

Summary

Permits, Registrations & Compliances

This is an important area that must be addressed by all entrepreneurs. Any negligence here may lead to an irreversible loss. So, it is essential that you understand the legal aspects completely, before taking any decision for the company. It is advisable to hire/consult a lawyer for all such aspects, but a good understanding is a must.

Types of Permits

Permits are a legal form of authorization that allows you to do certain activities on the basis of certain permissions taken from the respective regulatory bodies. The purpose is of course to avoid any legal implications in future. The various types of permits and registrations are listed below:

- 1) **Tax Registrations** – Applies to almost all forms of business, namely PAN, TAN, etc. Certain other tax registrations apply depending on the nature of business, namely, Central Excise if goods are being manufactured, and Service Tax for activities that qualify as “services” under applicable tax laws, etc.
- 2) **Office Setup Permit** – These are permits which are required to commence any business as per certain acts like shops and establishment act, municipal laws, etc.
- 3) **Labour Law Registrations** – These apply to the employer for the benefit of its employees namely provident fund registration, gratuity, etc.
- 4) **Industry Specific Permit** – These are business specific permits which are required as per the industry. So, permissions are to be taken from respective ministries. For example, if you are operating in the media industry, you must get the license/approvals from the Ministry of Information and Broadcasting.

Tax Registration Documents

It is good to have all the tax registrations in place even before you commence your business. Most startups tend to avoid and delay these activities, leaving it for the time when they start making revenues. This is not advisable, as it is a must to have your house in order, for it to function well, and on an ongoing basis. There are two basics that you need to have:

1. **Permanent Account Number (PAN):** It is a mandatory requirement for any business to have a PAN number before opening a bank account. PAN is used for paying direct taxes.
2. **Tax Deduction Account Number (TAN):** This is required when you make any third-party payments, say to the supplier of your goods/service. TAN is used for deducting tax at source.

For getting any other tax-related documents, please consult someone who is an expert into handling this area.

Compliance

Ineffective compliance creates a huge business risk for any entrepreneur. Issues with compliance keep getting complex as your business grows. Having **processes in place** help you avoid legal hurdles; gain investor confidence and improve operations. Not following the same, can lead to a number of setbacks, like loss of management time in correction, monetary penalties and loss of reputation.

For compliance purposes, you need to make **certain filings** for annual compliance, quarterly compliance and conduct board meetings as per policy. For all these, it is advisable to hire a Company Secretary.

When you **seek investments**, one of the first things that potential investors will look for is whether the company is legally compliant or not and whether the reported numbers are audited or not, etc.

In the case of the burgeoning **e-commerce space**, it is becoming important to follow relevant e-business policies. There are certain areas which need to be addressed like:

- 1) Ensuring data privacy
- 2) Having robust terms of use
- 3) Following payment gateway rules

You should be able to:

- Understand the different types of permits required for your business
- Think through the required tax registration documents as per the law
- Acknowledge the importance of compliance and follow them