

## Transcription

### Permits, Registrations & Compliances

#### Types of Permits



In any business legal and statutory clarity is of utmost importance but unfortunately most early stage entrepreneurs do not have the clarity or do not do enough homework in order to make sure that they understand the legal aspects well, because of which at the end of the day the business bears the brunt. and most entrepreneurs realize it too late in the day regarding the various legal pitfalls and at that point of time Often steps are taken too late in the day by which time the legal aspects have already become very complicated so for any business before you start is going to be very important to ask ourselves three fundamental questions

1. What kind of Registrations need to be made?
2. What kind of permits need to be obtained?
3. What kind of compliances need to be followed?

And I think it's going to be very critical for us to understand all of these three in depth from our subject matter experts.



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There are generally two types of permits if you could broadly classify them. One would be the 1. Generic Permit - that go to any form of businesses. These would relate to tax registrations, service tax registrations to enable payments being made, withholdings of taxes when payments are being made. Then there would be those which relate to generally 2. Office Setup - When it comes to office set up it could relate to shops and establishment, compliance with your municipal laws, which zones your offices are located at in the relevant areas. Very often people don't realize that residential premises can't be used for office purposes. There are municipal laws, there are municipal requirements, so the best way to go about it is not to do research yourself Best way to go about is engage a consultant, it could be a lawyer, it could be a consultant who deals in this area.



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The other thing is that when you set up your company and you get the registration of your company done, you also need to ask your lawyers that whether there are any 3. Industry Specific Permit or license is require and what I mean is that today for example, if you are in the media business. Let's say that you have a television channel. You may require a license from ministry of information and broadcasting.

## Tax Registration Documents



Now that we understand the various permits that are required, I think next step is going to be to understand what are the various tax registrations that needs to be obtained to make sure that an entrepreneur can run his business smoothly.



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From a start-up perspective it is easy to assume that as a start-up you may not have immediate revenues in the foreseeable future and so from a tax perspective you may not need any registrations right away on the ground realities require different practice for example even to open a bank account the first document that you need to submit is:

1. Permanent Account Number (PAN) and hence it's important to be prepared that have these tax registrations in place regardless of what your business plan dictates regarding your ability to earn revenues. The second important one is your
2. Tax Deduction Account Number (TAN) as well because you will be making payments to various service providers and it is important to have this when you deduct tax. Tax has to be deducted at source when you are making payments to third parties and when you deduct that payments and deposit it with the government you need to have a TAN. Once again all comes down to a certain thresholds and if your making payments depending upon the nature of payments you will either have a service tax or you'll have TDS obligations so how do you draw a distinction?

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Broadly they are something called direct taxes which is when you are Paying Direct Taxes is where you have a pan for and why you need a TAN no. to detect tax at source and secondly are indirect taxes which you have to pay on certain services any type of service does attracts service tax requirement however even for service tax to become applicable your revenues have to cross a particular threshold.

## Compliance



Beyond permits and registrations there are certain areas of compliances that a venture needs to take care of. So I think it's going to be very important for us to dig further to understand this in detail.



Being a product guy, tech guy, even somebody who can do sales and marketing, my challenge has always been on a compliance side. I never focused on those things, but it takes a long time, to fix things later on. These are compliance one thing that no investor would invest in a company if you are not in compliant with the local regulations. My advice to all entrepreneurs is right from day zero, no matter, how small you are, you might think this is not important but make sure you are compliant for all the rules and regulations. For that at every stage of the company have separate line item in the budget for compliance. Whether it means to hire a person or hire a consultant, company secretary, a CA may be not full time, may be get consultant as a part time basis or to outsource some of this. So I would say, invest in compliance because there is no other way out, right from day zero. Do not think you are too small for something like this. Because there are, I have seen, rules Indian law, companies' law changing over the last several years, and they have gotten really-really tough for simple things.





Compliance is one of the key building blocks to a successful business. What compliance really does is it builds a process and in any organization structure whether internally or whether you are looking at it externally, compliance sets the discipline, it sets a certain motion to the organization

You know very often entrepreneurs when they set off in this journey don't realize the importance of compliance for very obvious reasons, it's a smaller eco system to operate in but with passage of time and you know as you should be praying to become that large Facebook as shorter span as possible, you suddenly realize all your external partners be it new investors, banks, new joint venture partners, they who coming from a more mature world suddenly start focusing on compliance and that's one of the checks they kind of engage in when they choose you as their partner non-compliance often leads to a discount, in which way?

Number one it's not the money; it's the management time that you spend in rectifying it, which then makes your other businesses suffer. Second you obviously have the monetary penalties and third the reputation cost. We are getting more into an internet world and you are saying more of the government agencies, more of the media putting out names of people who are non-compliant and when you kind of add all of these three factors and when you ask yourself what is the cost of non-compliance. You know it's really not worth even thinking in that direction.





The other aspect you need to keep in mind is once your company is incorporated doesn't mean that the work is over as far as the company is concerned. There are:

1. Annual Compliances, there are
2. Quarterly Compliances and there are
3. Board Meetings that need to be held.

This may sound a very overpowering but the fact is that they are not that as long as you have proper advice and someone to help you maintain the books. As you'll have an accountant who will help you maintain your accounts, you'll also need to have a company secretary, you don't need to have a full time company secretary to start with, you can have an advisor or law firm a company secretarial firm that will help you maintain your corporate records and make the filings because the minute you don't make these filings, you end up being non-complaint. So good corporate governance from day 1 is very critical. Ensure that you are maintaining the correct standards and you're making all the filings on time.



Corporate compliance also goes long way when you start attracting foreign investment, when you go to your venture capital investor and say give me that 5 million dollars, right, this is the first thing he goes into diligence is where is the compliance, are these records right? Is this company all about what they actually say, that's where books and records gets importance, that's where origin number gets important and that's where the compliance comes in.

We are all moving to a world where liabilities are getting stricter, where external advisors be your auditors, be it your company secretary, be your lawyers it is important you stick to them otherwise your audit records get qualified and it again leads to the discount that we have been talking about.



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At the early stages most entrepreneurs are thinking of having lesser people on their rolls but having lesser people on the rolls doesn't mean they are able to roll out services correctly and therefore that means entering into relationships with contract labour agencies. So who are these people? So contract labour is a growing concept in India. For that purpose when you enter into contract labour contract, you need to make sure your contract labour agency has the Correct Labour Registrations absent which the duties which the contract labour agency owes to those labour who are coming to your premises falls to you.

The whole purpose of entering into contract labour contracts is to make sure that the primary responsibility of compliance is taken by these contract labour agencies. Third could be nature of the labour registration These would typically relate to provident fund registrations related to your employees which are the basic ones and more often than not the growing trends is to have contract labour type situations where you need to make sure your agency that supply you labour, it could be canteen boys, it could be your office boys delivering documents has a right type of contract labour registrations.

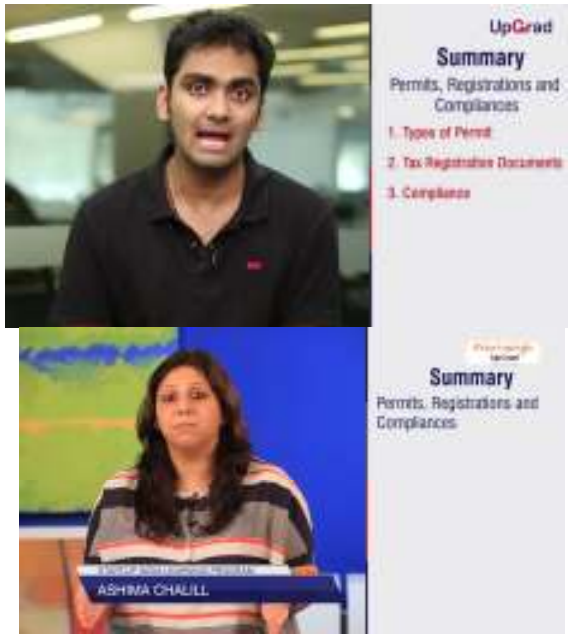


Now the next thing also you need to be aware of is that if you have any online component of your business, you'll be encountered with 3-4 different things that you need to keep in mind. Online presence also requires certain types of compliances. No regulatory approval there such but one is that data privacy and privacy policies and the way you interact with your customers who are going to come to your website is very important. There are laws in this country dealing with how you have to deal with, for example, sensitive personal data, credit card information of your customers.

You need to have robust terms of use and a robust privacy policy which is easily accessible to people who visit your website and all of this should be vetted through a lawyer because the laws and regulations keep changing and you need to ensure that your terms of use and privacy policies are up to date and with the appropriate parts built into it. The other issue is that if you are going to be selling goods and services online, you will invariably have to enter into contract with payment gateways.

These companies are basically allow your customers to use their credit card or debit cards to buy your goods and services. You'll enter into a contract with them. These payment gateways have their own rules and regulations that they need to comply with from a Reserve Bank of India, perspective and other laws and regulations and they will ask you on your end to also comply with some of these rules and regulation.

## Summary - Permits, Registrations & Compliances



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So In this session we understood the various type of permits tax registrations and compliance that a venture needs to take care of we started off by understanding the various types of permits required:

- Types of Permit For example, Generic Permit Office Setup Permit Industry Specific Permit Then we understood the various types of Next, we talked about the various
- Tax Registration Documents required:
- That is:

1. PAN

2. TAN and their specific purposes.

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There after we moved on to understand the integrities of Compliance we understood the importance of compliance and the

1. Impact of Non-Compliance. We also looked at the various
2. Filings that are required to maintain compliance. Then finally we discussed the
3. HR Policy and the
4. E-Business Policy and how to comply with.

It was great seeing you for this session, look forward to see you again.



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