

Info Capsule

NITI AAYOG LAUNCHES EASE OF DOING BUSINESS REPORT: AN ENTERPRISE SURVEY OF INDIAN STATES¹

NITI Aayog launched the Ease of Doing Business report based on an Enterprise Survey of 3,500 manufacturing firms across Indian states and union territories. The survey has been conducted, along with the IDFC Institute, to assess the business regulations and enabling environment across India from firms' perspective.

The Survey was released by the Union Minister of Commerce Smt. Nirmala Sitaraman and Minister of Law & Justice and Electronics and Information Technology, Shri Ravishankar Prasad at a function in the capital today. The Vice Chairman of NITI Aayog, Shri Arvind Panagariya, his successor Rajiv Kumar who assumes office on September 1, CEO NITI Aayog Shri Amitabh Kant and the Secretary, Department of Industrial Policy Promotion Shri Ramesh Abhishek along with the representatives from the industry, academia and senior officials of NITI Aayog were present on this occasion.

The Ease of Doing Business report based on an Enterprise Survey of 3,500 manufacturing firms Survey comes in the backdrop of the fact that India needs to create an environment that fosters globally competitive firms, capable of driving and sustaining economic growth.

The major findings of this report are as follows:

- **Economic Performance and Reforms.** A higher level of economic activity and better performance on a range of doing business indicators are strongly correlated.
 - o Enterprises in high-growth states are significantly less likely to report major or very severe obstacles in (i) land/ construction related approvals, (ii) environmental approvals and (iii) water and sanitation availability relative to enterprises in low-growth states.
 - o Quite remarkably, firms located in high-growth states also report 25% less power shortages in a typical month, compared to firms in low-growth states.
- **Improvements over time.** Newer and younger firms report a more favorable business environment in that they take less time in obtaining approvals than older firms, suggesting an improvement in the business environment.
 - o Newer firms include startups established after 2014.
 - o In addition, young firms report that most regulatory processes do not constitute a major obstacle to their doing business.
- **Informational gaps.** States need to enhance awareness of the steps being undertaken by them to the improve ease of doing business. The survey data show low awareness among enterprises about single window systems, instituted by states.
 - o On average, only about 20% of start-ups, which are of recent origin, report using single window facilities introduced by state governments for setting up a business.

¹ Available at: <http://pib.nic.in/newsite/erelease.aspx>

- o Even among experts, only 41% have any knowledge of the existence of these facilities.
- **Labor regulations are a bigger constraint for labor intensive firms.** We find that labor intensive sectors, that create proportionately more jobs per unit of capital investment, feel more constrained by labor related regulations. For example, compared to other enterprises, the enterprises in labor intensive sectors:
 - o 19% more likely to report that finding skilled workers is a major or very severe obstacle.
 - o 33% more likely to report that hiring contract labor is a major or very severe obstacle.
 - o Lose a greater number of days due to strikes and lockouts.
 - o Report higher average time for environmental approvals and longer power shortages.
- **Barriers to firm growth.** The experience of firms with fewer employees is different from that of larger firms. In some cases, large firms face more regulatory barriers than smaller firms.
 - o Firms with more than 100 employees took significantly longer to get necessary approvals than smaller firms with less than 10 employees.
 - o Large firms were also more likely to report that regulatory obstacles were a major impediment to doing business and that they incurred higher costs for getting approvals.

The Enterprise Survey was conducted in recognition of the importance of monitoring the business environment in India. A follow-up document will also bring out detailed profiles of states.

CABINET APPROVES PROMULGATION OF THE GOODS AND SERVICES TAX (COMPENSATION TO STATES) ORDINANCE, 2017²

The Union Cabinet chaired by Prime Minister Shri Narendra Modi has given its approval to the proposal of the Finance Ministry to promulgate an ordinance to suitably amend the Goods and Services Tax (Compensation to States) Act, 2017.

The approval would allow to increase the maximum rate at which the Compensation Cess can be levied from 15% to 25% on:

- a) Motor Vehicles for transport of not more than thirteen persons, including the driver [falling under sub-headings 870210, 8702 20, 8702 30 or 8702 90]; and
- b) Motor Vehicles falling under headings 8703.

The GST Council, in its meeting held in August 2017, taking into consideration the fact that post introduction of GST, the total incidence on motor vehicles [GST+ Compensation Cess] has come down vis-a-vis pre-GST total tax, incidence, and had recommended increase in the maximum rate at which Compensation Cess can be levied on motor vehicles falling under headings 8702 and 8703 from 15% to 25%.

The issue regarding the increase in effective rate of Compensation Cess on motor vehicles will be examined by the GST Council in due course.

² Available at: <http://pib.nic.in/newsite/erelease.aspx>

GST REVENUE FIGURES – JULY 2017³

The Goods and Services Tax (GST) tax was introduced on July 1, 2017. The last date for payment of GST for the month of July 2017 was August 25, 2017. The last date for filing returns in cases, where the taxpayer wanted to avail transitional credit was August 28, 2017 and, in all other cases, it was August 25, 2017.

If we exclude the taxpayers who have registered with the GSTN in August 2017 and the composition dealers, total number of tax payers who were required to file the returns for July 2017 is **59.57 lakhs**, of which, as on August 29, 2017 (10 a.m.), **38.38 lakh** returns have been filed, which is **64.42%** of the total number of returns, which are to be filed for the month of July 2017.

The total revenue of GST paid under different heads up to August 29, 2017 (10 a.m.) is **Rs.92,283 crore**. The total CGST revenue is **Rs.14,894 crore**, SGST revenue is **Rs.22,722 crore**, IGST revenue is **Rs.47,469 crore** (of which IGST from imports is **Rs.20,964 crore**) and Cess is **Rs.7,198 crore** (of which **Rs.599 crore** is Compensation Cess from imports).

It may be mentioned that IGST will be allocated between the CGST and the SGST to the extent that the same is used for payment of CGST/SGST. This exercise will be done based on the cross-utilisation report to be received from the GSTN. Exact revenue figures of the Central and the State Governments respectively will be known after this exercise is complete before the end of this month.

Out of total **72.33 lakh** taxpayers, **58.53 lakh** taxpayers have completely migrated to the GSTN and **13.80 lakh** taxpayers are yet to complete their procedural formalities to migrate to the GSTN. The number of new taxpayers who have registered with the GSTN up to August 29, 2017 (10 a.m.) is **18.83 lakhs**.

Team ICSI

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