

# Various Initial Registrations and Licenses

## Lesson 13

### KEY CONCEPTS

- Initial Registration ■ Permanent Account Number (PAN) ■ Tax deduction Account Number (TAN) ■ Goods and Services Tax (GST) ■ Employee State Insurance (ESI) ■ Provident Fund (PF) ■ Import Export Code (IE Code)
- Food Safety and Standards Authority of India (FSSAI) ■ Other Service Providers (OSP)

### Learning Objectives

#### To understand:

- Various initial Registrations and Licenses Required for Setting up a Business
- Process of Registrations
- Laws/Rules/Regulations applicable on such Registrations

### Lesson Outline

- Introduction
- Mandatory Registration – PAN/TAN
- GST Registration
- Registration under Shops & Establishments Act
- ESI Registration
- Employee Provident Fund meaning and Registration Procedure
- Pollution Control
- Sector based registrations
- IE Code
- Drug License
- FSSAI
- Requirement of NBFC License with RBI
- Banking
- IRDA (Insurance Regulatory and Development Authority)
- Industry Licensing Policy
- Telecom License
- State level Approval from the respective State Industrial Department
- Lesson Round-Up
- Test Yourself
- List of Further Readings
- Other References (Including Websites/Video Links)

## REGULATORY FRAMEWORK

- Income Tax Act, 1961
- Goods and Services Tax Act, 2017
- The Shop and Establishment (S&E) Act
- OSHWC Code, 2020
- Drugs and Cosmetics Act, 1940
- Food Safety and Standards Act, 2006
- Reserve Bank of India Act, 1934
- Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2000
- Industries (Development and Regulation) Act, 1951

## INTRODUCTION

A business entity is required to secure various registration and licenses in order to set up its businesses in India. This chapter deals with the list of mandatory as well as additional initial registration requirements and the licenses along with their detailed procedures.

'Ease of doing business' refers to the regulatory environment in a country to set up and operate a business. Every year, the World Bank compares business environment in 190 countries in its Ease of Doing Business Report. Among the chosen 190 countries, India ranked 63rd in Doing Business 2020: World Bank Report. In 2014, the Government of India launched an ambitious program of regulatory reforms aimed at making it easier to do business in India. The program represents a great deal of effort to create a more business-friendly environment.

India has emerged as one of the most attractive destinations not only for investments but also for doing business. India jumps 79 positions from 142nd (2014) to 63rd (2019) in 'World Bank's Ease of Doing Business Ranking 2020.

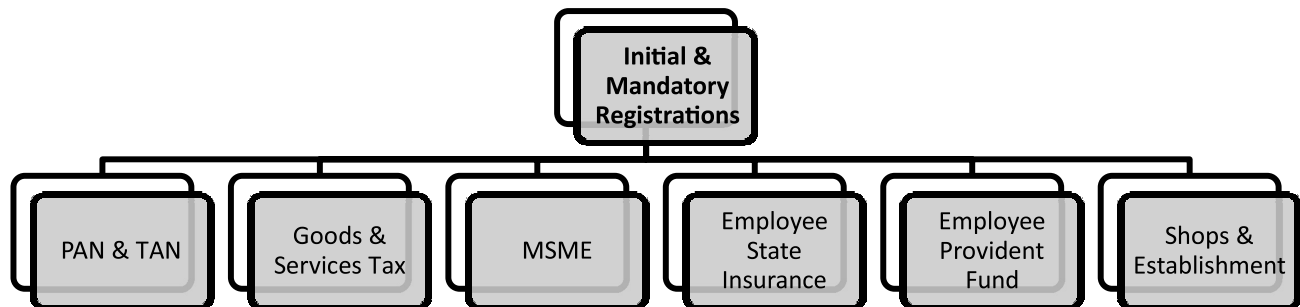
## Business Entity Registration

To start a business, it is necessary for an entrepreneur to decide the form of business entity through which he wish to carry out his business. The business entity that he could seek for are following:

<b>S.No.</b>	<b>Form of Business Entity</b>	<b>Law under which Registration is required</b>
1.	Proprietorship	Not required
2.	Partnership	Not compulsory but can be registered under the the Partnership Act, 1932
3.	Private Company	The Companies Act, 2013
4.	Public Company	The Companies Act, 2013
5.	Limited Liability Partnership	The Limited Liability Partnership Act, 2008
6.	One Person Company	The Companies Act, 2013

The entity after registration needs to open Current Account in Bank before starting business transactions. However, proprietor and partnership firm can open Current Account in Bank and need not wait for registration certificate.

## MANDATORY REGISTRATION



## PAN

### What is PAN?

PAN is a Permanent Account Number (in short called as PAN) and is a vital document for any taxpayer. It is a 10-character alphanumeric number consisting of letter and digits e.g. (AAAAA1234A). PAN card requirements are detailed in the Income Tax Act of 1961.

PAN is issued in two formats:

- **e-PAN:** A secure digital version with a QR code, sent to the applicant's email.
- **Physical PAN Card:** Optional, issued for a nominal fee.



### Utility of PAN:

- This number is unique to each cardholder and helps identify the income tax payer.
- PAN enables the department to identify/ link all transactions of the PAN holder with the department. These transactions include tax payments, TDS/TCS credits, returns of income, specified transactions, correspondence etc and so on.
- It facilitates easy retrieval of information of PAN holder and matching of various investments, borrowings and other business activities of PAN holder.
- It also serves as an identity proof for a large number of purposes e.g. Sale or purchase, by any person, of shares of a company not listed in a recognised stock exchange for amount exceeding Rs. 1 lakh per transaction,
- Sale or purchase of any immovable property for an amount exceeding Rs. 10 lakh or valued by stamp valuation authority referred to in section 50C of the Act at an amount exceeding ten lakh rupees etc.
- **Digital integration:** PAN 2.0 now supports real-time verification across government platforms.

### Significance of PAN for Setting up of Business

In India, a Permanent Account Number (PAN) is required for most financial transactions and is mandatory for those with a taxable income. The requirement extends beyond just individuals to include businesses and other entities.

### Who is required to hold a PAN

A PAN card is mandatory for the following individuals and entities:

#### For individuals and families

- Any individual whose total income during a financial year exceeds the maximum amount not chargeable to tax.
- Anyone carrying on a business or profession with a total sales turnover or gross receipts likely to exceed ₹5 lakh in any previous year.
- All resident Indian citizens, including minors and students, who engage in financial transactions where a PAN is mandatory. Parents or legal guardians can apply on behalf of minors.
- Non-Resident Indians (NRIs) and foreign citizens who engage in financial activities in India, such as those with taxable income or involved in specified transactions.
- Every person who intends to enter into specified financial transactions in which quoting of PAN is mandatory.
- Any person who needs to file an income tax return for themselves or someone else they are assessable for.

#### For businesses and other entities

- Every non-individual resident persons and persons associated with them shall apply for PAN if the financial transaction entered into by them during the financial year exceeds Rs. 2,50,000.

#### Transactions that require quoting a PAN

A PAN is also mandatory for anyone intending to enter into the following specified financial transactions:

- Deposits or withdrawals of ₹50,000 or more in cash with a bank or post office.
- Opening a bank account, except for a Basic Savings Bank Deposit Account (BSBDA).
- Applying for a debit or credit card.
- Purchasing or selling an immovable property exceeding ₹10 lakh.
- Investing over ₹50,000 in mutual funds, debentures, or bonds.
- Purchasing or selling a motor vehicle (other than a two-wheeler).
- Depositing cash of ₹50,000 or more with a banking company or co-operative bank during a single day.
- Making a time deposit of ₹50,000 or more (or aggregating to more than ₹5 lakh in a financial year) with a bank, post office, or NBFC.
- Paying a life insurance premium exceeding ₹50,000 in a financial year.
- A contract for the sale or purchase of goods or services of more than ₹2 lakh per transaction.
- A cash payment of over ₹50,000 to a hotel or restaurant bill at any one time.

### Exceptions to holding a PAN

Some individuals are not required to hold a PAN, but they must provide a declaration in Form 60 for transactions where a PAN is required. This applies to:

- Individuals without a taxable income who engage in specified transactions.
- Certain non-residents for specific transactions.
- Minors, if they don't have a taxable income, can use their parent's or legal guardian's PAN.

### Application and Registration of PAN

The PAN (Permanent Account Number) card is an important document for conducting even the simplest of financial transactions like opening a savings bank account or applying for a debit/credit card.

Application for PAN can be made both online and offline as per the forms specified by the income tax department (i.e., form 49A for resident individual) together with the supporting documents as proof of identity, address and date of birth. Indian citizens will have to submit their 'Application for allotment of new PAN' in revised Form 49A only. Foreign citizens will have to submit their 'Application for allotment of new PAN' in newly notified Form 49AA only.

For New PAN applications, in case of Individual and HUF applicants, if address for Communication is selected as Office, then Proof of Office Address along with Proof of residential address is to be submitted with NSDL in respect of applications made on and after 1st November 2009.

Individual applicants will have to affix two recent, coloured photograph (Stamp size 3.5 cms x 2.5. cms) on PAN application form in case application are made physically.

Offline application for a PAN: An individual had to fill up physical forms specified by the income tax department (i.e., form 49A for resident individual) and provide supporting documents as proof of identity, address and date of birth.

Online Application for PAN: Online application can be made either through the portal of NSDL (<https://tin.tin.nsd.com/pan/index.html>) or the online portal of UTITSL ([https://www.utiitsl.com/UTIITSL\\_SITE/pan/index.html](https://www.utiitsl.com/UTIITSL_SITE/pan/index.html)).

Payment of Application fee for applying for PAN. Payment of application fee can be made through credit/debit card, demand draft or net-banking.

Once the application and payment is accepted, the applicant are required to send the supporting documents through courier/post to NSDL/UTITSL. Only after the receipt of the documents, PAN application would be processed by NSDL/UTITSL.

### Linking of PAN with Aadhaar

As per Section 139AA, every person who is eligible to obtain Aadhaar is required to quote his Aadhaar number

in the PAN application form with effect from 1st day of July, 2017. W.e.f. 01-10-2024, the taxpayer is required to quote his Aadhaar number in PAN application Form. The requirement of Aadhaar is not applicable to foreign citizen and non-resident according to Income Tax Act,1961.

In case of an applicant, being a company, which has not been registered under the Companies Act, 2013, the application for allotment of a Permanent Account Number may be made in Spice +specified under sub-section (1) of section 7 of the said Act for incorporation of the company.

### **Instant PAN**

Income-tax Dept. has launched a new functionality on the e-filing portal which allots a PAN to the assessee on basis of his Aadhaar Number. This facility can be used by an assessee only if the following conditions are fulfilled:

- a) He has never been allotted a PAN;
- b) His mobile number is linked with his Aadhaar number;
- c) His complete date of birth is available on the Aadhaar card; and
- d) He should not be a minor on the date of application for PAN

## **TAN**

Tax Deduction Account Number or Tax Collection Account Number is a 10 -digit alpha-numeric number issued by the Income-tax Department. TAN (Tax Deduction and Collection Account Number) is to be obtained by all persons who are responsible for deducting tax at source (TDS) or who are required to collect tax at source (TCS).

### **Persons liable to apply for TAN**

1. Every person liable to deduct tax at source or collect tax at source is required to obtain TAN. However, a person who is required to deduct tax under section 194-IA or section 194-IB or section 194M can use PAN in the place of TAN as such person is not required to obtain TAN.
2. Section 194IA provides for deduction of tax at source from payment on transfer of certain immovable property other than agricultural land.
3. As per section 194-IB any individual or HUF [whose books of account are not required to be audited under section 44AB in the immediately preceding financial year] is liable to deduct tax at the rate of 2% while making payment of rent of any land or building or both to a resident person if amount of rent exceeds Rs. 50,000 for a month or part of a month.
4. Section 194M provides for deduction of tax, at the rate of 2%, from the sum paid or credited to a resident, in a year on account of contractual work, commission (not being insurance commission as referred to in Section 194D), brokerage or professional fees, by an individual or a HUF [whose books of account are not required to be audited under Section 44AB], if aggregate of such sum exceeds Rs. 50 lakhs in a financial year.

### **Relevance of TAN**

As per section 203A of the Income-tax Act, 1961, every person who deducts or collects tax at source has to apply for the allotment of TAN. Section 203A also makes it mandatory to quote TAN in following documents:

- TDS/ TCS statements i.e., return;
- Statement of financial transactions or reportable accounts;

- Challans for payment of TDS/TCS;
- TDS/TCS certificates;
- Other documents as may be prescribed.

The provisions relating to obtaining of TAN will not apply to a person deducting tax under section 194-IA (i.e., from sale consideration of land/building other than agricultural land) or Section 194IB or Section 194M and to such person, as may be notified by the Central Government in this behalf. They can quote PAN in place of TAN.

#### Summary Table

Section	Transaction Type	TAN Required?	PAN Allowed?
194-IA	Purchase of immovable property > ₹50 lakh (amount or stamp duty value)	X	√
194-IB	Rent payment > ₹50,000/month	X	√
194M	Payments for contract/professional/brokerage > ₹50 lakh/year	X	√

#### Procedure to Apply for TAN

There are two modes for applying for TAN:

- OFFLINE - An application for allotment of TAN is to be filed in Form 49B in duplicate and submitted to any TIN-Facilitation Centre (TIN-FC) of NSDL. Addresses of TIN FCs are available at NSDL TIN website ([https:// www.tin-nsdl.com](https://www.tin-nsdl.com)).
- ONLINE — Online application for TAN can be made from the website of NSDL TIN website.

Applicants should go through the instructions and guidelines provided in the application form before filling the Form. In case of an applicant being a company, which has not been registered under the Companies Act, 2013, the application for allotment of Tax Deduction Account Number may be made in Form SPICe+ specified under the Companies Act, 2013.

#### Where to get the Physical Application Forms

Places from where to obtain Form 49B are:

- (1) Form 49B is freely downloadable from the website of Income-tax Department (<http://www.incometaxindia.gov.in>)
- (2) It is also available at TIN-FCs.
- (3) Legible photocopies of Form 49B or forms legibly printed exactly as per the format prescribed by Income-tax Department are also allowed to be used.

No separate TAN is required to be obtained for the purpose of TCS, if the person already holds TAN for the purpose of TDS.

#### Documents to be submitted along with TAN application

No documents are required to be submitted along with application for allotment of TAN. However, for online application, the signed acknowledgment which is generated after filling up the form is to be forwarded to NSDL.

### Communication

These applications are digitized by NSDL and forwarded to Income Tax Department (ITD). ITD will issue the TAN which will be intimated to NSDL online. On the basis of this, NSDL will issue the TAN letter to the applicant.

### Status track

The applicants may track the status of their TAN application using 14-digit unique Acknowledgment Number after three days of application using the status track facility. Alternatively, applicant may call TIN Call Centre on 020 – 2721 8080 to enquire about the status of their application. The status of the TAN application can also be tracked by sending an SMS - NSDLTAN to 57575. This facility can be accessed from the website of Income-tax Department too ([www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)).

### Fee

Fee for filing the TAN application + GST as applicable (the application fees may change from time to time).

## GST REGISTRATION

### What are Goods and Services Tax (GST)?

Goods and Services Tax is an Indirect Tax levied on goods and services. It's a revolutionary change under the tax regime to create a One Nation, One Tax and One Market i.e. "One Nation One Tax". GST was rolled out on July 1<sup>st</sup>, 2017 replacing the Indirect taxes like excise duty, service tax, value added tax, central sales tax, purchase tax, entertainment tax, luxury tax and octroi that was levied by the central and states separately at different tax rates.

After the GST came into effect, only value addition is taxed eliminating the cascading effect or "TAX on TAX" and levied at similar rates on same products across the country that has been simplified in terms of single registration and completely digitalized.

### GST in India is classified into four types:

<i>Type of GST</i>	<i>Who levies it?</i>	<i>Transactions on which SGST is levied</i>
SGST (State Goods and Service Tax)	State Government	Intra-State goods and service transactions
UGST (Union Territory Goods and Service Tax)	Union Government	Intra-union territory goods and service transactions
CGST (Central Goods and Service Tax)	Central Government	Intra-State goods and service transactions
IGST (Integrated Goods and Service Tax)	Levied by Central Government and revenue is shared both between Central Government and State Government	Inter-State goods and service transaction Import and Export

### GST Registration

Registration of any business entity under the GST Law implies obtaining a unique number from the tax authorities for the purpose of collecting tax on behalf of the government and to avail Input tax credit for the taxes on his

inward supplies. GST being tax on the event of 'Supply' every supplier needs to get registered. Section 22 of Central Goods and Services Tax Act, 2017 mandates the Registration of every supplier of goods whose aggregate turnover exceeds the threshold (summarized in table below) in a financial year.

### GST Registration Thresholds – Summary Table

Type of Supply	Standard Threshold	Lower Threshold (Special Category States)	States Included
Goods	₹ 40 lakh	₹ 20 lakh	Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura, Uttarakhand
Services	₹ 20 lakh	₹ 10 lakh	Assam, Arunachal Pradesh, Himachal Pradesh, Manipur, Mizoram, Sikkim, Meghalaya, Nagaland, Tripura, Uttarakhand

- Businesses below the threshold may opt for voluntary registration.
- Thresholds apply to aggregate turnover across India, not state-wise.

### Features of GST Registration

Feature	Description
PAN-Based & State-Specific	GST registration is linked to PAN and must be obtained separately for each State/ UT where supply is made.
Territorial Coverage	Area up to 12 nautical miles from the coast is part of the nearest coastal State; area beyond 12 and up to 200 nautical miles is treated as a separate Union Territory.
No Cross-State Validity	A person registered in one State is considered unregistered in other States.
SEZ vs DTA Units	Separate registration is required for SEZ units and Domestic Tariff Area units, even within the same State.
Input Service Distributor (ISD)	A separate ISD registration is needed to distribute input tax credit to same-PAN entities.
No Centralized Registration	GST does not allow centralized registration for businesses operating in multiple States (unlike service tax regime).

### Persons not liable to register

The following persons are not liable to registration as per section 23 of Central Goods and Services Tax Act, 2017.

Category	Description
1. Non-Taxable Supply Providers	Persons engaged exclusively in supplying goods or services (or both) that are not liable to GST under CGST or IGST.

Category	Description
2. Wholly Exempt Supply Providers	Persons engaged exclusively in supplying goods or services (or both) that are wholly exempt from GST.
3. Agriculturists	Individuals or HUFs supplying produce from land cultivation (as defined under Section 2(7)).
4. Notified Categories	Any other category of persons exempted by Government notification on GST Council's recommendation.

### Compulsory registration

Generally, the liability to register under GST arises when a person is a “supplier” within the meaning of the term, and also if his Aggregate Annual Turnover in the financial year is above the specified exemption threshold. However, the GST law enlists certain categories of suppliers who are required to get compulsory registration irrespective of their turnover that is to say, the specified threshold exemption, as the case may be, is not available to them. Some of such suppliers who need to register compulsorily irrespective of the quantum of their turnover are :

- Inter State Suppliers: persons making any inter-State taxable supply;
- casual taxable persons;
- persons taxable under reverse charge;
- person who are required to pay tax under sub-section (5) of section 9;
- non-resident taxable persons;
- persons who are required to deduct tax under section 51, whether or not separately registered under this Act;
- persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise;
- Input Service Distributors; they need to separately register as ISD regardless of the turnover Suppliers who supply goods through electronic commerce operators;
- every electronic commerce operator who is required to collect tax at source under section 52)
- every person supplying online information and database access or retrieval services from a place outside India to a person in India, other than a registered person.
- In GST, if the supplier supplies outside the State, he is required to take registration irrespective of the size of his turnover. However, this compulsion is relaxed for certain categories of suppliers as per following table.

### GST Registration Requirement for Interstate Suppliers

Supplier Category	Nature of Supply	Threshold Limit	Registration Required?	Remarks
General Supplier (Goods)	Interstate supply of taxable goods	No threshold exemption	√ Mandatory	Must register regardless of turnover

Supplier Category	Nature of Supply	Threshold Limit	Registration Required?	Remarks
Handicraft Goods Supplier	Interstate supply of notified handicraft goods	₹ 20 lakh (₹ 10 lakh for special category States)	X Not required if below threshold	Also exempt from registering as casual taxable person
Small Service Providers	Interstate supply of services	₹ 20 lakh (₹ 10 lakh for special category States)	X Not required if below threshold	Includes job workers, except those dealing in jewelry and precious metals
Service Providers via E-Commerce Operators	Services supplied through platforms like Amazon, Flipkart, etc.	₹ 20 lakh (₹ 10 lakh for special category States)	X Not required if below threshold	Exemption via Notification No. 65/2017 – Central Tax

**Aggregate Turnover** under the Act includes the aggregate value of all of the following supplies of a person having the same PAN.

- taxable supplies,
- exempt supplies,
- zero-rated supplies,
- interstate supplies,
- but doesn't include the inward taxable supplies under the Reverse Charge Mechanism.

If the person has taxable and exempt supplies as a part of the turnover, example, machine oil and petrol, the turnover from both would be added to determine whether the aggregate exceeds the threshold, and if it does, then registration becomes mandatory for such supplier.

The supplies by the agents on behalf of the principal would be included in the aggregate turnover of both, the principal and the agent. Registration is mandatory at every place of business from wherein a taxable supply has been made.

## GSTIN

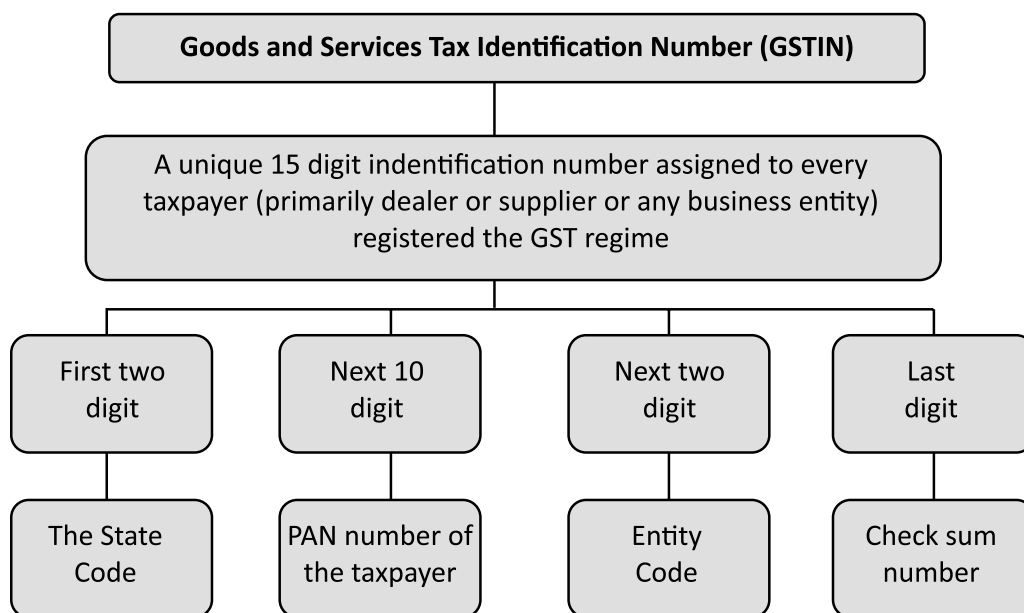
The registration in GST is based on Permanent Account Number and State specific. Supplier has to register in each of such State or Union territory from where he effects supply. In GST registration, the supplier is allotted a 15-digit GST identification number called "GSTIN" and a certificate of registration incorporating therein this GSTIN is made available to the applicant on the GSTN common portal.

- The first two digits of this number will represent the State code;
- The next ten digits will be the PAN number of the taxpayer;
- The thirteenth digit will be assigned based on the number of registrations within a State;
- The fourteenth digit will be Z by default;
- The last digit will be for check code (alphanumeric).

Registration under GST is not tax specific, which means that there is a single registration for all the taxes viz., CGST, SGST/UTGST, IGST and cesses.

A given PAN based legal entity would have one GSTIN per State, that means a business entity having its branches in multiple States will have to take separate State wise registration for the branches in different States. But within a State, an entity with different branches would have single registration wherein it can declare one place as principal place of business and other branches as additional place of business. However, a business entity having separate business verticals (as defined in section 2 (18) of the CGST Act, 2017) in a state may obtain separate registration for each of its business verticals.

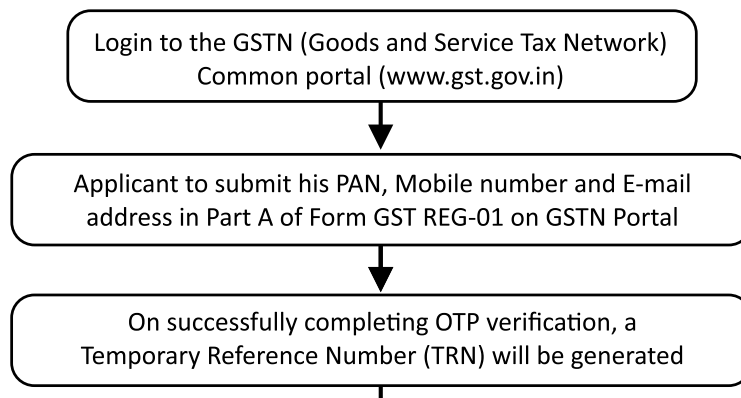
Further a unit in SEZ or a SEZ developer needs to necessarily obtain separate registration. Every registered person is required to display his certificate of registration in a prominent location at his principal place of business and at every additional place of business. He is also required to display his GSTIN on the name board exhibited at the said places.

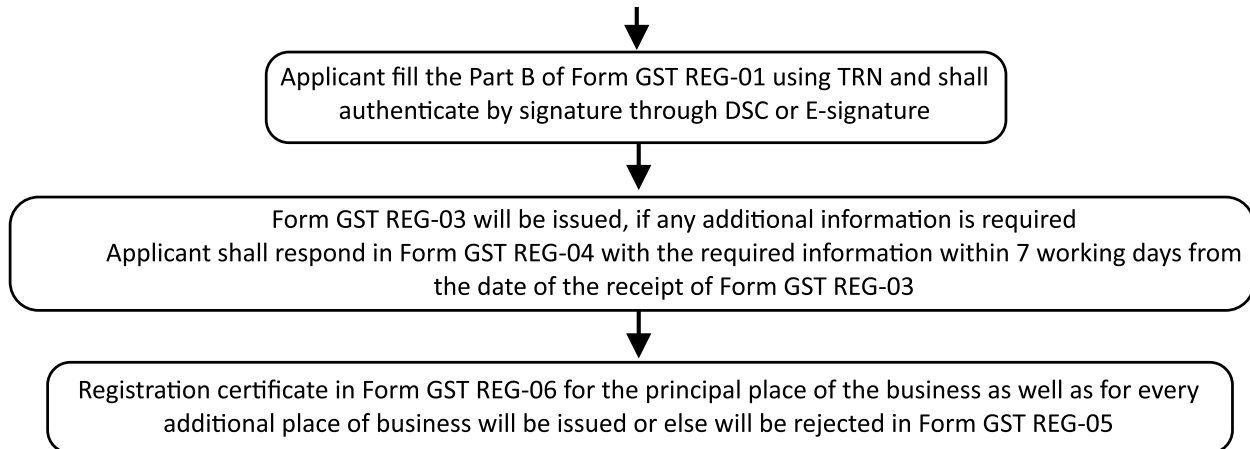


**Procedure for Registration**

GST registration process will be online through a **portal** maintained by **GSTN** (Goods and Services Tax Network).

**Steps for GST registration are:**



**Important points:****1. Grant of Registration Without Aadhaar Authentication Issues:**

The registration shall be granted to the applicant within a period of three working days from the date of submission of the application, if application along with the accompanying documents is found to be in order.

**2. Registration in Case of Aadhaar Authentication Failure (Applicable w.e.f. 21.08.2020):**

Where a person fails to undergo authentication of Aadhaar number w.e.f. 21.08.2020, then the registration shall be granted only after physical verification of the principal place of business in the presence of the said person, not later than sixty days from the date of application, in the manner prescribed.

The verification report along with the other documents, including photographs, shall be uploaded in FORM GST REG-30 on the common portal within a period of fifteen working days following the date of such verification.

**3. Deficiency in Application or Requirement of Clarification:**

In case of deficiency in application documents or clarification submitted, the concerned officer may issue a notice electronically in FORM GST REG-03 within a period of three working days from the date of submission of the application.

The applicant shall furnish such clarification, information or documents electronically, in FORM GST REG-04, within a period of seven working days from the date of the receipt of such notice.

**4. Grant of Registration After Clarification:**

Where the proper officer is satisfied with the clarification, information or documents furnished by the applicant, he may approve the grant of registration to the applicant within a period of seven working days from the date of the receipt of such clarification or information or documents.

**5. Rejection of Application:**

Where no reply is furnished by the applicant in response to the notice so issued or where the proper officer is not satisfied with the clarification, information or documents furnished, he shall, for reasons to be recorded in writing, reject such application and inform the applicant electronically in FORM GST REG- 05.

**6. Deemed Approval of Registration:**

If the proper officer fails to take any action, -

- (a) within a period of three working days from the date of submission of the application; or
- (b) within a period of seven working days from the date of the receipt of the clarification, information or documents furnished by the applicant,

the application for grant of registration shall be deemed to have been approved.

**7. Effective date of registration:**

Application Timing	Effective Date of Registration	Remarks
Within 30 days from the date of becoming liable	Date on which liability to register arose	Backdated to the date of liability
After 30 days from the date of becoming liable	Date of grant of registration	No retrospective effect; registration starts from approval date

**8. Issuance of Registration Certificate:**

Where the registration has been granted, the applicant shall be communicated the registration number, and the certificate of registration, duly signed or verified through electronic verification code, shall be made available to him on the common portal, within a period of three days after the expiry of the period of deemed registration as stated above in point 6.

**Registration as Composite Taxpayer****Composition Scheme under GST**

The composition levy is an alternative method of levy of tax designed for small taxpayers whose turnover is up to Rs. 1.5 Crores (Rs. 75 lakhs in case of few States). The objective of composition scheme is to bring simplicity and to reduce the compliance cost for the small taxpayers. Moreover, it is optional and the eligible person opting to pay tax under this scheme can pay tax at a prescribed percentage of his turnover every quarter, instead of paying tax at normal rate.

Composition Scheme is now made available to service providers (32<sup>nd</sup> GST Council meeting) whose aggregate annual turnover does not exceed Rs. 50 lakhs. Both exclusive service providers and mixed service providers of goods and services can opt for this scheme.

**Persons Not Eligible for Composition Scheme**

Category	Reason for Ineligibility
Supplier of non-taxable goods	Supplies not liable to GST are excluded from the scheme.
Inter-State supplier of goods	Composition scheme is restricted to intra-State supplies only.
Supplier via e-commerce operators (Section 52)	Cannot opt if supplying through platforms required to collect TCS.
Manufacturer of notified goods	Certain goods (e.g., ice cream, pan masala, tobacco) are excluded by notification.

Category	Reason for Ineligibility
Casual taxable person	Temporary nature of business disqualifies them.
Non-Resident taxable person	Not eligible due to lack of permanent establishment.
Input Service Distributor (ISD)	Cannot opt as ISD deals with credit distribution.
TDS Deductor / Tax Collector	Entities registered under Section 51/52 are excluded.

### Persons eligible for Composition Scheme

Under this scheme, a taxpayer will pay tax as a percentage of his/her turnover during the financial year without the benefit of Input Tax Credit. A taxpayer opting for composition scheme will not collect any tax from his/her customers and show only Bill of supply instead of invoice. The floor rate of tax for **CGST** and **SGST** are as follows:

Manufactures and Traders	(0.5% CGST + 0.5% SGST)
Restaurants not serving alcohol	(2.5% CGST + 2.5% SGST)
Other Service Providers	(3% CGST + 3% SGST)

### Composition Scheme – Eligibility for Service Providers & Mixed Suppliers

Supplier Type	Eligibility	Threshold Limit	Tax Rate	Remarks
Pure Service Providers (not covered under restaurant or notified exclusions)	√ Eligible under Notification No. 2/2019 – Central Tax (Rate)	₹ 50 lakh (all-India aggregate turnover)	6% (3% CGST + 3% SGST)	Must not be supplying through e-commerce operators liable to collect TCS
Mixed Suppliers (goods + services)	√ Eligible if services are not more than 10% of turnover or ₹ 5 lakh (whichever is higher)	₹ 1.5 crore (₹ 75 lakh for special category States)	1% (traders), 5% (restaurants), etc.	Applies under Section 10(1) of CGST Act
Service Providers via E-Commerce Operators	X Not eligible	—	—	Excluded under Section 10(2)(d)
Notified Service Providers (e.g., legal, accounting, etc.)	√ Eligible under Notification No. 2/2019	₹ 50 lakh	6%	Must not be engaged in inter-State supply or notified exclusions

When the eligible taxpayer is opting for the Composition Scheme under GST, a taxpayer has to file a quarterly statement in Form CMP-08 and a return in Form GSTR -4 annually.

**Process for GST registration as Composite taxpayer (Section 10):**

A person who is applying for the fresh Registration under GST has to file FORM REG-01 and under Part B of the form, he has to select the option of Section 10 (Registration as composite taxpayer). The process is outlined as follows:

Step	Description
1. Access GST Portal	Visit www.gst.gov.in – GSTN Common Portal
2. File Form GST REG-01	Initiate registration by submitting Part A (PAN, mobile, email) and Part B
3. Select Composition Option	In Part B, choose Section 10 – Composition Scheme
4. Upload Documents	Provide business details, address proof, identity proof, and bank details
5. Verification & Approval	Application is verified by tax authorities; additional info may be requested via REG-03
6. Issue of GSTIN & Certificate	Upon approval, GSTIN and Form REG-06 (registration certificate) are issued
7. Composition Declaration	Taxpayer must also file Form GST CMP-01 (if migrating from regular scheme) or CMP-02 (for opting in subsequent years)

**Registration under the Act in special cases:****(1) Person required to deduct tax at source or collect tax at source**

- **Electronic filing of application:** Any person required to deduct tax in accordance with the provisions of section 51 or a person required to collect tax at source in accordance with the provisions of section 52 shall electronically submit an application, duly signed or verified through electronic verification code, in **FORM GST REG-07** for the grant of registration through the common portal.
- If the applicant is applying in a State or Union territory where he does not have a physical presence, he shall mention the name of the State or Union territory in PART A of the application in FORM GST REG-07 and mention the name of the State or Union territory in PART B thereof in which the principal place of business is located which may be different from the State or Union territory mentioned in PART A.
- **Certificate of registration:** After due verification, the proper officer may grant certificate of registration in FORM GST REG-06 within a period of three working days from the date of submission of the application.

**(2) Non-resident taxable persons:**

- Section 2(77) of Central Goods & Services Tax Act, 2017 defines “non-resident taxable person” as any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India. Hence, a non-resident taxable person is someone who has a business outside India, but comes to a different state for a business purpose temporarily. For example, a person from Paris, comes to participate in an exhibition at Azad Maidan, Mumbai for participating in the exhibition, then such person would need to register as a non-resident taxable person at Mumbai and he will be granted registration for a maximum period of 90 days.

- A non-resident taxable person shall electronically submit an application, along with a self-attested copy of his valid passport, for registration, duly signed or verified through electronic verification code, in FORM GST REG-09, at least five days prior to the commencement of business at the common portal.
- In the case of a business entity incorporated or established outside India, the application for registration shall be submitted along with its tax identification number or unique number on the basis of which the entity is identified by the Government of that country or its Permanent Account Number, if available.
- A person applying for registration as a non-resident taxable person shall be given a temporary reference number by the common portal for making an advance deposit of tax and the acknowledgement under shall be issued electronically only after the said deposit in his electronic cash ledger.
- The application for registration made by a non-resident taxable person shall be duly signed or verified through electronic verification code by his authorised signatory who shall be a person resident in India having a valid Permanent Account Number.

**(3) Person supplying online information and database access or retrieval services from a place outside India to a non-taxable online recipient:**

- electronically submit an application for registration, duly signed or verified through electronic verification code, in FORM GST REG-10, at the common portal.
- Registration is granted in FORM GST REG-06, subject to requisite conditions and restrictions.

**(4) Suo moto registration:**

- Where, pursuant to any survey, enquiry, inspection, search or any other proceedings under the Act, the proper officer finds that a person liable to registration under the Act has failed to apply for such registration, such officer may register the said person on a temporary basis and issue an order in FORM GST REG-12.
- The registration so granted shall be effective from the date of such order granting registration.
- Every person to whom a temporary registration has been so granted shall, within a period of ninety days from the date of the grant of such registration, submit an application for registration as required in the case of mandatory registration.
- Provided that where the said person has filed an appeal against the grant of temporary registration, in such case, the application for registration shall be submitted within a period of thirty days from the date of the issuance of the order upholding the liability to registration by the Appellate Authority.
- The Goods and Services Tax Identification Number assigned, pursuant to the verification, shall be effective from the date of the order granting such registration.

**(5) Casual Taxable Person:**

- Section 2(20) of Central Goods & Services Tax Act, 2017 defines “casual taxable person” as a person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business. Thus, a casual taxable person

is someone who has a business in a different state, but comes to a different state for a business purpose temporarily.

- For example, a footwear dealer registered in Agra comes for an exhibition at Azad Maidan, Mumbai for participating in the exhibition, then such person would need to register as a casual taxable person at Mumbai and he will be granted registration for a maximum period of 90 days.

#### Important points:

Registration must be taken state-wise. In case there are several branches within a single state, they can all operate under a single registration so long as one of the places are declared as Principle Place of Business (PPOB) and the remaining are Additional Places of Business (APOB).

- Any person having multiple places of business within a State or a Union territory, requiring a separate registration for any such place of business under sub-section (2) of section 25 shall be granted separate registration in respect of each such place of business provided such person has more than one place of business as defined in clause (85) of section 2. A registered person opting to obtain separate registration for a place of business shall submit a separate application in FORM GST REG-01 in respect of such place of business. Rest of the procedure is same as in case of mandatory registration.
- For composition levy, all businesses under a single PAN mandatorily either can be registered under composition levy or all of them under normal levy and there is no facility of choosing the Composition Scheme for only a few businesses under the Goods & Services Tax Act, 2017.
- **Furnishing of Bank Account Details.**-After a certificate of registration in FORM GST REG-06 has been made available on the common portal and a Goods and Services Tax Identification Number has been assigned, the registered person, except those who have been granted registration under rule 12 or, as the case may be rule 16, shall as soon as may be, but not later than forty five days from the date of grant of registration or the date on which the return required under section 39 is due to be furnished, whichever is earlier, furnish information with respect to details of bank account, or any other information, as may be required on the common portal in order to comply with any other provision.
- **Display of registration certificate and GSTIN on the name board:**
  1. Every registered person shall display his certificate of registration in a prominent location at his principal place of business and at every additional place or places of business.
  2. Every registered person shall display his Goods and Services Tax Identification Number on the name board exhibited at the entry of his principal place of business and at every additional place or places of business.

## REGISTRATION UNDER SHOPS & ESTABLISHMENTS ACT

One of the important regulations to which most businesses in India are subject to is the Shops and Establishments Act, enacted by every state in India. **The Shops and Establishments (S&E) Act** is applicable on all the commercial establishments; viz, business centers, offices, warehouses, stores, hotels, eateries, amusement parks, theatres, etc., nationwide. It is one of the most important regulations required to be complied with for any business. The Act is designed to regulate payment of wages, hours of work, leave, holidays, terms of service and other work conditions of people employed in shop and commercial establishments.

### Purpose of Shop and Establishment Act

The Shop and Establishment Act in India is promulgated by the State and may slightly differ from state to state. However, as per the Act, all shops and commercial establishments operating within each state are covered by the respective Shop & Establishments Act.

**Key Definitions:**

- “Shop”: Shop means any premises where
  - (i) goods are sold, either by retail, wholesale, or
  - (ii) services are rendered to customers.

It includes an office, a store-room, godown, warehouse, or workplace, whether on the same premises or otherwise, used in connection with such trade/ business.

A shop however does not include-

- Factory (OSHWC Code)
- Commercial establishment (defined separately under the Act)
- “Commercial Establishment”: Commercial establishment means-
  - (i) a premise where any trade, business, profession or any work is undertaken,
  - (ii) which may include society, charitable or another trust, journalistic and printing establishments, contractors and auditors establishments, educational institutes, premises where the business of banking, insurance stocks, and shares, the brokerage is undertaken, restaurants and eating houses, residential hotels, clubs, theaters and other places of public amusement or entertainment.

Establishments are defined as shop, a commercial establishment, residential hotel, restaurant, eating-house, theatre or other places of public amusement or entertainment. Further, establishments as defined by the Act may also include such other establishments as defined by the Government by notification in the Official Gazette. *However, factories are not covered by the Shops & Establishments Act and are regulated by the Factories Act, 1948.*

**License under Shop and Establishment Act**

Any shop or commercial establishment that commences operation must apply to the Chief Inspector for license under Shops and Establishments Act within the prescribed time.

The application for license in the prescribed form must contain:

- the name of the employer,
- address of the establishment,
- name of the establishment,
- category of the establishment,
- number of employees, and
- other relevant details as requested.

License Validity Varies by State – may be annual, multi-year, or lifetime depending on local rules. Renewal & Compliance Renewal must be done before expiry.

On submission of the application and review by the Chief Inspector, the shop or commercial establishment

will be registered and a registration certificate will be issued to the occupier. The registration certificate must be prominently displayed at the shop or commercial establishment and renewed periodically, as per the Act.

### Registration of Shops & Establishments

As a business owner of a shop or establishment, you are compulsorily required to get the same registered under the Shops and Establishment Act. Here are the specific rules:

1. Submit an application in the prescribed form to the Inspector of the area within 30 days of starting any work in the shop/establishment. The application is to be submitted along with the prescribed fees and should contain the following information:
  - a. Name of the employer and the name of a manager, if any;
  - b. The postal address of your establishment;
  - c. The name of establishment;
  - d. Such other particulars as may be prescribed.
2. Upon receiving the application for registration and the fees, the Inspector shall verify the accuracy and correctness of the application. Once suitably satisfied, he shall enter the details in the Register of Establishments and issue a registration certificate for the establishment. This certificate will be valid for 5 years and has to be renewed thereafter.

It is important that the registration certificate has to be prominently displayed at the establishment.

The Labour Department of each state has authority for the registration process. Many States have a 100% online process, while some states are still following the manual procedure for filing.

The Registration certificate is required to be renewed periodically as mentioned in the state regulations.

### ESI REGISTRATION

Employee State Insurance (ESI) is a social security scheme implemented by the Government of India under the provisions of the Employees' State Insurance Act, 1948/Code on Social Security. It is a self-financing contributory scheme, where both the employer and employee contribute a fixed percentage of the employee's wages towards a common fund.

The objective of the ESI scheme is to provide financial protection and medical benefits to employees and their dependents in the event of:

- Sickness
- Maternity
- Disablement (temporary or permanent)
- Death due to employment-related injury
- Occupational diseases
- Comprehensive medical care for insured persons and their families

**Employees' State Insurance Corporation (ESIC):**

The ESIC is an autonomous corporate body established under the ESI Act, 1948/ Code on Social Security. It is responsible for:

- Administering the ESI scheme
- Managing the ESI fund
- Ensuring compliance by employers
- Providing benefits to insured employees and their dependents.

**Applicability**

- Every establishment in which ten or more persons are Corporation employed other than a seasonal factory:
- Provided that Chapter IV shall also be applicable to an establishment, which carries on such hazardous or life-threatening occupation as notified by the Central Government, in which even a single employee is employed:
- Provided further that an employer of a plantation, may opt the application of Chapter IV in respect of the plantation by giving willingness to the corporation, where the benefits available to the employees under that Chapter are better than what the employer is providing to them:
- Provided also that the contribution from the employers and employees of an establishment shall be payable under section 29 on and from the date on which any benefits under Chapter IV relating to the Employees State Insurance Corporation are provided by the Corporation to the employees of the establishment and such date shall be notified by the Central Government.

**ESI Registration Procedure for both Employer & Employee****Online Registration of Employers**

The Ministry of Labour and employment, Central Government has launched Unified Shram Suvidha Portal to facilitate reporting of Inspections, and submission of Returns. The Unified Shram Suvidha Portal has been envisaged as a single point of contact between employer, employee and enforcement agencies bringing in transparency in their day-to-day interactions. Unique Labour Identification Number (LIN) is allotted to units to facilitate online registration. A common form for both ESIC and EPFO registration has been introduced under said portal. Registration of employers under ESI and EPF is fully online, without requirement of submission of any physical application documents either before the registration or after it. Government has dispensed away with all employer codes being issued by separate labour enforcement agencies such as ESIC, EPFO, CLC(C) and DGMS etc. and replaced them with new Labour Identification Number (LIN). LIN is a unique 10-digit number issued by the Ministry of Labour and Employment. The ID cards like Aadhaar Number, Driving License, Insured Person No., Pan, Passport No, UAN, and Voter Id No act as identifier.

- As of 8 October 2020, new Public & Private Limited Companies and One Person Companies do not get EPFO / ESIC registrations via Shram Suvidha; instead, they must obtain EPFO / ESIC registration at the time of incorporation via MCA (SPICe+/AGILE-PRO e-forms). [registration.shramsuvdha.gov.in+1](https://www.registration.shramsuvdha.gov.in+1)
- Also, ESIC has launched SPREE 2025 (Scheme for Promotion of Registration of Employers & Employees) from 1 July to 31 December 2025, under which unregistered employers / employees can voluntarily

register digitally through ESIC / Shram Suvidha / MCA portals without retrospective penalties or inspections/demands for past periods.

## Registration of Employee

### Detailed Step-by-Step: Registration Procedure

Stepwise procedure (employer / establishment side) for registration under the Act is detailed as follows:

#### 1. Create / Sign Up Account on Shram Suvidha

Visit the Shram Suvidha Registration portal. ([registration.shramsuvudha.gov.in](http://registration.shramsuvudha.gov.in))

Click Sign Up / Register (if not already registered). ([registration.shramsuvudha.gov.in](http://registration.shramsuvudha.gov.in))

Provide basic details: name (authorized signatory), email ID, mobile number, etc.

OTP verification is done on mobile / email.

Create a user ID and password.

After account creation, login.

#### 2. Apply for EPFO / ESIC Registration

- Once logged in, go to “Registration for EPFO-ESIC” section on the left menu.
- Select “Apply for New Registration” under EPFO / ESIC as applicable.
- You will see a list of Acts.

#### 3. Fill Establishment / Employer Details

Following details are required to be filled:

- Establishment name, address, contact details
- E-contacts: official email, phone
- Manager / responsible person details for the establishment
- Branch / Division details (if multiple branches)
- Identifiers: PAN, GSTIN, etc.
- Employment details: number of employees, excluded employees, etc.
- Nature of business / primary activity
- Upload a specimen signature (in specified format) for authorized signatory.
- Confirm all details and submit. ([portal.esic.gov.in](http://portal.esic.gov.in))

#### 4. Issuance of Registration Code / Certificate

- On successful submission, an ESIC registration code / number (C-11 code) is generated automatically and displayed.
- A computer-generated Registration Letter (C-11) is made available for printing.

- The registration letter, user credentials (ID & password) are also emailed to the employer's email.
- The C-11 letter does not require physical signature from the issuing authority—digital generation is sufficient.

#### 5. Post-Registration / Employee Linking

- After registration, the employer can log in via ESIC / Shram Suvidha to add / register individual employees (Insured Persons) under ESIC.
- Employee details (name, Aadhaar, date of birth, etc.) are captured via the portal.
- The system then tracks contributions, returns, etc., online.

#### Employee Registration / Linking (Insured Person)

While the employer handles the main registration, the key points regarding how employees become covered are:

- Once the employer is registered, each employee who is eligible (based on wage ceiling, etc.) is added as an Insured Person (IP) in the ESIC system.
- The employee's Aadhaar, name, date of birth, address, etc. are used to uniquely identify him/her.
- After registration, the ESIC system tracks contributions, benefits eligibility, and medical / social security coverage for that employee.
- The employee doesn't have to separately approach; the employer must enroll them via the portal.

#### EMPLOYEE PROVIDENT FUND MEANING AND REGISTRATION PROCEDURE

In order to provide financial stability and security in the form of post-retirement benefits and insurance to the employees engaged in organized sector when they are temporarily or no longer fit to work, the Parliament enacted the Employee's Provident Fund Scheme (EPFS). A tri-partite Board known as the Central Board of Trustee, Employee's provident Fund consisting of representatives of government (both Central and State), Employers and Employees manages these funds, and employees are required to contribute a part of their salary to it every month during their employment tenure.

Compulsory Registration	Voluntary Registration
<p>Registration under Employees Provident Fund, 1952 is mandatory for an establishment</p> <p>(i) which is a factory engaged in any industry having 20 or more persons, and</p> <p>(ii) to any other establishment employing 20 or more persons or class of such establishments which the Central Government may, by notification specify on this behalf.</p>	<p>However, an establishment with less than 20 employees can voluntarily opt for PF registration to protect employee's benefits.</p>

As an ease of doing business initiative, the Government of India launched a unified portal labour and employment “Shram Suvidha Portal ” to facilitate Establishments, Contractors, Employers or Principal Employers to submit application for Registration/License under Labour Laws Online.

As part of the Ease of Doing Business reforms, the Government of India (Ministry of Labour & Employment) launched the Unified Shram Suvidha Portal to provide a single online platform for registration, licensing, and return filing under various central labour laws. The portal facilitates Establishments, Contractors, Employers, and Principal Employers to submit applications for registration or licenses online.

Each establishment is allotted a unique Labour Identification Number (LIN) for all future correspondence, inspection reporting, and return submissions. The registration process for employer for EPF is same as provided under ESI registration.

### Universal Account Number (UAN)

Every employee covered under the Employees’ Provident Fund and Miscellaneous Provisions Act, 1952 is allotted a Universal Account Number (UAN) by the Employees’ Provident Fund Organisation (EPFO).

- The UAN is a 12-digit unique number assigned to each employee contributing to the EPF.
- It acts as a permanent identification number and remains the same throughout the employee’s lifetime, irrespective of the number of employers or job changes.

UAN allows Employee to connect all his provident fund accounts across the organisations on a single platform on UAN Login portal

Registration for EPFO & ESIC for new Public & Private Limited Companies and One Person Company has been stopped on Shram Suvidha Portal from 15.02.2020. With effect from 15.02.2020, new Public & Private Limited Companies and One Person Company shall get registration number for EPFO & ESIC on MCA portal ([www.mca.gov.in](http://www.mca.gov.in)) through Spice+ and AGILE-PRO forms only at the time of incorporation.

### POLLUTION CONTROL

Entrepreneurs are required to obtain Statutory clearances relating to Pollution Control and Environment for setting up an industrial project, for 39 types of projects as listed, environmental clearance needs to be obtained from the Ministry of Environment, Forest and Climate Change, (MoEFCC) Government of India. This list includes industries like petrochemical complexes, petroleum refineries, cement, thermal power plants, bulk drugs, fertilizers, dyes, paper etc.

State Pollution Control Board is the concerned authority to obtain a pollution license/Certificate or a consent to establish such business. The permission is obtained in two stages:

- (i) Consent to establish (CTE)
  - To be obtained prior to commencement of construction or any similar activities to start the business.
  - License valid for a period 1 to 7 years according to request made by Project Developers/ Designers/ Investors.
- (ii) Consent to operate (CTO)
  - To be applied and obtained before starting production activity on the Unit.
  - CTO License valid for a period of 5 years, which may vary State to State.

The Central Pollution Control Board has specified list of industries as requiring a pollution license.

In November 2024, the Ministry of Environment, Forest and Climate Change (MoEFCC) exempted 39 categories of non-polluting 'white category' industries from the mandatory requirement of obtaining both Environmental Clearance (EC) and Consent to Establish (CTE) from State Pollution Control Boards. This move aims to reduce the dual compliance burden for industries that have minimal environmental impact.

As of the latest classification by the Central Pollution Control Board (CPCB) in April 2025, industries in India are categorized into five distinct categories based on their potential to pollute the environment. This classification aids in streamlining regulatory processes and ensuring appropriate environmental management.

Category	Pollution Index (PI) Range	Description
Red	$\geq 80$	Highly polluting industries requiring stringent regulatory measures and continuous monitoring.
Orange	$55 \leq PI < 80$	Moderately polluting industries with moderate regulatory requirements.
Green	$25 \leq PI < 55$	Low-polluting industries with minimal regulatory requirements.
White	$PI < 25$	Practically non-polluting industries exempt from regulatory requirements.
Blue	N/A	Newly introduced for zero-discharge sectors Essential Environmental Services (EES) sectors, such as waste management services.

*Note: The Pollution Index (PI) is a cumulative score assessing water, air, and waste pollution potential. The Blue Category is newly introduced to recognize sectors with zero discharge and minimal environmental impact, such as solar panel assembly, dry warehousing, and biomining*

Industries were categorized under red, orange and green category are covered under consent management for obtaining Consent to Establish (CTE) and Consent to Operate (CTO) under Water Act, 1974 and Air Act, 1981. No Red category of industries shall normally be permitted in the ecologically fragile area / protected area.

Industries which fall under white category are exempted from environment clearance and obtaining consent under Water (Prevention & Control of Pollution) Act, 1974, Air (Prevention & Control of Pollution) Act, 1981. Industries and business under white category need to self-govern themselves and need to intimate various State Pollution Control Board (SPCB) within 30 days of commencement of their business.

Red category industries are generally prohibited from being established in ecologically sensitive areas, including Eco-Sensitive Zones (ESZs) around national parks, wildlife sanctuaries, and other protected areas.

The White Category of industries has to however satisfy these conditions to be eligible for this pollution license exemption:-

1. The industry is being established in the locality demarcated for them.
2. Their investment in the industry is not more than Rs. One Crore on plant and machinery.

3. There will not be any discharge of trade effluent from the industry into stream or well or sewer or onto land and/or that industry will not discharge any air pollution including noise into the atmosphere.
4. The industry will not discharge any toxic/hazardous wastes and will not handle any toxic/hazardous chemicals.

The industry must intimate the relevant State Pollution Control Board (SPCB) or Pollution Control Committee (PCC) in writing within 30 days of commencing operations.

Procedure for Obtaining NOC from the Pollution Control Board (SPCB/PCC):

1. Online Application: The application for Consent to Establish (CTE) and Consent to Operate (CTO) can be submitted online through the official website of the respective State Pollution Control Board (SPCB) or Pollution Control Committee (PCC).
2. Processing Timeline: The SPCB/PCC is required to process the application and provide a response within 4 months from the date of submission. During this period, the authorities may carry out due diligence inspections of the business premises to assess compliance with environmental norms.
3. Decision on Application:
  - If the application is approved, the SPCB/PCC issues a NOC/consent certificate to the business.
  - If the application is rejected, the applicant is informed in writing with detailed reasons for rejection.
4. Penalties for Non-Compliance: Failure to obtain the required CTE/CTO or pollution license is a punishable offense under the Water Act, 1974, and Air Act, 1981, which may include:
  - Imprisonment for 6 months to 1 year, extendable up to 6 years in severe cases.
  - Monetary fines, as prescribed under the applicable environmental laws.

## COMPLIANCES UNDER ENVIRONMENT LAWS

Compliance under Environmental Laws:

1. EC – Environment Clearance: Clearance under the Environment Impact Assessment (EIA) Notification, 2006, required for projects listed under Schedule 1 of the notification.
2. FC – Forest Clearance: Clearance under the Forest (Conservation) Act, 1980, for diversion of forest land for non-forest purposes.
3. WC – Wildlife Clearance: Clearance under the Wildlife (Protection) Act, 1972, required if the project falls within or near protected areas or eco-sensitive zones.
4. CTE – Consent to Establish: Permission under the Water (Prevention & Control of Pollution) Act, 1974 and Air (Prevention & Control of Pollution) Act, 1981, required before setting up an industry.
5. CTO – Consent to Operate: Permission under the Water Act, 1974 and Air Act, 1981, required before starting operations.
6. Authorization under Hazardous & Other Wastes Rules: Required under the Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016, for handling, storage, and disposal of hazardous wastes.
7. HSM – Hazardous Substance Management: Compliance under relevant rules and regulations for storage, transport, and management of hazardous substances as per the Manufacture, Storage and Import of Hazardous Chemical Rules, 1989 (MSIHC Rules).

**Environmental Laws & Applicable Regulatory Authorities**

<b>NOC / Permission</b>	<b>Regulatory Authority</b>	<b>Applicable Acts / Rules</b>
EC – Environmental Clearance	MoEF&CC, SEIAA	Environment Protection Act, 1986; EIA Notification, 2006
FC – Forest Clearance / Tree Felling	MoEF&CC, Forest Department	Forest (Conservation) Act, 1980
WC – Wildlife Clearance	MoEF&CC, Wildlife Division	Wildlife (Protection) Act, 1972
CTE / CTO / Authorization / Battery / Plastic / Noise / BMW	CPCB / SPCB	Water (Prevention & Control of Pollution) Act, 1974; Air (Prevention & Control of Pollution) Act, 1981; Noise Pollution (Regulation & Control) Rules, 2000; Solid Waste Management Rules, 2016; Plastic Waste Management Rules, 2016; Batteries (Management & Handling) Rules, 2001; Biomedical Waste (Management & Handling) Rules, 2016
HSM – Hazardous Substance Management	MoEF&CC, DGFASLI	Manufacture, Storage and Import of Hazardous Chemical (MSIHC) Rules, 1989; updated provisions under Chemicals (Management & Safety) Rules
Water Abstraction / Dewatering	CGWA / CGWB / Ministry of Water Resources	Central Ground Water Authority (CGWA) Act, 1996; Ground Water (Regulation & Management) Rules, 2017

**OTHER REGISTRATION AS PER REQUIREMENT OF SECTOR/ ACTIVITIES****Sector based registrations**

<b>Sector</b>	<b>Registration/License</b>	<b>Authority</b>
Import and export for Goods and Services	IE Code	Director General for Foreign Trade
Setting up of Pharmacy Business	Drug License	Central Drugs Standard Control Organization and State Drugs Standard Control Organization
Regulating food Business	FSSAI	Food Safety and Standards Authority of India
For Non Bank Finance Activity	Non-Bank Finance Company Registration	Reserve Bank of India
Banking Activities	Banking Licence	Reserve Bank of India
Insurance Activities	IRDAI Registration	Insurance Regulatory and Development Authority of India
Industrial Activities	Industrial Activities	Department for Promotion of Industry and Internal Trade

Telecom Services	Telecom license	Ministry of Communications and Information Technology
MSME / Startup Recognition	Udyam Registration / Startup India Registration	Ministry of Micro, Small & Medium Enterprises (MSME), DPIIT

## IMPORT EXPORT CODE

Import Export Code (IE Code) is a key business identification number which is mandatory for exporting or importing goods. It is a 10-digit alphanumeric code which is issued on the basis of PAN of an entity by the Directorate General of Foreign Trade (DGFT), Ministry of Commerce and Industry. It is issued in electronic form (e-IEC). However, for services exports, IEC shall be not be necessary except when the service provider is taking benefits under the Foreign Trade Policy.

An IEC allotted to an applicant shall have permanent validity but it is mandatory to update the IEC annually so that the IEC is not deactivated. If the IEC is updated between April-June period each year, no fee shall be charged for updation of IEC.

Importers are not allowed to proceed without this code and exporters can't take benefit of exports from DGFT, customs, Export Promotion Council, if they don't have this code.

The IE Code must be quoted by importers while clearing customs. Also, banks require the importers IE Code while sending money abroad. For exporters, IE Code must be quoted while sending shipments. And banks require the exporters IE Code while receiving money from abroad.

The nature of the firm obtaining an IEC may be any of the follows- "Proprietorship, Partnership, LLP, Limited Company, Trust, HUF and Society."

Under the post-GST regime (from 1 July 2017), the IEC is no longer a separate 10-digit numeric code; instead, it is now the same as the PAN (Permanent Account Number) of the applicant (individual or entity). However, IEC registration is still required and issued electronically (e-IEC) by DGFT. The IEC database continues to be managed by DGFT, and applicants must still apply on the DGFT portal for allotment and annual updation.

## Application for IE Registration

### ***Process to apply for Importer Exporter Code (IEC) on the DGFT portal (<https://dgft.gov.in>)***

#### **Step 1: Registration & Login**

- a) The applicant must register on the DGFT portal and obtain valid login credentials (User ID and Password).
- b) Login to the portal using these credentials to access the IEC application module.

#### **Step 2: PAN Verification**

- a) The applicant must have an active PAN (Permanent Account Number) of the firm/entity.
- b) Details such as Name (as per PAN) and Date of Incorporation / Birth will be auto-validated with the Income Tax Department database.

*Note: The system will not proceed unless PAN details match exactly with the Income Tax records.*

#### **Step 3: Preparation of Required Documents**

All documents must be scanned in PDF format (maximum size: 5 MB per file) and uploaded in the online application.

- A. Proof of Establishment / Incorporation / Registration (any one applicable):
- Partnership Deed (for partnership firms)
  - Certificate of Incorporation (for companies / LLPs)
  - Registration Certificate (for registered societies)
  - Trust Deed (for trusts)
  - HUF Declaration (for Hindu Undivided Family)
  - Any other applicable document as proof of business establishment
- B. Proof of Address (any one of the following):
- Sale Deed / Rent Agreement / Lease Deed
  - Electricity Bill / Landline or Postpaid Mobile Bill / MoU / Partnership Deed
  - For Proprietorship: Aadhaar Card, Passport, or Voter ID
  - If address proof is not in the firm's name, a No Objection Certificate (NOC) from the premises owner along with address proof must be uploaded as a single PDF file.
- C. Proof of Firm's Bank Account (any one):
- Cancelled Cheque
  - Bank Certificate (in prescribed DGFT format)

#### **Step 4: Digital Signature / Aadhaar Authentication**

The application must be authenticated using either of the following:

- a) Digital Signature Certificate (DSC) of the firm's authorized signatory, or
- b) Aadhaar-based e-sign of the proprietor / managing partner / director / Karta.

#### **Step 5: Payment and Submission**

- a) Provide active bank account details of the firm.
- b) Pay the application fee of ₹ 500 online through Net Banking / Credit / Debit Card / NEFT.
- c) Submit the form electronically.

#### **Step 6: Issuance of IEC**

Upon successful verification and processing by DGFT, the IEC is generated electronically (e-IEC) and can be downloaded from the DGFT portal.

*No physical copy of IEC is issued. The e-IEC is digitally signed and valid for lifetime.*

## **DRUG LICENSE**

A Drug License is permission to start a pharmacy business. Drug comprises of medications and instruments used for diagnosis, treatment and prevention of any disorder or disease in animals and human beings. The Central Drugs Standard Control Organization and State Drugs Standard Control Organization control the issue of drug license under Drugs and Cosmetics Act, 1940.

Drug license for setting up a pharmacy business is usually under the purview of the State Drugs Standard Control Organization. The applicant shall visit respective state website for obtaining such license.

## Classification of Drug License

### Types of Drug Licenses

The Drug Control Organization generally issues two types of licenses for operating a pharmacy business under the Drugs and Cosmetics Act, 1940 and the Drugs and Cosmetics Rules, 1945:

Type of License	Purpose	Issued To / Applicability	Key Condition
Retail Drug License (RDL)	To sell drugs or medicines directly to end consumers through a chemist or pharmacy.	Individuals or entities intending to run a retail pharmacy outlet.	The applicant must possess a Degree/Diploma in Pharmacy from a recognized institute/university and must employ a Registered Pharmacist.
Wholesale Drug License (WDL)	To sell, stock, or distribute drugs and medicines on a wholesale basis to retailers, hospitals, or other dealers.	Individuals, firms, or agencies involved in bulk distribution of medicines.	The qualification requirement of a pharmacist may be relaxed, but the premises and storage conditions must comply with prescribed norms.

### Prerequisites for obtaining Drug License

The following are minimum requirements for obtaining drug license or starting a pharmacy in India:

- **Area:** The minimum area of 10 square meter is required to start a medical shop or pharmacy or wholesale outlet. In case, the pharmacy business combines retail and wholesale, a minimum of 15 square meter is required.
- **Storage Facility:** The store must have refrigerator & air conditioner in the premises. According to the labelling specifications certain drugs like vaccines, sera, insulin injections etc., are required to be stored in the refrigerator.
- **Technical Staff:**
  - (a) *Wholesale* – The sale of drug by wholesale shall be made either in the presence of registered pharmacist or in the presence of a competent person who shall be a graduate with 1 year experience in dealing in drugs or a person who has passed S.S.L.C with 4years experience in dealing in drugs, specially approved by the department of drug control for the purpose.
  - (b) *Retail* – The sale of drug by retail must be made in the presence of registered pharmacist approved by the department, registered pharmacist is required throughout the working hours.

### Documents required for obtaining Drug License

The documents required for starting a pharmacy business varies from state to state. However, the following is an indicative list of documents required for obtaining drug license in India:

- a. Application form in the prescribed format
- b. Covering Letter with the intent of the application signed with name and designation of the applicant
- c. Challan of fee deposited for obtaining drug license

- d. Declaration form in the format prescribed
- e. Key plan(Blue print) for the premises
- f. Site plan (Blue print) for the premises
- g. Basis of possession of the premises
- h. Proof of ownership of the premises, if rented
- i. Proof of constitution of the business (Incorporation Certificate / MOA / AOA / Partnership Deed)
- j. Affidavit of non-conviction of proprietor / partners/ directors under Drugs and Cosmetics Act, 1940
- k. Affidavit of registered pharmacist or competent person working full time
- l. Appointment letter of registered pharmacist/competent person, if employed person.

## FSSAI

FSSAI is an acronym for Food Safety and Standards Authority of India. Food Safety and Standards Authority of India (FSSAI), is an autonomous body created at central level to regulate food-related issues in India. FSSAI was established, in August 2011, to ensure the safety and wholesomeness of articles of food. FSSAI was created under the provisions of the Food Safety and Standards Act, 2006, with guidelines from the Ministry of Health and Family Welfare, and the Central government. The Preamble of the Act lays down its objective as an Act to consolidate the laws relating to food and to establish the Food Safety and Standards Authority of India for laying down science based standards for articles of food and to regulate their manufacture, storage, distribution, sale and import, to ensure availability of safe and wholesome food for human consumption and for matters connected therewith or incidental thereto.

As per section 31(1) of the Food Safety and Standards Act,2006, No person shall commence or carry on any food business except under a license except for petty manufacturers. All the manufacturers, traders, restaurants who are involved in food business must obtain a 14-digit registration or a license number which must be printed on food packages and displayed at the business premises in accordance with the Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011.

This 14-digit number provides information about the state, year of registration, and FBO identification, ensuring traceability and accountability across the food supply chain.

This step is taken by government's food licensing & registration system to ensure that food products undergo certain quality checks, thereby reducing the instances of adulteration, substandard products and improve accountability of manufacturers by issuing food service license.

To facilitate ease of doing business, the FSSAI Online Registration and Licensing process is conducted through the Food Safety Compliance System (FoSCoS) portal — <https://foscos.fssai.gov.in>

Through this system:

- Basic Registration, State License, and Central License applications can all be submitted online via the FoSCoS portal.
- The system is integrated with GST, PAN, MCA (for companies), and other government databases for seamless verification.

- Applicants can track application status, renew licenses, and file annual returns directly through the portal.
- Some states may still require physical verification or offline submission of documents at the State Food Safety Office, particularly for small or rural applicants, though the process is largely online nationwide.

The registration and licensing of food business in India is governed by the Food safety and Standards (Licensing and Registration of Food businesses) Regulation, 2011. As per the regulation, all food business operator in India must have a FSSAI registration or license if they are involved in the manufacturing, storage, transportation or distribution of food products. Based on the size a nature of business, FSSAI registration or FSSAI license may be required. Registration is meant for petty food manufacturers that includes petty retailer, hawker, itinerant vendor or a temporary stall holder or small or cottage scale industry having annual turnover up to 12 lacs. All food businesses having income more than this limit are required to take a license.

### **FSSAI Registration**

FSSAI registration is required for all petty food business operators (FBOs) as defined under the Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011.

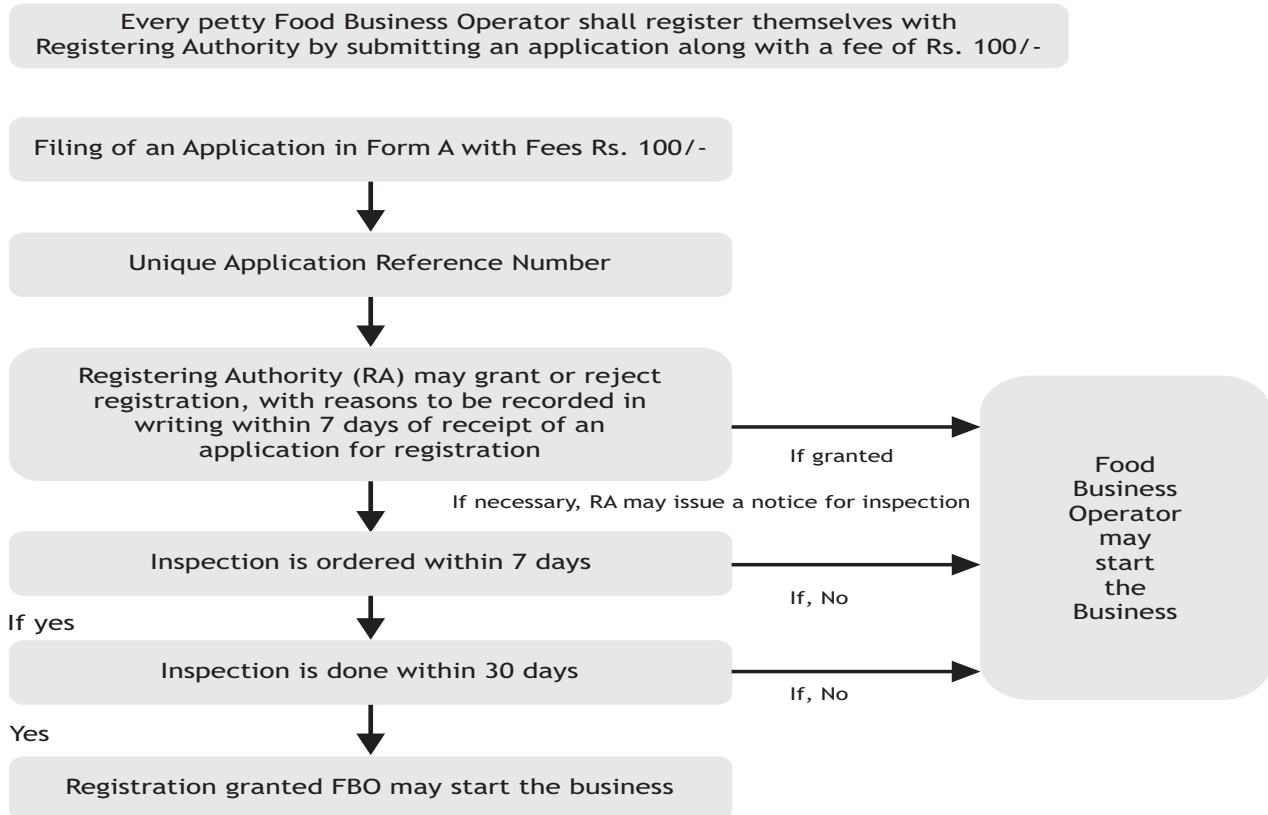
Petty food business operator is any person or entity who:

- (a) Manufactures or sells any article of food himself or a petty retailer, hawker, itinerant vendor or temporary stall holder; or
- (b) Distributes foods including in any religious or social gathering except a caterer; or
- (c) Other food businesses including small scale or cottage or such other industries relating to food business or tiny food businesses with an annual turnover not exceeding Rs 12 lakhs and whose:
  - Production capacity of food (other than milk and milk products and meat and meat products) does not exceed 100 kg/ltr per day or
  - Procurement or handling and collection of milk is up to 500 litres of milk per day or
  - Slaughtering capacity is 2 large animals or 10 small animals or 50 poultry birds per day or less.

A producer of milk who is a registered member of a dairy Cooperative Society registered under Cooperative Societies Act and supplies or sells the entire milk to the Society shall be exempted from for registration, provided the cooperative society itself holds a valid license.

Petty food business operators are required to obtain a FSSAI registration by submitting an application for registration in Form A or by applying online on the FoSCoS portal. On submission of a FSSAI registration application, the registration should be provided or application rejected in writing within 7 days of receipt of an application by authority. The FoSCoS portal facilitates tracking of application status, submission of documents, and issuance of the 14-digit FSSAI registration number electronically.

FSSAI registration certificate contains the details of registration and a photo of the applicant. The certificate must be prominently displayed at the place of food business, at all times while carrying on the food business.



Source: <https://www.fssai.gov.in/cms/registration.php>

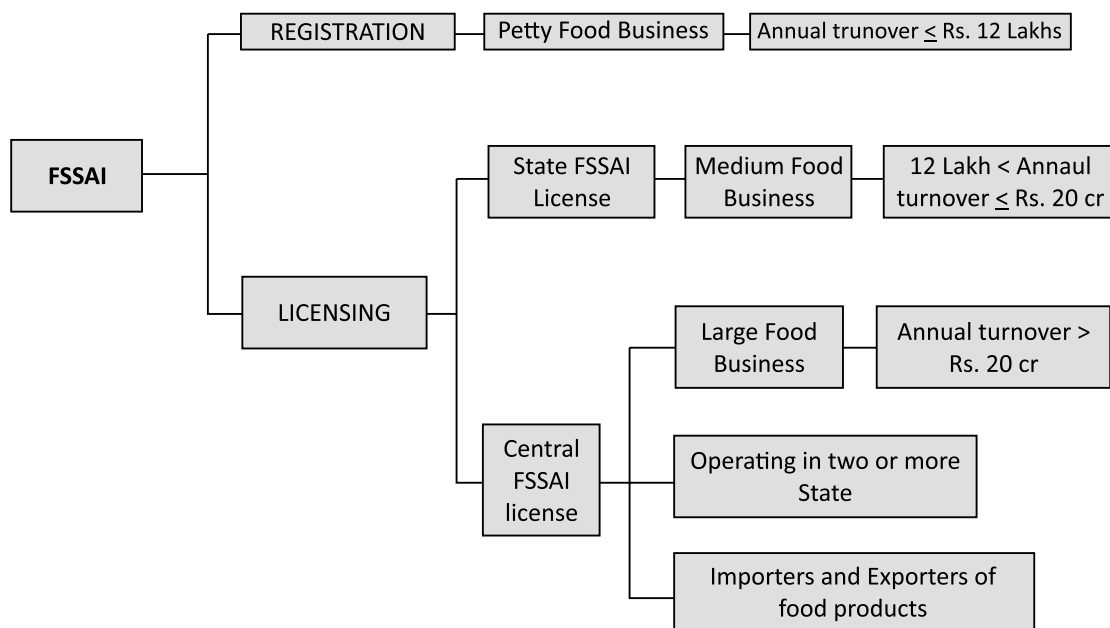
### FSSAI License

Any person or entity that is not classified as a petty food business operator is required to obtain a FSSAI license for operating a food business in India. FSSAI license is of two types:

- (i) **State FSSAI License.** :FSSAI State License is needed for small to medium sized Food Companies which has an annual turnover of Rs 12 Lakhs – Rs 20 Crores. State FSSAI license is required for medium sized food manufacturers, processor and transporters.
- (ii) **FSSAI Central License:** It is mandated for all Food giants with an annual turnover of more than Rs 20 Crores. Based on the size and nature of the business, the licensing authority would change. Large food manufacturer/ processors/transporters and importers of food products require central FSSAI license.

The fee and procedure for obtaining a FSSAI license is more extensive when compared to a FSSAI registration. FSSAI license application should be made in Form B by applying online on the FoSCoS portal along with the necessary self-attested declaration, affidavit and annexures, as applicable. Fee for the State is dependent on respective state rules.

FSSAI license in 'Form C' is granted for a period of 1 to 5 years as request by the food business operator. Higher fee would be applicable for obtaining FSSAI license for more years. If registration is obtained for one or two years, then the license can be renewed by making an application, no later than 30 days prior to the expiry date of the FSSAI license.



## NON-BANK FINANCE COMPANY REGISTRATION

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 2013 or previous company law of 1956 that is engaged in the business of loans and advances, receiving deposits (some NBFC's only), acquisition of stocks or shares, leasing, hire-purchase, insurance business, chit business. Therefore, NBFCs are doing functions similar to Banks but they differ from Banks which are as follows:

### Differences between banks and NBFCs:

- NBFC cannot accept demand deposits,
- NBFCs cannot issue cheques drawn on itself, and
- NBFC depositors are not covered by the Deposit Insurance and Credit Guarantee Corporation.
- They cannot participate in payment and settlement systems like banks.

## Requirement of NBFC License with RBI

In terms of Section 45-IA of the RBI Act, 1934, Non-Banking Financial Companies which are conducting financial activity as principal business which include lending or acquisition of shares, stocks, bonds, etc., or financial leasing or hire purchase or accepting deposits shall not commence or carry-on business of a non-banking financial institution without obtaining a certificate of registration from the Bank and without having a Net Owned Funds as specified by the Reserve Bank of India ("RBI") from time to time to commence the business of NBFC.

Prior to 2021, the minimum NOF requirement was INR 2 crore. However, in October 2021, RBI, vide its notification, now Master Direction – Reserve Bank of India (Non-Banking Financial Company– Scale Based Regulation) Directions, 2023 updated as on November 10, 2023, introduced 'scale-based regulation' for the NBFC sector as part of efforts to establish a robust and resilient financial system. The Scale-Based Regulation ("SBR") tailors the regulation and supervision of NBFCs according to their size, activities, and perceived level of risk.

Net Owned Fund (NOF) Requirement: The minimum NOF requirement for certain categories of NBFCs has been increased to ₹ 10 crore, with a phased implementation timeline.

**Financial activity as principal business**

- When a company's financial assets (cash and cash equivalents, debtors, securities, cash in bank etc.) constitute more than 50 per cent of the total assets
- (and) +
- income from financial assets constitute more than 50 percent of the gross income.

*A company which fulfills both these criteria must have NBFC to be taken from RBI u/s 45-IA of the RBI Act of 1934.*

This test for NBFC license is popularly known as the 50-50 test.

**Exemption from NBFC Registration**

Companies whose principal business is non-financial—such as:

- Agricultural operations
- Industrial activity
- Purchase and sale of goods
- Provision of services
- Purchase, sale, or construction of immovable property

and which engage in financial activities only incidentally or on a small scale, do not require registration as an NBFC under Section 45-IA of the RBI Act, 1934.

**Financial Companies exempted from NBFC License**

The following types of entities that are involved in the principal business of financial activity do not require NBFC License from RBI:

- Housing Finance Companies – Regulated by the National Housing Bank;
- Insurance Companies – Regulated by Insurance Regulatory and Development Authority of India (IRDA);
- Stock Broking – Regulated by Securities and Exchange Board of India;
- Merchant Banking Companies – Regulated by Securities and Exchange Board of India;
- Venture Capital Companies – Regulated by Securities and Exchange Board of India;
- Companies that run Collective Investment Schemes – Regulated by Securities and Exchange Board of India;
- Mutual Funds – Regulated by Securities and Exchange Board of India;
- Nidhi Companies – Regulated by the Ministry of Corporate Affairs (MCA);
- Chit Fund Companies – Regulated by the respective State Governments.

*The above types of companies have been exempted from NBFC registration requirements and NBFC regulations of RBI as they are regulated by other financial sector regulators.*

Mortgage Guarantee Companies have been notified as Non-Banking Financial Companies under Section 45 I(f) (iii) of the RBI Act, 1934. Core Investment Companies with asset size of less than Rs. 100 crore, and those with asset size of Rs. 100 crore and above but not accessing public funds are exempted from registration with the RBI.

### Requirement for Obtaining NBFC License

To apply and obtain NBFC License, the following are the basic requirements:

- It shall be a company registered in India (Private Limited Company or Limited Company);
- The company must have minimum Net Owned Fund as specified by RBI from time to time

### Calculating Net Owned Funds as per RBI Definition

*Net Owned Funds Formula*

- The Net Owned Funds would be calculated based on the last audited balance sheet of the Company.
- Net owned Fund will consist of paid-up equity capital, free reserves, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of assets but not reserves created by revaluation of assets. From the aggregate of items will be deducted accumulated loss balance and book value of intangible assets, if any, to arrive at owned funds. Further, investments in shares of other NBFCs and in shares, debentures of subsidiaries and group companies in excess of ten percent of the owned fund mentioned above will be deducted to arrive at the Net Owned Fund.

#### Net owned funds

= Paid up equity capital + free reserves+ balance in share premium account +capital reserves representing surplus arising out of sale proceeds of assets( not created by revaluation of assets)

(-) accumulated losses

(-) book value of intangible assets

( - ) investments in shares of other NBFCs and in shares, debentures of subsidiaries and group companies in excess of ten percent of the owned fund mentioned above

### Types of NBFC License

Before applying for an **NBFC license**, the applicant must first determine the **type and category of NBFC** it qualifies for. NBFCs are categorized as follows:

#### A. By Type of Liabilities:

1. **Deposit-taking NBFCs (NBFC-D):**
  - Companies that **accept public deposits**.
2. **Non-Deposit-taking NBFCs (NBFC-ND):**
  - Companies that **do not accept public deposits**.

#### B. By Size (for Non-Deposit-taking NBFCs):

1. **Systemically Important NBFCs (NBFC-ND-SI):**
  - Non-deposit NBFCs with **asset size above ₹ 100 crore** (threshold as per RBI guidelines)
2. **Other Non-Deposit-taking NBFCs (NBFC-ND):**
  - Non-deposit NBFCs with **asset size below ₹ 100 crore**

**C. By Nature of Activity:**

- NBFCs are also classified **based on the principal financial activity they conduct**, such as:
  - **Asset Finance Companies (AFC)**
  - **Investment Companies (IC)**
  - **Loan Companies (LC)**
  - **Infrastructure Finance Companies (IFC)**
  - **Mortgage Guarantee Companies (MGC)**
  - **Micro Finance Institutions (NBFC-MFI)**
  - **Other specialized financial activity NBFCs**

*Note:* Determining the **correct type and category** is essential because it dictates the **minimum Net Owned Fund (NOF), regulatory requirements, and the applicable prudential norms** under the RBI framework.

**Applying for NBFC License**

The application for NBFC License must be submitted both

- online at XBRL website <https://xbrl.rbi.org.in> and
- offline with the necessary documents to the regional Office of the Reserve Bank of India having jurisdiction over the company's registered office.

The following are the documents that need to be submitted for NBFC License:

- Information about the management.
- Certified copies of Certificate of Incorporation and Certificate of Commencement of Business in case of public limited companies.
- Certified copies of up-to-date Memorandum and Articles of Association of the company. Details of clauses in the memorandum relating to financial business.
- Copy of PAN/CIN allotted to the company.
- Directors' profile, separately filled up and signed by each director.
- Certificate from the respective NBFC/s where the Directors have gained NBFC experience.
- CIBIL Data pertaining to Directors of the company.
- Financial Statements of the last 2 years of unincorporated Bodies, if any, in the group where the directors may be holding directorship with/without substantial interest.
- Board Resolution specifically approving the submission of the application and its contents and authorizing signatory.
- Board Resolution to the effect that the company has not accepted any public deposit, in the past (specify period)/does not hold any public deposit as on the date and will not accept the same in future without the prior approval of Reserve Bank of India in writing.
- Board resolution stating that the company is not carrying on any NBFC activity/stopped NBFC activity and will not carry on/commence the same before getting registration from RBI.

- Certified copy of Board resolution for formulation of “Fair Practices Code”.
- Statutory Auditors Certificate certifying that the company is/does not accept/is not holding public deposit.
- Statutory Auditors Certificate certifying that the company is not carrying on any NBFC activity.
- Statutory Auditors Certificate certifying net owned fund as on date of the application.
- Details of Authorized Share Capital and latest shareholding pattern of the company including the percentages.
- Copy of Fixed Deposit receipt & bankers’ certificate of no lien indicating balances in support of Net Owned Funds.
- Details of the bank balances/bank accounts/complete postal address of the branch/bank, loan/credit facilities etc. availed.
- Last three years Audited balance sheet and Profit & Loss account along with directors & auditors report or for such shorter period as are available (for companies already in existence).
- Business plan of the company for the next three years giving details of its (a) thrust of business, (b) market segment and (c) projected balance sheets, cash flow statement, asset/income pattern statement without any element of public deposits.
- Source of the startup capital of the company substantiated with documentary evidence.
- Self-attested Bank Statement/IT returns etc.
- In addition to the above documents, more documents may be required as per the RBIs requirement for NBFC License.

## BANKING

Licensing of Banking Companies is governed by Banking Regulation Act, 1949. To be registered as a banking company, the entity must be a company registered under the Companies Act, 2013 or previous company laws or a foreign company having the prescribed minimum paid up capital.

The minimum paid-up voting equity capital for a bank shall in compliance with the guidelines issued by RBI for universal bank as well as small finance banks.

According to Section 12 of the Banking Regulation Act, 1949, no banking company is allowed to carry on its business unless it satisfies the following conditions:

1. Its subscribed capital is not less than one-half of its authorized capital;
2. Its paid-up capital is not less than one-half of the subscribed capital;
3. The capital of the company consists of equity shares only or equity shares along with preference shares:

Provided that the issue of preference share shall be in accordance with the guidelines framed by the Reserve Bank specifying the class of preference shares, the extent of issue of each class of such preference shares, and the terms and conditions subject to which each class of preference shares may be issued:

4. No person holding shares in a banking company shall have voting rights of above 10% of total voting rights on poll of all the shareholders;

5. Every managing executive of the bank needs to disclose, to the RBI, the extent and the amount of his shareholding in the bank.

Section 22 of the Act details on licensing of Banking Companies which states as below:

1. Save as hereinafter provided, no company shall carry on banking business in India unless it holds a license issued in that behalf by the Reserve Bank and any such license may be issued subject to such conditions as the Reserve Bank may think fit to impose.
2. Every company before commencing banking business shall apply in writing to the Reserve Bank for a license under this section.
3. Before granting any license under this section, the Reserve Bank may require to be satisfied by an inspection of the books of the company or otherwise that the following conditions are fulfilled, namely:-
  - (a) That the company is or will be in a position to pay its present or future depositors in full as their claims accrue;
  - (b) that the affairs of the company are not being, or are not likely to be, conducted in a manner detrimental to the interests of its present or future depositors;
  - (c) That the general character of the proposed management of the company will not be prejudicial to the public interest of its present or future depositors;
  - (d) That the company has adequate capital structure and earning prospects;
  - (e) That the public interest will be served by the grant of a license to the company to carry on banking business in India;
  - (f) That having regard to the banking facilities available in the proposed principal area of operations of the company, the potential scope for expansion of banks already in existence in the area and other relevant factors the grant of the license would not be prejudicial to the operation and consolidation of the banking system consistent with monetary stability and economic growth;
  - (g) any other condition, the fulfillment of which would, in the opinion of the Reserve Bank, be necessary to ensure that the carrying on of banking business in India by the company will not be prejudicial to the public interest or the interests of the depositors.
- (3A) Before granting any license under this section to a company incorporated outside India, the Reserve Bank may require to be satisfied by an inspection of the books of the company or otherwise that the conditions specified in sub-section (3) are fulfilled and that the carrying on of banking business by such company in India will be in the public interest and that the government or law of the country in which it is incorporated does not discriminate in any way against banking companies registered in India and that the company complies with all the provisions of this Act applicable to banking companies incorporated outside India.

## **IRDA (INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY)**

### **Introduction**

Till 1999 the insurance sector was controlled by Controller of Insurance as per the provisions of Insurance Act 1938 but after formation of the IRDA it was felt by the Authority that the most of the provisions of this Act were irrelevant in the present scenario of the country. Therefore, the Authority issued various regulations, as deemed

fit, to develop the insurance sector in the country. Registration of Insurance company in India is governed by the Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2022.

### **Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2022**

- The classes of business of insurance for which requisition for registration application may be made are:
  - (i) Life insurance business;
  - (ii) General insurance business;
  - (iii) Health insurance business exclusively;
  - (iv) Reinsurance business and
  - (v) any other class of business as specified by IRDAI may request for registration under the Registration Regulations.
- **“Applicant”** means a company as defined in sub-section (20) of section 2 of the Companies Act, 2013 or a statutory body established by an Act of Parliament or co-operative society to carry on insurance business;
- **“Indian promoter”** means -
  - (i) a company as defined in the Companies Act, 2013 (18 of 2013), which is not a subsidiary as defined in clause (87) of section 2 of that Act:
 

Provided that a subsidiary company may be allowed to be a promoter of the applicant if it meets the following conditions:

    - a. The said company is listed on the stock exchange(s) in India;
    - b. The said company has its own source of funds, independent from its holding company;
    - c. The said company has a net worth of atleast Rs.500 crore as at the end of the financial year preceding the date of application; and
    - d. The holding company of the said company is not subsidiary of any other company.
- **Disqualifications for Applicant:** An applicant shall not be eligible to apply for the requisition in the following circumstances:
  - i. Where the requisition for registration application or the application for registration has been rejected by the Authority or withdrawn by the applicant at any time during two financial years preceding the date of application; or
  - ii. Where Certificate of Registration has been cancelled by the Authority at any time during two financial years preceding the date of application; or
  - iii. Where the name of the applicant does not contain the words ‘insurance’ or ‘assurance’ or ‘reinsurance’.
- l **Procedure for registration**
  - (1) **No-objection Certificate**
    - i. No company or co-operative society shall be incorporated in India with a name that contains words ‘insurance’ or ‘assurance’ or ‘reinsurance’ without obtaining a No-objection Certificate from the Authority.

- ii. Upon request by the applicant to issue the No-objection Certificate in the specified format, the applicant may be issued the No-objection Certificate.
- iii. The No-objection Certificate issued to the applicant shall be valid for a period of 6 months within which **the applicant shall file application for issuance of requisition for registration application i.e. Form IRDAI/R1:**

**Provided that** the validity of the No-objection Certificate may be extended by a further period of three months for the reasons to be recorded in writing provided the applicant submits a request to the IRDAI before the expiration of the initial six-month period.

## (2) R1 Approval

- i. The Authority, upon receipt of application for issuance of Form IRDAI/R1 and after examining the matters considered relevant to its satisfaction, shall issue the Form IRDAI/R1 which shall be valid for a period of three months within which the applicant shall submit the duly filled Form IRDAI/R1 to the Authority for its consideration:

**Provided that** the Authority, by recording the reasons in writing, may reject the application for issuance of Form IRDAI/R1:

**Provided further that** the Authority, by recording the reasons in writing, may extend the validity of the IRDAI/R1 Form by another three months.

Every application in the Form IRDAI/R1 as per the specified format shall be accompanied by:

- a. The certificate of incorporation issued by Registrar of Companies in case of a company or Registration certificate in case of co-operative society;
- b. a certified copy of the Memorandum of Association and Articles of Association, where the applicant is a company and incorporated under the Companies Act, 2013 ; or a certified copy of the legislation of Parliament setting up the statutory body to carry on insurance business;
- c. In case of co-operative society, certified copy of bye-laws;
- d. the name, address and the occupation of the directors of the promoter and the applicant;
- e. a certified copy of the annual report of promoter(s) for up to the last five years, as applicable;
- f. a certified copy of the shareholders' agreement, as applicable, between promoter(s) and investor(s) of the applicant;
- g. Projection of business for five years duly approved by the Board of Directors of the applicant along with a certificate from a fellow actuary that the projections are reasonable and workable;
- h. Proof in support of payment of non-refundable fee of rupees five lakh along with applicable taxes towards processing the form IRDAI/R1 through any of the recognised modes of electronic fund transfer.
- iii. The Authority shall take into account such matters as may be considered relevant while processing the Form IRDAI/R1, including but not limited to the following:
  - a. the general track record of conduct and performance of each of the promoters and investors in the fields of business or profession they are engaged in;

- b. the record of conduct and performance of the directors and persons in management of the promoters, investors and the applicant;
  - c. the financial strength of the promoters, investors and the applicant;
  - d. the capital structure of the promoters, investors and the applicant;
  - e. the sources of meeting the capital requirements of the applicant;
  - f. shareholding pattern of the applicant and its promoter(s);
  - g. the ability of the applicant and its promoters to meet the obligation to provide life insurance or general insurance or health insurance to the persons residing in the rural sector, workers in the unorganised sector or informal sector or for economically vulnerable or backward classes of the society and other categories of persons specified by the Authority;
  - h. the ability to meet the obligation to underwrite insurance business in third party risks of motor vehicles as specified by the Authority;
  - i. the planned infrastructure of the applicant;
  - j. the proposed business expansion plan for five succeeding years, including establishment of place of business in rural areas, to effectively carry out the insurance business; and
  - k. other relevant matters for carrying out the provisions of the Act.
- iv. The Chairperson of the Authority, after examining the matters considered relevant and upon its satisfaction, shall issue the “R1” Approval subject to the conditions as may be specified in the said approval letter. **Along with the said approval letter, the applicant shall be issued the application for registration i.e. Form IRDAI/R2.**
- v. The “R1” approval shall be valid for a period of three months from the date of the said approval within which the applicant shall submit duly filled Form IRDAI/R2 for **consideration of the Authority**:

Provided that the Chairperson, by recording the reasons in writing, may extend the validity of the “R1” approval by a period of another three months.

### (3) R2 Approval

- i. Every application in the Form IRDAI/R2 as per the specified format shall be accompanied by:
  - a. An affidavit by the applicant and its promoters that the paid-up share capital of the applicant, after deducting the preliminary expenses, shall be adequate to comply with the requirements of section 6 of the Act.
  - b. A statement indicating the shareholding pattern of the applicant as on the date of the application.
  - c. An affidavit by the managing director or chief executive officer or whole-time director of the promoters and the investors of the applicant certifying that the holding of foreign paid-up equity capital, referred to in sub-clause (b) of clause (7A) of Section 2 of the Act, is calculated in accordance with Indian Insurance Companies (Foreign Investment) Rules, 2015 read with these Regulation and does not exceed seventy four percent of the total paid-up capital of the applicant:

Provided that in case of the Indian promoter being a Limited Liability Partnership, such affidavit shall be signed by the Designated Partner:

Provided further that in case of applicant being a co-operative society, the affidavit shall certify that the holding of foreign capital, referred to in sub-clause (c) of clause (8A) of Section 2 of the Act, does not exceed twenty six percent of the total capital of the applicant.

- d. In case the applicant has foreign investment, an affidavit by the managing director or chief executive officer or whole-time director and the promoter(s) of the applicant certifying that the requirement of regulation 8 shall be complied with.
  - e. In case the applicant has foreign investment exceeding forty nine percent, an affidavit by the managing director or chief executive officer or whole-time director and the promoters of the applicant certifying that the requirement of regulation 9 shall be complied with.
  - f. A certified copy of the standard forms of the applicant and statements of the assured rates, advantages, terms and conditions to be offered in connection with insurance policies together with a certificate by an actuary in case of life insurance business that such rates, advantages, terms and conditions are workable and sound.
  - g. A certified copy of the Memorandum of Understanding or Management Agreement or Shareholders Agreement or Voting Rights Agreements or any other agreements in whatsoever form entered into, between the promoters and the investors, if any, or amongst the promoters as a whole including copies of the support or comfort letters exchanged between the parties.
  - h. A certificate from a practicing-chartered accountant or a practicing company secretary certifying that all the requirements relating to registration fees, equity share capital, foreign investment limits and other requirements of laws for the time being in force including the Act have been complied with by the applicant.
  - i. Proof in support of payment of non-refundable fee of rupees five lakh along with applicable taxes towards processing the Form IRDAI/R2 through any of the recognised modes of electronic fund transfer.
- ii. Upon completion of the processing of the Form IRDAI/R2 but prior to its approval by the Authority, the applicant shall submit:
    - a. Evidence of applicant having received equity share application money in accordance with section 6 of the Act and complied with conditions of R1 approval granted by the Authority.
    - b. An affidavit by the applicant, promoters and the investors that upon grant of Certificate of Registration, the said share application money shall be converted into paid-up equity share capital of the applicant.
  - iii. The Authority shall take into account the matters, as may be considered relevant while processing the form IRDAI/R2, including but not limited to the following:
    - a. the nature of insurance products proposed to be offered by the applicant;
    - b. the level of actuarial, accounting and other professional expertise within the management of the applicant;

- c. the organisation structure of the applicant to carry on all functions in respect of the insurance business including management of the investments within its own organisation;
  - d. the applicant is eligible, and in its opinion, is likely to meet effectively its obligations imposed under the Act;
  - e. the financial condition of the promoters, investors and the general character of the management of the applicant are sound;
  - f. the volume of business likely to be available to, and the capital structure and earning prospects of the applicant will be adequate;
  - g. the interests of the general public will be served if the certificate of registration is granted to the applicant in respect of the class of insurance business specified in the application; and
  - h. the applicant has complied with the provisions of sections 2C, 5 and 31A of the Act and has fulfilled all the requirements of these sections applicable to it.
  - i. all other relevant matters for carrying out the provisions of the Act.
- iv. The Authority, after examining the matters considered relevant and upon its satisfaction, shall, at its discretion, issue the “R2” Approval subject to the conditions as may be specified in the said approval letter.
- (4) Grant of Certificate of Registration:** After examining the matters considered relevant and upon its satisfaction, the applicant may be registered as an insurer for the class of business for which the applicant is found suitable and the chairperson of the Authority may grant the applicant the Certificate of **Registration in Form IRDAI/R3 subject** to the following conditions:
- i. The applicant and its promoter(s) and investor(s) shall be “Fit & Proper” on a continuous basis;
  - ii. The promoter(s) and investor(s) shall comply with the specified lock in period, on their shareholding from the date of grant of Certificate of Registration;
  - iii. The promoter(s) and investor(s) of the applicant shall not create any encumbrance on the equity shares of the applicant during the lock in period as may be specified;
  - iv. the shareholders of the applicant shall not create any encumbrance on the equity shares of the insurer without the previous written approval of the Authority in accordance with sub section (4) of section 6A of the Act;
  - v. The applicant and promoter(s) shall be continuously bound by all the conditions and the investor(s) by such conditions as may be applicable subject to which the certificate in Form IRDAI/R3 has been issued;
  - vi. The applicant shall furnish, within 15 days, evidence of applicant having allotted shares to its promoters and investors in accordance with section 6 of the Act and having complied with the conditions as per R1 approval and R2 approval granted by the Authority; and vii. Such other conditions as may be deemed fit at the time of grant of Certificate of Registration.
- (5) Commencement of Insurance Business:** An applicant granted the Certificate of Registration under these Regulations shall commence insurance business, for which it has been authorised, **within 12 months from the grant of Certificate of Registration.** In case, the applicant fails to

commence business within the stipulated time, the certificate of registration shall not be valid after expiry of stipulated time:

**Provided that** in case the applicant is not in a position to commence the insurance business within the specified period of 12 months, it can before the time limit expires, seek an extension from the Authority through a written application. The said application shall highlight the reasons for not being able to commence business within the specified period of 12 months:

**Provided further that** no extension of time shall be granted by the Authority beyond 24 months from the date of grant of Certificate of Registration.

**(6) Rejection of Application**

- i. The requisition for registration application or the application for registration may be rejected by the Authority, after giving the applicant a reasonable opportunity of being heard, in following cases:
  - a. Where an application is not complete in all respects.
  - b. Where the requirements under the provisions of the Act or the Regulations framed thereunder are not met at any stage of the process.
  - c. For any other reasons to be recorded in writing.
- ii. The order rejecting the application shall be communicated by the Authority to the applicant, in writing, within a period of thirty days of such rejection stating therein the grounds on which the application has been rejected.
- iii. An applicant, whose application for registration has been rejected at any stage, shall not be entitled to a Certificate of Registration.

**(7) Further Information and Clarification:** The Authority may require the applicant, which makes an application under these regulations, to furnish further information or clarifications regarding the matters relevant for the consideration of the application at any stage of the process.

**(8)** The Authority may impose such conditions as may be deemed fit at the time of grant of No objection Certificate, R1 approval, R2 approval or the Certificate of Registration. The applicant shall be bound by the conditions subject to which the approvals and/or certificate of registration has been issued.

**(9) Appeal to SAT:** An applicant aggrieved by the decision of the Authority, at any stage under these regulations, may appeal before the Securities Appellate Tribunal as per the provisions of the Act.

## INDUSTRY LICENSING POLICY

Section 11 of the Industries (Development and Regulation) Act, 1951 lays down condition of Licensing of new industrial undertakings as follows—

- (1) No person or authority other than the Central Government, shall, after the commencement of this Act, establish any new industrial undertaking, except under and in accordance with a license issued in that behalf by the Central Government:

Provided that a Government other than the Central Government may, with the previous permission of the Central Government, establish a new industrial undertaking.

- (2) A license or permission under sub-section (1) may contain such conditions including, in particular, conditions as to the location of the undertaking and the minimum standards in respect of size to be

provided therein as the Central Government may deem fit to impose in accordance with the rules, if any, made under section 30.

Section 11A of the Act makes it mandatory to obtain license for producing or manufacturing new articles. According to the section, the owner of an industrial undertaking not being the Central Government in respect of which a license or permission has been issued under section 11 shall not produce or manufacture any new article unless- he has had the existing license or permission amended in the prescribed manner.

Since the liberalization and deregulation of the Indian economy in 1991, most industries have been exempted from obtaining an industrial license to start manufacturing in India. Government attention is reserved only for those industries that may impact public health, safety, and national security.

***At present, industrial license is made compulsory only for the following:***

1. Industries retained under compulsory licensing: The following industries require compulsory license:
  - Alcohols drinks
  - Cigarettes and tobacco products
  - Electronic aerospace and defense equipment
  - Explosives
  - Hazardous chemicals such as hydrocyanic acid, phosgene, isocyanates and di-isocyanates of hydro carbon and derivatives
  - Drugs and Pharmaceuticals industry
  - In case of the small units which employ less than 50 workers with power or less than 100 workers without power are not required to obtain any license under Compulsory Licensing Provisions.
2. The Government has reserved certain items for exclusive manufacture in the small-scale sector. Non-small-scale units can undertake the manufacture of items reserved for small scale sector, only after obtaining an industrial license. In such cases, the non-small-scale unit is required to undertake an obligation to export at least 50% of the production of SSI reserved items.
3. When the proposed location attracts locational restriction-

**Locational restrictions**

Industrial undertakings to be located within 25 kms of the standard urban area limit of 23 cities having a population of 1 million as per 1991 census require an industrial license. Industrial license even in these cases is not required if

- (i) a unit is located in an area designated as an industrial area before 1991; or
- (ii) it is non-polluting industries such as electronics, computer software, printing and other specified industries.

To create a business and Investor friendly environment, DPIIT has developed G2B Portal as a Single Window System for receiving application of Industrial Entrepreneurs to file an Industrial Entrepreneurs Memorandum (IEM) as well as Industrial License under Industries (Development and Regulation) Act, 1951. Online filing has been made mandatory with effect from 15th May 2014. The online portal has the required authentication mechanisms for submitting IEM and IL applications.

- Previously, the application for registration was made to the Secretariat of Industrial Assistance (SIA), Department of Industrial Policy & Promotion (DIPP) along with a fee.

- Once the license is obtained, an industrial undertaking is eligible for the allotment of controlled commodities and for the issuance of an import license for goods required for its construction and operation.
- The validity of all industrial licenses has been extended to 15 years, whether issued before or after 21st July 2023, as per Press Note No. 1 (2023 Series). The licensee must apply for an extension of validity after 15 years, as applicable.

#### **Procedure to apply for Industrial License**

1. All applications for Industrial License under IDR Act, 1951 can now be applied online on G2B Portal in Form FC-IL/FORM FC-IL - Composite form for Foreign Collaboration and Industrial License.
2. The Applications are scrutinized for their completeness. Information in respect of incomplete applications is sought from the applicants.
3. If the applications for grant of license are complete in all respect with necessary documents, DPIIT circulates them to concerned administrative ministries, Ministry of Home Affairs, Concerned State Government and other concerned agencies for their comments.
4. After receipts of Comments from the concerned Ministries/Agencies, files are processed and submitted to the Licensing committee for consideration.
5. Licensing committee can recommend for grant of license/rejection of proposal/deferment of the proposal, based on the comments received and deliberations in the Committee. After recommendation, the approval of the Minister in charge of DPIIT is obtained for grant of licenses or otherwise.

#### **Industrial Entrepreneur Memorandum (IEM)**

As per the Gazette Notification S.O. 1364(E) dated 21st March 2025, issued by Ministry of Micro, Small, and Medium Enterprises (MSME) the eligibility criteria for classification of MSMEs has been revised. This revision marks a significant step towards fostering industrial growth, encouraging higher investments, and strengthening India's position as a global manufacturing hub. In line with this notification, Department for Promotion of Industry and Internal Trade (DPIIT) has updated the eligibility criteria for issuance of Industrial Entrepreneur Memorandum (IEM) acknowledgment.

#### **Revised Eligibility Criteria for IEM**

W.e.f. 1st April, 2025, Enterprises meeting the following revised criteria shall be eligible for IEM acknowledgment:

- Investment in plant & machinery/equipment exceeding Rs.125 crore, or/and
- Annual turnover exceeding Rs.500 crore.

IEM acknowledgment is for:

- Large-scale industries operating in sectors not requiring compulsory industrial licensing under the Industries (Development & Regulation) Act, 1951.
- Companies having investment in plant and machinery, or/and annual turnover beyond the limits set for MSMEs.

***Confirmation for receipt of such information by this Department is known as 'IEM Acknowledgement.'***

All on-line applications filed through the portal are scrutinized in 'IEM Section' for verification related to

'Incorporation Certificate'; 'Memorandum of Article'; 'Article of Association', 'Master data', 'PAN' and 'Codes related to NIC & Administrative Ministry/Department etc. Once the above is verified and found correct; the Department electronically issues IEM Ack. to the applicant.

The Acknowledgement (Ack.) of the IEM which is given on the spot on prima facie evidence of not attracting the provisions of licensing, cannot, therefore, be construed as a clearance or approval to carry on an industrial activity contemplated in the IEM unless the provisions of statutes/regulations/notifications etc. issued by the Central or State Governments from time to time or any specific directions or Stay Orders issued by the Court/competent authority relevant to such an activity, are also fully complied with, or in no way contravened, as the case may be.

All Industrial undertakings which had filed IEM are required to report commencement of commercial production and this is also filed on-line on the same portal by way of filing information as per prescribed form 'Part B' of the IEM after commencement of commercial production by the establishment; a copy of the related IEM Ack. is required to be attached while filing this information on the portal.

Like 'Part A' Ack. of IEM, the Department also issues Ack. for 'Part B' through its portal.

## TELECOM LICENSE

Business entities which provide internet services or engaged in commercial communications i.e., call center, BPO, Tele-education, Tele-banking, tele networking, e-commerce and other IT enabled services which are categorized as '**Other Service Providers**'(OSP) under New Telecom Policy, 1999, must obtain a telecom license from Department of Telecommunication (DoT) under Ministry of Communications and Information Technology, Government of India. The telecom license entitles the entities to provide telecommunication services in India.

OSP license shall be categorized into two types:

1. Domestic OSP – OSP providing services to clients located within national boundaries of India
2. International OSP - OSP providing services to clients outside India

## Process

A company registered under the Companies Act, 2013 or under any other previous law i.e., the Companies Act,1956 or LLP registered under Limited Liability Act,2008 or Partnership Firm or organisations registered under Shops and establishment Act are eligible to obtain OSP license.

- To Obtain a OSP license, the Company or LLP shall file an Application in Form - 1 to the DoT. The application is submitted online via the DoT portal.
- OSP license is location specific and can have multiple registrations for each such site.
- An entity shall inform the change, if any in the point of presence. Point of presence is a location where OSP places equipment like Private Automatic Branch Exchange, Interactive voice recording System etc. to act as an extension of its OSP center for collecting, converting, carrying and exchanging the telecom traffic related to its services.

**Mandatory documents required for OSP License**

For Companies:

- Certificate of Incorporation issued by ROC
- Memorandum and Articles of Association
- Board Resolution / Power of Attorney authorizing the authorized signatory with attested signature
- A note describing the nature of business or activities of the proposed OSP
- List of present directors
- Present shareholding pattern

For LLPs:

- Copy of LLP Agreement
- Resolution passed by all designated partners or partners as per provisions of LLP Act
- A note describing the nature of business or activities of the proposed OSP
- List of present designated partners
- Present shareholding pattern

Certification Requirements:

- Companies: All documents must be certified with seal by either a Company Secretary, one of the Directors, Statutory Auditor, or Public Notary.
- LLPs: All documents must be certified with seal by either a Designated Partner, all Partners, Statutory Auditor, or Public Notary.

Validity of OSP License:

- The OSP license is valid for 20 years.
- It can be extended for a further period of 10 years from the expiry of the initial 20 years.

State-Level Approval:

- Approval from the respective State Industrial Department is also required for issuance of the license.

**STATE LEVEL APPROVAL FROM THE RESPECTIVE STATE INDUSTRIAL DEPARTMENT**

Apart from the registration and licences listed above, one has to seek state level approval (s) wherever it is applicable to one's business from the respective State Industries Department.

Various State Government have formulated Industrial Policy to create a conducive environment through an enabling Policy and regulatory framework to drive sustainable industrial growth in the State. States committed to simplify the processes and procedures and expedite project approvals and clearances. The Policy focusses on providing quality industrial infrastructure, creation of a large land bank, financial assistance to the private sector for development of industrial infrastructure and sustainable environmental protection.

**LESSON ROUND-UP**

- A permanent account number known as PAN is a vital document for any taxpayer. It is a 10-character alphanumeric number consisting of letter and digits.
- Any entity body corporate doing business in India requires a PAN card whether it is registered in India or abroad.
- PAN Card is significant for Setting up of Business.
- Registration of any business entity under the GST Law implies obtaining a unique number from the concerned tax authorities for the purpose of collecting tax on behalf of the Government and to avail Input Tax Credit for the taxes on his inward supplies. Section 22 of Central Goods & Services Tax Act, 2017 mandates that every person who has an aggregate turnover of more than Rs 40 Lacs in the relevant financial year, is liable to be registered under the Act. It must be noted that for North-Eastern states, the threshold is Rs 20 Lacs.
- For services, the limit for Normal category seats is 20 lacs & for special category seats is 10 lacs.
- North-eastern states would include Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura along with hilly areas of Himachal Pradesh and Uttarakhand. If a person has his place of business in different states, and one of the branches is in any of the states mentioned above (Jammu & Kashmir/ North Eastern), then the threshold limit for GST registration would be reduced to Rs 10 Lacs.
- One of the important regulations/statutes to which most businesses in India are subject to is the Shops and Establishment Act, enacted by every state in India. The Act is designed to regulate payment of wages, hours of work, leave, holidays, terms of service and other work conditions of people employed in shops and commercial establishments.
- Any shop or commercial establishment that commences operation must apply to the Chief Inspector for a Shops and Establishment Act License within the prescribed time. The application for license in the prescribed form must contain the name of the employer, address of the establishment, name of the establishment, category of the establishment, number of employees and other relevant details as requested.
- Employee's State Insurance (ESI) is a self-financing scheme for Indian workers which covers health insurance and social security. ESI functions as an independent corporation and comes under Ministry of Labor and Employment in India. The ESI Corporation thus manages the funds.
- Entrepreneurs are required to obtain Statutory clearances relating to Pollution Control and Environment for setting up an industrial project. For 30 types of projects as listed, environmental clearance needs to be obtained from the Ministry of Environment, Government of India. This list includes industries like petrochemical complexes, petroleum refineries, cement, thermal power plants, bulk drugs, fertilizers, dyes, paper etc.
- IEC registration is required by a person for exporting or importing goods. It is a 10-digit code which is issued by the Directorate General of Foreign Trade (DGFT). All businesses which are engaged in Import and Export of goods are required to obtain the Import Export Code. IE code has a lifetime validity. Importers are not allowed to operate without obtaining this code and exporters cannot take benefit of exports from DGFT, customs, Export Promotion Council, if they do not have this code.

- To start a pharmacy business, a drug license is required. The Central Drugs Standard Control Organization and State Drugs Standard Control Organization control the issue of drug license in India. Drug license for setting up a pharmacy business is usually under the purview of the State Drugs Standard Control Organization.
- FSSAI is an abbreviation used for Food Safety and Standards Authority of India. FSSAI license is mandatory before starting any food business. All the manufacturers, traders, restaurants who are involved in food business must obtain a 14-digit registration or a license number which must be printed on food packages.
- A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act that is engaged in the business of loans and advances, receiving deposits (some NBFC's only), acquisition of stocks or shares, leasing, hire-purchase, insurance business, chit business. Therefore, NBFCs lend and take deposits similar to banks; however, there are a few differences a) NBFC cannot accept demand deposits, NBFCs cannot issue cheques drawn on itself and NBFC depositors are not covered by the Deposit Insurance and Credit Guarantee Corporation.
- Licensing of Banking Companies is governed by Banking Regulation Act, 1949. Section 22 of the Act details the requirements for Licensing of Banking Companies.
- To facilitate the regulatory regime of insurance business in India, IRDA is authorized to grant licenses and issue registration for setting up insurance business in India.
- The Industrial (Development and Regulations) Act 1951, popularly called as the IDRA, brings under Central control the regulation and development of certain important industries in India. Only Five Industries are mandated to obtain Industrial License and exempted Industrial undertakings shall make application for Industrial Entrepreneurs Memorandum (IEM) for acknowledgment of unit.
- 'Other Service Providers'(OSP) license shall be obtained to provide telecom services other than voice or SMS services by filing with Department of Telecommunications, the authority to issue such license.
- Apart from the registration and licences listed above, one has to seek state level approval (s) wherever it is applicable to one's business from the respective State Industries Department.

### TEST YOURSELF

*(These are meant for re-capitulation only. Answers to these questions are not to be submitted for evaluation)*

1. Discuss the process of acquiring license under PAN, TAN Shops and Establishment in India.
- 2: Discuss the registration process of ESI and EPF.
3. What is OSP license? Discuss its types and registration process in detail.
4. Puran wants to open garment shop in a shopping mall. Is he required to get his shop registered under Shops and Establishment Act, 1948? If so, advise him the procedure.
5. PQ Pvt. Ltd., is engaged in the business of textile related products and employs 20 employees. Out of which, 11 employees draw a monthly salary of more than Rs. 25,000 each and 9 employees

draw a monthly salary of less than Rs. 20,000 each. Because of this the Management of the Company is of the view that the Company is not covered under Employee's State Insurance (ESI) Act, 1948. Referring to relevant provisions clarify whether the contentions of the Management of PQ Pvt. Ltd. is correct.

6. Nivasan, a resident of Telangana, wishes to set up a Cigarette manufacturing unit. He is of the view that after availing FSSAI registration, he can start his Cigarette factory and no other licensing is required for the same. Explain Nivasan on the requirements of Industrial licensing based on category of Industries.
7. Write short notes on Industrial Entrepreneurs Memorandum (IEM).

#### LIST OF FURTHER READINGS

- Bare Act - Income Tax Act
- Bare Act - Goods and Services Tax Act, 2017
- Bare Act - The Shop and Establishment (S&E) Act
- Bare Act - OSHWC Code
- Bare Act - Drugs and Cosmetics Act, 1940
- Bare Act - Food Safety and Standards Act, 2006
- Bare Act - Reserve Bank of India Act, 1934
- Bare Act - Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2000
- Bare Act - Industries (Development and Regulation) Act, 1951

#### OTHER REFERENCES (Including Websites/ Video Links)

- <https://incometaxindia.gov.in/Pages/tax-services/apply-for-pan.aspx>
- <https://incometaxindia.gov.in/Pages/tax-services/online-tan-registration.aspx#:~:text=and%20mobile%20number.-,Go%20to%20https%3A%2F%2Fwww.tdscpc.gov.in%2F,tdscpc.gov.in%20%E2%80%8B%E2%80%8B>
- <https://reg.gst.gov.in/registration/>
- <https://labour.delhi.gov.in/content/online-registration-shop-and-establishment>
- [https://www.epfindia.gov.in/site\\_en/index.php](https://www.epfindia.gov.in/site_en/index.php)
- <https://cpcb.nic.in/>



