

## DOING BUSINESS IN INDIA – FOOD PROCESSING SECTOR

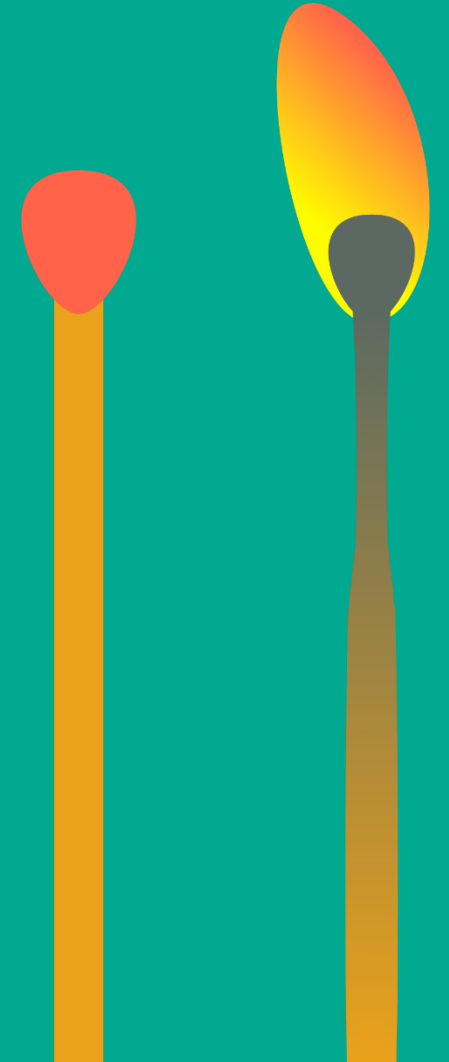
Legal & Tax update

May 25, 2020



# AGENDA

- 1 Legal Update
- 2 Tax Update
- 3 Contact



# 1. LEGAL UPDATE



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## KEY REFORMS – EASE OF DOING FOOD BUSINESS

### FDI Policy:

- 100% FDI permitted for food processing through automatic route.
- 100% FDI under government approval route for trading, including the same through e-commerce, with respect to food products manufactured and/or produced in India.
- Contract Manufacturing is permitted.
- Government Route for FDI from Neighbouring States.

### Food Processing Regulations:

- One Nation, One Food Law
- Food Standards & Regulations at par with Global Standards
- SWIFT – Electronic process for speedy clearance of goods imported.
- Government initiatives to minimize compliance bottlenecks



# 1. LEGAL UPDATE

## KEY REFORMS – EASE OF DOING FOOD BUSINESS

### Business Set-up & Exit Mechanism:

- Simplified procedure for incorporating company electronically.
- Companies with authorized capital upto INR 15,00,000 - Zero Incorporation Fee.
- Decriminalisation of various offences.
- New rules for winding up of small companies.

### Privileges to Micro, Small & Medium Enterprises (MSMEs):

- Re-classification of MSMEs.
- Budget 2020: Leeway in audits.
- Assistance in recovery of pending payments.
- Environmental Permissions: Single window clearance system.

### Existing and Revised Definition of MSMEs



Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment < Rs. 25 lac	Investment < Rs. 5 cr.	Investment < Rs. 10 cr.
Services Enterprise	Investment < Rs. 10 lac	Investment < Rs. 2 cr.	Investment < Rs. 5 cr.

Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 cr. and Turnover < Rs.5 cr.	Investment < Rs. 10 cr. and Turnover < Rs.50 cr.	Investment < Rs. 20 cr. and Turnover < Rs.100 cr.

# 1. LEGAL UPDATE

## KEY REFORMS – EASE OF DOING FOOD BUSINESS

### Labour Laws Reforms

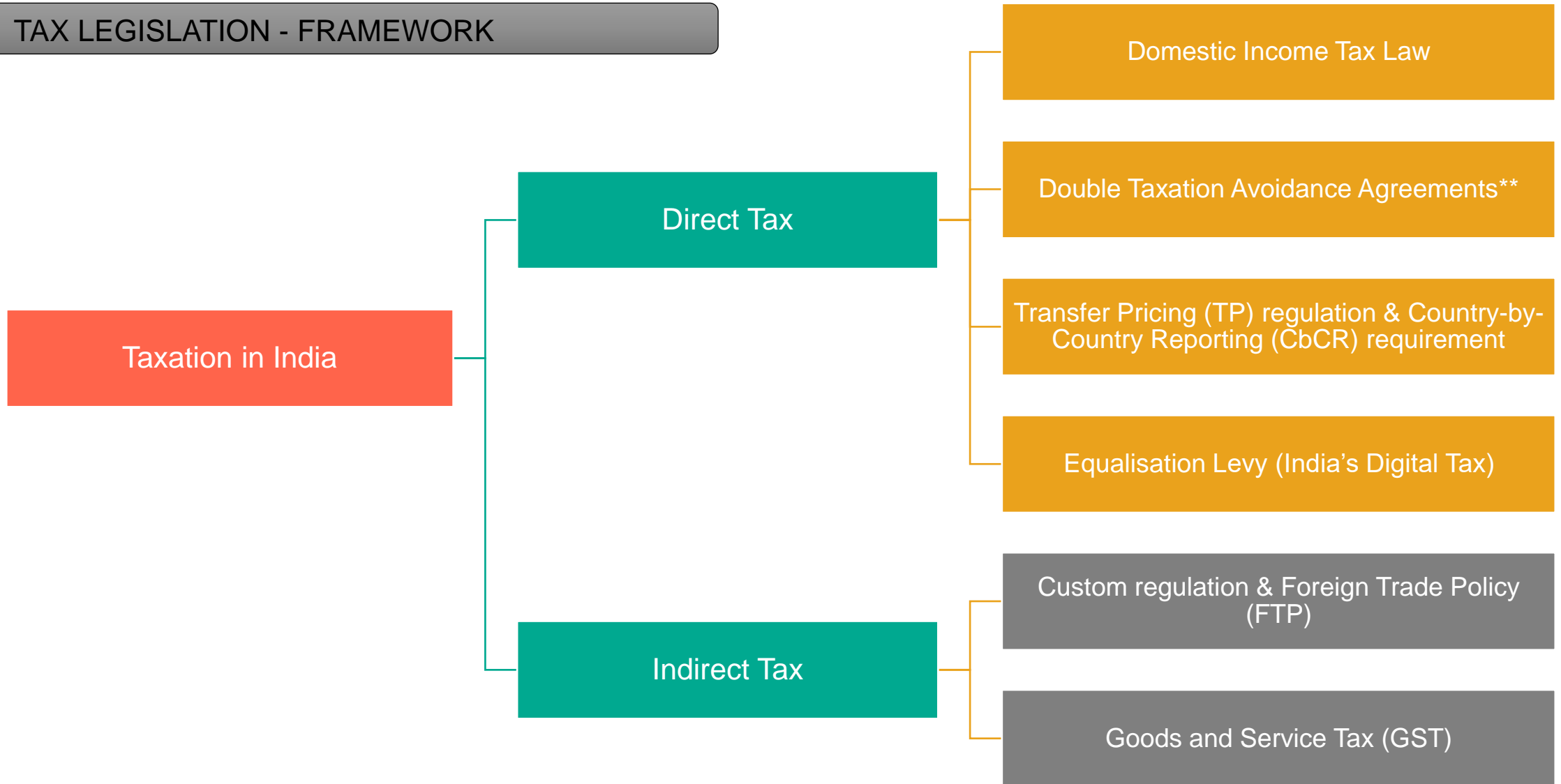
- Online Portal to ease the complexity of compliance.
- Compliance regime for MSMEs based on self-certification inspection.
- Codification of 40+ laws in 4 codes.
- COVID -19: Welcome changes in labour laws by States.

## 2. TAX UPDATE



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## 2.1 TAX LEGISLATION - FRAMEWORK

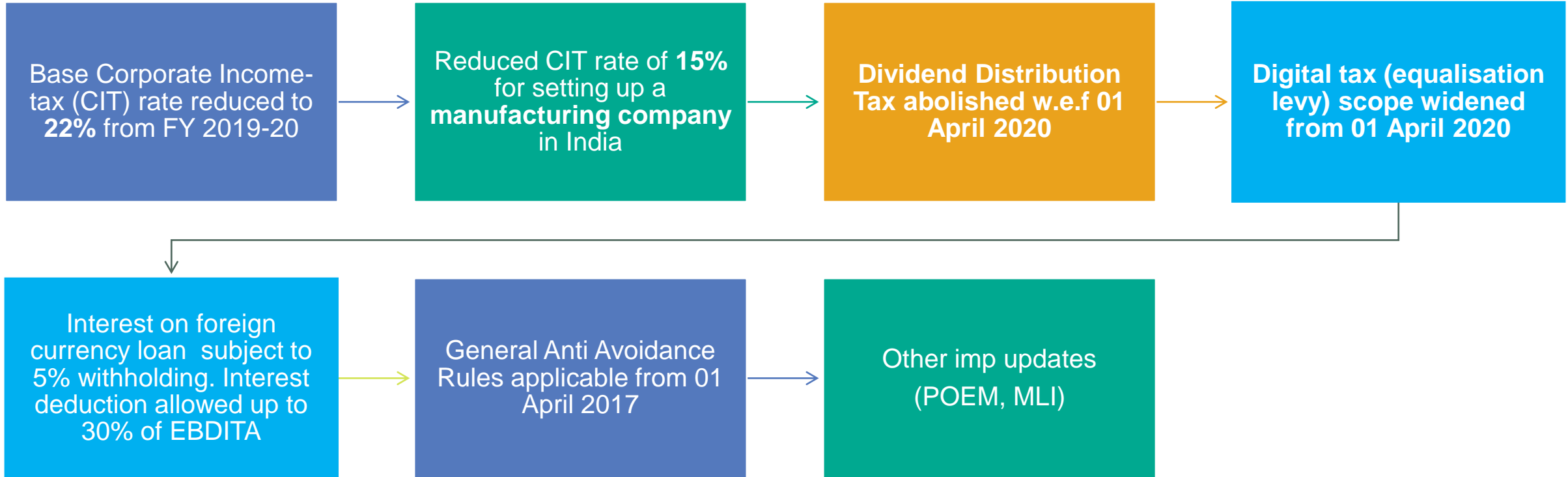


\*\*governs taxation for royalty, fees for technical services, interest, dividend payments to foreign parent companies



# 2. TAX UPDATE

## 2.2 RECENT UPDATES – GENERAL



# 2. TAX UPDATE

## 2.3 FISCAL INCENTIVES FOR FOOD PROCESSING SECTOR

80-IB

- Profits from business of processing, preservation and packaging of fruits or vegetables or meat and meat products or poultry or marine or dairy products or from the integrated business of handling, storage and transportation of food grains
  - (1) First 5 years - **100 per cent of profits**
  - (2) Next 5 years - 30 per cent of profits (for companies)
- Prescribed conditions to be fulfilled

- Deduction in respect of **100 / 150 per cent capital expenditure** for specified business
- Specified businesses includes
  - Cold chain facilities
  - Warehousing facilities for agricultural produce
  - bee keeping, production of honey and beeswax
  - setting up and operating a warehousing facility for storage of sugar;
- Prescribed conditions to be fulfilled

35AD

80JJA

- Deduction of an amount equal to 30 per cent of additional employee cost for 3 years
- Conditions prescribed for “Additional employees”

- Concessional rate of GST on certain agricultural, processed food items and machinery and certain agricultural support services

GST

## 3. CONTACT



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