ROLE OF CBEC IN PROMOTING “EASE OF DOING BUSINESS”

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Outline of the Presentation

- **Introduction**: Concept of Ease of Doing Business, Doing Business Rankings, Parameters relevant to CBEC
- **Need & Objective of Study**
- **Research Methodology**
- **Data sources**
- **Discussion**: Policy initiatives taken, the impact, and initiatives in pipeline.
- **Findings**
The ease of doing business index is an index formulated by World Bank which indicates the ease of doing business in a country. The economies are ranked from 1-190 on 10 parameters. Higher rankings (a low numeric value) indicate better, usually simpler regulations for businesses and stronger protections of property rights. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a business firm. The effect of improving these parameters on economic growth is strong.
Regulations as measured by Doing Business affect firms throughout their life cycle.

**At start-up**
- Starting a business
- Employing workers

**In daily operations**
- Paying taxes
- Trading across borders

**In getting a location**
- Dealing with construction permits
- Getting electricity
- Registering property

**When things go wrong**
- Enforcing contracts
- Resolving insolvency

**In getting financing**
- Getting credit
- Protecting investors
Parameters relevant to CBEC

- Trading across Borders
- Payment of Taxes
- Starting a Business
“Ease of Doing Business” Rankings on some important Parameters (India)*

<table>
<thead>
<tr>
<th>FY</th>
<th>Starting a Business</th>
<th>Paying Taxes</th>
<th>Trading across Borders</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>155</td>
<td>172</td>
<td>143</td>
<td>130</td>
</tr>
<tr>
<td>2016</td>
<td>151</td>
<td>172</td>
<td>144</td>
<td>131</td>
</tr>
</tbody>
</table>

Need of the Study

- Taxation policies are a key driver to the business climate of any country.
- Ease of doing business and tax reforms go hand in hand.
- A facilitative tax environment is crucial to creating a more positive image for India as an investment destination.
Objective of the study

- Understanding the Policy initiatives undertaken by CBEC with a view of facilitating the “doing business” environment.
- To evaluate whether the initiatives are resulting in simplification of procedures, standardization of processes and harmonization of practices.
Methodology

- Qualitative study based on analysis of available rules & regulations, notifications, circulars, World Bank Report, TARC, CBEC, DGFT, Budget proposals and other Reports of Trade Associations.

- Empirical study primarily based on secondary data.
Data sources

- CBEC website, www.cbec.gov.in
- Director General of foreign trade, http://dgft.gov.in/
- http://finmin.nic.in/the_ministry/dept_revenue/tarc_report.asp
- http://easeofdoingbusiness.org/
- www.nacen.gov.in
Role of CBEC in ‘ease of doing business’

Initiatives taken

Initiatives in pipeline: Way forward
Initiatives Taken: Bird’s eye view

1. Rationalization of tax rates
2. Simplification of procedures
3. Encourage compliance and early dispute resolution
4. Promoting Online processes to reduce physical interface
5. Optimization of Risk Management System
6. Customer centric approach
1. Rationalization of tax rates

- 13 cesses levied by other Ministries / Departments and administered by the DoR, where the revenue collection from each of them is less than Rs. 50 crore in a year has been abolished.
- Major concessions given to ship repair units and aircraft maintenance and overhaul operations.
- Duty rationalization done in many commodities to avoid classification disputes and consequent litigation.
2. Simplification of procedures

- No. of Documents required for Import/Export reduced to just 3.
- Interest on outstanding taxes reduced to 15%.
- Provisional payment of drawback to exporters pending fixation of brand rate.
- Full transferability of duty credit scrips to pay dues under all three indirect taxes.
- Electronic monitoring of export proceeds realization, which shall obviate need for submitting documentary evidence by exporters.
- Installation certificates from private chartered engineers allowed.
- Deferred duty payment for select categories of importers and exporters.
3. Encourage compliance and early dispute resolution

- Indirect Tax Dispute Resolution Scheme Rules, 2016
- Penalty provisions rationalized
- Pre show cause notice consultation for duty more than 50 lakhs
- Threshold for filing of Appeals by the department has been progressively raised
- Amendments in prosecution provisions
- Fifty technical issues resolved in tariff conference
4. Promoting Online processes to reduce physical interface

- Online payment, online Return filing
- Introduction of digital signatures for filing documents online.
- Electronic Delivery Orders-SMS service between shipping line & custodians
- Online registration of new Central Excise/ S.Tax assessee in 2 days.
- e-payment of refunds/rebates through NEFT/RTGS.
- 100% disbursal of Drawback electronically.
5. Optimization of Risk Management System

- Authorized Economic Operator (AEO)-faster Customs clearance for businesses having status of authorized economic operator
- New risk parameters identified for audit of units
- Concept of integrated audit initiated
- Introduction of Single Window Interface for Facilitating Trade (SWIFT) for Imports Clearance which connects 6 other government agencies (eg Plant Quarantine, Drug Controller etc) with Customs.
Single Window Clearance

Trader or Agent submits all information required for shipment once to the Single Window service provider.

Responses from the various authorities and financial institutions are returned to the Trader or Agent. An all-positive final response denotes cargo clearance.

Single Window

Select, sort, filter information, routes it to targeted recipients (agencies, bank, etc.) in the proper sequence or flow and returns responses to Trader.

Plant Quarantine

Animal Quarantine

BANK

CUSTOMS

Chambers of Commerce

Insurance Company

Tobacco Board
6. Customer centric approach

- Improved tax payer services through new Directorate of Tax payer services Mechanism for coordinating with stakeholders and other Regulatory Agencies
- Customs Clearance Facilitation Committee (CCFC) to address the issue relating to Customs Clearance and infrastructure impacting clearance of goods.
- 24/7 Customs Clearance Operations extended in major Sea and Air ports
- Every ‘Wednesday’ declared as Tax Payer’s Day where the tax payers can meet the officers without any appointment.
Impact
# Dwell time report of Mumbai JNCH Port*

## Time taken from arrival of cargo to filing of declaration by importer

<table>
<thead>
<tr>
<th>Year</th>
<th>Time Taken</th>
<th>Time taken by Customs for assessment after filing of declaration</th>
<th>Time taken by importer for payment of Customs duty</th>
<th>Time taken from payment of duty to registration of documents</th>
<th>Time taken from registration of documents to ‘out of Customs charge’</th>
<th>Total Time</th>
<th>Percentage of time taken by Customs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>4 days &amp; 19 hrs</td>
<td>1 day</td>
<td>1 day &amp; 5 hrs</td>
<td>2 days &amp; 5 hrs</td>
<td>6 hrs</td>
<td>9 days &amp; 11 hrs</td>
<td>13.24%</td>
</tr>
<tr>
<td>2016</td>
<td>4 days &amp; 16 hrs 3 mins</td>
<td>21 hrs 46 mins</td>
<td>18 hrs &amp; 40 mins</td>
<td>2 days &amp; 4 hrs 20 mins</td>
<td>5 hrs &amp; 40 mins</td>
<td>8 days &amp; 18 hrs 28 mins</td>
<td>13.03%</td>
</tr>
</tbody>
</table>

*source:www.cbec.gov.in*
Indian Customs Single Window Clearance (SWIFT)

Total: 3416626

Year: 2016-17

No. of Bills of Entry

<table>
<thead>
<tr>
<th>Month</th>
<th>No. of Bills of Entry</th>
</tr>
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<tbody>
<tr>
<td>Apr</td>
<td>519996</td>
</tr>
<tr>
<td>May</td>
<td>465718</td>
</tr>
<tr>
<td>June</td>
<td>335460</td>
</tr>
<tr>
<td>July</td>
<td>335825</td>
</tr>
<tr>
<td>Aug</td>
<td>357679</td>
</tr>
<tr>
<td>Sept</td>
<td>460651</td>
</tr>
<tr>
<td>Oct</td>
<td>462942</td>
</tr>
<tr>
<td>Nov</td>
<td>478355</td>
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</table>
CBEC has issued instructions specifying the threshold for filing of Appeals by the department as Rs. 25 lacs, Rs. 15 lacs and Rs. 10 lacs before Supreme Court, HC and CESTAT respectively resulting in reduced litigation.

<table>
<thead>
<tr>
<th>Upto June 2016*</th>
<th>CESTAT</th>
<th>High Court</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases fit for withdrawal</td>
<td>5261</td>
<td>2051</td>
</tr>
<tr>
<td>Application filed</td>
<td>2174</td>
<td>980</td>
</tr>
<tr>
<td>Actually withdrawn</td>
<td>202</td>
<td>250</td>
</tr>
</tbody>
</table>

*source:www.cbec.gov.in
Findings

- Reduction in dwell time in Customs.
- Procedural simplification.
- Reduction in litigation.
- Mitigation of conflicting interests.
- Sense of great confidence in the mind of taxpayers.
Way forward

- Goods and Services Tax (GST)
- Customs free borders for neighboring countries
- 100% conversion of Non EDI ports to EDI ports
- Extension of ICEGATE to SEZs
- Risk management
- Extension of 24x7 customs clearance facility for all types of export/import clearances
- eBiz portal
Way forward (contd.)

- Capacity building
- Access to the best practices followed in the world
- Dedicated task force
- Increased tax outreach programs
- Image building
- Big data analysis