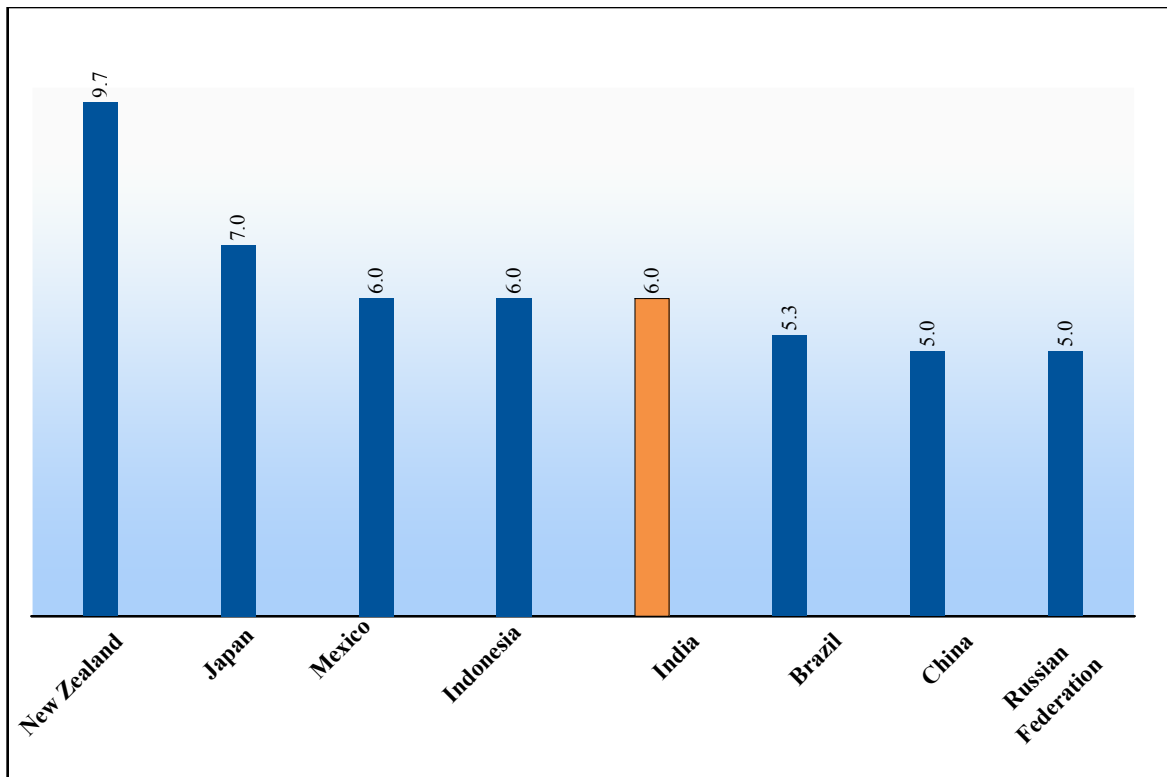
\*Dojidge, Kardy and Stulz (2007)



## 1. Historical data: Protecting Investors in India

Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	38	41
Strength of investor protection index (0-10)	6.0	6.0	6.0

2. The following graph illustrates the Protecting Investors index in India compared to best practice and selected Economies:

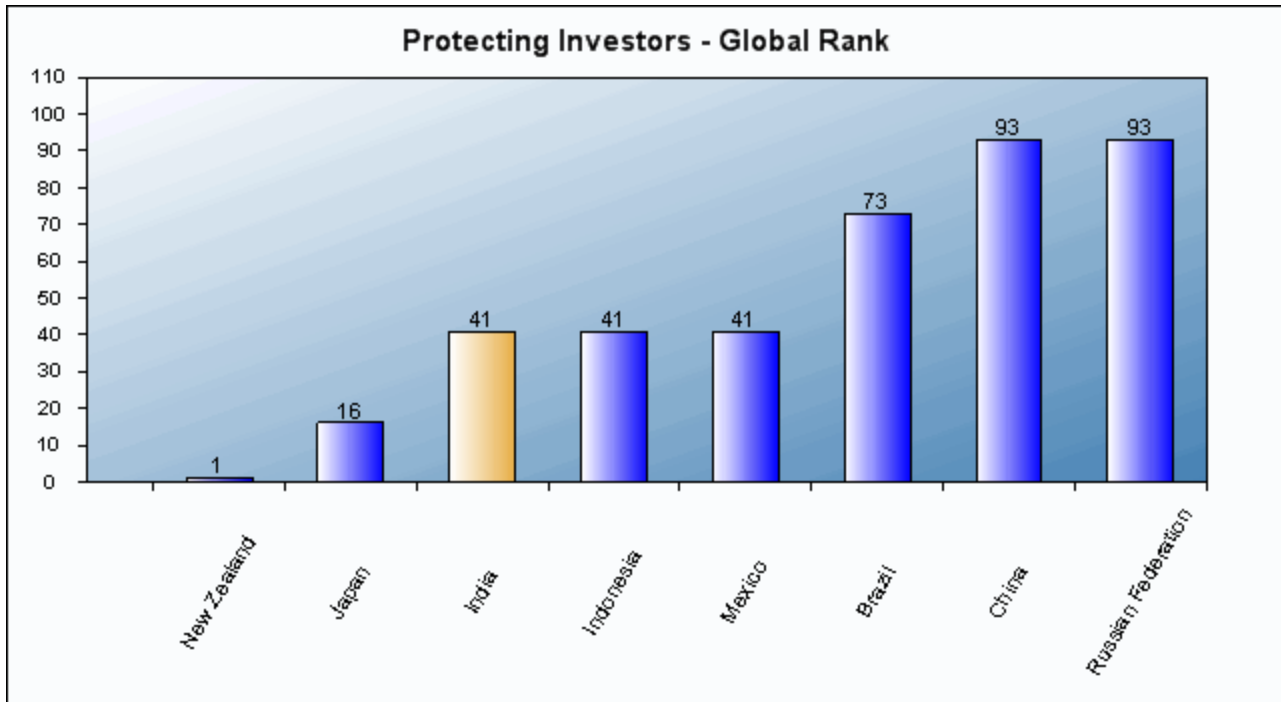


Note: The higher the score, the greater the investor protection.

### 3. Benchmarking Protecting Investors Regulations:

India is ranked 41 overall for Protecting Investors.

Ranking of India in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for India compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of investor protection index (0-10)</b>
<b>New Zealand</b>	9.7

<i>Selected Economy</i>	
<b>India</b>	6.0

<i>Comparator Economies</i>	
<b>Brazil</b>	5.3
<b>China</b>	5.0
<b>Indonesia</b>	6.0
<b>Japan</b>	7.0
<b>Mexico</b>	6.0
<b>Russian Federation</b>	5.0

# Paying Taxes

Taxes are essential. Without them there would be no money to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. But particularly for small and medium size companies, they may opt out and choose to operate in the informal sector. One way to enhance tax compliance is to ease and simplify the process of paying taxes for such businesses.

## Methodology

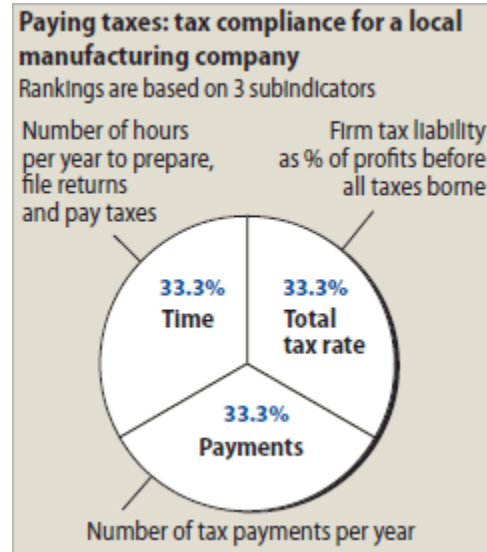
The Doing Business tax survey records the effective tax that a small and medium company must pay and the administrative costs of doing so.

Three indicators are constructed:

- number of tax payments, which takes in to account the method of payment, the frequency of payments and the number of agencies involved in our standardized case study.
- time, which measures the number of hours per year necessary to prepare and file tax returns and to pay the corporate income tax, value added tax, sales tax or goods and service tax and labor taxes and mandatory contributions.
- total tax rate, which measures the amount of taxes and mandatory contributions payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.

## Survey case study

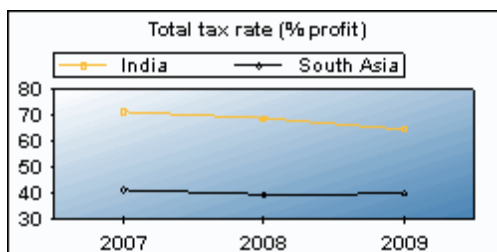
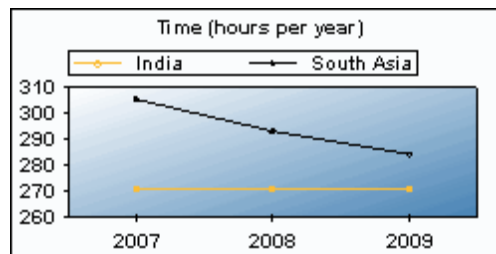
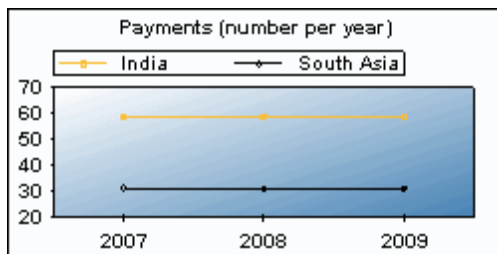
- TaxpayerCo is a medium-size business that started operations last year. Doing Business asks tax practitioners in 183 economies to review TaxpayerCo's financial statements and a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor taxes and contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax, sales tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.



## 1. Historical data: Paying Taxes in India

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	171	169
Total tax rate (% profit)	71.5	69.0	64.7
Payments (number per year)	59	59	59
Time (hours per year)	271	271	271

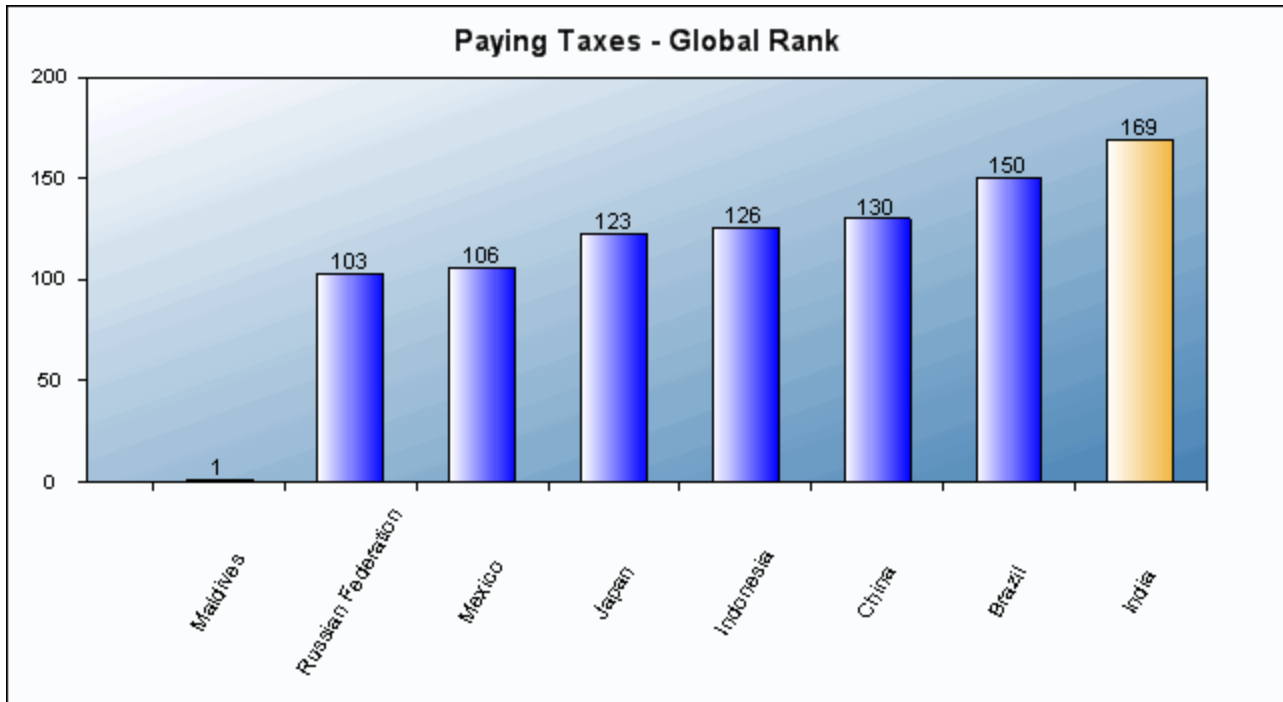
## 2. The following graphs illustrates the Paying Taxes indicators in India over the past 3 years:



### 3. Benchmarking Paying Taxes Regulations:

India is ranked 169 overall for Paying Taxes.

Ranking of India in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for India compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Payments (number per year)</b>	<b>Time (hours per year)</b>	<b>Total tax rate (% profit)</b>
<b>Maldives*</b>	1	0	
<b>Timor-Leste</b>			0.2

<i>Selected Economy</i>			
<b>India</b>	59	271	64.7

<i>Comparator Economies</i>			
<b>Brazil</b>	10	2600	69.2
<b>China</b>	7	504	78.5
<b>Indonesia</b>	51	266	37.6
<b>Japan</b>	13	355	55.7
<b>Mexico</b>	6	517	51.0
<b>Russian Federation</b>	11	320	48.3

\* The following economies are also good practice economies for :

**Payments (number per year): Qatar**

# Trading Across Borders

The benefits of trade are well documented; as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with bigger ships and faster planes, the world is shrinking. Global and regional trade agreements have reduced trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. Many entrepreneurs face numerous hurdles to exporting or importing goods, including delays at the border. They often give up. Others never try. In fact, the potential gains from trade facilitation may be greater than those arising from only tariff reductions.

## Methodology

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every procedure and the associated documents, time and cost, for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the importer's warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit. Payment is by letter of credit and the time and cost for issuing or securing a letter of credit is taken into account.

Documents recorded include port filing documents, customs declaration and clearance documents, as well as official documents exchanged between the parties to the transaction. Time is recorded in calendar days, from the beginning to the end of each procedure. Cost includes the fees levied on a 20-foot container in U.S. dollars.

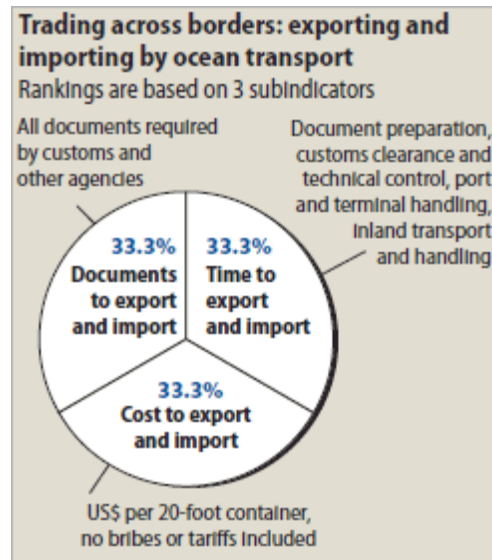
All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or duties.

Economies that have efficient customs, good transport networks and fewer document requirements, making compliance with export and import procedures faster and cheaper, are more competitive globally. That can lead to more exports; and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders may avoid customs altogether. Instead, they smuggle goods across the border. This defeats the very purpose in having border control of trade to levy taxes and ensure high quality of goods.

## Survey case study

To make the data comparable across countries, several assumptions about the business and the traded goods are used:

- The business is of medium size.
- The business employs 60 people.
- The business is located in the peri-urban area of the economy's largest business city.
- The business is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.
- The traded goods are ordinary, legally manufactured products transported in a dry-cargo, 20-foot FCL (full container load) container.

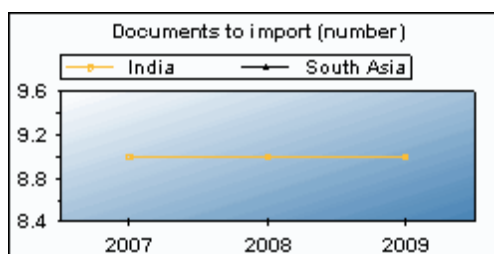
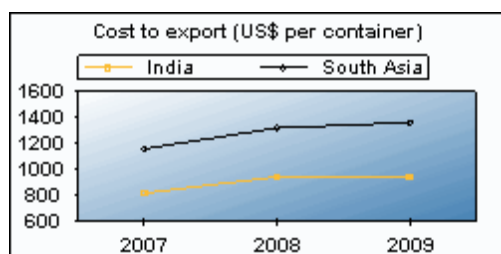
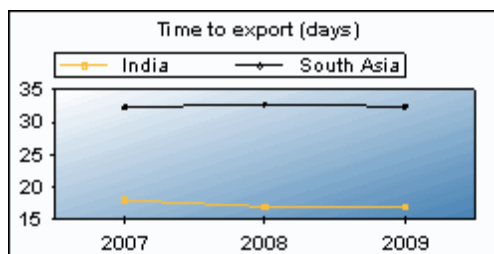
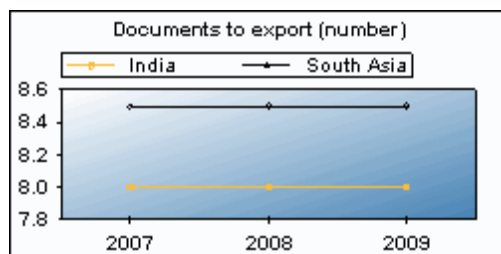


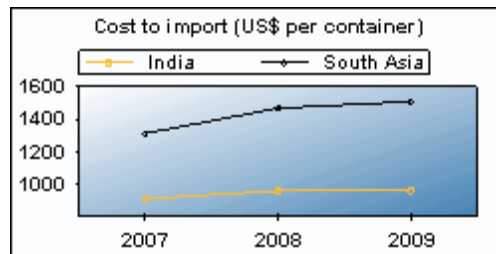
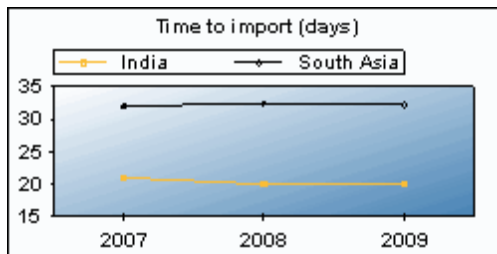


## 1. Historical data: Trading Across Borders in India

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	97	94
Cost to export (US\$ per container)	820	945	945
Cost to import (US\$ per container)	910	960	960
Documents to export (number)	8	8	8
Documents to import (number)	9	9	9
Time to export (days)	18	17	17
Time to import (days)	21	20	20

2. The following graphs illustrates the Trading Across Borders indicators in India over the past 3 years:

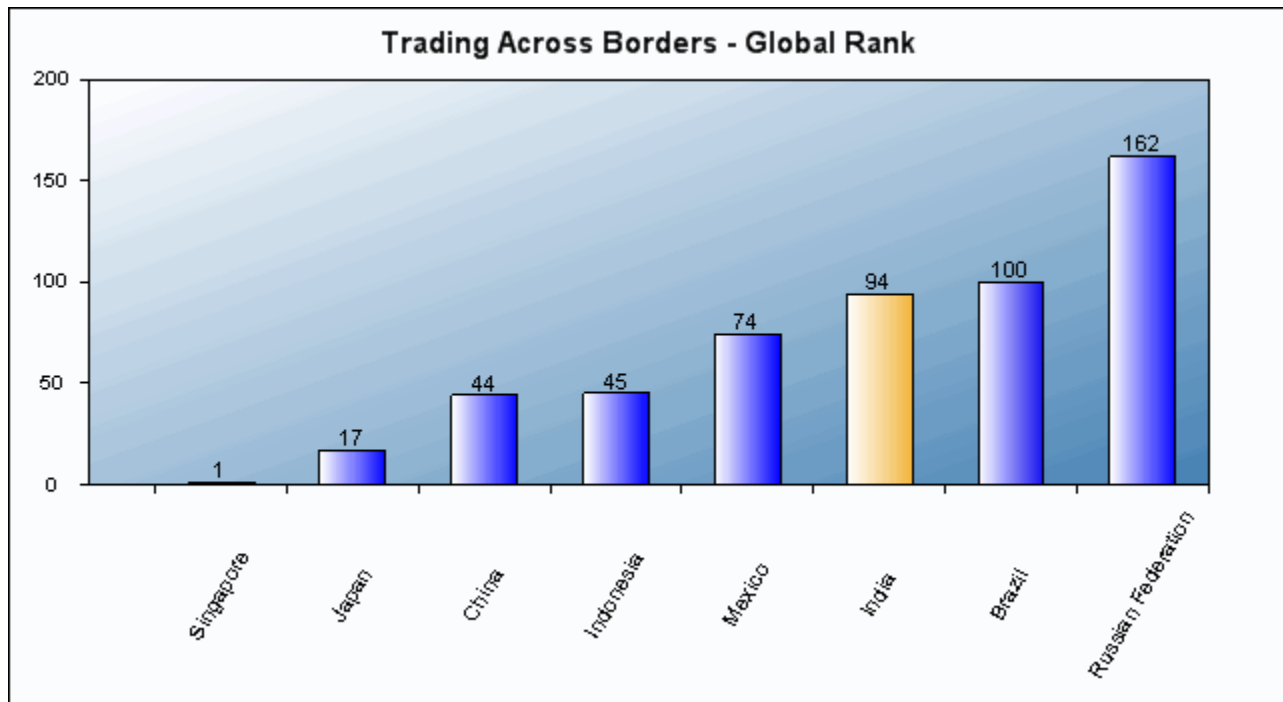




### 3. Benchmarking Trading Across Borders Regulations:

India is ranked 94 overall for Trading Across Borders.

Ranking of India in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for India compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Documents to export (number)</b>	<b>Time to export (days)</b>	<b>Cost to export (US\$ per container)</b>	<b>Documents to import (number)</b>	<b>Time to import (days)</b>	<b>Cost to import (US\$ per container)</b>
<b>Denmark*</b>		5				
<b>France</b>	2			2		
<b>Malaysia</b>			450			
<b>Singapore</b>					3	439

<i>Selected Economy</i>						
<b>India</b>	8	17	945	9	20	960

<i>Comparator Economies</i>						
<b>Brazil</b>	8	12	1540	7	16	1440
<b>China</b>	7	21	500	5	24	545
<b>Indonesia</b>	5	21	704	6	27	660
<b>Japan</b>	4	10	989	5	11	1047
<b>Mexico</b>	5	14	1472	5	17	2050
<b>Russian Federation</b>	8	36	1850	13	36	1850

\* The following economies are also good practice economies for :

**Time to export (days): Estonia**

# Enforcing Contracts

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. Doing Business tracks the efficiency of the judicial system in resolving a commercial dispute, following the step-by-step evolution of a commercial sale dispute before local courts. The data is collected through study of the codes of civil procedure and other court regulations as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Justice delayed is often justice denied. And in many economies only the rich can afford to go to court. For the rest, justice is out of reach. In the absence of efficient courts, firms undertake fewer investments or business transactions. And they prefer to involve only a small group of people who know each other from previous dealings.

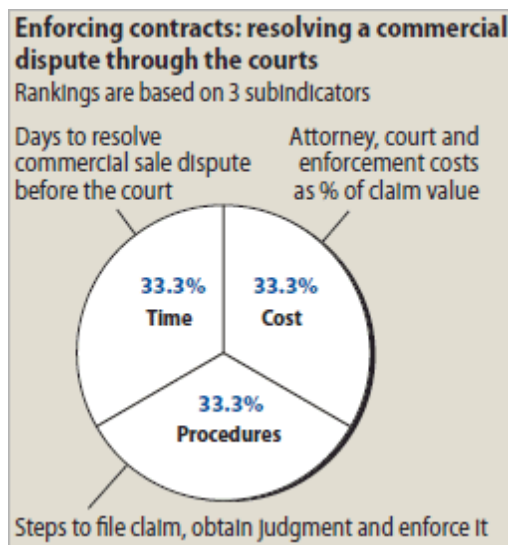
## Methodology

Rankings on enforcing contracts are based on 3 sub-indicators:

- number of procedures, which are defined as any interaction between the parties or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.
- time, which counts the number of calendar days from the moment the Seller files the lawsuit in court until payment is received. This includes both the days on which actions take place and the waiting periods in between.
- cost, which is recorded as a percentage of the claim (assumed to be equivalent to 200% of income per capita). Three types of costs are recorded: court costs (including expert fees), enforcement costs (including costs for a public sale of Buyer's assets) and attorney fees.

## Survey case Study

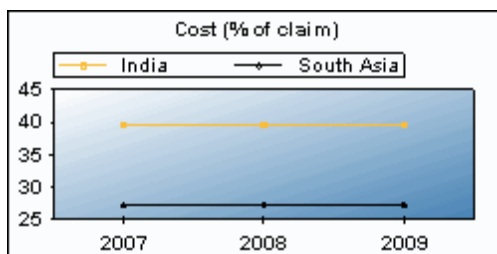
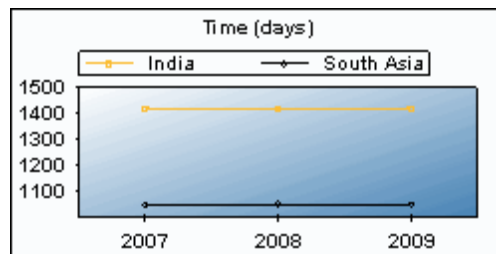
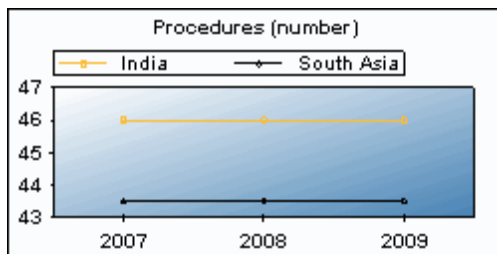
- The dispute concerns a contract for the sale of goods between two businesses (the Seller and the Buyer).
- Both are located in the economy's largest business city.
- The Seller sells and delivers goods, worth 200% of the economy's income per capita, to the Buyer. The Buyer refuses to pay on the grounds that they were not of adequate quality.
- The Seller sues the Buyer to recover the amount under the sales agreement (200% of the economy's income per capita).
- The claim is filed before a court in the economy's largest business city with jurisdiction over commercial cases worth 200% of the income per capita and is disputed on the merits.
- Judgment is 100% in favor of the Seller and is not appealed.
- The Seller enforces the judgment and the money is successfully collected through a public sale of Buyer's assets.



## 1. Historical data: Enforcing Contracts in India

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	182	182
Procedures (number)	46	46	46
Time (days)	1420	1420	1420
Cost (% of claim)	39.6	39.6	39.6

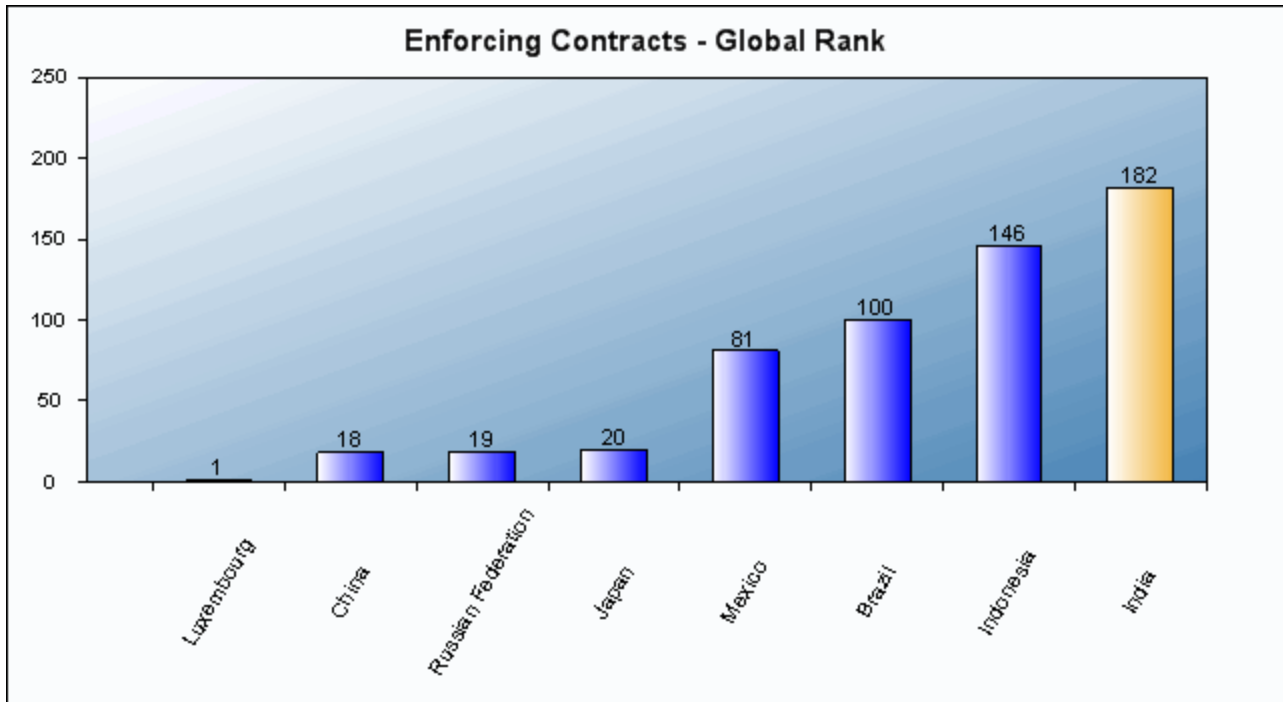
## 2. The following graphs illustrates the Enforcing Contracts indicators in India over the past 3 years:



### 3. Benchmarking Enforcing Contracts Regulations:

India is ranked 182 overall for Enforcing Contracts.

Ranking of India in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for India compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of claim)</b>
<b>Bhutan</b>			0.1
<b>Ireland</b>	20		
<b>Singapore</b>		150	

<i>Selected Economy</i>			
<b>India</b>	46	1420	39.6

<i>Comparator Economies</i>			
<b>Brazil</b>	45	616	16.5
<b>China</b>	34	406	11.1
<b>Indonesia</b>	39	570	122.7
<b>Japan</b>	30	360	22.7
<b>Mexico</b>	38	415	32.0
<b>Russian Federation</b>	37	281	13.4

# Closing a Business

The economic crises of the 1990s in emerging markets, from East Asia to Latin America, from Russia to Mexico, raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy laws are inefficient, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

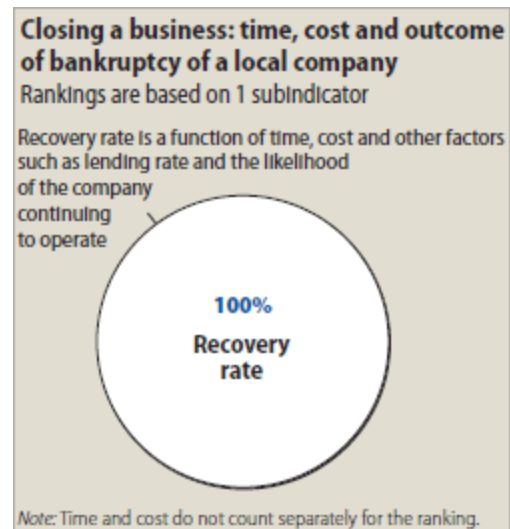
## Methodology

Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate, how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

## Survey case study

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that:

- the company is a domestically owned
- the company is a limited liability corporation operating a hotel in the country's largest business city
- the company has 201 employees, 1 main secured creditor and 50 unsecured creditors
- Assumptions are also made about the future cash flows.
- The case is designed so that the company has a higher value as a going concern, that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.
- The data are derived from questionnaires answered by attorneys at private law firms.

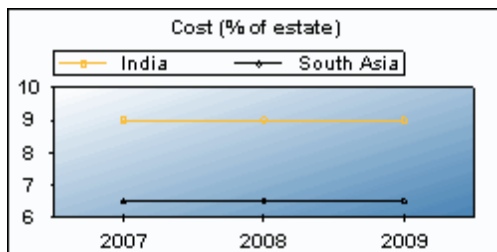
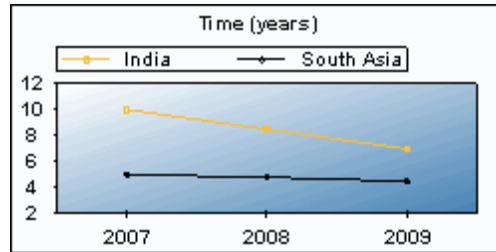
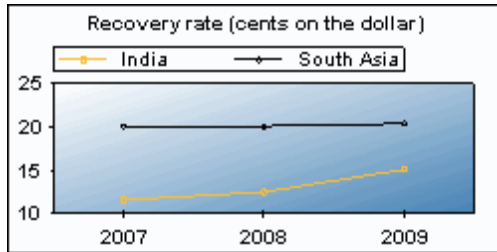




## 1. Historical data: Closing Business in India

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	142	138
Time (years)	10.0	8.5	7.0
Cost (% of estate)	9	9	9
Recovery rate (cents on the dollar)	11.6	12.5	15.1

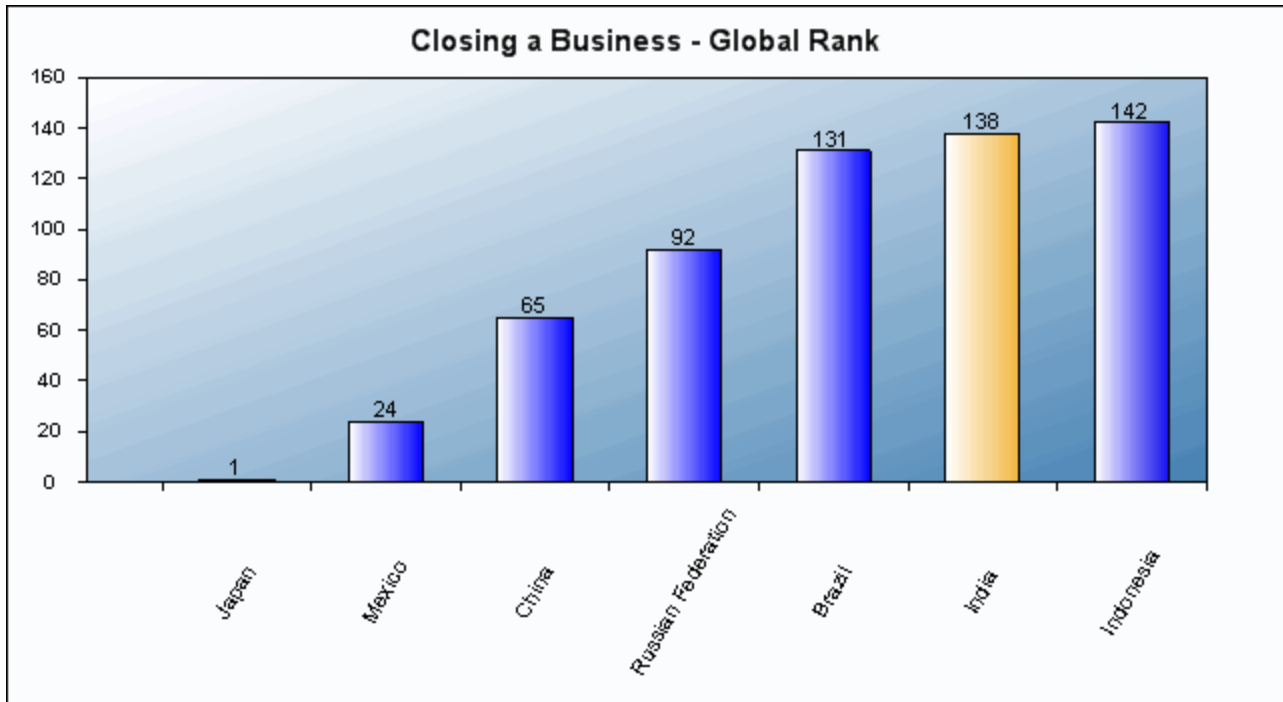
## 2. The following graphs illustrates the Closing Business indicators in India over the past 3 years:



### 3. Benchmarking Closing Business Regulations:

India is ranked 138 overall for Closing a Business.

Ranking of India in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for India compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Recovery rate (cents on the dollar)</b>	<b>Time (years)</b>	<b>Cost (% of estate)</b>
<b>Ireland</b>		0.4	
<b>Japan</b>	92.5		
<b>Singapore*</b>			1

<i>Selected Economy</i>			
<b>India</b>	15.1	7.0	9

<i>Comparator Economies</i>			
<b>Brazil</b>	17.1	4.0	12
<b>China</b>	35.3	1.7	22
<b>Indonesia</b>	13.7	5.5	18
<b>Japan</b>	92.5	0.6	4
<b>Mexico</b>	64.2	1.8	18
<b>Russian Federation</b>	28.2	3.8	9

\* The following economies are also good practice economies for :

Cost (% of estate): **Colombia, Kuwait, Norway**

# Doing Business 2010 Reforms

## Number of reforms in Doing Business 2010

Rank	Economy	Reform Topics									Total number of reforms	
		Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts		Closing a Business
1	Rwanda	✓		✓	✓	✓	✓		✓		✓	7
2	Kyrgyz Republic	✓	✓	✓	✓	✓		✓	✓			7
3	Macedonia, FYR	✓	✓	✓	✓	✓	✓	✓				7
4	Belarus	✓	✓	✓	✓			✓	✓			6
5	United Arab Emirates	✓	✓						✓			3
6	Moldova	✓			✓			✓				3
7	Colombia	✓	✓		✓	✓	✓	✓	✓		✓	8
8	Tajikistan	✓	✓		✗	✓	✓				✓	5
9	Egypt, Arab Rep.	✓	✓			✓			✓			4
10	Liberia	✓	✓					✓				3
	<b>India</b>										✓	1
	<b>Japan</b>											
	<b>Brazil</b>	✓										1
	<b>China</b>								✓			1
	<b>Mexico</b>	✓						✓				2
	<b>Indonesia</b>	✓			✓		✓					3
	<b>Russian Federation</b>				✓			✓			✓	3

Note: Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

<b>Belarus</b>	Belarus eased the process for getting construction permits by simplifying approval processes. Restrictions relating to redundancy dismissals were eased by raising the threshold for prior notification requirements. Tax payments were made more convenient through increased use of electronic systems—reducing tax compliance times—while lower ecological and turnover tax rates and a reduction in the number of payments for property tax reduced the tax burden on businesses. Property registration continues to improve, with faster processing and elimination of the requirement for notarization. Business start-up was eased by simplifying registration formalities, abolishing the minimum capital requirement, limiting the role of notaries, and removing the need for a company seal approval. Implementation of a risk-based management system and improvement of border crossing operations reduced transit times for trade.
<b>Brazil</b>	Brazil eased the process of starting a business by removing the requirement to obtain a fire brigade license and inspection before obtaining an operational license from a municipality.
<b>China</b>	China's State Administration of Foreign Exchange relaxed trade credit restrictions in response to the economic and financial crisis. Foreign exchange authorization is no longer required.
<b>Colombia</b>	Colombia passed several decrees continuing its efforts to regulate the profession of insolvency administrators. The government eased the construction permit process with a new construction decree that categorizes building projects based on risk and allows electronic verification for certain documents. Access to credit improved thanks to a new credit information law that guarantees the right of borrowers to inspect their own data and new rules that make it mandatory for credit providers to consult and share information with credit bureaus. The tax burden on businesses was eased with the introduction of electronic tax filing and payment, and some payments were reduced. An amendment to the Company Law strengthened investor protections by making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was made easier by making it possible to obtain required certificates online and by making standard preliminary sale agreements available free of charge. Business start-up was made easier by creating a public-private health provider that enables faster affiliation of employees and through a tool that allows online pre-enrollment with the social security office. Implementation of an electronic declaration system has expedited customs clearance.
<b>Egypt, Arab Rep.</b>	The Arab Republic of Egypt, a former global leading reformer and a regional leading reformer in 2008/09, continued to make it easier to deal with construction permits by issuing executive articles for the 2008 construction law and eliminating most preapprovals for construction permits. Contract enforcement was expedited with the creation of commercial courts. Access to credit information has expanded with the addition of retailers to the database of the private credit bureau. Finally, company start-up was eased by the removal of the minimum capital requirement.
<b>India</b>	In India procedures under the 2002 Securitization Act have become more effective, easing the process and reducing the time required to close a business.
<b>Indonesia</b>	Indonesia eased incorporation and post-incorporation processes for new business registration by introducing online services, eliminating certain licenses, making the registry more efficient, and cutting company deed legalization fees, publication fees, registration fees, and business license fees. As a result, 2 procedures and 16 days were cut and the average company start-up cost was reduced by almost 52 percent of gross national income per capita. Property registration also became easier because time limits were introduced for standard procedures at the land registry. In addition, Indonesia increased investor protections by expanding disclosure requirements for related-party transactions.
<b>Japan</b>	In Japan no major reform was recorded.

<b>Kyrgyz Republic</b>	The Kyrgyz Republic eased the process for getting construction permits by streamlining the fee structure, introducing a risk-based system of approval and building control, allowing low-risk projects to conduct an internal building control process, and simplifying the process for obtaining utility connections. Requirements relating to redundancy dismissals and worker reassignment were eased. Access to credit was enhanced by making secured lending more flexible and allowing general descriptions of encumbered assets and of debts and obligations. In addition, amendments to the Civil Code provide for automatic extension of security rights to proceeds of the original assets. The tax burden on businesses was eased by reducing the rates for several taxes and the number of payments for several. Surveying and notarization requirements were made optional for property registration, and business start-up was eased by eliminating the minimum capital requirement, reducing the registration time, and abolishing various post-registration fees and the need to open a bank account before registration. The elimination of six previously required documents and the simplification of inspection procedures has sped up trading across borders.
<b>Liberia</b>	Liberia eased the process for getting construction permits by lowering the permit fee and cost of obtaining a power generator, abolishing the requirement to obtain a tax waiver certificate before submitting documents to obtain a building permit, and making fixed telephone connections more readily available for public use with the reopening of the national phone company. Business start-up was eased by removing the need to obtain an environmental impact assessment when forming a general trading company. The trade process was expedited by creating a one-stop shop bringing together various ministries and agencies, and streamlining the inspection regime.
<b>Macedonia, FYR</b>	The Former Yugoslav Republic of Macedonia has been reforming the construction permit process, shortening waiting times but raising fees. Worker hiring was made more flexible by allowing greater use of fixed-term contracts, easing restrictions on working hours, and making redundancy dismissals more flexible. The public credit bureau increased its coverage by introducing a better database that includes more information and by lowering the minimum loan threshold. Social security payments were classified in five groups, and social security contribution rates reduced. Investor protections were increased by regulating the approval of transactions between interested parties, increasing disclosure requirements in annual reports, and making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was eased with the introduction of new time limits at the real estate cadastre—reducing the average time to register a title deed by eight days—and a non-encumbrance certificate can now be obtained from the real estate registry instead of through the court. Business start-up was simplified by integrating procedures at a one-stop shop.
<b>Mexico</b>	Mexico eased taxpaying by introducing electronic payment systems for payroll, property, and social security taxes. Business start-up was eased by establishing an electronic platform for company registration, substantially reducing the number of days for registration, and eliminating the requirement to register with the statistical office.
<b>Moldova</b>	Moldova lowered the rates for social security contributions paid by employers. Property registration was simplified by eliminating the requirement for a cadastral sketch, reducing procedures from six to five and days from 48 to 5. Business start-up was eased by implementing an expedited company registration service.
<b>Russian Federation</b>	The Russian Federation introduced several changes to its insolvency law to speed up liquidation and strengthen the legal status of secured creditors. The corporate income tax rate was cut from 24 percent to 20 percent. Property registration was expedited by introducing new documentation requirements—such as cadastral passports—in lieu of inventory documents and cadastral maps.

**Rwanda**

Rwanda improved the process for dealing with distressed companies with a new law aimed at streamlining reorganization. Employing workers was made easier by abolishing the maximum duration for fixed-term contracts and allowing unlimited renewals of such contracts, as well as by allowing redundancy procedures to be more flexible, with consultation and notification of third parties no longer required. Getting credit was made easier with a new secured transactions act and insolvency act to make secured lending more flexible, allowing a wider range of assets to be used as collateral and a general description of debts and obligations. In addition, out of court enforcement of collateral has become available to secured creditors, who also now have top priority within bankruptcy. A new company law has strengthened investor protections by requiring greater corporate disclosure, director liability, and shareholder access to information. Property registration was simplified by decreasing the number of days required to transfer a property. Business start-up was eased by eliminating a notarization requirement; introducing standardized memorandums of association; enabling online publication; consolidating name checking, registration fee payment, tax registration, and company registration procedures; and shortening the time required to process completed applications. By implementing administrative changes—such as increased operating hours and enhanced cooperation at the border, along with the removal of some documentation requirements for importers and exporters—Rwanda has improved trading times.

**Tajikistan**

Tajikistan amended its insolvency law, aiming to reduce statutory time limits and the costs of proceedings. Changes were introduced that simplified the construction permit process, reducing procedures and time. A new law on credit histories improves access to credit information by creating a private credit bureau. Investor protections were strengthened with amendments to the joint stock company law, increasing disclosure requirements for transactions involving conflicts of interest, allowing for greater director liability, and giving shareholders the chance to request that harmful related-party transactions be rescinded. The state duty for property transfer has quadrupled, raising the cost of registering property by 2.8 percent of a property's value. Business start-up was eased by reducing the minimum capital requirement and shortening the time to obtain a tax identification number.

**United Arab Emirates**

The United Arab Emirates shortened the time for delivering building permits by improving its online system for processing applications. Business start-up was eased by simplifying the documents needed for registration, abolishing the minimum capital requirement, and removing the requirement that proof of deposit of capital be shown for registration. Greater capacity at the container terminal, elimination of the terminal handling receipt as a required document, and an increase in trade finance products, have improved trade processes.

## APPENDICES

### Starting a Business in India

This table summarizes the procedures and costs associated with setting up a business in India.

#### STANDARDIZED COMPANY

Legal Form: Private Limited Company

Minimum Capital Requirement:

City: Mumbai

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain director identification number (DIN) on-line	1	100
2	Obtain digital signature certificate on-line	3	1525
3	Reserve the company name with the Registrar of Companies (ROC) on-line	2	500
4	Stamp the company documents either at the Superintendent or an authorized bank	1	1300
5	Present the required documents along with the registration fee to the Registrar of Companies to get the certificate of incorporation	5	1601.33
6	Make a seal	1	350
7	Visit an authorized franchise or agent appointed by National Securities Depository Services Limited (NSDL) or Unit Trust of India (UTI) Investors Services Ltd to obtain a Permanent Account Number (PAN)	7	66
8 *	Obtain a tax account number for income taxes deducted at source from the Assessing Office in the Mumbai Income Tax Department	7	55
9 *	Register with Office of Inspector, Mumbai Shops and Establishment Act	2	6500
10 *	Register for VAT before the Sales Tax Officer of the ward in which the company is located	12	5100
11 *	Register for profession tax	2	0
12 *	Register with Employees' Provident Fund Organization	12	0
13 *	Register for medical insurance (ESIC)	9	0



\* Takes place simultaneously with another procedure.

**Procedure 1 Obtain director identification number (DIN) on-line****Time to complete:** 1**Cost to complete:** 100**Comment:** The process to obtain the Director Identification Number (DIN) is as follows:

1) Obtain the provisional DIN by filing application Form DIN-1 online. This form is on the Ministry of Corporate Affairs 21st Century (MCA 21) portal [www.mca.gov.in](http://www.mca.gov.in). The provisional DIN is immediately issued. The application form must then be printed and signed and sent for approval to the ministry by courier along with proof of identity and address:

A. Identity Proof (Any one)

- PAN Card
- Driving License
- Passport
- Voter Id Card

B. Residence Proof (Any one)

- Driving License
- Passport
- Voter Id Card
- Telephone Bill
- Ration Card
- Electricity Bill
- Bank Statement

2) The concerned authority verifies all the documents and, upon approval, issues a permanent DIN. The process takes about 4 weeks.

**Procedure 2 Obtain digital signature certificate on-line****Time to complete:** 3**Cost to complete:** 1525**Comment:** To use the new electronic filing system under MCA 21, the applicant must obtain a Class-II Digital Signature Certificate. The digital signature certificate can be obtained from one of six private agencies authorized by MCA 21 such as Tata Consultancy Services. Company directors submit the prescribed application form along with proof of identity and address. Each agency has its own fee structure, ranging from INR 400 to INR 2650.**Procedure 3 Reserve the company name with the Registrar of Companies (ROC) on-line****Time to complete:** 2**Cost to complete:** 500**Comment:** Company name approval must be done electronically. Under e-filing for name approval, the applicant can check the availability of the desired company name on the MCA 21 Web site.

The RoC in Mumbai has staff members working full time on name reservations (approximately 3 but more if the demand increases). A maximum of 6 suggested names can be submitted, they are then checked by RoC staff for any similarities with all other

names in India.

The MCA receives approximately 50-60 applications a day. After being cleared by the junior officer, the name requests are sent to the senior officer for approval. Once approved, the selected name appears on the website. Applicants need to keep consulting the website to confirm that one of their submitted names was approved.

In practice, it takes 2 days for obtaining a clearance of the name if the proposed name is available and conforms to the naming standards established by the Company Act (1 day for submission of the name and 1 day for it to appear on the MCA website).

#### **Procedure 4 Stamp the company documents either at the Superintendent or an authorized bank**

**Time to complete:** 1

**Cost to complete:** 1300

**Comment:** The request for stamping the incorporation documents should be accompanied by unsigned copies of the memorandum and articles of association and the payment receipt.

The company must ensure that the copies submitted to the Superintendent of Stamps or to the authorized bank for stamping are unsigned and that no promoter or subscriber has written anything on it by hand. The Superintendent returns the copies, one of which is duly stamped, signed, and embossed, showing payment of the requisite stamp duty.

The rate of stamp duty varies from state to state.

According to Article 10 and Article 39 of the Indian Stamp Act (1899), the stamp duty payable on the memorandum and articles of association for company incorporation in Mumbai, Maharashtra, is as follows:

- Articles of association: INR 1000/- for every INR 500,000/- of share capital (or part thereof), subject to a maximum of INR 50,000,000.
- Memorandum of association: INR 200.
- Form-1 (declaration of compliance): INR 100.

Once the memorandum and articles of association have been stamped, they must be signed and dated by the company promoters, including the company name and the description of its activities and purpose, father's name, address, occupation, and the number of shares subscribed. This information must be in the applicant's handwriting and duly witnessed.

#### **Procedure 5 Present the required documents along with the registration fee to the Registrar of Companies to get the certificate of incorporation**

**Time to complete:** 5

**Cost to complete:** 1601.33

**Comment:** The following forms are required to be electronically filed on the website of the Ministry of Company Affairs: (a) e-form 1; (b) e-form 18; and (c) e-form 32. Along with these documents, scanned copies of the consent of the initial directors, and also of the signed and stamped form of the Memorandum and Articles of Association, must be attached to Form 1;

- The fees for registering a company can be paid online by using a credit card or by payment in cash at certain authorized banks;
- One copy of the Memorandum of Association, Articles of Association, Form 1, Form 32, Form 18 and the original name approval letter, consent of directors and stamped power of attorney must be physically submitted before the Registrar of Companies; and
- The certificate of incorporation is sent automatically to the registered office of the company by registered or speed post.

The registration fees paid to the Registrar are scaled according to the company's authorized capital (as stated in its memorandum):

- INR 100,000 or less: INR 4,000.

If the nominal share capital is over INR 100,000, additional fees based the amount of nominal capital apply to the base registration fee of INR 4,000:

- For every INR 10,000 of nominal share capital or part of INR 10,000 after the first INR 1,00,000, up to INR 500,000: INR 300.

- For every INR 10,000 of nominal share capital or part of INR 10,000 after the first INR 500,000, up to INR 5,000,000: INR 200.

- For every INR 10,000 of nominal share capital or part of INR 10,000 after the first INR 5,000,000, up to INR 10,000,000: INR 100.

- For every INR 10,000 of nominal share capital or part of INR 10,000 after the first INR 10,000,000: INR 50.

The payment of fees can be made either (1) offline; one can upload all incorporation documents and generate the payment Chalan. Against this Chalan, the applicant has to obtain a demand draft for filing fees amount in favor of "Pay & Accounts Office, Ministry of Corporate Affairs, New Delhi" and this demand draft is payable at Mumbai. The applicant has to visit the specified branches of certain banks to make the payments. Upon the receipt of the payments, it takes around one week for clearance of payment. Only after the clearance of payment does the RoC accept the documents for verification and approvals (2) online; the applicant makes the payment through credit cards and the system accepts the documents immediately. Please note that in Mumbai, RoC requests for pre-scrutiny of documents for any correction thereon, before the documents are uploaded, so that once the documents have been uploaded, it can be approved without any further correction. The online filing mechanism requires only one copy of scanned documents to be filed (including stamped MOA, AOA, and POA).

Schedule of Registrar filing fees for the articles and for the other forms (1, 18, and 32):

- INR 200 for a company with authorized share capital of more than INR 100,000 but less than INR 500,000.

- INR 300 for a company with nominal share capital of INR 500,000 or more but less than INR 2,500,000.

- INR 500 for a company with nominal share capital of INR 2,500,000 or more.

#### **Procedure 6 Make a seal**

**Time to complete:** 1

**Cost to complete:** 350

**Comment:** Although making a seal is not a legal requirement for the company to be incorporated, companies require a company seal to issue share certificates and other documents.

#### **Procedure 7 Visit an authorized franchise or agent appointed by National Securities Depository Services Limited (NSDL) or Unit Trust of India (UTI) Investors Services Ltd to obtain a Permanent Account Number (PAN)**

**Time to complete:** 7

**Cost to complete:** 66

**Comment:** Under the Income Tax Act, 1961, each person must quote his or her permanent account number (PAN) for tax payment purposes and the tax deduction and collection account number (TAN) for depositing tax deducted at source. The Central Board of Direct Taxes (CBDT) has instructed banks not to accept any form for tax payment (Chalan) without the PAN or TAN, as applicable.

The PAN is a 10-digit alphanumeric number issued on a laminated card by an assessing officer of the Income Tax Department. In order to improve PAN related services, the

Income Tax department (effective July 2003) outsourced their operations pertaining to allotment of PAN and issue of PAN cards to UTI Investor Services Ltd, which was authorized to set up and manage IT PAN Service Centers in all cities where there is an Income Tax office.

The National Securities Depository Limited (NSDL) has also launched PAN operations effective June 2004, setting up TIN Facilitation Centers. The PAN application is made through the above mentioned service centers on Form 49A, with a certified copy of the certificate of registration, issued by the Registrar of Companies, along with proof of company address and personal identity. A fee of INR 60 (plus applicable taxes) applies for processing the PAN application.

IT PAN Service Centers or TIN Facilitation Centers will supply PAN application forms (Form 49A), assist the applicant in filling up the form, collect filled form and issue acknowledgement slip. After obtaining PAN from the Income Tax department, UTIISL or NSDL as the case may be, will print the PAN card and deliver it to the applicant.

The application for PAN can also be made online but the documents still need to be physically dropped off for verification with the authorized agent. For more details ([www.incometaxindia.gov.in](http://www.incometaxindia.gov.in) , [www.utiisl.co.in](http://www.utiisl.co.in) , [www.tin.nsdcl.co.in](http://www.tin.nsdcl.co.in) )

#### **Procedure 8 Obtain a tax account number for income taxes deducted at source from the Assessing Office in the Mumbai Income Tax Department**

**Time to complete:** 7

**Cost to complete:** 55

**Comment:** The tax deduction and collection account number (TAN) is a 10-digit alphanumeric number required by all persons responsible for deducting or collecting tax. The provisions of Section 203A of the Income Tax Act require that all persons who deduct or collect tax at the source must apply for a TAN. The section also makes it mandatory for the TAN to be quoted in all tax-deducted-at-source (TDS) and tax-collected-at-source (TCS) returns, all TDS/TCS payment Chalan, and all TDS/TCS certificates issued. Failure to apply for a TAN or to comply with any of the other provisions of the section is subject to a penalty of INR 10,000/- .

The application for allotment of a TAN must be filed using Form 49B and submitted at any TIN Facilitation Center authorized to receive e-TDS returns. Locations of TIN Facilitation Centers are at [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in) and <http://tin.nsdcl.com> The processing fee for both applications (a new TAN or a change request) is INR 50 (plus applicable taxes).

After verification of application, the same is sent to Income Tax Department and upon satisfaction the department issues the TAN to the applicant. The national government levies the income tax. Since outsourcing, any authorized franchise or agent appointed by National Securities Depository Services Limited (NSDL) can accept and process the TAN application.

The application for TAN can be made either online TAN can be through the NSDL website [www.tin-nsdl.com](http://www.tin-nsdl.com) or offline. However, after the payment of the fee by credit card, the hard copy of the application must be Upon payment of the fee through credit card, the hard copy of the application is required to be physically filed with NSDL.

#### **Procedure 9 Register with Office of Inspector, Mumbai Shops and Establishment Act**

**Time to complete:** 2

**Cost to complete:** 6500

**Comment:**

A statement containing the employer's and manager's name and the establishment's name (if any), postal address, and category must be sent to the local shop inspector with the applicable fees.

According to Section 7 of the Bombay Shops and Establishments Act, 1948, the establishment must be registered as follows:

- Under Section 7(4), the employer must register the establishment in the prescribed manner within 30 days of the date on which the establishment commences its work.
- Under Section 7(1), the establishment must submit to the local shop inspector Form A and the prescribed fees for registering the establishment.
- Under Section 7(2), after the statement in Form A and the prescribed fees are received and the correctness of the statement is satisfactorily audited, the certificate for the registration of the establishment is issued in Form D, according to the provisions of Rule 6 of the Maharashtra Shops and Establishments Rules of 1961.

Since the amendments in the Maharashtra Shops & Establishment (Amendment) Rules, 2003 dated 15th December 2003, the Schedule for fees for registration & renewal of registration (as per Rule 5) is as follows:

- 0 employees: INR 100
- 1 to 5 employees: NR 300
- 6 to 10 employees : INR 600
- 11 to 20 employees: INR 1000
- 21 to 50 employees : INR 2000
- 51 to 100 employees : INR 3500
- 101 or more:- INR 4500

Hence in the given case the registration fees would be INR 2000, as there are 50 employees

In addition, an annual fee (three times the registration and renewal fees) is charged as trade refuse charges (TRC), under the Mumbai Municipal Corporation Act, 1888.

<b>Procedure 10</b>	<b>Register for VAT before the Sales Tax Officer of the ward in which the company is located</b>
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**Time to complete:** 12

**Cost to complete:** 5100

**Comment:** Beginning April 1, 2005, the sales tax was replaced by the VAT, which requires registration by filing Form 101. The authorized representative signing the application must be available at the Sales Tax Office on the day of application verification.

The applicant goes to the Sales Tax Office and enters the registration counter. The clerk at the counter reviews that the applicant has all the required documents and gives the applicant a token (waiting number). After a short wait, the applicant's number gets called and the applicant goes to the desk of a sales tax officer. There, all the information on Form 101 is manually entered into the system by the officer. Within 10 minutes, the system generates a Tax Identification Number (TIN) Thereafter, the company is considered fully registered to pay taxes. However, the applicant must wait between 10 to 15 days to receive the VAT registration certificate by post.

In addition to Form 101, other accompanying documentation includes:

- 1) Certified true copy of the memorandum and articles of association of the company.
- 2) Proof of permanent residential address. At least 2 of the following documents must be submitted: copy of passport, copy of driving license, copy of election photo identity card, copy of property card or latest receipt of property tax of Municipal Corporation, copy of latest paid electricity bill in the name of the applicant.
- 3) Proof of place of business (for an owner, the case of Doing Business): Proof of ownership of premises viz. copy of property card or ownership deed or agreement with

the builder or any other relevant documents

4) One recent passport size photograph of the applicant

5) Copy of Income Tax Assessment Order having PAN or copy of PAN card

6) Chalan in Form No. 210 (original) showing payment of registration fee at INR 5000/in case of voluntary RC and INR 500/in other cases

Future Reform: The whole process will be put online by the spring of 2009. This means that rather than physically having to go to the office, companies will fill in all their details on-line for Form 101 and then go the office only so that the Sales Tax Office can verify the above listed documentation.

#### Procedure 11 Register for profession tax

**Time to complete:** 2

**Cost to complete:** 0

**Comment:** According to section 5 of the Profession Tax Act, every employer (not being an officer of the government is liable to pay tax and shall obtain a certificate of registration from the prescribed authority. The company is required to apply in Form I to the registering authority. The registration authority for Mumbai Area is situated at Vikarikar Bhavan, Mazgaon in Mumbai. Depending on the nature of the business, the application should be supported with such documents as address proof, details of company registration number under Indian Companies Act (1956), details of head office (if the company is a branch of company registered outside the state), company deed, certificates under any other act, and so forth.

#### Procedure 12 Register with Employees' Provident Fund Organization

**Time to complete:** 12

**Cost to complete:** 0

**Comment:** The Employees Provident Funds & Miscellaneous Provisions Act, 1952 applies to an establishment, employing 20 or more persons and engaged in any of the 183 Industries and Classes of business establishments, throughout India excluding the State of Jammu and Kashmir.

The applicant fills in an application and is then allotted a social security number. The Provident Fund registration focuses on delinquent reporting, underreporting, or non-reporting of workforce size. Provident Fund registration is optional if workforce size is not more than 20.

The employer is required to provide necessary information to the concerned regional Provident Fund Organization (EPFO) in prescribed manner for allotment of Establishment Code Number. No separate registration is required for the employees. Nevertheless all eligible employees are required to become members of the Fund and individual account number is allotted by the employer in prescribed manner.

As per an internal circular, the code number is to be allotted within 3 days from the date of submission, if the application is complete in all respects. However, in many cases applicants have received the intimation letter with the code number in 12 to 15 days. An online application facility is not provided so far

#### Procedure 13 Register for medical insurance (ESIC)

**Time to complete:** 9

**Cost to complete:** 0

**Comment:**

Registration is the process by which every employer/factory and every employee employed for wages are identified for the purpose of the medical insurance scheme and their individual records are set up for them.

As per the Employees' State Insurance (General), Form 01 is the form required to be submitted by Employer for registration. It takes 3 days to a week for the Employer Code Number to be issued. The "intimation letter" containing the Code Number is sent by post to the employer by post and that takes an additional couple of days.

The Employee's individual insurance is a separate process and occurs after Employer's registration. The Employer is responsible for submitting the required Declaration Form and employees are responsible for providing correct information to the employer. The employee temporary cards (ESI Cards) are issued on the spot by the local offices in many places. The temporary cards are valid for 13 weeks from the date of appointment of the employees. It takes about 4 to 5 weeks to get a permanent ESI card.



## Dealing with Construction Permits in India

The table below summarizes the procedures, time, and costs to build a warehouse in India.

### BUILDING A WAREHOUSE

Date as of: January 2009

Estimated Warehouse Value:

City: Mumbai

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Submit application and design plans at Building Proposal office of BMC and pay scrutiny fee	1 day	INR 36,417
2	Receive site inspection from Building Proposal Office	1 day	no charge
3	Obtain Intimation of Disapproval from the Building Proposal Office and pay fees	60 days	INR 1,301
4	Submit structural plans approved by a structural engineer to BMC	1 day	no charge
5 *	Apply for NOC from Tree Authority	1 day	no charge
6 *	Receive inspection from Tree Authority	1 day	no charge
7 *	Obtain NOC from Tree Authority	30 days	INR 4,500
8 *	Request and obtain NOC from Storm Water and Drain Department	7 days	no charge
9 *	Request and obtain NOC from Sewerage Department	7 days	INR 77,306
10 *	Request and obtain NOC from Electric Department	7 days	no charge
11 *	Request and obtain NOC from Environmental Department	7 days	no charge
12 *	Request and obtain NOC from Traffic & Coordination Department	7 days	no charge
13 *	Request and obtain NOC from CFO	7 days	INR 13,006
14	Obtain Commencement Certificate from Building Proposal Office and pay Development Charges	10 days	INR 836,100
15	Request and receive inspection of plinth	1 day	no charge

16	Submit letter stating completion of building works to obtain an Occupancy Certificate and Certificate of Completion	1 day	no charge
17 *	Request and obtain completion NOC from Tree Authority	3 days	no charge
18 *	Request and obtain completion NOC from Storm Water and Drain Department	3 days	no charge
19 *	Request and obtain completion NOC from Sewerage Department	3 days	no charge
20 *	Request and obtain completion NOC from Electric Department	3 days	no charge
21 *	Request and obtain completion NOC from Environmental Department	3 days	no charge
22 *	Request and obtain completion NOC from Traffic & Coordination Department	3 days	no charge
23 *	Request and obtain completion NOC from CFO	3 days	INR 70,000
24	Request and receive competition inspection from BMC	1 day	no charge
25	Obtain Occupancy Certificate	1 day	no charge
26	Obtain Completion Certificate	30 days	no charge
27	Apply for permanent water connection	1 day	no charge
28 *	Receive on-site inspection for connection to water by the Water Supply Department	1 day	no charge
29 *	Obtain permanent water connection	45 days	INR 1,210
30	Apply for permanent sewerage connection	1 day	no charge
31 *	Receive on-site inspection for connection to sewerage by Sewerage Department	1 day	no charge
32 *	Obtain permanent sewerage connection	30 days	INR 50,000
33 *	Apply for permanent power connection and pay fees	1 day	INR 50
34	Receive on-site inspection from BEST	1 day	no charge

35 *	Obtain power connection from BEST	10 days	INR 45,000
36 *	Apply for telephone connection	1 day	INR 500
37 *	Receive on-site inspection and connection to telephone by the utility provider	2 days	no charge

\* Takes place simultaneously with another procedure.

**Procedure 1 Submit application and design plans at Building Proposal office of BMC and pay scrutiny fee**

**Time to complete:** 1 day

**Cost to complete:** INR 36,417

**Comment:** Applicant submits application form with plans and all required documents, as prescribed by Section 373 of the BMC Act, at the Andhuri Building Proposal Office of the BMC. If all documents are in order and the file is complete, BuildCo can proceed to payment of the scrutiny fees. Fees are paid in the same building by cash or bank draft. Once the fees have been paid, the application file is forwarded to the concerned officer in the Building Proposal Department. Then the file is forwarded to the Survey Office, which will place their remarks on the application file and check the remarks from the Development Plan office (obtained during the design stage of the project). If the Survey Office is satisfied with their review, they will send back the application file to the Building Proposal Department with one week.

The cost for this procedure is INR 28 per square meter of the built up area/plot area, whichever is the maximum.

**Procedure 2 Receive site inspection from Building Proposal Office**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** A sub-engineer from the Building Proposal Office will conduct a site inspection within 3-4 days of receiving the file from the survey office. The date and time of the site inspection are arranged by BuildCo's architect. BuildCo must be on-site when the inspection takes place.

**Procedure 3 Obtain Intimation of Disapproval from the Building Proposal Office and pay fees**

**Time to complete:** 60 days

**Cost to complete:** INR 1,301

**Comment:** After the site inspection, the application file returns to the Building Proposal Office to receive an intimation of disapproval (authorization). The concerned Sub Engineer scrutinizes the proposal and forwards the report to the Assistant Engineer and Executive Engineer. The proposal is approved at the Executive Engineer's level if no concessions are involved. There are 3 executive engineers in the main BMC office and 2 in the Andhuri office (the latter is the office considered for the purposes of this study).

Complete applications that do not require concessions (i.e. claiming of areas free of FSI as per provision in DCR 1991, deficiency in open spaces etc.) can be approved within a week. However, the majority of applications require some concessions and further scrutiny so must be forwarded to the competent authorities. This latter process may take 30 – 90 days to complete.

The intimation of disapproval is issued with a list of NOC's which the applicant must obtain separately from various departments and government authorities. Final clearance to build will only be given once BuildCo obtains all NOC's. The NOC's assigned to the intimation of disapproval are case specific. For the purpose of this study, Doing Business has determined 7 basic NOC's that are required of almost all projects:

1. Tree Authority
2. Storm Water and Drain Department
3. Sewerage Department

4. Hydraulic Department
5. Environmental Department (concerned with debris management)
6. Traffic and Coordination Department
7. CFO (fire clearance)

BuildCo's architect must take the Intimation of Disapproval and the design plans to each clearance office separately. NOCs can be applied for simultaneously, but NOC offices are spread out so the submission for these 7 NOC's is likely to take some time.

The cost for this procedure is INR 1 per square meter for Intimation of Disapproval + INR 2 per square meter (or a maximum of INR 45,000) as a deposit for debris clearance. The latter is returned after the completion of construction if the BMC has deemed all debris cleared.

**Procedure 4 Submit structural plans approved by a structural engineer to BMC**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** The Intimation of Disapproval (IOD) is only an approval of the civil plans. Review of the structural plans is done in parallel with the NOC process. No approval to this plan is required from Municipal Corporation but copies are required to be submitted. Time required for submitting these structural plans is one day.

**Procedure 5 Apply for NOC from Tree Authority**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** Due to stringent environmental regulations, BuildCo must receive clearance from the Tree Authority (set up under the Maharashtra (urban areas) Preservation of Trees Act, 1975. The Tree Authority commission only meets once a month. The Tree Authority must ascertain what trees (if any) will be cut down as a result of construction. If trees are to be cut down, BuildCo will have to plant trees to replace them.

**Procedure 6 Receive inspection from Tree Authority**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** Inspectors from the Tree Authority visit the site to check if there are any trees located on the premises.

**Procedure 7 Obtain NOC from Tree Authority**

**Time to complete:** 30 days

**Cost to complete:** INR 4,500

**Comment:**

**Procedure 8 Request and obtain NOC from Storm Water and Drain Department**

**Time to complete:** 7 days  
**Cost to complete:** no charge  
**Comment:**

**Procedure 9 Request and obtain NOC from Sewerage Department**

**Time to complete:** 7 days  
**Cost to complete:** INR 77,306  
**Comment:**

**Procedure 10 Request and obtain NOC from Electric Department**

**Time to complete:** 7 days  
**Cost to complete:** no charge  
**Comment:** BuildCo has to inform BEST of the project's power requirements along with copy of application submitted for building plan approval. BEST will assess whether an electrical substation up-grade required at this stage.

**Procedure 11 Request and obtain NOC from Environmental Department**

**Time to complete:** 7 days  
**Cost to complete:** no charge  
**Comment:**

**Procedure 12 Request and obtain NOC from Traffic & Coordination Department**

**Time to complete:** 7 days  
**Cost to complete:** no charge  
**Comment:**

**Procedure 13 Request and obtain NOC from CFO**

**Time to complete:** 7 days  
**Cost to complete:** INR 13,006  
**Comment:** All commercial structures require a fire safety clearance.

**Procedure 14 Obtain Commencement Certificate from Building Proposal Office and pay Development Charges**

**Time to complete:** 10 days

**Cost to complete:** INR 836,100

**Comment:** On submission of all required NOCs mentioned in the IOD and on compliance of the IOD conditions, the applicant may submit request for the Commencement Certificate. The documents and NOC submitted by the applicants are verified by the staff and the necessary Commencement Certificate is approved. After payment of development charges and other applicable premium the Commencement Certificate is issued within 7 to 15 days.

The Cost for the CC is INR 200 per square meter of land + INR 500 per square meter of building area.

**Procedure 15 Request and receive inspection of plinth**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

**Procedure 16 Submit letter stating completion of building works to obtain an Occupancy Certificate and Certificate of Completion**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** BuildCo's architect must submit a formal letter stating that construction has been completed according to the standards set forth in the IOD and CC.

**Procedure 17 Request and obtain completion NOC from Tree Authority**

**Time to complete:** 3 days

**Cost to complete:** no charge

**Comment:**

**Procedure 18 Request and obtain completion NOC from Storm Water and Drain Department**

**Time to complete:** 3 days

**Cost to complete:** no charge

**Comment:**

**Procedure 19 Request and obtain completion NOC from Sewerage Department**

**Time to complete:** 3 days  
**Cost to complete:** no charge  
**Comment:**

**Procedure 20 Request and obtain completion NOC from Electric Department**

**Time to complete:** 3 days  
**Cost to complete:** no charge  
**Comment:**

**Procedure 21 Request and obtain completion NOC from Environmental Department**

**Time to complete:** 3 days  
**Cost to complete:** no charge  
**Comment:**

**Procedure 22 Request and obtain completion NOC from Traffic & Coordination Department**

**Time to complete:** 3 days  
**Cost to complete:** no charge  
**Comment:**

**Procedure 23 Request and obtain completion NOC from CFO**

**Time to complete:** 3 days  
**Cost to complete:** INR 70,000  
**Comment:** All commercial structures require fire safety clearance according to fire and safety rules and regulations stipulated in Development Control rule 1991 and national building Code. The fee for low-rise commercial buildings is INR 5 per square meter.

**Procedure 24 Request and receive competition inspection from BMC**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Comment:**

**Procedure 25 Obtain Occupancy Certificate**



**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** The Occupancy Certificate allows BuildCo to occupy the building but is not considered a final document because BuildCo still requires the Certificate of Completion.

#### **Procedure 26 Obtain Completion Certificate**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Comment:** The Completion Certificate is considered to be the ultimate document that BuildCo requires to fully occupy the building and connect to utilities.

#### **Procedure 27 Apply for permanent water connection**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

#### **Procedure 28 Receive on-site inspection for connection to water by the Water Supply Department**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** An application for water connection is made to the Assistant Engineer of the Municipal Corporation. The Assistant Engineer of the Municipal Corporation makes the inspection. There are two inspections: one before the water connection is completed, and another after completion. The inspection would not take more than a day. An officer of the water department of the Municipal Corporation inspects the premises and prepares a report on the connection.

#### **Procedure 29 Obtain permanent water connection**

**Time to complete:** 45 days

**Cost to complete:** INR 1,210

**Comment:** Fees for water connection include:  
Water connection charges – INR 1060  
Water meter – INR 150  
Refundable security deposit towards water charges bills at INR 25 per 1,000 liter + 60% of sewerage charges for the requirement of the building

#### **Procedure 30 Apply for permanent sewerage connection**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** BuildCo must visit the ward office and submit a written demand for a sewerage connection. The connection request must be submitted along with a copy of the building plans and the application request made to the Water Department.

**Procedure 31 Receive on-site inspection for connection to sewerage by Sewerage Department**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** A private contractor hired by BuildCo completes most of the inspections related to the connection, but the ward office will visit the site once to inspect the connection as well.

**Procedure 32 Obtain permanent sewerage connection**

**Time to complete:** 30 days

**Cost to complete:** INR 50,000

**Comment:**

**Procedure 33 Apply for permanent power connection and pay fees**

**Time to complete:** 1 day

**Cost to complete:** INR 50

**Comment:** BuildCo can download the form or collect it from one of the 9 zonal offices. BuildCo submits the form along with registration fee of Rs. 50. On submission, a receipt of the same is given along with a requisition number. Within one week (statutory time limit) of this, an inspection takes place to verify if the structure is permanent and to account for the number of connections required etc. After this within a week, a requirement letter is sent by the BEST authorities to the applicant by mail. This letter lists down the documents and payment required to be submitted to gain connection which are the following:- Proof of ownership, availability of meter space, 'test report' by licensed electrical engineer and payment to be made.

**Procedure 34 Receive on-site inspection from BEST**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

**Procedure 35 Obtain power connection from BEST**

**Time to complete:** 10 days

**Cost to complete:** INR 45,000

**Comment:** A licensed electrical engineer employed by BuildCo must assess the internal wiring. On gathering these documents, BuildCo needs to physically go back to the zonal office and submit them along with the payment. After this, connection is given within a month's time

in the majority of cases. Approximately 5% of cases receive connection in less than 24 hours, and another 5 % of applicants report connection times of up to 3 months. These long delays are due to cable laying. If cable laying is done through private land, than the owner needs to take permission from them and give it to BEST. But if the underground cabling is done through government land, BEST has to take permission from the Bombay Municipal Corporation(BMC), and the said permission takes some time to be granted. Also BMC only gives permission for underground cabling, during the dry season (April to October).

**Procedure 36 Apply for telephone connection**

**Time to complete:** 1 day  
**Cost to complete:** INR 500  
**Comment:** An application for the telephone connection is submitted to the utility company along with a security deposit.

**Procedure 37 Receive on-site inspection and connection to telephone by the utility provider**

**Time to complete:** 2 days  
**Cost to complete:** no charge  
**Comment:**

## Employing Workers in India

Employing workers indices are based on responses to survey questions. The table below shows these responses in India.

Employing Workers Indicators (2009)	Answer	Score
<b>Difficulty of hiring index (0-100)</b>		<b>0.0</b>
Are fixed-term contracts prohibited for permanent tasks?	No	0
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	No limit	0.0
What is the ratio of mandated minimum wage to the average value added per worker?	0.17	0.00
<b>Difficulty of redundancy index (0-10)</b>		<b>70.0</b>
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	Yes	1
Does the employer need the approval of a third party to terminate one redundant worker?	Yes	2
Must the employer notify a third party before terminating a group of 9 redundant workers?	Yes	1
Does the employer need the approval of a third party to terminate a group of 9 redundant workers?	Yes	1
Is there a retraining or reassignment obligation before an employer can make a worker redundant?	No	0
Are there priority rules applying to redundancies?	Yes	1
Are there priority rules applying to re-employment?	Yes	1
<b>Redundancy costs (weeks of salary)</b>		<b>55.9</b>
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		13.0
What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)		42.9
What is the legally mandated penalty for redundancy dismissal? (weeks of salary)		0.0
<b>Rigidity of employment index (0-100)</b>		<b>30.0</b>
<b>Rigidity of hours index (0-100)</b>		<b>20.0</b>
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes	0

What is the maximum number of working days per week?	6	0
Are there restrictions on night work and do these apply when continuous operations are economically necessary?	Yes	0.00
Are there restrictions on "weekly holiday" work and do these apply when continuous operations are economically necessary?	Yes	1.00
What is the paid annual vacation (in working days) for an employee with 20 years of service?	15	0

Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

## Registering Property in India

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This topic examines the steps, time, and cost involved in registering property in India.

### *STANDARDIZED PROPERTY*

Property Value: 2,370,475.55

City: Mumbai

#### **Registration Requirements:**

No:	Procedure	Time to complete	Cost to complete
1	Check for encumbrances at the office of Sub-Registrar of Assurance	5 days	Rs. 10,000
2	Preparation of the final sale deed by the purchaser's lawyer	7 days	INR 18,000 - INR 21,000
3	Payment of Stamp Duty on the final Sale Deed through franking at the designated bank.	1 day	5% of property value
4	Execute final sale deed and submit documents to the local office of the Sub-Registrar of Assurances	1 day	1% of market value of the property (Maximum INR 30,000) + INR 20 per page of final sale deed for scanning charges (paid in cash)
5	Apply to the Land & Survey Office for mutation of the title of the property	30 days	INR 300

**Procedure 1 Check for encumbrances at the office of Sub-Registrar of Assurance**

**Time to complete:** 5 days

**Cost to complete:** Rs. 10,000

**Comment:** The purchaser should conduct a search of the property in the Registry and the Revenue Office, noting the location details of the property and the time period to be checked. While investigating the title it should be verified (1) that the legal ownership document is in the name of the owner, issued by the Revenue Record Department under the seal of the Tahsildar, (2) that on the date of purchase the title of the owner for the preceding 30 years (preferably) shows no mortgage or other encumbrance as still existing on the date of purchase, (3) the property is transferable and heritable, (4) the transferor is competent and/or authorized to transfer the property, (5) the transferee is qualified to be a transferee, (6) the object or consideration for the transfer is lawful, (7) the transfer has been made and completed in the manner prescribed by law, (8) the property being sold is free of restrictions for sale under the Urban Land (Ceiling & Regulation) Act, 1976 and a Clearance Certificate for the property has been issued by the U.L.C. (Urban Land Ceiling) Authorities. Also, all papers with regard to payment of taxes, the electricity bills and water bills need to be checked.

If the seller is a Company incorporated under the provisions of the Companies Act, 1956 then it is prudent to take search in the office of the Registrar of Companies to verify whether there is any charge on the property registered under the provisions of Section 125 of the Companies Act, 1956.

**Procedure 2 Preparation of the final sale deed by the purchaser's lawyer**

**Time to complete:** 7 days

**Cost to complete:** INR 18,000 - INR 21,000

**Comment:** The lawyer prepares the final sale deed and then engrosses the document on green paper leaving the date and place blank then this document is then submitted for stamping. The fee for the lawyer is around 1% of the property value.

**Procedure 3 Payment of Stamp Duty on the final Sale Deed through franking at the designated bank.**

**Time to complete:** 1 day

**Cost to complete:** 5% of property value

**Comment:** Deposits the said fees in the designated bank. The designated bank issues a receipt and marks the first page of the printed sale deed with the stamp duty received. This printed sale deed with stamp duty details will then be executed.

**Procedure 4 Execute final sale deed and submit documents to the local office of the Sub-Registrar of Assurances**

**Time to complete:** 1 day

**Cost to complete:** 1% of market value of the property (Maximum INR 30,000) + INR 20 per page of final sale deed for scanning charges (paid in cash)

**Comment:** The execution of the sale deed in front of the 2 witnesses is commonly done at the same time and place where the buyer submits documents to the Sub-Registrar.

The documents are submitted to the office of the Sub Registrar of Assurances within whose jurisdiction the property is located. The authorized signatories of the seller and purchaser are required to be present along with two witnesses. Once the document is registered, a distinct document number is assigned to that document. The record of registration is kept in the office of sub registrar of assurance.

The documents are submitted to the Reader of the Sub-Registrar of Assurances for scrutiny. After scrutiny, the Reader indicates the registration fee required, which is 1% of the transaction value or Rs. 30,000/- whichever is less on the document itself. The due registration fee is to be deposited with the cashier against a receipt. After depositing the fees, the documents are presented before the Sub-Registrar in accordance with Section 32 of the Registration Act, 1908. Normally, the Seller hands over the peaceful vacant and physical possession of the property to the buyer simultaneous to the deed being presented for registration. Upon payment of the required registration fees and computer service charges in cash, as per the receipt, the document is returned within 30 minutes of getting the receipt.

The documentation shall include:

1. Document required to be registered (in duplicate)
2. Two passport-size photographs of the authorized signatories of both parties.
3. Photo identification of each party and witnesses i.e. voters' identity card, passport, identity card issued by Govt. of India, Semi Govt. and Autonomous bodies or identification by a Gazette Officer.
4. Certified true copies of certificate of incorporation of both seller and purchaser.
5. Copy of the latest property register card (to be obtained from the City Survey Department) to indicate that the property does not belong to the government
6. Copy of the Municipal Tax bill to indicate the year in which the building was constructed

Procedure	5	Apply to the Land & Survey Office for mutation of the tile of the property
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<b>Time to complete:</b>	30 days
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<b>Cost to complete:</b>	INR 300
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<b>Comment:</b>	<p>After receipt of the registered title deed, the purchaser applies to the Municipal Authority seeking mutation of the title of the property in its favour. The authorized signatory has to submit the duly signed application along with the affidavit, indemnity bond, and a certified/notarized copy of the registered title deed.</p> <p>After the assessment of the request for mutation, the Land &amp; Survey Office decides the value for levying tax on property and then issues a letter of mutation in favour of the purchaser. Cost includes: application fee is INR 100; indemnity bond on INR 100 stamp paper, obtain an affidavit at INR 50 and notarize the sale deed for INR 50.</p>
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## Getting Credit in India

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in India.

Getting Credit Indicators (2009)			Indicator
			score
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	4
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative data distributed?	Yes	No	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
<b>Coverage</b>		10.2	0.0
Number of individuals	78,208,300		0
Number of firms	1,030,910		0

Strength of legal rights index (0-10)		8
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?		Yes
Does the law allow businesses to grant a non possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets ?		Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of the secured assets ?		Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?		Yes
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?		Yes
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?		Yes
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?		No
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?		No

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?

Yes

Does the law authorize parties to agree on out of court enforcement?

Yes

## Protecting Investors in India

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in India.

Protecting Investors Data (2009)	Indicator
<b>Extent of disclosure index (0-10)</b>	<b>7</b>
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	2
Immediate disclosure to the public and/or shareholders (0-2; see notes)	0
Disclosures in published periodic filings (0-2; see notes)	2
Disclosures by Mr. James to board of directors (0-2; see notes)	2
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	1
<b>Extent of director liability index (0-10)</b>	<b>4</b>
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	0
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company. (0-2; see notes)	2
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	1
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	0
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	1
<b>Ease of shareholder suits index (0-10)</b>	<b>7</b>
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	4
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	2
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	0
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	1

Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes) 0

Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes) 0

**Strength of investor protection index (0-10) 6.0**

**Notes:**

**Extent of Disclosure Index**

*What corporate body provides legally sufficient approval for the transaction?*

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

*Immediate disclosure to the public and/or shareholders*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures in published periodic filings*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures by Mr. James to board of directors*

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

**Director Liability Index**

*Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company*

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

*Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company*

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

*Whether a court can void the transaction upon a successful claim by a shareholder plaintiff*

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

*Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company*

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

**Shareholder Suits Index**

*Documents available to the plaintiff from the defendant and witnesses during trial*

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

*Ability of plaintiffs to directly question the defendant and witnesses during trial*

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

## Paying Taxes in India

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in India, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Tax on interest	0			20%	interest income		
State VAT	12			12.5%	value added		
Education cess	0	paid jointly		3%	all federal taxes including the surcharge		
Income surcharge	0	paid jointly		10%	on all federal taxes		
CENVAT (Excise Duty)	1	online filing		16.48%, as of 1 March 2008 14.42%	value added		
Secondary & Higher education cess	0	paid jointly		1%	all federal taxes including the surcharge		
Vehicle tax (pollution tax)	1			fixed fee (Rs 50)	per vehicle in use	0.02	
Tax on insurance contracts	1			12%	insurance premium	0.26	
Fringe Benefit Tax	4			30%	value of specified corporate expenses (usually 20%)	0.26	
Fuel tax	1			6% + Rs. 3.25 per liter	fuel consumption	0.43	
Dividend tax	1			14%	dividend distributions	3.01	
Property tax	1			10%	assessed value	3.34	
Employee's state insurance contribution	12			4.75%	gross salaries	4.64	
Social security contributions	12		96	12%	gross salaries	13.54	

Central Sales Tax	12		128	3%; as of 1 June 2008 2%	purchase price	17.11
Corporate income tax	1	online filing	47	34%	taxable profits	22.13
<b>Totals</b>	<b>59</b>		<b>271</b>			<b>64.7</b>

**Notes:**

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filling available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

## Trading Across Borders in India

These tables list the procedures necessary to import and exports a standardized cargo of goods in India. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	8	350
Customs clearance and technical control	2	120
Ports and terminal handling	3	175
Inland transportation and handling	4	300
Totals	17	945

Nature of Import Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	8	390
Customs clearance and technical control	4	120
Ports and terminal handling	6	200
Inland transportation and handling	3	250
Totals	20	960

### Export

Bill of lading

Certificate of origin

Commercial invoice

Customs export declaration

Inspection report

Packing list

Technical standard/health certificate

Terminal handling receipts

### Import

Bill of lading

Cargo release order

Certificate of origin

Commercial invoice
Customs import declaration
Inspection report
Packing list
Technical standard/health certificate
Terminal handling receipts

## Enforcing Contracts in India

This topic looks at the efficiency of contract enforcement in India.

Nature of Procedure (2009)	Indicator
Procedures (number)	46
Time (days)	1420
Filing and service	20.0
Trial and judgment	1,095.0
Enforcement of judgment	305.0
<b>Cost (% of claim)*</b>	<b>39.60</b>
Attorney cost (% of claim)	30.6
Court cost (% of claim)	8.5
Enforcement Cost (% of claim)	0.5

**Court information:** Bombay High Court

\* Claim assumed to be equivalent to 200% of income per capita.







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