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Chartered Accountants

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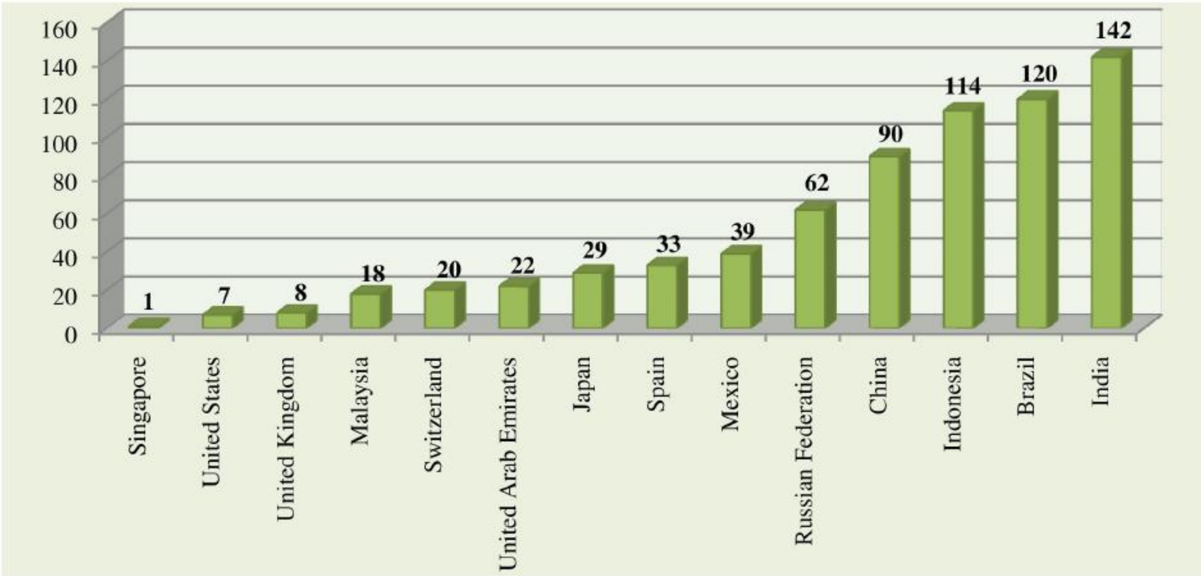

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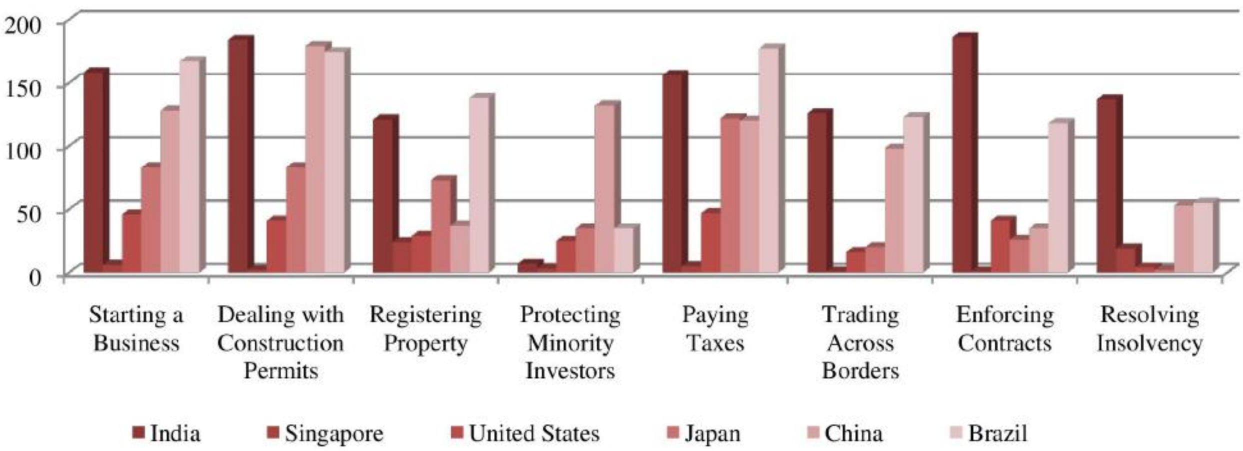


AN OVERVIEW OF INDIA

India, being the 7th largest and 2nd most populous country, is one of the most exciting emerging markets in the world. Today, India has moved firmly into the front runners of the rapidly growing Asia Pacific Region and has developed into a powerful complex and a rapidly changing nation due to a series of ambitious economic reforms aimed at deregulating the economy and stimulating foreign investment.

India is also the 4th largest economy in the world in terms of Public Private Partnership programme. India has been provided with a distinct cutting edge in global competition by the skilled managerial and technical manpower that matches the best available in the world and a middle class whose size exceeds the population of the USA or the European Union.

India's time tested institutions offer foreign investors a transparent environment that guarantees the security of their long term investments. These include a free and vibrant press, a well established judiciary, a sophisticated legal and accounting system and a user friendly intellectual infrastructure. India offers considerable scope for foreign direct investment, joint ventures and collaborations due to its dynamic and highly competitive private sector that has long been the backbone of its economic activity.

BRIEF ECONOMIC PROFILE

Indian economy is on the fulcrum of an ever increasing growth curve. With positive indicators such as a stable 8 percent annual growth, rising foreign exchange reserves of close to USD 150 billion, a booming capital market with the popular Sensex (sensitive index of The Stock Exchange, Mumbai) topping the 11,000 point mark, increasing flow of foreign direct investment (FDI), and more than 20 percent surge in exports, India is now emerging as amongst the preferred destinations for global investors.

Some significant dimensions of the dynamic growth in recent years are: a new industrial resurgence; a pickup in investment; modest inflation in spite of spiraling global crude prices; rapid growth in exports and imports with widening of the current account deficit; laying of some institutional foundations for faster development of physical infrastructure; and progress in fiscal consolidation.

The liberalization process that began about 17 years ago in 1991 has come a long way. The Indian economy is increasingly integrating with the global economy. This integration has created a climate conducive to increase in inward investment, free flow of capital skill and technology between India and the other country. This has also resulted in an increased flow of capital from India, as can be seen from various acquisitions by Indian business overseas.

With GDP growth at 9.4% during the financial year 2006-07 and prospects of maintaining the growth rate, the Indian economy is one of the fastest growing in the world. Its rapidly increasing consuming class provides the world with a huge market potential. Given its strategic strengths and rapidly paced economy, India serves as an ideal catalyst for investors to launch into the Asian market.

During FY 2006-07, India received an estimated USD 16 billion in FDI inflows, growing three-folds over the previous year. The Government is targeting FDI inflows of USD 25 billion during the FY 2007-08. India's attractiveness as the second most favored destination for FDI in the world is growing. India's long term potential is evidenced by the fact that the median age is 25 years - India is now poised to reap its demographic dividend.

Liberalized economic policies have transformed India, the world's largest democracy, into a beacon of global investment. Beginning in the early, 90's the era of reforms has been very successful, evidenced by high GDP growth, comfortable foreign exchange reserves, improved short-term debt profile, moderate inflation and buoyant exports. India offers to the world: -

a) Stable democratic environment.

b) Large market size with increasing purchasing power.

c) The Indian entrepreneurial spirit.

d) Developed banking system, commercial banking network of over 71,000 branches, supported by a number of national and state-level financial institutions.

e) Vibrant capital market comprising approximately 22 stock exchanges with over 9000 listed companies.

f) Conducive foreign investment environment that provides freedom of entry in most sectors, investment, location, choice of technology, import and export.

g) Current account convertibility.

h) Established, independent judiciary with a hierarchy of courts.

i) Legal protection for intellectual property rights.

j) Common Law based legal system.

k) Free Press.

l) English-speaking work-force.

While the early years of liberalization witnessed the first phase of structural reforms in the industrial, financial and export sectors, the last few years have seen the beginning of the second phase of economic restructuring with major fiscal reforms in foreign investment and trade policy spheres.

The strengthening of legal, institutional and regulatory frameworks in the insurance, banking, capital markets, power, information technology and telecom is being undertaken for inducing greater private investment in the infrastructure and service sectors. The Government of India has announced various measures for further reforms in the capital markets and financial sector, and has also allowed private participation in the insurance sector. It is expected that such measures would enhance both the savings and investment rates for the economy.

The far-reaching and sweeping economic changes that have taken shape since 1991 have unleashed the growth potential of the Indian economy. The Government of India's current policies offer a more transparent economic environment and are geared towards promoting domestic and foreign private investment.

RECENT TRENDS IN ECONOMIC GROWTH

The GROSS DOMESTIC PRODUCT (GDP) grew by 7.4 percent in the first quarter and 6.6 percent in the second quarter of the year 2005-06. The Economic Survey 2005-06 estimates that the GDP will grow at 8.1 percent. Growth of GDP at constant prices in excess of 8.0 percent has been achieved by the economy in only five years of recorded history, and two out of these five are in the last three years.

Prospects of agricultural output in 2005-06 are considered to be reasonably bright due to near normal monsoon. The industrial sector too has been on a high and while manufacturing growth has accelerated steadily from 7.1 percent in 2003-04 to 9.4 percent in 2005-06, construction growth has been quite encouraging during last three years. Substantive commercial bank credit flows to the housing and real estate and retail sectors continue to provide support to the boom in construction and consumer durables.

India's merchandise exports (in US dollar terms and customs basis) have been recording annual growth rates of more than 20 percent since 2002-03. In 2004-05, such exports grew by 26.2 percent – the highest annual growth rate in the last three decades – to cross USD 80 billion. Five major sectors – gems and jewellery, engineering goods, petroleum products, ores and minerals, and chemicals and related products – were the key drivers. Despite recording a somewhat lower rate of growth of 18.9 percent, exports during April-January 2005-06 had reached USD 74.9 billion and were well on their way to achieve the USD 92 billion target set for 2005-06.

Services exports grew by 71 percent in 2004-05 to USD 46 billion, and 75 percent to USD 32.8 billion in the half year period April-September, 2005. In 2004-05, software service exports grew by 34.4 percent to USD 17.2 billion and by 32 percent to USD 10.3 billion in the half year period April-September, 2005.

India can be explained to the person who does not know it well, as a land which will never cease to amaze. It is a very old adage in India that **"this can happen only in India"**.

The country is a land of contrasts where tradition can coexist with development and where hope manages to flourish in despair.

The present economic and tourism scenario is aptly described in the words **"INCREDIBLE INDIA"**.

CONSTITUTION AND GOVERNMENT

The Indian federation is the world's largest democracy with strong foundations having a single citizenship and a single but extremely active judiciary and a parliamentary form of democracy.

The three main arms of the Indian Governance Structure are:

1. The Executive:

The President of India is the Constitutional head of the Executive of the Union. Under his directions the cabinet of ministers headed by the Prime Minister of the country is responsible for the day-today running of the country. Though the President does not interfere with the working of the Prime Minister and his cabinet, he is an important guiding force for the country.

The Prime Minister and his cabinet are answerable to the Parliament of India, which consists of the democratically elected representatives.

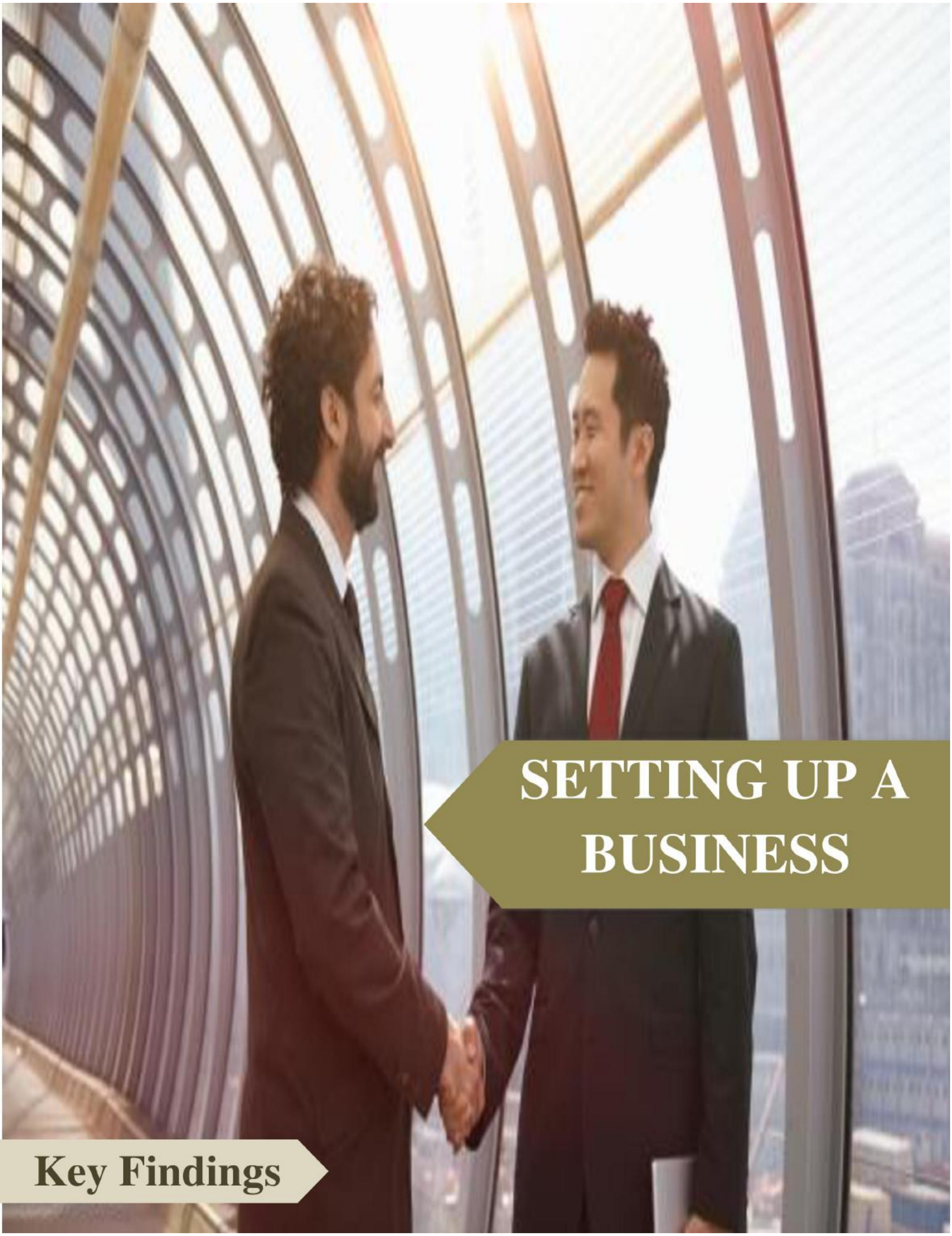
2. The Legislature:

The legislature is known as the Parliament comprised of the Lok Sabha and the Rajya Sabha. The Lok Sabha has a term of five years or it can be dissolved by the President. The Lok Sabha has 543 members elected by universal adult suffrage (right to vote) from all parts of India. The Rajya Sabha has 250 members elected by the representatives of state legislatures and some co-opted by the President of India on the basis of their contribution to the society.

3. Local Governments:

Many of the state legislatures are bicameral and have a structure similar to the main Parliament.

The state governments have a similar authority structure as the national government and enjoy similar powers.



SETTING UP A BUSINESS

Key Findings

Obtaining approvals like environment clearance, land procurement, construction-related permits and NOCs is a major obstacle in starting a business

Approvals related to environment clearances, land procurement, construction permits, industrial safety permits and power connection are top five obstacles in starting a business in India.

As per the survey results, about 50 per cent of the respondents have highlighted major challenges in obtaining environmental clearances. More than one-third of the respondents rated land approvals as the major obstacle in starting a business.

The principal forms of business organizations in India, apart from government organizations and sole proprietary concerns are:

- **a)** Companies - public and private
- **b)** Branches of foreign companies
- **c)** Liaison/Branch/Project offices of foreign companies
- **d)** Partnerships
- **e)** Trusts
- **f)** Limited Liability Partnerships (LLP)

☞ COMPANIES

Companies incorporated in India and foreign corporations having a presence in India are regulated by the provisions of the Companies Act, 2013 (earlier The Companies Act, 1996). The Act is substantially based on the corresponding English Companies Act of 1948, with local variations. The Companies Act, 2013 regulates the formation, management and the dissolution of limited companies. The registrar of companies and the Company Law Board (CLB), both working under the Ministry of Company Affairs, Government of India, have been entrusted with the responsibility to ensure compliance with the provisions of the Companies Act, 2013. The CLB is the appellate authority in certain circumstances.

☞ BRANCHES OF FOREIGN COMPANIES (BRANCH OFFICE)

Foreign companies engaged in manufacturing and trading activities abroad have been allowed to set up branch offices in India. Permission for setting up branch offices is granted by RBI on a case-to-case basis. Application for permission to set up branches is to be made with the

Authorized Dealer Category I bank (AD) along with the requisite documents, which would then be submitted with the RBI along with recommendations and suggestions of the AD. The essential parameters considered by RBI on such an application is the worldwide operating history of the foreign company, proposed activities in India, profit making track record of the foreign company in the home country and its net worth.

Foreign companies engaged in manufacturing and trading activities abroad have been allowed to open branch offices to carry on the following activities in India:-

a) To export / import goods.
b) To render professional or consultancy services.
c) To carry out research work, in which the parent company is engaged.
d) To promote technical or financial collaborations between Indian companies and parent or overseas group company.
e) To represent the parent company in India and acting as buying / selling agent in India.
f) To render services in Information Technology and development of software in India.
g) To render technical support to the products supplied by parent / group companies.
h) To act as branch of a foreign airline / shipping company. Foreign Companies are required to furnish certain specified information and comply with provisions of the Companies Act, 1956 on establishing a place of business in India.

LIAISON / REPRESENTATIVE OFFICES

Application for grant of approval is to be made with the Authorized Dealer Category I bank (AD) which would then forward it to the RBI along with suggestions and the requisite documents. RBI may grant approval for setting up a liaison office on receipt of such an application. Some of the criterions which shall be considered by the RBI before granting approval include profit making track record of the foreign company in the home country and its net worth. Foreign companies are permitted to establish an office or to post a representative in India for carrying on liaison activities, subject to the following conditions:-

a) Commission or fee is charged or any other remuneration received by the Indian office of the foreign company for its liaison activities in India.
b) Except for the liaison work, the office does not undertake any activity of a trading, commercial or industrial nature without the prior permission of the Reserve Bank of India.
c) All expenses of the Indian office are met exclusively by remittances from abroad through normal banking channels.
d) No borrowing or lending of any money from / to any person in India without the prior permission of RBI.

The Indian office submits an annual statement to the AD and a copy to the Directorate General of Income Tax (International Taxation), New Delhi, giving details of remittances received from abroad, supported by bank certificates, together with a copy of the final accounts of the Indian office certified by a Chartered Accountant. Liaison offices are permitted to carry out the following activities in India:-

a) To represent the parent company / group companies in India.
b) To promote export / import from / to India.
c) To promote technical / financial collaborations between parent / group companies and companies in India.
d) To act as a communication channel between the parent company and Indian companies. Foreign companies having only liaison offices and not engaged in any trading, manufacturing or other commercial activity in India, have to furnish certain mandatory information to the Registrar of Companies in India.

PROJECT OFFICE

Foreign companies planning to execute specific projects in India can set up temporary project /site offices in India for such purpose. The standard conditions imposed for operating such offices are: Other foreign company has secured from an Indian company a contract to execute a project in India.-

a) The project is funded by inward remittance from abroad; or
b) The project is funded by a bilateral or multilateral International Finance Agency; or
c) The project has been cleared by an appropriate authority; or
d) A company or entity in India awarding the contract has been granted Term Loan by a Public Financial Institution or bank in India for the project.

PARTNERSHIPS

Partnerships are established by a partnership deed, which is registered with the Registrar of Firms. The Indian Partnership Act, 1932 lays down provisions regarding rights and obligations of partners, retirement and admission of partners, dissolution of firm and related aspects. Indian laws prohibit partnerships of more than 20 persons from carrying on any business and partnerships of more than 10 persons for carrying on the business of banking.

TRUSTS

Trusts are generally established in India for business of mutual fund and for charitable, religious and other non-profitable purposes. There are special provisions relating to taxation of mutual funds and charitable trusts which provide for tax exemption under specified circumstances.

LIMITED LIABILITY PARTNERSHIPS (LLPs)

The concept of LLP is new to India and the Limited Liability Partnership Act, 2008 has permitted setting up of LLPs with effect from 1 April 2009. Some of the salient features of an LLP are as under:-

- LLP is a body corporate having a separate legal entity distinct from its members.
- LLP has a perpetual succession and any change in partners of LLP will not affect the existence, rights or liabilities of the LLP.
- Any individual, body corporate, including LLPs, a foreign LLPs and Indian as well as foreign companies can be partners in LLPs.
- LLP shall have at least two partners' two designated partners who are individuals and at least one of them shall be resident in India.
- If all the partners of any LLP are bodies corporate or LLPs, they shall nominate their respective individuals to act as designated partners, of whom at least one shall be resident in India.
- Designated Partner's are liable for compliance under the Act and in the event of non-compliance will be liable for the penalties.
- In an LLP, there is no upper limit on maximum number of partners unlike an ordinary partnership firm where the maximum number of partners cannot exceed 20.
- Every partner of LLP is the agent of the LLP for the purpose of the business of the LLP, but not of other partners.
- Every designated partner shall obtain a Designated Partner Identification Number (DPIN) which is similar to Director Identification Number (DIN) as provided under the Companies Act, 1956.
- An obligation of the LLP whether arising in contract or otherwise, shall be solely the obligation of the LLP. The liabilities of the LLP shall be met out of the property of the LLP.
- While the LLP is a separate legal entity, liable to the full extent of its assets, however, the liability of the partners is limited to their agreed contribution in the LLP which may be of tangible or intangible nature or of both tangible and intangible in nature.
- No partner is liable on account of the independent or unauthorized actions of other partners, thus, allowing individual partners to be shielded from joint liability created by another partner's wrongful business decisions or misconduct.
- The mutual rights and duties of partners of an LLP inter se and those of LLP and its partners shall be governed by an agreement between the partners or between LLP and the partners subject to the provisions of the proposed legislation. In the absence of any such agreement, the same shall be governed by Schedule I to the Act.
- The right of a partner to share profits and losses of the LLP are transferable either wholly or in part. The transfer in such a way shall not cause the disassociation of the partner or

the dissolution and winding up of the LLP. Further, the transfer of right does not, by itself, entitle the transferee or assignee to participate in the management or conduct of the activities of the LLP or access information concerning the transactions of the LLP.

- The provisions of the Indian Partnership Act 1932 shall not apply to LLPs. Their entities such as firms, private companies and unlisted public companies can get themselves converted into LLPs. However, an LLP cannot be converted into any other form of business entity. Upon conversion, all property of firm or company shall be transferred to and shall vest in the LLP and the firm or the company shall be deemed to be dissolved and removed from the records of the Registrar of firms or Registrar of Companies as the case may be.
- The payment of remuneration and interest to partners is deductible if conditions which are stipulated under the Limited Liability Partnership Act and Income Tax Act are satisfied.
- LLPs shall be obliged to maintain annual accounts, file a statement of accounts and solvency and annual return with the Registrar of Companies every year and all these documents shall be open for public inspection at the office of the Registrar of Companies.
- Audit of LLP is mandatory only if annual turnover exceeds Rs. 40 lacs or contribution exceeds Rs. 25 lacs. The Finance Act 2010 has increased the annual turnover limit of Rs. 40 lacs to Rs. 60 lacs, from financial year 2010-11.
- The financial year of an LLP has to be compulsorily kept at 31 March.
- The Central Government has the powers to investigate the affairs of an LLP.
- LLP shall by its name, have the power of suing and being sued.
- LLP can acquire, own, hold, develop or dispose of property both movable and immovable.
- The winding up of LLP may be either voluntary or by the Tribunal to be established under the Companies Act, 2013. Till the tribunal is established, the power in this regard shall vest with High Court.
- Compromise or arrangement including merger and amalgamation can be made between LLP and it creditors and LLP and its partners and between LLPs.
- Foreign LLPs can establish a place of business in India and carry on their business by registering under the Act.
- Some of the basic taxation aspects applicable to an LLP includes:
- The applicable tax rates would be 30.9%.
- Minimum Alternate Tax (MAT) provisions are not applicable in case of LLPs.
- No Dividend Distribution Tax (currently at an effective rate of 16.61% for FY 2010-11) on profits distributed to the partners of LLP.
- Remuneration receivable by partners of LLP will be taxed in the hands of the partners as "Income from Business & Profession".
- The benefits of presumptive taxation are not applicable in case of LLPs.

FOREIGN CORPORATION

A **foreign company** is defined as a company, which is incorporated outside India and has established a presence in India in the form of liaison offices, project offices, branch offices, etc. They are also governed by the Companies Act, 1956, which contains special provisions for regulating such entities. Such companies have to register themselves with the Registrar of companies, New Delhi within thirty days of establishing a place of business in India.

Further, the procedure for setting up a liaison office, project office and branch office is elaborated below: -

- **Procedure for setting up Liaison Office**

Setting up a Liaison or Representative Office is a common practice for foreign companies seeking to enter the Indian market. Liaison office can carry on only liaison activities, i.e. it can act as a channel of communication between Head Office abroad and parties in India. It is not allowed to undertake any business activity offices are to be met entirely through inward remittances of foreign exchange from the Head Office abroad. The role of such offices is, therefore, limited to collecting the information about possible market opportunities and providing information about the company and its products to the prospective Indian customers.

The opening and operation of such offices is regulated by the Foreign Exchange Management Act, 1999 (FEMA). Approval from the Reserve Bank of India (RBI) is required for opening such offices. The companies desirous of opening a liaison office in India may make an application in form FNC-1 along with the documents mentioned therein to Foreign Investment Division – I, Exchange Control Department, Reserve Bank of India, Central Office, Fort, Mumbai 400 001.

Permission to set up such offices is initially granted for a period of 3 years and this may be extended from time to time by the Regional Office in whose jurisdiction the office is set up. Liaison / representative offices also have to file an annual activity certificate etc. from a Chartered Accountant to the concerned Regional Office of the RBI.

- **Procedure for setting up Project Office**

Foreign companies planning to execute specific projects in India can set up project / site offices in India. The requirement of seeking approval of RBI for opening a project office has been dispensed with, since RBI has granted general permission to a foreign entity for setting up a project office in India, subject to fulfillment of certain conditions.. The foreign entity only has to furnish a report to the jurisdictional Regional Office of RBI giving the particulars of the project / contract comprising the following details:

i) Name and address of foreign company,
ii) Reference no. and date of the letter awarding the project contract,
iii) Particulars of authority awarding the project / contract,

iv) Total amount of contract,
v) Address and tenure of project office,
vi) Nature of the project undertaken.

- **Procedure for setting up Branch Office**

Reserve Bank permits companies engaged in manufacturing and trading activities abroad to set up Branch Offices in India for the following purposes with the prior approval of RBI: -

i) Represent the parent company / other foreign companies in various matters in India e.g. acting as buying / selling agents in India.
ii) Conduct research work in the area in which the parent company is engaged.
iii) Undertake export and import trading activities.
iv) Promote technical and financial collaborations between the Indian companies and overseas companies.
v) Rendering professional or consultancy services.
vi) Render services in Information technology and development of software in India.
vii) Rendering technical support to the products supplied by the parent / Group companies.
viii) Foreign airline / shipping company.

A branch office is not allowed to carry out manufacturing, processing activities directly / indirectly. However, foreign companies can establish branch office / unit for manufacturing in a SEZ subject to fulfillment of certain conditions.

Branch office will have to submit activity certificate from a Chartered Accountant on an annual basis to the Reserve Bank of India. For annual remittance of profit, Branch Office has to submit required documents to an authorised dealer.

Permission for setting up branch offices is granted by the Reserve Bank of India. RBI considers the track record of the applicant company, existing trade relations with India and financial position of the company while scrutinizing the application. An application in Form FNC-1 is to be made to RBI. Application may be made to the Reserve Bank of India, Foreign Investment Division (I), Exchange Control Department, S.B.S. Marg, Mumbai 400 001, India.

ESTABLISH A BUSINESS

STEPS INVOLVED IN STARTING BUSINESS IN INDIA

No:	Procedure	Time to complete:	Cost to complete
1	Obtain director identification number (DIN) online from the Ministry of Corporate Affairs portal (National)	1 day	INR 100
2	Obtain digital signature certificate online from private agency authorized by the Ministry of Corporate Affairs (National)	1 days	INR 1,500
3	Reserve the company name online with the Registrar of Companies (ROC) (National)	2 days	INR 500
4	Stamp the company documents at the State Treasury (State) or authorized bank (Private)	1 day	INR 1,300 (INR 200 for MOA + INR 1,000 for AOA for every INR 500,000 of share capital or part thereof + INR 100 for stamp paper for declaration Form 1)
5	Get the Certificate of Incorporation from the Registrar of Companies, Ministry of Corporate Affairs (National)	5 days	INR 14,133 (see comments)
6	Make a seal (Private)	1 day	INR 350 (cost depends on the number of seals required and the time period for delivery)
7	Obtain a Permanent Account Number (PAN) from an authorized franchise or agent appointed by the National Securities Depository Ltd. (NSDL) or the Unit Trust of India (UTI) Investors Services Ltd., as outsourced by the Income Tax Department (National)	7 days	INR 67 (INR 60 application fee + 12.36% service tax + INR 5 for application form, if not downloaded)
8	Obtain a Tax Account Number (TAN) for income taxes deducted at source from the Assessing Office in the Mumbai Income Tax Department	7 days	INR 57 (INR 50 application fee + 12.36% service tax)
9	Register with the Office of Inspector, Shops, and Establishment Act (State/Municipal)	2 days	INR 6,500 (INR 2000 + 3 times registration fee for trade refuse charges)
10	Register for Value-Added Tax (VAT) at the Commercial Tax Office (State)	12 days	INR 5,100 (registration fee INR 5000 + stamp duty INR 100)
11	Register for Profession Tax at the Profession Tax Office (State)	2 days	No cost
12	Register with Employees' Provident Fund Organization (National)	12 days	No cost
13	Register for medical insurance at the regional office of the Employees' State Insurance Corporation (National)	9 days	No cost

DETAILED STEPS AND EXPLANATION OF PROCEDURE TO START BUSINESS IN INDIA

Procedure 1:

Obtain director identification number (DIN) online from the Ministry of Corporate Affairs portal (National)

Time to complete: 1 day

Cost to complete: INR 100

Procedure: The process to obtain the Director Identification Number (DIN) is as follows:

1. Obtain the provisional DIN by filing application Form DIN-1 online. This form is on the Ministry of Corporate Affairs 21st Century (MCA 21) portal. The provisional DIN is immediately issued.

The application form must then be printed and signed and sent for approval to the ministry by courier along with proof of identity and (address):

a) **Identity proof** (any of the following): Permanent Account Number card, driver's license, passport, or voter card;
b) **Residence proof** (any of the following): driver's license, passport, voter card, telephone bill, ration card, electricity bill, bank statement;

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

Procedure 2:

Obtain digital signature certificate online from private agency authorized by the Ministry of Corporate Affairs (National)

Time to complete: 1 days

Cost to complete: INR 1,500

Procedure: To use the new electronic filing system under MCA 21, the applicant must obtain a Class-II Digital Signature Certificate. **The digital signature certificate can be obtained from one of six private agencies authorized by MCA 21 such as Tata Consultancy Services.** Company directors submit the prescribed application form along with proof of identity and address. Each agency has its own fee structure, ranging from INR 750 to INR 2650.

Procedure 3:

Reserve the company name online with the Registrar of Companies (ROC) (National)

Time to complete: 2 days

Cost to complete: INR 500

Procedure: Company name approval must be done electronically. Under e-filing for name approval, the applicant can check the availability of the desired company name on the MCA 21 web site.

The ROC in Mumbai has staff members working full time on name reservations (approximately 3 but more if the demand increases). A maximum of 6 suggested names may be submitted. They are then checked by ROC staff for any similarities with all other names in India. The MCA receives approximately 50-60 applications a day. After being cleared by the junior officer, the name requests are sent to the senior officer for approval.

Once approved, the selected name appears on the website. Applicants need to keep consulting the website to confirm that one of their submitted names was approved.

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

Procedure 4:

Stamp the company documents at the State Treasury (State) or authorized bank (Private)

Time to complete: 1 day

Cost to complete: INR 1,300 (INR 200 for MOA + INR 1,000 for AOA for every INR 500,000 of share capital or part thereof + INR 100 for stamp paper for declaration Form 1)

Procedure: The request for stamping the incorporation documents should be accompanied by unsigned copies of the Memorandum and Articles of Association, and the payment receipt. The company must ensure that the copies submitted to the Superintendent of Stamps or to the authorized bank for stamping are unsigned and that no promoter or subscriber has written anything on it by hand. The Superintendent returns the copies, one of which is duly stamped, signed, and embossed, showing payment of the requisite stamp duty. The rate of stamp duty varies from state to state.

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

a. Articles of Association: INR 1000/- for every INR 500,000/- of share capital (or part thereof), subject to a maximum of INR 50,000,000;

b. Memorandum of Association: INR 200;

c. Form-1 (declaration of compliance): INR 100.

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

Procedure 5:

Get the Certificate of Incorporation from the Registrar of Companies, Ministry of Corporate Affairs (National)

Time to complete: 5 days

Cost to complete: INR 14,133

Procedure: The following forms are required to be electronically filed on the website of the Ministry of Company Affairs:

e-form 1; e-form 18; and e-form 32.

Along with these documents, scanned copies of the consent of the initial directors, and also of the signed and stamped form of the Memorandum and Articles of Association, must be attached to Form 1.

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

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

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

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

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

d. For every INR 10,000 of nominal share capital or part of INR 10,000 after the first INR 5,000,000, up to INR 1 10,000,000: INR 100;

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

The payment of fees can be made:

1) **Offline:** one can upload all incorporation documents and generate the payment challan. Against this challan, the applicant must obtain a demand draft for filing fees amount in favour of -" the Pay and Accounts Office, Ministry of Corporate Affairs, New Delhi" and this demand draft is payable in Mumbai. The applicant must make the payment at specified branches of certain banks. It takes around one week for clearance of payment. Only after the clearance of payment does the ROC accept the documents for verification and approvals;
2) **Online:** the applicant makes the payment by credit card and the system accepts the documents immediately. Please note that in Mumbai, the ROC requests for pre-scrutiny of documents for any corrections, before they are uploaded. Once the documents have been uploaded, they can then be approved without any further correction. The online filing mechanism requires only one copy of scanned documents to be filed (including stamped MOA, AOA, and POA).

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

a) INR 200 for a company with authorized share capital of more than INR 100,000 but less than INR 500,000;
b) INR 300 for a company with nominal share capital of INR 500,000 or more but less than INR 2,500,000;
c) INR 500 for a company with nominal share capital of INR 2,500,000 or more.

Procedure 6:

Make a seal (Private)

Time to complete: 1 day

Cost to complete: INR 350 (cost depends on the number of seals required and the time period for delivery)

Procedure: Although making a company seal is not a legal requirement for the company to be incorporated, companies require a seal to issue share certificates and other documents. The cost depends on the number of words to be engraved, the number of seals required, and the time period for delivery. The cost can range from INR 300 to INR 500.

Procedure 7:

Obtain a Permanent Account Number (PAN) from an authorized franchise or agent appointed by the National Securities Depository Ltd. (NSDL) or the Unit Trust of India (UTI) Investors Services Ltd., as outsourced by the Income Tax Department (National)

Time to complete: 7 days

Cost to complete: INR 67 (INR 60 application fee + 12.36% service tax + INR 5 for application form, if not downloaded)

Procedure: Under the Income Tax Act, 1961, each person must quote his or her Permanent Account Number (PAN) for tax payment purposes and the Tax Account Number (TAN) for depositing tax deducted at source. The Central Board of Direct Taxes (CBDT) has instructed banks not to accept any form for tax payment (challan) without the PAN or TAN, as applicable. The PAN is a 10-digit alphanumeric number issued on a laminated card by an assessing officer of the Income Tax Department.

In order to improve PAN-related services, the Income Tax department (effective July 2003) outsourced their operations pertaining to allotment of PAN and issuance of PAN cards to UTI Investor Services Ltd, which was authorized to set up and manage IT PAN Service Centers in all cities where there is an Income Tax office. The National Securities Depository Limited (NSDL) has also launched PAN operations effective June 2004, setting up TIN Facilitation Centers.

The PAN application is made through the above mentioned service centers using Form 49A, with a certified copy of the certificate of registration, issued by the Registrar of Companies, along with proof of company address and personal identity. A fee of INR 60 (plus applicable taxes) applies for processing the PAN application. IT PAN Service Centers or TIN Facilitation Centers will supply PAN application forms (Form 49A), assist the applicant in filling out the form, collect filled-out forms, and issue an acknowledgement slip. After obtaining PAN from the Income Tax department, UTIISL or NSDL as the case may be, will print the PAN card and deliver it to the applicant.

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

Procedure 8:

Obtain a Tax Account Number (TAN) for income taxes deducted at source from the Assessing Office in the Mumbai Income Tax Department

Time to complete: 7 days

Cost to complete: INR 57 (INR 50 application fee + 12.36% service tax)

Comment: The Tax Account Number (TAN) is a 10-digit alphanumeric number required of anyone responsible for deducting or collecting tax. The provisions of Section 203A of the Income Tax Act require that all persons who deduct or collect tax at the source must apply for a TAN. The section also makes it mandatory for the TAN to be quoted in all tax-deducted-at-source (TDS) and tax-collected-at-source (TCS) returns, all TDS/TCS payment challans, and all TDS/TCS certificates issued.

Failure to apply for a TAN or to comply with any of the other provisions of the section is subject to a penalty of INR 10,000/- . The application for allotment of a TAN must be filed using Form 49B and submitted at any TIN Facilitation Center authorized to receive e-TDS returns.

Locations of TIN Facilitation Centres can be found at www.incometaxindia.gov.in and http://tin.nsdl.com The processing fee for both applications (a new TAN or a change request) is INR 50 (plus applicable taxes). After verification of application, the same is sent to the Income Tax Department and upon satisfaction the department issues the TAN to the applicant.

The national government levies the income tax. Since outsourcing, any authorized franchise or agent appointed by the National Securities Depository Services Limited (NSDL) can accept and process the TAN application. The application for a TAN can be made either online through the NSDL website (www.tin-nsdl.com) or offline.

Upon payment of the fee by credit card, the hard copy of the application must be physically filed with the NSDL.

Procedure 9:

Register with the Office of Inspector, Shops, and Establishment Act (State/Municipal)

Time to complete: 2 days

Cost to complete: INR 6,500 (INR 2000 + 3 times registration fee for trade refuse charges)

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

According to Section 7 of the Bombay Shops and Establishments Act,-(1948), the establishment must be registered as follows: – Under Section 7(4), the employer must register the establishment in the prescribed manner within 30 days of the opening of the business. – Under Section 7(1), the establishment must submit to the local shop inspector Form A and the prescribed fees for registering the establishment. – Under Section 7(2), after Form A and the prescribed fees are received and the correctness of the statement on the form is satisfactorily audited, the certificate for the registration of the establishment is issued on Form D, according to the provisions of Rule 6 of the Maharashtra Shops and Establishments Rules of 1961.

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

a) 0 employees: INR 100;
b) 1 to 5 employees: NR 300;
c) 6 to 10 employees: INR 600;
d) 11 to 20 employees: INR 1000;
e) 21 to 50 employees: INR 2000;
f) 51 to 100 employees: INR 3500;
g) 101 or more employees: INR 4500.

Hence in the given case the registration fees would be INR 2000, as there are 50 employees In addition, an annual fee (three times the registration and renewal fees) is charged as trade refuse charges (TRC), under the Mumbai Municipal Corporation Act,-(1888).

Procedure 10:

Register for Value-Added Tax (VAT) at the Commercial Tax Office (State)

Time to complete: 12 days

Cost to complete: INR 5,100 (registration fee INR 5000 + stamp duty INR 100)

Procedure: Beginning April 1, 2005, the sales tax was replaced by the VAT, which requires registration by filing Form 101.

The authorized representative signing the application must be available at the Sales-Tax Office on the day of application verification. The applicant goes to the Sales-Tax Office and up to the registration counter. The clerk at the counter verifies that the applicant has all the required documents and gives the applicant a token (waiting number). After a short wait, the applicant-"s number is called and the applicant approaches the desk of a sales-tax officer.

There, all the information on Form 101 is manually entered into the system by the officer. Within 10 minutes, the system generates a Tax Identification Number (TIN). Thereafter, the company is considered fully registered to pay taxes. However, the applicant must wait between 10 and 15 days to receive the VAT registration certificate by mail.

In addition to Form 101, other accompanying documentation includes:

1) Certified true copy of the memorandum and articles of association of the company;-
2) Proof of permanent residential address. At least 2 of the following documents must be submitted: copy of passport, copy of driver's license, copy of election photo identity card, copy of property card or latest receipt of property tax from the Municipal Corporation, copy of latest paid electricity bill in the name of the applicant;-

3) Proof of place of business (for an owner, in the case of Doing Business): Proof of ownership of premises viz. copy of property card, ownership deed, agreement with the builder or any other relevant documents;-
4) One recent passport-sized photograph of the applicant;-
5) Copy of Income Tax Assessment Order with PAN or copy of PAN card;-
6) Challan on Form No. 210 (original) showing payment of registration fee at INR 5000 (in case of voluntary RC) and INR 500 (in other cases).

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

Procedure 11:

Register for Profession Tax at the Profession Tax Office (State)

Time to complete: 2 days

Cost to complete: No cost

Procedure: According to section 5 of the Profession Tax Act, every employer (not being an officer of the government) is liable to taxation and shall obtain a certificate of registration from the prescribed authority. The company is required to apply to the registering authority using Form 1.

Depending on the nature of the business, the application should be supported with such documents as proof of address, details of company registration number under the Companies Act (2013), details of the head office (if the company is a branch of company registered outside the state), company deed, certificates under any other act, and so forth.

Procedure 12:

Register with Employees' Provident Fund Organization (National)

Time to complete: 12 days

Cost to complete: No cost

Procedure: The Employees Provident Funds and Miscellaneous Provisions Act (1952) applies to an establishment, employing 20 or more persons and engaged in any of the 183 industries and classes of business establishments, throughout India excluding the State of Jammu and Kashmir.

The applicant fills in an application and is then allotted a social security number. The Provident Fund registration focuses on delinquent reporting, underreporting, or non-reporting of workforce size. Provident Fund registration is optional if the workforce size is not more than 20. The employer is required to provide necessary information to the concerned regional Provident Fund Organization (EPFO) in the prescribed manner for allotment of Establishment Code Number. No separate registration is required for the employees.

Nevertheless, all eligible employees are required to become members of the Fund and individual account number is allotted by the employer in the prescribed manner. As per an internal circular, the code number is to be allotted within 3 days of submission, if the application is complete in all respects. However, in many cases applicants have received the intimation letter with the code number in 12 to 15 days. An online application facility is not provided so far.

Procedure 13:

Register for medical insurance at the regional office of the Employees' State Insurance Corporation (National)

Time to complete: 9 days

Cost to complete: No cost

Procedure: Registration is the process by which every employer/factory and every paid employee is identified for insurance purposes and their individual records are set up for them.

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

The Employee-"s individual insurance is a separate process that is initiated upon the employer-"s registration. The employer is responsible for submitting the required declaration form and employees are responsible for providing correct information to the employer. The employee temporary cards (ESI Cards) are issued on the spot by the local offices in many places.

The temporary cards are valid for 13 weeks from the date of the employees' appointment. It takes about 4 to 5 weeks to get a permanent ESI card.

REGULATORY COMPLIANCE

ACCOUNTING & PAYROLL

- **Accounting:**

All businesses in India need to maintain accounting records which meet the Indian Generally Accepted Accounting Policies. A business entity is free to decide their accounting year as financial, calendar or otherwise to match their global reporting norms. However, under the Indian income tax laws it is mandatory to close the books of accounts on a financial year basis i.e. April 1 to March 31.

- **Employee Payroll:**

Businesses need to draft appropriate employment contracts keeping in view the income tax laws and employment regulations. In terms of compliance, they are required to monthly pay salary, generate pay slips and ensure regulatory compliances under labour laws. Furthermore, salaries are structured at the time of set-up, revision or when an amendment is brought in the law.

ASSURANCE

- **Statutory Audit:**

The Indian Companies Act mandates that businesses have their accounts audited by an Indian firm of chartered accountants. These audited accounts are to be filed with the Registrar of Companies ('ROC') and, in some cases, with the Reserve Bank of India.

- **Tax Audit:**

Businesses with annual turnover exceeding INR 6 million need to additionally have accounts audited under specific provisions of the Indian income tax laws and certified by an Indian firm of chartered accountants.

- **Internal Audit:**

Companies where the paid-up capital exceeds INR 5 million or turn over exceeds INR 50 million needs to have their internal controls certified. The company may out source this function to an Indian firm of chartered accountants or set-up their own team, the latter being more common in case of large corporate.

DIRECT TAX

- **Corporate Tax:**

Businesses need to determine their annual tax payment and ensure deposit under an installment plan commonly referred as Advance Tax. Delays, deferment or incorrect calculations attract penal provisions. At the year end there is a requirement to submit an annual return together with audited accounts and tax audit report. E.g. in case of Financial Year 2011-12, advance taxes have to be deposited by June 15 (15%), September 15 (45%), December 15th (75%) and March 15 (100%). Annul Return for this year is to be submitted by September 30, 2011 / November 30, 2012.

- **Transfer Pricing:**

Businesses having cross border dealings with related concerns fall within ambit of Indian Transfer Pricing regulations. Primarily, this requires maintenance of documentation and certification by an Indian firm of chartered accountants confirming that dealings with related concern were at arm's length and the profit is appropriately reported by the Indian business entity.

- **Expatriate Taxation:**

An expatriate deputed to India is liable to tax in respect of his remuneration. The components of taxable remuneration are similar to those applicable to a local employee, though one may explore relief under the Double Tax Avoidance Agreement between India and the parent country. The expatriate would need to file an annual personal tax return with the Indian tax authorities by 31st July. All foreign nationals, likely to exceed 180 days stay in India, need to register within 14 days of their arrival with the Foreigners Regional Registration Office.

INDIRECT TAX

- **Excise Duty:**

Manufacturing units need to pay an excise duty on goods produced in India. The duty varies between products and the unit is required to periodically deposit the duty on removal of products. Furthermore, these units are to maintain detailed stock records and accounts in respect of duty payable on final goods, credit claimed on inputs etc and submit annual returns, submission dates being linked to level of operations.

Central Value Added Tax (CENVAT) is a duty of excise levied by the Central Government on the manufacture of movable and marketable goods in India. Though the tax levy is on the manufacture of goods, the tax is required to be paid on removal of goods from the factory premises where the manufacture takes place. The duty is levied at the rates specified in the Excise Tariff.

The rate at which excise duty is leviable on the goods depends on the classification of the goods under the Excise Tariff. The Excise Tariff is primarily based on the Harmonized System of

Nomenclature (HSN). The Government has adopted an eight digit classification under the Excise Tariff so as to bring it in conformity with the Customs Tariff.

The excise duty on most of the consumer goods, which are intended for retail sale is payable on the basis of the Maximum Retail Price (MRP) printed on the goods. However, abatements at the rates ranging from 30% to 50% are admissible from the MRP for the purposes of charging BED. Other goods are generally chargeable to the duty on the 'transaction value' of the goods sold to an independent buyer. In addition, the Central Government has the power to fix tariff values for charging ad valorem duties on the goods.

The duty rates comprising of Basic Excise Duty (BED) under the rationalized structure are Nil, 4%, 8% and 14%. In addition, there are various general Notifications granting partial or complete exemption to specified goods from the payment of excise duties. Apart from BED, education cess @ 2% and Secondary & Higher Education Cess (SHEC) @ 1% is applicable on the aggregate of excise duties.

The central excise duty is a modified VAT wherein a manufacturer is allowed the credit of the excise duty paid on locally sourced goods and the Additional Duty of Customs on imported goods. The CENVAT credit can be utilized for the payment of excise duty on the clearance of dutiable final products manufactured in India. The Finance Act 2004 had introduced the integration of goods and services tax. Therefore, manufacturers of dutiable final products would also be eligible to avail CENVAT credit of the service taxes paid on input services used both in the or in relation to the manufacture of final products and clearances of final products from the place of removal. In addition, CENVAT credit would be admissible on the following input services:

i) Services used in relation to setting up of a factory or an office relating to such factory.
ii) Advertisement or sales promotion services.
iii) Services in relation to the procurement of inputs.
iv) Activities relating to management of business such as accounting, auditing, financing, recruitment and quality control.

- **Customs Duty:**

Customs or import duties are levied by the Central Government of India on the goods imported into India. Customs duties are levied on the transaction value of the imported goods. The transaction value of the goods is the price actually paid or payable by the buyer to the seller. The rate at which customs duty is leviable on the goods depends on the classification of the goods determined under the Customs Tariff. The Customs Tariff is aligned with the HSN provided by the World Customs Organization. Certain goods for import fall under the Negative List whereby a specific permission is required before its import.

The types of customs duties applicable are as follows:-

i) Basic Customs Duty (BCD) : This is calculated at the effective rate applied to the landed value of the goods, which comprises of CIF value and the landing charges.

ii) Additional Duty of Customs in lieu of excise (CVD) : This is equivalent to the excise duty applicable on like goods manufactured in India. and is calculated on the landed value and the basic customs duty. However, on most of the consumer goods intended for retail sale, duty is calculated based on the maximum retail price (MRP) printed on their packs.

iii) Additional Duty of Customs in lieu of Sales Tax / VAT (ADC) : In addition, all imports w.e.f. 01.03.2006 are chargeable to an additional duty of customs @ 4% in lieu of sales tax/VAT with few exceptions. The exemptions inter alia include: -

Goods which are fully exempt from basic customs duty and Additional Duty of Customs in lieu of excise.

Petroleum crude, kerosene for PDS, LPG for domestic supply, petrol, diesel, coal & coke.

Goods for export promotion schemes under which imports are allowed at zero duty.

Imports by 100% Export Oriented Units (EOUs) and units in

EHTPs/STPs or SEZs.

DTA clearance of EOUs / EHTPs / STPs / SEZ units, provided such goods are not exempt from sales tax / VAT.

Education Cess (EC) @ 3% is also levied on the aggregate of duties of customs (except safeguard duty, countervailing duty and antidumping duty). Goods attracting customs duties at bound rates under international commitments (for example, IT Agreement, Indo-US Textile Agreement) have been exempted from this cess.

- **Service Tax:**

Service tax is a tax levied on certain specified taxable services rendered at the rate of 12% of the gross value of taxable services. In addition, a cess @ 3% is also leviable on the services. The scope and applicability of service tax has been changing on a year to year basis.

However, a service provider is not required to pay service tax if the aggregate value services rendered does not exceed Rs.10 lakhs (Rs. 1 million) in any financial year subject to the fulfillment of the certain conditions.

The Cenvat Credit Rules allow a service provider to avail and utilize the credit of additional duty of customs/excise duty (paid on inputs/capital goods used in rendering output services) for the payment of service tax. This is in addition to the availing and utilization of credit of service tax on input services for the discharge of output service tax liability.

- **Central Sales Tax ('CST') / Value Added Tax ('VAT'):**

Sales tax is levied on the sale of movable goods. This tax is imposed by either the central government or the state government depending upon whether the sales are in the nature of interstate sales or intrastate sales.

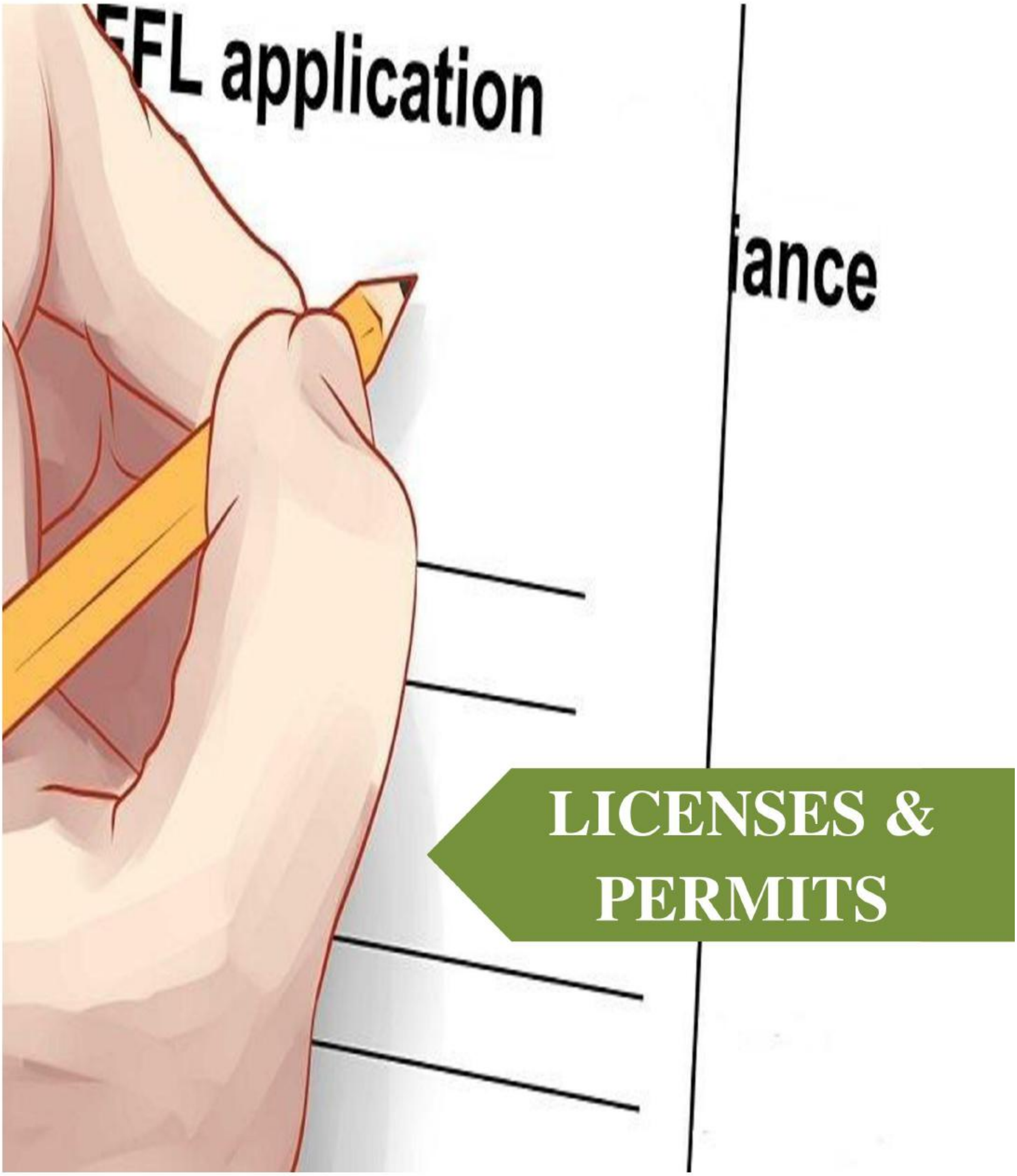
For intrastate sales, the relevant state sales tax legislation would be applicable. The levy of sales tax and the rates applicable thereto, therefore, varies according to the sales tax law of the relevant state.

LABOUR LAWS

Businesses in India need to comply with secretarial matters specified under the Indian Companies Act and report to the concerned ROC. This may include Office shifting Change in director / authorized representative Maintain Board minutes, statutory registers Annual return to ROC Employer needs to consider the impact of government regulated pension plan scheme referred as Provident Fund. Furthermore, an outgoing employee, who has exceeded 5 years of service, is to be paid Gratuity calculated as per specified scales. Besides, industrial units are covered by Employee State Insurance, Industrial Dispute Act, Contract Labour Act, etc.

Tax approval: No. of days

- Some of the key approvals and their timelines under direct and indirect taxes are as follows:
- Obtaining Permanent Account Number (PAN) - 15 days
- Obtaining Tax Deduction Account Number (TAN) – 15 days
- Obtaining recognition from Department of Scientific and Industrial Research (DSIR) with respect to in-house R&D unit - 3 to 6 months
- Obtaining approval from DSIR for claiming weighted deduction [under section 35(2AB)] for in-house R&D unit – 6 to 9 months
- Value Added Tax registration – 10 to 16 days (applicable on sale goods)
- Service Tax registration – 7 days (applicable for service provider)
- Excise registration – 7 days (applicable for manufacturer)
- Entry Tax registration – 10 to 30 days (applicable if goods are procured/purchased into the local area for use, consumption or sale therein)
- Central Sales Tax registration – 10 to 30 days (applicable if goods are sold from one State to another).



LICENSES & PERMITS

Compliance is the key when starting a business. Find out which permits you need to obtain for your new venture.

When you're embroiled in the excitement of starting a new business, it's easy to ignore the need for licenses and permits. Sure, getting licenses and permits is about as fun as visiting the dentist. But failing to do so-and doing it right from the beginning-is one of the most common mistakes new entrepreneurs make.

Following are some of the most common licenses and permits home based small-business owners may need and where to go for more information.

- **Business License:**

Contact your city's business license department to find out about getting a business license, which essentially grants you the right (after you pay a fee, of course) to operate a business in that city. When you file your license application, the city planning or zoning department will check to make sure your area is zoned for the purpose you want to use it for and that there are enough parking spaces to meet the codes.

You can't operate in an area that is not zoned for your type of business unless you first get a variance or conditional-use permit. To get a variance, you'll need to present your case before your city's planning commission. In many cases, variances are quite easy to get, as long as you can show that your business won't disrupt the character of the neighborhood where you plan to locate.

Because you're planning to start a business in your home, you should investigate zoning ordinances especially carefully. Residential neighborhoods tend to have strict zoning regulations preventing business use of the home. Even so, it's possible to get a variance or conditional-use permit; and in many areas, attitudes toward home based businesses are becoming more supportive, making it easier to obtain a variance. Visit the Zoning section of this article for more information.

- **Fire Department Permit:**

You may need to get a permit from your fire department if your business uses any flammable materials or if your premises will be open to the public. In some cities, you have to get this permit before you open for business. Other areas don't require permits but simply schedule periodic inspections of your business to see if you meet fire safety regulations. If you don't, they'll issue a citation. Businesses such as restaurants, retirement homes, day-care centers and anywhere else that lots of people congregate are subject to especially close and frequent scrutiny by the fire department.

- **Air and Water Pollution Control Permit:**

Many cities now have departments that work to control air and water pollution. If you burn any materials, discharge anything into the sewers or waterways, or use products that produce gas (such as paint sprayers), you may have to get a special permit from this department in your city or county. Environmental protection regulations may also require you to get approval before doing any construction or beginning operation. Check with your state environmental protection agency regarding federal or state regulations that may apply to your business.

- **Sign Permit:**

Some cities and suburbs have sign ordinances that restrict the size, location and sometimes the lighting and type of sign you can use outside your business. To avoid costly mistakes, check regulations and secure the written approval of your landlord (if you rent a house or apartment) before you go to the expense of having a sign designed and installed.

- **County Permits:**

County governments often require essentially the same types of permits and licenses as cities. If your business is outside any city or town's jurisdiction, these permits apply to you. The good news: County regulations are usually not as strict as those of adjoining cities.

- **State Licenses:**

In many states, people in certain occupations must have licenses or occupational permits. Often, they have to pass state examinations before they can get these permits and conduct business. States usually require licensing for auto mechanics, plumbers, electricians, building contractors, collection agents, insurance agents, real estate brokers, repossessors, and anyone who provides personal services (i.e., barbers, cosmetologists, doctors and nurses). Contact your state government offices to get a complete list of occupations that require licensing.

- **Federal Licenses:**

In most cases, you won't have to worry about this. However, a few types of businesses do require federal licensing, including meat processors, radio and TV stations, and investment advisory services. The Federal Trade Commission can tell you if your business requires a federal license.

- **Sales Tax License:**

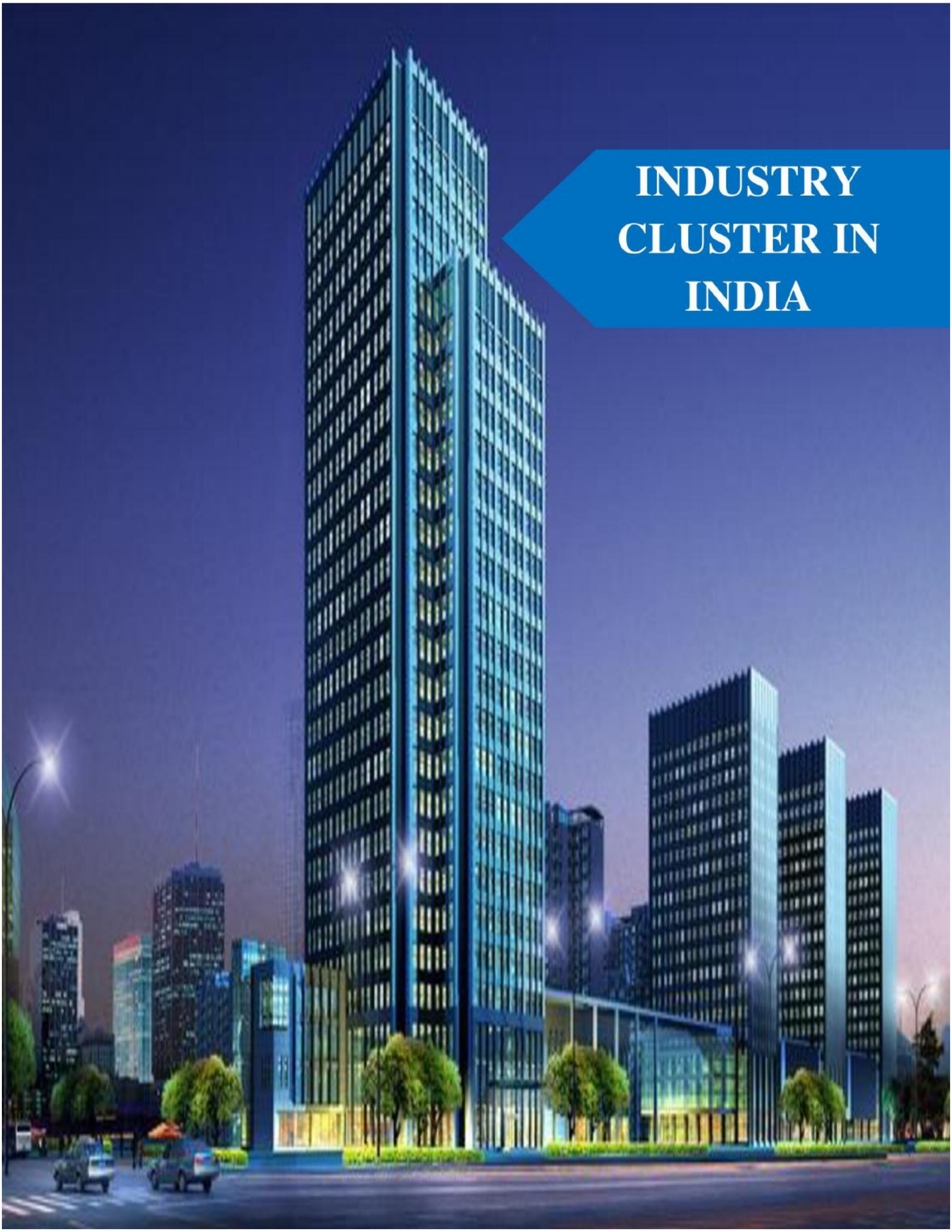
There are two reasons you need a certificate of resale (in other states, this may be called a "seller's permit" or a "certificate of authority"). First, any home based business selling taxable goods and services must pay sales taxes on what it sells. The definition of a taxable service varies from state to state. Depending on individual state rulings, both the parts and labor portions of your bill may be taxable.

Sales taxes vary by state and are imposed at the retail level. It's important to know the rules in the states and localities where you operate your business because if you're a retailer, you must collect state sales tax on each sale you make.

Before you open your doors, be sure to register to collect sales tax by applying for each separate place of business you have in the state. A license or permit is important because in some states it's a criminal offense to undertake sales without one.

- **Health Department Permits:**

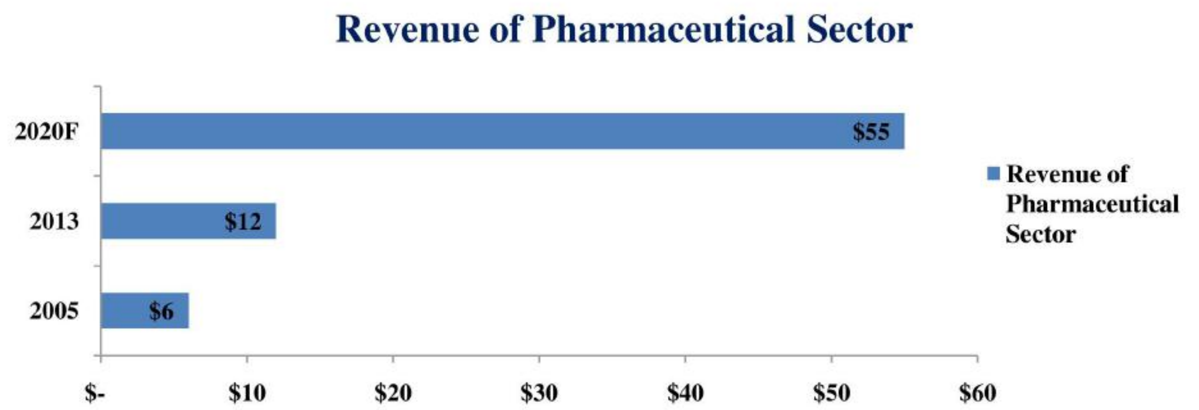
If you plan to sell food, either directly to customers as in a restaurant or as a wholesaler to other retailers, you'll need a county health department permit. This costs about $25 and varies depending on the size of the business and the amount and type of equipment you have. The health department will want to inspect your facilities before issuing the permit.

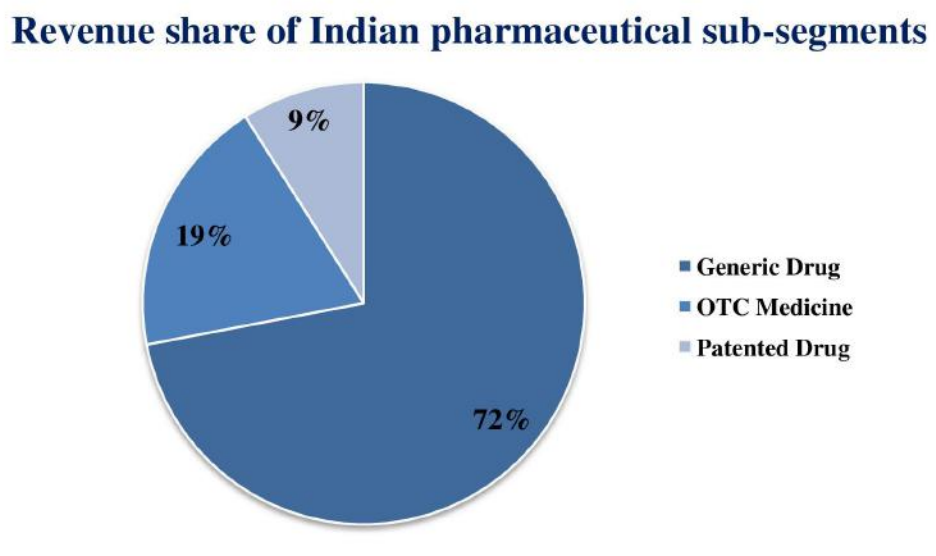


INDUSTRY CLUSTER IN INDIA

PHARMACEUTICALS SECTOR

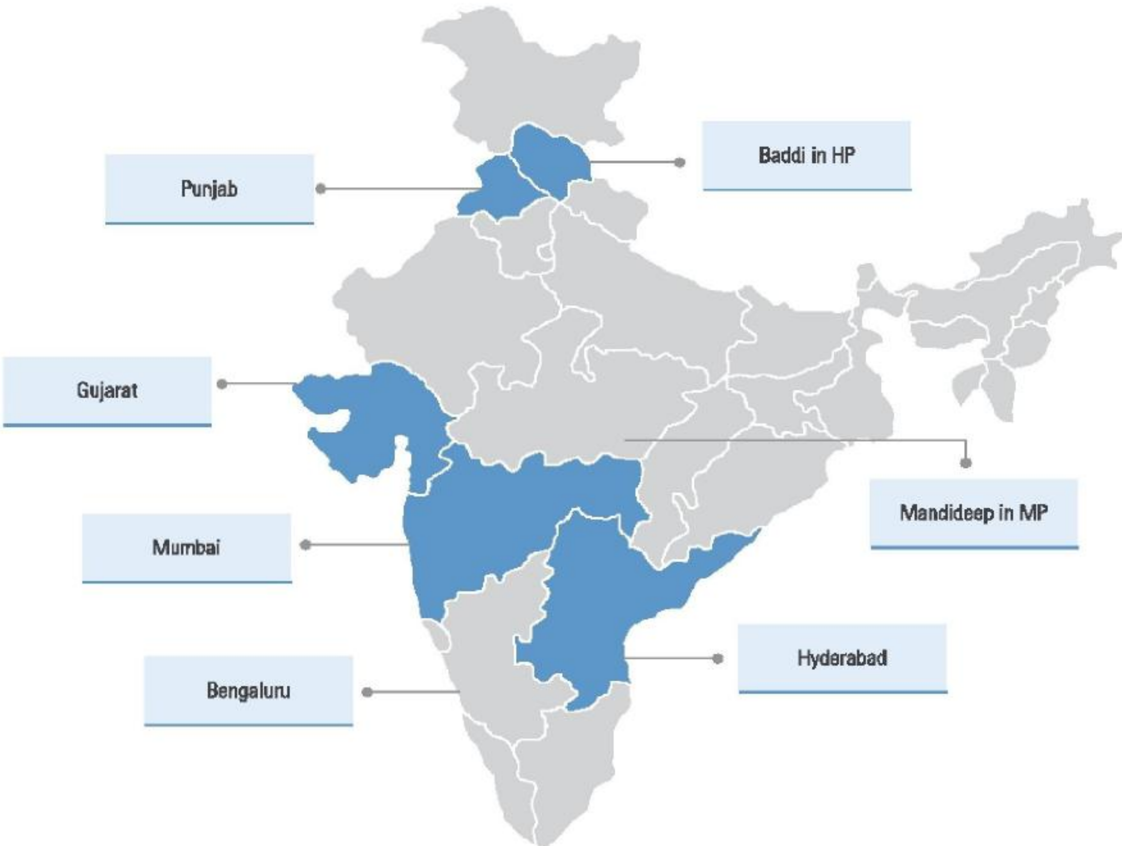
- India is now among the top five pharmaceutical emerging markets.
- The Indian pharmaceutical industry currently tops the chart amongst India's science-based industries with wide ranging capabilities in the complex field of drug manufacture and technology.
- The India Pharmaceuticals industry is estimated to be worth $4.5 billion, growing at about 8 to 9 percent annually.
- The Indian pharmaceuticals market is expected to expand at a CAGR of 23.9 per cent to reach US$ 55 billion by 2020.





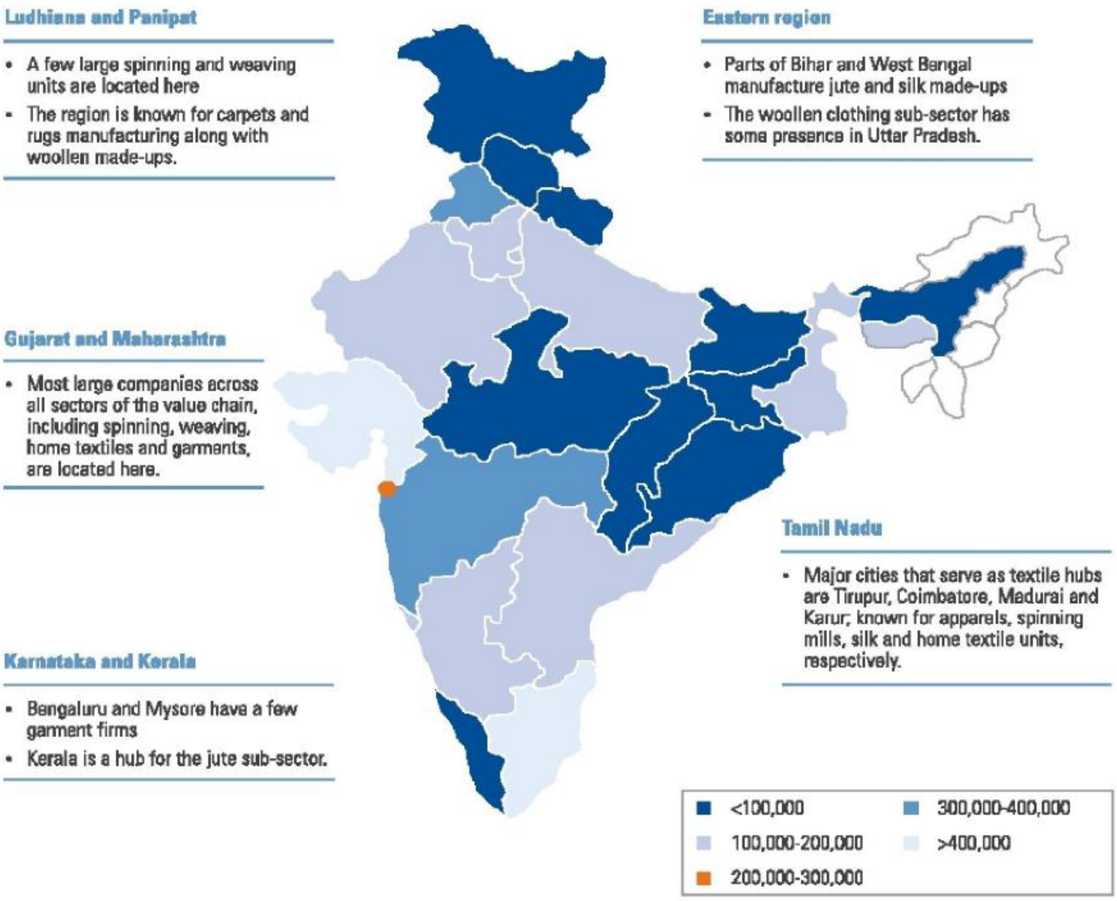
- Himachal Pradesh and Uttarakhand are considered among the fastest growing regions in the pharma industry in India
  - Haridwar, Roorkee, Dehradun and Rudrapur are reportedly the main hubs of pharmaceutical firms in Uttarakhand with ~ 200 pharma manufacturing units
  - Baddi and some other pockets in Himachal have over 300 units
- The investment in the region is reported to be worth an estimated INR30 billion in recent years.
- The growth in these areas can be attributed to the incentives announced by their respective governments in its Industrial Policy, 2004.
- The HP government has come up with some new initiatives to focus on developing new technologies in the areas of biotechnology for agriculture, animal husbandry and healthcare.
- The development has also resulted in employment for thousands across the region.

Key pharmaceutical ventures across India



TEXTILES & CLOTHING SECTOR

- **India Textile Industry is one of the leading textiles industries in the world.**
- **India earns about 27% of its total foreign exchange through textile exports.**
- Indian textile industry can be divided into several segments, some of which can be listed as below:
  - Cotton Textiles
  - Silk Textiles
  - Woolen Textiles
  - Readymade Textiles
  - Hand-Crafted Textiles
  - Jute & Coir
- India has a potential to increase its textile and apparel share in the world trade from the level of 4.5 per cent to 8 per cent and reach US$ 80 billion by 2020.



CAPITAL GOODS

Major clusters for Engineering and Capital Goods

Sub – Sector	Location Cluster
Machine Tools	Rajkot, Pune, Mumbai, Chennai, Bangalore, Hyderabad, Ludhiana
Power and Electrical Equipment	Ahmedabad, Bangalore, Gurgaon, Delhi, Jaipur, Noida
Textile Machinery	Rajkot, Surat, Vapi, Ahmedabad, Mumbai, Tarapur, Nagpur, Coimbatore, Panipat, Amritsar, Ludhiana
Process Plant Machinery	Pune, Mumbai, Bangalore, Chennai, Coimbatore
Plastic, Paper and Rubber Machinery	Ahmedabad, Mumbai, Pune, Bangalore
Light Engineering Goods	Mumbai, Pune, Nagpur, Chennai, Delhi

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