

## CHAPTER 3

### LEGAL ASPECTS FOR SMALL BUSINESS

**Table 2.1. Applicability of important labour laws to the MSE sector by employment threshold**

Employment Threshold		
1-9 workers	10-19 workers	20-49 workers
		<b>Third Threshold</b>
		The Contract Labour (Regulation and Abolition) Act, 1970
		The Payment of Bonus Act, 1965
	<b>Second Threshold</b>	The Employees' Provident Fund and Miscellaneous Provisions Act, 1952
	Labour Laws (Exemption from Furnishing Returns and Monitoring Registers) Act	
	The Payment of Gratuity Act, 1972	
	The Factories Act, 1948	
	The Employees' State Insurance Act, 1948	
	The Payment of Wages Act, 1936	
	Maternity Benefits Act, 1961	
	Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988.	
<b>First Threshold</b>		
Shops and Establishments Acts of state governments		
Workmen's Compensation Act, 1923		
Child Labour (Prohibition & Regulation) Act, 1986		
Bonded Labour System (Abolition) Act, 1976		
Equal Remuneration Act, 1976		
The Industrial Disputes Act 1947 [with the exception of Chapters VA and B applicable to enterprises with 50 and above and 100 and above workers respectively]		
Minimum Wages Act, 1948		
Trade Union Act, 1926		
Labour Laws (Exemption from Furnishing Returns and Monitoring Registers) Act (in some states)		

## **Government Schemes & Benefits**

India was recently termed as the only, truly emerging market in the world at the moment. A part of this growth is fueled by the micro, small and medium enterprises of the country. The SME sector contributes over 40% of the total GDP and remains a critical source of employment for the India's growing population. Recognizing the importance of SME growth in the post-demonetization era, the government has started some new business loan schemes and boosted other existing ones. Here are the top five business loan schemes from the government of India that you can avail for small business finance.

### **MSME Business Loans in 59 Minutes**

Perhaps the most talked about business loan scheme right now is the 'MSME Business Loans in 59 Minutes', a scheme first announced in September 2018. The loans under this scheme are given for financial assistance and encouragement of MSME growth in the country. Both new and existing business can utilize the scheme for a financial assistance up to ₹ 1 crore. The actual process takes 8-12 days to complete, while the approval or disapproval is granted within the first 59 minutes of application. It is a refinancing scheme, wherein five authorized public sector banks will grant the funds. The interest rate depends on the nature of your business and credit rating. No information has been given on subsidizing the principal amount or interest subvention.

To apply for business loan under this scheme, you need GST verifications, Income Tax verifications, bank account statements for the last 6-months, ownership related documentation, and KYC details. More information on application and approvals can be sought by visiting the SIDBI portal for this business loan.

### **MUDRA Loans**

Micro-units Development and Refinance Agency (MUDRA) is an organisation established by the government of India to provide business finance to micro-business units. The loans under the scheme are given on the pretext of 'funding the unfunded'. Since small companies and startups are often left to their own devices for financing their venture, the government has created the concept of low-cost credit to such undertakings. MUDRA Loans are also a refinanced business loans, approved and disbursed through public sector banks, private sector banks, co-operative societies, small banks, scheduled commercial banks and rural banks that come under the scheme. The loans are generally given to micro or small businesses operating in the manufacturing, trading and services sector. The MUDRA Loans are structured as under,

Sishu Loans up to Rs. 50,000/-

Kishor Loans up to Rs. 5,00,000/-

Tarun Loans up to Rs. 10,00,000/-

### **Credit Guarantee Fund Scheme for Micro and Small Enterprises**

The CGMSE was first launched in the year 2000 as a monetary support scheme for micro and small enterprises. It offers collateral-free credit for both new and existing business units that satisfy its eligibility criteria. The scheme provides working capital loans up to ₹ 10 lakhs without any collateral. However, for all credit facilities above ₹ 10 lakhs and up to ₹ 1 crore only primary security or mortgage of land and building associated with the building is obtained and such eligible accounts are covered under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). Asset created through the credit facility which are associated with the business unit are also considered as security when the loan amount exceeds ₹ 10 lakhs.

The business loans under this scheme are financed by various public and private sector banks covered under the scheme.

### **National Small Industries Corporation Subsidy**

The NSIC subsidy for small businesses offers two kinds of financial benefits – Raw Material Assistance and Marketing Assistance. Under the raw material assistance scheme of NSIC, both indigenous and imported raw materials are covered. Under the marketing support, funds are given to SMEs for enhancing their competitiveness and the market value of their products and services. The NSIC is mainly focused on funding small and medium enterprises who wish to improve / grow their manufacturing quality and quantity.

### **Credit Link Capital Subsidy Scheme for Technology Upgradation**

This scheme allows small businesses to upgrade their process by financing technological upgradation. The technological upgradation can be related to numerous processes within the organization, such as manufacturing, marketing, supply chain etc. Through the CLCSS scheme, the government aims to reduce the cost of production of goods and services for small and medium enterprises, thus allowing them to remain price competitive in local and international markets. The scheme is run by the Ministry of Small-Scale Industries. The CLCSS offers an up-front capital subsidy of 15% for eligible business. However, there is a cap to the maximum amount that can be availed as subsidy under the scheme, which is set at ₹ 15 lakhs. Sole proprietorships, partnership firms, co-operative, private and public limited companies come under the ambit of this business loan scheme.

## **Types of License in India**

### **Company or LLP Registration or Firm Registration**

Most organizations in India are begun as proprietorship or Partnership firm, with no enlistment from the Central Government. The Ministry of Corporate Affairs controls the enlistment of a Company and LLP. It is Wise for Entrepreneurs who have plans for working a business with a yearly turnover of more than Rs.20 lakhs to get an LLP or Company enrollment. Once, a Company or LLP is enlisted, the Business would have a different lawful character and the promoters would appreciate Forces risk assurance. Further, the business would likewise turn out to be effortlessly transferable and the Business would have a never-ending presence. Henceforth, before beginning a business, its best to seek advice and register a Private Limited company or LLP.

### **GST Registration**

A wide range of Businesses and people who have a total yearly turnover of more than Rs.20 lakhs in most State and Rs.10 lakhs in the Special Category States are required to get GST Registration. Further, any individual providing Goods associated with intra-state supply is required to get GST Registration, regardless of turnover. Notwithstanding the above criteria, different other criteria have been given under the GST Act, building up the criteria's for GST enrollment. It is essential for all Entrepreneurs to understand the criteria and get GST Registration within 30 days periods of beginning a business.

### **Udyog Aadhar Registration**

This is an enlistment accessible for business people who need to begin and work as an independent company Such as Micro, Small Or Medium Scale Business. The qualification criteria for acquiring Udyog Aadhaar enrollment depends on the investment in plant and hardware made by an assembling and Manufacturing concern or investment in gear and equipments made by a specialist organization. When Udyog Aadhaar enlistment is gotten for a business, it can appreciate different subsidies and benefits extraordinarily given by the Government to help Small Businesses and ventures in India.

### **Fssai Registration and License**

FSSAI is dependable to check the security and institutionalization of nourishment and Food items across the nation. Retail locations, eateries, present-day exchange outlets, stands, vendors, cafe, manufacturer, Importers and purchasers alike search for this five letter word in their sustenance parcels or holders. so its is required the FSSAI License

Under FSSAI, the permit or enrollment is partitioned into three classifications to be specific:

FSSAI Central License

FSSAI State License

FSSAI Registration

### **Import Export Code**

Any individual associated with import or Export of products and services from India must acquire Import Export Code from the DGFT Department. To acquire Import Export Code, it is required for the business to have a PAN and a Current Account in a bank.

### **Shop and Establishment Act License**

“The Shop and Establishments Act”, was made for directing the lead of efficient the long periods of work, youngster work, installment of wages, wellbeing and general strength of the representatives. Shop and Establishment Act License or Shop act Business License is issued by the State Governments and differs from States. Thus, in view of the State in which the business is arranged, the concerned State Government expert must be drawn nearer to obtain Shop and Establishment Act License.

### **Establishments requiring to obtain Shop and establishment License**

clubs, Hotels, Hostel joined to schools or universities, and foundations kept up in live-in schools regarding the boarding and hotel of students and occupant experts;

shops down and refreshment rooms at railroad stations, transport stands ports or aerodromes;

shops of stylists and beauticians;

shops managing essentially in meat, angle, poultry, eggs, dairy deliver (with the exception of ghee), bread, ice cream parlor, desserts, chocolates, ice, frozen yogurt, cooked nourishment, natural products, blooms, vegetables or green feed;shops managing in articles required for funerals, internments or incineration;

shops selling beedies or cigarette or any other tobacco product.

shops managing in daily papers or periodicals, altering segments of daily paper workplaces and workplaces of news organizations;

films, theaters and different spots of open excitement and slows down and refreshment rooms connected to such silver screens, theaters and spots of open diversion;

foundations for the retail offer of oil and licenses required to open a retail store in India;

shops in regimental establishments, battalion shops and troop containers in cantonments;

### **Gumasta permit**

In the event that you are intending to begin a business in the province of Maharashtra and Gujarat, you should acquire a Gumasta Business License. To obtain it, one needs to force the accompanying reports