

WHITEPAPER

Challenges faced by French and German companies in Maharashtra caused by Nationwide Covid-19 Lockdown

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A Joint Initiative of



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1. EXECUTIVE SUMMARY

In light of the COVID-19 pandemic, the Government of India has for the fourth consecutive time extended the nationwide lockdown, this time, till 31st May 2020. The business and economic disruptions occasioned since the announcement of lockdown in March 2020 has only made it more challenging for companies to re-commence their operations. Companies are making contingency plans to ensure their operations continue and exploring all available alternatives for restructuring their financial position. In the present environment of uncertainty, companies expect immediate substantive economic package vis-à-vis further relaxations in lockdown restrictions to save their business from permanent damage and to avoid unwanted lay-off of people.

This white paper aims to capture the present financial, commercial and labour related challenges faced by French and German companies operating in Maharashtra and their suggestions thereof.

Financial Aspects: Delay in receiving customer payments and obligatory payments to creditors are causing serious liquidity issues. For short term period, companies have adequate future cash flows, however, the future cash-flow would depend upon the sales in the post-lockdown scenario. Companies are also of apprehension that supply chain would worsen if no immediate steps are taken by the Government to minimize ground level difficulties, they are facing in stocking, logistics and transportation of goods. In the circumstances, companies expect from Government:-

- support schemes to manage the immediate liquidity crunch;
- incentives for new investments to boost long term business opportunities;
- loan waiver and interest schemes to resolve the issue of working capital;
- immediate relaxation of transport and goods movement to resolve the supply-chain issues;
- faster and single window approval system for all e-approvals necessary to resume the operations;
- lastly, industry friendly measures such as stamp duty exemptions, permission to operate with certain percentage of the workforce in offices/ manufacturing plants with specified protection measures, etc., are some of Government supports which the industry looks forward to.

Contract and Commercial Law Aspects: Companies are still grappling with the challenge of fulfilling their obligations under commercial contracts by invoking Force Majeure clause, though the efficacy of the same is still unclear. Intra and inter-state hassle free movement of people and goods in red and orange zone areas is impeding resumption of commercial operations. Due to lack of clarity, law enforcement agencies are creating difficulties for the manufacturers of 'essential commodities' despite having valid permissions. Lack of liquidity has created hurdles in payment of stamp duty for commercial transactions, rental payments, utility charges etc. in view of the above, companies seek relief packages from Government including following reliefs:-

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- enlargement of list of goods and materials is desired by companies;
 - toll on state highways for all kind of services should be suspended till lockdown ends;
 - companies anticipate government schemes for a reduction in lease rentals, waiver or subsidy on utility charges especially electricity charges;
 - Payment of stamp duty on various types of business agreements can be either waived or at least postponed;
 - waiver of minimum electricity charges and rescheduling electricity and water tariffs until the expiry of lockdown period
 - more clarity on orders of state government, like order dated 23rd March 2020, which clears manufacturers from penal action in case any employee is COVID positive is required;

Labour Aspects: Labour related issues are making it worse for companies in their fight for their survival amid the lockdown. The Government has already discouraged 'no work no wages' principle while mandating it for companies to pay full wages to its workers during lockdown. Further, the current leave provisions restrict companies from requiring their workers to compulsorily avail leaves during lockdown. Due to restriction on inter-state transportation as also in the absence of clear guidelines for post lockdown working environment, workers would be reluctant to resume to work which would directly jeopardise the business. Companies are also facing challenges relating to work from home facilities, trade union disputes, coercive actions by contract labourers, limited reliefs provided in statutory deductions such as PF and ESIC. To overcome the above difficulties, companies suggest following few among several measures:-

- Companies should have liberty to reasonably change the conditions of employment including enhancement of working hours, reduction in statutory leaves and holidays, compulsory Paid Leaves for employees during the lockdown, etc.;
- financial burden owing to Government's compulsory wages policy during lockdown should be shared among businesses, employees/workers, and the Government;
- salaries which were paid during the lockdown to be considered as fulfilment towards Corporate Social Responsibility ('CSR') obligation of the companies;
- clear and fair disciplinary guidelines for workers/ employees who are reluctant to resume work despite the removal of their safety concerns;
- incentives such as declaration of IT-related activities as 'essential services', subsidised high-speed internet services, attractive financial services from telecom operators, Tax incentives for buying and/or leasing IT devices, etc. are expected from Government;
- protection against actions of contract workers is recommended considering that companies are responsible being the principle employers. Such protection should be provided for a minimum period of 1 year;
- adequate measures should be taken to curb trade union authorities to avoid any unwelcomed labour disputes in post lockdown scenario;
- certain relaxations in respect of statutory deductions

2. INTRODUCTION

Coronavirus disease (COVID-19) is now a global public health threat with many social, economic, political and legal implications.

The outbreak followed by nationwide lockdown has severely disrupted the Indian economy. The lockdown has saved many lives and now industries are preparing themselves for phased opening. The next few months are going to be challenging one and the industries have to adapt to “**new normal**”.

This White Paper is a joint initiative of the Indo-French Chamber of Commerce and Industry (IFCCI), Indo-German Chamber of Commerce (IGCC) and Rödl & Partner Consulting Private Limited (R&P) to consolidate the challenges faced by French & German companies in Maharashtra and provide suggestions to the Government, which may assist companies in tackling the problems faced in the present situation.

A comprehensive data set collected from the survey conducted by IFCCI and IGCC shows that the industry, especially micro, small and medium enterprises (MSME) sector, emphasizes the urgent need of major reforms and policy interventions to help them survive through these challenging times.

We hope that this White Paper will become a reference policy document for reforms which shall be introduced in the near future.

We thank all the French and German companies for participating in the survey and sharing their valuable feedback with thoughtful suggestions.

We are also grateful to the Government of Maharashtra for providing us with the opportunity to present this White Paper on behalf of French and German companies in Maharashtra.

3. METHODOLOGY

Data and feedback presented in this White Paper were collected from surveys conducted by the IFCCI and the IGCC. The surveys were completed by French and German companies operating in India at the time this White Paper was authored.

Collated data and feedback were categorised into three broad aspects:



Figure 1: Three Aspects Approach of the White Paper

These three aspects will be the basis of this White Paper's presentation of challenges, current affairs, analysis, as well as suggestions contained within.

The White Paper attempts to describe the most up-to-date conditions prevailing in Maharashtra and identify the Overseeing Authorities responsible for each of the 3 aspects mentioned. The prevailing situation is then compared to the challenges faced by French and German companies to develop accurate, effective, coherent and targeted suggestions which can be used by Overseeing Authorities in the course of their policy formulation.

4. FINANCIAL ASPECTS

4.1 CHALLENGES

- The companies are in dilemma to abide by various orders issued by Government from time to time, and at the same time manage the liquidity issues in the company. This is caused by a drop in revenue for the current year in the range between 20%-40%, delayed customer payments, and obligatory payments to creditors/ Banks.
- In absence of specific pandemic related banking and insurance regulations, a payment default could trigger default in other financing documents and consequently, the penal provisions become applicable.
- The companies have adequate future cash flows for a short period of 2-6 months. Absence of any subsidy cash flow management is a challenge for the industry. The future cash-flows depend on whether the sales pick-up in the post-lockdown scenario or not.
- Supply-chain is badly hit with challenges such as no transportation options, stocking of the goods, logistics issues, etc. The industry, especially manufacturing concerns, are suffering due to the same.
- In absence of any stimulus for divestments, joint ventures, the companies have not evaluated opportunities for divestment, absorption or mutually beneficial joint-venture.

4.2 OVERSEEING AUTHORITY

- Ministry of Finance, State of Maharashtra

4.3 PRESENT STATUS

- In light of the present COVID-19 situation, the Central Government has issued circulars advising employers not to terminate the workers or reduce their wages during the lockdown period. Further, if the place of employment is to be made non-operational due to COVID-19, the employees of such unit should be deemed to be on duty. Ministry of Home Affairs (MHA Order) has also issued an order as on 29th March 2020 requiring all employers to make full payment of salaries to the workers.
- There are no specific banking or insurance regulatory guidelines for dealing with pandemics. Credit liability insurance does not cover all business risks. Most loan-related contractual agreements do not have a “force majeure” clause.
- Currently, there are no subsidies offered by the Indian Government to Small and Medium Enterprises (SMEs) and the manufacturing units.
- Long-term business growth scenario is blurred amidst no clear support to the Industry from the Government. Many companies do not have an alternative revenue model – pivoting around market needs in the current situation.

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- The present incentives offered are having minor or no impacts on the businesses. Various stimulation packages already offered by the Government are currently not in line with the need of businesses under the current climate.

4.4 SUGGESTIONS

The following relief measures are expected from the Government:-

- Loan waivers and interest schemes to be extended to corporates to resolve the issue of working capital.
- Extend support to Public Sector Units (PSUs) to help them mobilise funds for prompt payment of outstanding dues to companies.
- Short-term cash support should be mobilised by the Government depending on the business size and risks involved. This would be a big relief for managing the immediate liquidity crunch and would help short-term business sustainability. Government-incentive support must help the industry in leveraging the current situation for long term business growth. Incentives should be available for new investments to boost long term business opportunities. Incentives should also be extended to the alternative revenue models of existing businesses so the same is encouraged.
- An immediate relaxation of transport and goods movement, as well as the free flow of logistics, would help resolve the supply-chain issues. This can be decided based on the green zones where the risks of transmission of COVID-19 is low. Such points can then be centralised and managed for logistics support.
- Post the lockdown, faster e-approvals from the Government should be arranged for helping the economy pick-up the business.
- Industry-friendly labour laws such as stamp duty exemptions, allow a certain percentage of the workforce in offices/ manufacturing plants with specified protection measures, etc., are some of Government supports which the industry looks forward to.

5. CONTRACT AND COMMERCIAL LAW ASPECTS

5.1 CHALLENGES

- Although the Government has provided certain relaxations while extending lockdown, at ground level, it is still a challenge for companies to resume their operations due to several factors beyond their control. In such circumstances, companies are facing difficulties in fulfilling their pending orders under commercial contracts. Consequently, companies are exploring all possibilities to postpone their obligations including invoking force majeure clauses under the commercial contracts. However, it will be difficult to say for how long companies can use the benefit of force majeure and postpone their obligations.
- Hassle-free movement of manpower and transportation between districts and states is still a challenge especially in the areas situated in Red and Orange Zones, which is essential for resuming operations. The situation is more critical in the state of Maharashtra as major industrial areas are located in the districts of Mumbai, Thane, Pune, Palghar, Aurangabad, Nashik and Nagpur, etc. which are declared as Red Zones.
- Due to lack of clarity, enforcement agencies are impeding operations of companies especially those engaged in the manufacturing and distribution of 'essential commodities', even when they have the appropriate permissions.
- It is not clear what goods & services are considered 'essential'. Some goods which are currently specified as 'non-essential' are input materials of 'essential goods' and restrictions on transportation of such 'non-essential' input materials have rendered production of certain 'essential goods' impossible.
- Amid the nationwide lockdown, companies are unable to access their office premises which are mostly taken on rent. MSMEs and SMEs are contemplating the suspension of rental payments due to the prevailing lack of liquidity and financial resources. Owing to such financial problems, companies have raised requests to Governments for waiver/ reduction in rents and imposition of a fixed moratorium period on payment of rent.
- On account of financial difficulties, companies are facing challenges in payment of stamp duty on commercial transactions especially banking documents like bank guarantees which are prerequisites for any commercial transactions. Companies seek to postpone payments of stamp until the expiry of the lockdown period.
- The government should waive minimum electricity charges and reschedule electricity and water tariffs until the expiry of the lockdown period.

5.2 OVERSEEING AUTHORITY

- Department of Revenue and Forest
- Maharashtra State Electricity Board (MSEB)
- Maharashtra Industrial Development Corporation (MIDC)

5.3 PRESENT STATUS

- While the state government has provided certain relaxations in Red Zone (excluding contaminant zone) and Orange Zone, transportation bottlenecks have led to serious challenges for supply of raw materials, goods, and manpower. Manpower and carriers are being hindered by the local enforcement authorities.
- Procedural actions taken by the enforcement agencies against companies engaged in the manufacturing of essential goods have become a critical issue.
- List of activities permitted in Red Zones including contaminant is very limited. Further, several goods & services which could be considered as essential commodities are not included in the 'essential' category.
- Several state governments have come up with notifications thereby allowing the temporary suspension of rent payments, however, this is only in respect of residential premises. In respect of commercial premises, MIDC has provided some reliefs by delaying lease rentals for March and April.
- With respect to relief in utility charges, the Maharashtra Government has postponed payment of fixed electricity charges for 3 months. Further, The Maharashtra government announced an average of 8% electricity tariff cut for the next five years to help businesses and people tide over the COVID-19 crisis.
- In respect of levy of stamp duty, industries are yet to hear any favourable move from the state government. Though the government has waived off 1% stamp duty on properties i.e. metro cess, no effective relief has been provided on payment of stamp duties on commercial contracts.
- Central Government has temporarily suspended toll collection on national highways to ease emergency services. It is expected to receive the same relief from state governments as well.

5.4 SUGGESTIONS

- Although the state government has eased out certain restrictions vide its latest Order of 2nd May 2020, companies are expecting more relaxations especially in the movement of manpower, transportation of raw materials in urban areas, and enlargement of list of essential goods & services in Red Zone (outside contaminant zones), in order to commence with their operations.
- Toll charges levied on state highways should be temporarily suspended till the expiry of the lockdown period.
- Single window clearance methods should be adopted for any sort of permission required to resume operations. Though the state government vide its Order dated 23rd March 2020 has
- clarified that no penal action shall be taken against companies, in case any employee found COVID -19 positive, it is suggested to bring more clarity to such orders to motivate companies to resume their operations.
- Clear guidelines on the transportation of employees and workers, safeguard measures to be adopted at premises would help the companies.
- Clear guidelines should be provided for companies engaged in the production and supply of essential goods and services to safeguard them from any unwanted seizure of goods or adverse actions by enforcement agencies.
- Companies anticipate government schemes for a reduction in lease rentals, waiver or subsidy on utility charges especially electricity charges by 30% for at least 3 years. Further, clear guidelines should be provided setting out procedures for recovery of rents post expiry of lockdown.
- Payment of Stamp duty on various types of business agreements can be either waived or at least postponed by 3 months from the date of signing the agreements. This will ensure smoother operations even during the lockdown.

6. LABOUR LAW ASPECTS

6.1 Change in Leave Policy

6.1.1 CHALLENGES

- Employees are currently not taking their leaves, even though they are probably not working or even though the workload is very limited.
- This bears a risk for companies, in the sense that employees will take leaves once the lockdown is lifted and they resume work.
- This post lockdown period will be a very critical period for establishments, as they will have to recover the lost income during the lockdown in order to survive the COVID-19 crisis as a solvent company.

6.1.2 OVERSEEING AUTHORITY

- Ministry of Labour & Employment, Maharashtra

6.1.3 PRESENT STATUS

- As per the advisory issued by the Central Government – Ministry of Labour and Employment vide circular dated 20th March 2020 to all the employers of private and public establishments all over the country to extend their coordination by not terminating their employees, particularly casual or contractual worker or reduce their wages. Further, if any worker takes leave, he should be deemed to be duty without any consequential deduction in wages for this period. Further, if the place of employment is non-operational due to COVID-19, the employees of such unit shall be deemed to be on duty.
- On the similar line, the Commissioner of Labour Maharashtra State, also issued a circular dated 20th March 2020 advising all the public and private establishments not to terminate the employees/ workers particularly casual or contractual worker or to reduce their wages in view of state lockdown announced due to COVID-19 pandemic outbreak.
- The Maharashtra Shop & Establishment Act, 2017 and the Factories Act, 1948 provide a minimum number of days of leave, which companies have to adhere to in order to be compliant with labour regulations.
- Further, Paid Leaves are to be taken as per the Companies Leave Policy. Also Paid Leaves from its nature can only be taken after leave request from the employee. Employers cannot request employees to take leave for a specific period.

6.1.4 SUGGESTIONS

- The Government of Maharashtra may clarify via order or notification that companies are allowed to change their leave policy in order to reduce the financial burden for companies. The following changes in Leave Policy might be possible:
- Suspension of the statutory minimum days of leaves for Calendar Year 2020.
- Permission for employers to announce compulsory Paid Leaves for employees during the lockdown, which will be deducted from their annual leave balance.
- Permission for employers to announce a Paid Leave ban for a certain period, i.e. 6 months. However, the remaining leave balance can be carried forward up to 31st December 2021.

6.2 Government Contribution to the salary of employees/workers

6.2.1 CHALLENGES

- All establishments continued to pay full wage to their employees and workers, even though they might not carry out their work anymore due to closure of establishment during the nationwide lockdown. This has put a big financial burden on establishments.

6.2.2 OVERSEEING AUTHORITY

- Ministry of Labour & Employment, Maharashtra

6.2.3 PRESENT STATUS

- As per the advisory issued by the Ministry of Labour and Employment vide circular dated 20th March 2020 to all the employers of private and public establishments all over the country to extend their coordination by not terminating their employees, particularly casual or contractual worker or reduce their wages. Further, if any worker takes leave, he should be deemed to be duty without any consequential deduction in wages for this period. Further, if the place of employment is non-operational due to COVID-19, the employees of such unit shall be deemed to be on duty.
- On a similar line, the Commissioner of Labour, Maharashtra State, also issued a circular dated 20th March 2020 advising all the public and private establishments not to terminate their employees/ workers particularly casual or contractual workers or to reduce their wages in view of state lockdown announced due to COVID-19 pandemic outbreak.

6.2.4 SUGGESTIONS

- A "Three-pillar" System could be introduced to share the burden of this Covid-19 crisis among businesses, employees/workers, and the Government. The following options can lead to an appropriate and fair solution.

- Allowing “shorter-working-hours” system with prior application and approval from the Labour Commissioners, which would mean that the working time of employee will be reduced with proportionate salary reduction. However, in this scenario, the Government must take over a part of the salary difference (for example 60% in Germany). This can also be announced in the initial stages only for companies who do not have the provision to let their employees work from home (manufacturing units, etc.).
- Direct reimbursement from the Government to companies who can prove that they continued to pay full salary to every worker although they could not continue to work during the lockdown period. Direct reimbursement could be INR 2000 per month for each such worker.
- Salaries which were paid during the lockdown to be considered as fulfilment towards Corporate Social Responsibility (‘CSR’) obligation of the companies.

6.3 Special Provisions to encourage employees to resume work

6.3.1 CHALLENGES

- Many workers are in their native place, which might not be immediately accessible post lockdown.
- Even after the lockdown is lifted, workers may be reluctant to resume work due to safety concerns when travelling with the public transport system.
- All companies expect that they will suffer from loss of manpower even after lockdown.

6.3.2 OVERSEEING AUTHORITY

- Ministry of Labour & Employment, Maharashtra together with Ministries from other states

6.3.3 PRESENT STATUS

- With the announcement of the lockdown from 25th March 2020, many labourers and workers left for their native place. With the lockdown, a travel ban was declared. With recent lockdown extension dated on 3rd May 2020, it was clarified that all passenger movement by trains, Inter-State Buses for public transport, Metro rail services and Inter-State movement of individuals shall not be permitted until 18th May 2020.

6.3.4 SUGGESTIONS

- Considering the present situation of labour crunch faced by various industries, the following relief measures are expected from the Government:
- The overall movement of workers to their workplace should be allowed (inter and intra state-wise)

- A support system should be implemented for those companies which would organise the safe transport for their workers. This would include special permissions for manpower transport even inter and intrastate under safety & health guidelines described by the overseeing authority.
- Implementing further methods to ensure that workers can resume work.
- Clear and fair disciplinary guidelines for workers/ employees who are reluctant to resume work despite the removal of their safety concerns.

6.4 Incentives for Work from Home facilities

6.4.1 CHALLENGES

- Companies/employers have tried their best to provide Work from Home facilities as much as possible. However, they faced several issues when it came to delivery of IT hardware, internet modems, and consumables since those were not covered under essential supplies. Further, moving the existing IT hardware from the offices to the respective employees was not allowed without hindrance.
- In addition, IT support staff for maintenance of IT facilities was not possible since it is not covered under essential services.
- Further implementing IT infrastructure for employees to work from home has put a tremendous financial burden on employers.
- Also, many companies face difficulties when it comes to internet facilities of their employees at home. High-speed internet infrastructure is not available.

6.4.2 OVERSEEING AUTHORITY

- Ministry of Labour & Employment, Maharashtra together with Finance Department of Maharashtra

6.4.3 PRESENT STATUS

- With the announcement of the nationwide lockdown from 25th March 2020 and its further extension from time to time, “work from home” facilities had to be implemented in all sectors as much as possible. Earlier provision and notifications which allowed 50% or less workforce

for industries/establishments which could not provide work from home have been completely replaced with the lockdown provisions. Except for essential services and other exempted industries, all establishments had to allow work from home or had to implement a complete shutdown during the period of the lockdown.

6.4.4 SUGGESTIONS

- Considering the huge expenditure incurred for shifting the facilities from office to the home of employees, the following relief measures are expected from the Government:

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- All crucial IT-related activities, be it delivery of products or service support, should be declared as essential services.
 - Subsidised high-speed internet services for all employees working from home.
 - Encouraging BSNL/MTNL for offering financial attractive services.
 - Tax incentives for buying and/or leasing IT devices such as laptops, internet modems, consumable, software, headsets etc.
 - Announcing a 3-month moratorium for such purchases.

6.5 Reducing the liability risk for Contract Labourers

6.5.1 CHALLENGES

- Liability risk for Contract Labourers exerts further pressure on the already struggling companies since they would have to ensure that wages are continued to be paid by the Contractors and the Contractors are complying with all labour laws related obligations.

6.5.2 OVERSEEING AUTHORITY

- Ministry of Labour & Employment, Maharashtra.

6.5.3 PRESENT STATUS

- As per the Contract Labour Act, 1970 principle employers bear certain liability risks for the contract labourers such as non-payment of wages as well as social security contributions.

6.5.4 SUGGESTIONS

- The liability risk on the company should be completely excluded or reduced for a certain period, e.g. 1 year. The liability risk can be fully shifted on the Contractor.

6.6 Support in Dealing with Trade Unions

6.6.1 CHALLENGES

- The financial constraints and solvency issues of the company are not considered when there is a salary, bonus or increment related dispute between the company and the trade unions.

6.6.2 OVERSEEING AUTHORITY

- Ministry of Labour & Employment, Maharashtra.

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6.6.3 PRESENT STATUS

- As per the advisory issued by the Ministry of Labour and Employment vide circular dated 20th March 2020 to all the employers of private and public establishments all over the country to extend their coordination by not terminating their employees, particularly casual or contractual worker from jobs or reduce their wages. Further, if any worker takes leave, he should be deemed to be duty without any consequential deduction in wages for this period. Further, if the place of employment is non-operational due to COVID-19, the employees of such unit shall be deemed to be on duty.
- On the similar line, the Commissioner of Labour Maharashtra State, also issued a circular dated 20th March 2020 advising all the public and private establishments not to terminate the employees/ workers particularly casual or contractual worker from the jobs or to reduce their wages in view of state lockdown announced due to COVID-19 pandemic outbreak.
- Trade unions have filed several complaints to the office of Labour Commissioner, flagging salary delays and layoffs during the lockdown period. In their complaints, trade unions have highlighted gross violations of the above-mentioned notice.

6.6.4 SUGGESTIONS

- Overall support when it comes to dealing with the trade unions and makes them explain the financial problems of the companies.

6.7 Increase in Working Hours

6.7.1 CHALLENGES

- Post lockdown period will be very critical for industries and establishments, as they have to revive the business and recover the losses incurred during the lockdown period. For many start-up businesses, small and medium businesses, etc. this may become a question of survival and can affect their solvency abruptly. Since regulations regarding working hours will continue to apply, companies may find it difficult to work their way around and make up for losses.

6.7.2 OVERSEEING AUTHORITY

- Ministry of Labour & Employment, Maharashtra.

6.7.3 PRESENT STATUS

- After the lockdown companies have to follow the maximum working hours as given in the Maharashtra Shop & Establishment Act, 2017 and Factories Act, 1948:
- As per Section 12 of the Maharashtra Shop & Establishment Act, 2017, no employee shall work for more than 9 hours per day and 48 hours a week. Further, the spread over should not exceed ten hours.
- Further, as per Section 51 of the Factories act, 1948, no worker shall work for more than 9 hours a day and 48 hours a week. Further, spread over is limited to 10.5 hours per day.

6.7.4 SUGGESTIONS

- Considering the challenges faced by start-up businesses, small and medium-sized business house, etc., the following relief is expected from the Government:
- Permission to increase daily working hours up to 12 hours shifts for a certain period (e.g. six months or one year).

6.8 Relaxations for PF and ESIC Contributions

6.8.1 CHALLENGES

- The reliefs given have very limited scope and are not applicable to many establishments.
- All companies continue to pay PF and ESIC contributions as it is compulsory. However, it puts a financial burden on them.

6.8.2 OVERSEEING AUTHORITY

- Ministry of Labour & Employment, Maharashtra.

6.8.3 PRESENT STATUS

- On 26th March 2020, the Government of India announced to pay 24% (i.e. 12 % each share of employer and employee) towards Employees' Provident Fund (EPF) in respect of three wage months i.e. March 2020, April 2020, May 2020.
- On 10th April 2020, the Employment Provident Organization (EPFO) has notified certain guidelines clarifying that only those establishment are eligible to avail benefits under this scheme which employ up to 100 employees with 90% or more earning less than INR 15,000/- monthly wages.
- Further, due dates for payment of EPF contributions and Electronic Challan cum Return (ECR) filing due for wage month March 2020 were extended from 15.04.2020 to 15.05.2020.
- On 13th May 2020, the Government of India announced a reduction in statutory EPF contribution from 12% to 10% for the next 3 months.
- Along similar lines, Employees' State Insurance Corporation (ESIC) has extended the filing of ESIC contribution for the month of February 2020 and March 2020 to 15th May 2020. No penalty or interest or damage will be levied on establishments during the extended period.

6.8.4 SUGGESTIONS

- Considering the financial pressure exerted on small and medium-sized business enterprises, the following reliefs are expected from the Government:
- The applicability of the above-mentioned reliefs should be widened i.e. be applicable to more establishments and more workers. Further, the due dates shall be extended to 15th June 2020.
- A similar system should be introduced for ESIC contributions.

7. CONCLUSION

- In general, the industry appreciates the approach and response taken by the Maharashtra government in addressing this crisis. Yet there is still much more to be done to boost the economy. The time is right for different regulatory authorities to increase their engagement with each other to introduce reforms which will ensure cash flow in sectors under stress. There is a need for relaxing the regulatory compliance strings a bit and altering them to be pro-growth as it is one of the biggest obstacles to the continuity and growth in the current scenario.
- It is expected that around 1000 multi-national companies plan to exit China in the near future. These companies see India as an alternate manufacturing hub and have taken up their proposals across various levels of the government. There are opportunities for the Maharashtra government to benefit from this scenario. The clear policy direction & ease of doing business will surely bring foreign direct investments and also create the environment of entrepreneurship. Such investments will also generate huge employment opportunities, which is the need of the hour in these unusual times.
- Therefore, the Maharashtra government should adopt a balanced approach while introducing policies and reforms. We should make Maharashtra attractive for new investments and sustainable for existing businesses.

8. ANNEXURE

8.1 Suggestions under the GST Law

- As a member of the GST Council, which is the overseeing authority for the GST law in India, the State Government of Maharashtra may kindly represent the following suggestions in the next GST Council meeting in the interest of the taxpayers located in the state of Maharashtra.

8.1.1 CHALLENGES

- The biggest issue being faced by the taxpayers in the present situation is non-availability of sufficient liquidity/ funds to carry on business activities for the next few months. With complete lockdown of factories/ distributors, the sales and collections have come to a standstill. In such a situation, payment of GST would only put a further strain on the already stressful cash flow situation on the companies.
- The employment-generating industries and sectors such as auto and auto ancillary, hospitality, aviation, etc. are suffering due to major corporations reporting nil revenues in the last month.
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- The issue is compounded since important consumables used for manufacturing such as fuel, electricity, etc. are outside the ambit of GST. Therefore, the duties and taxes paid on such goods are added costs in the supply chain.

8.1.2 OVERSEEING AUTHORITY

- GST Council

8.1.3 PRESENT STATUS

- The Government has already deferred the due date of payment of GST for the month of February, March and April 2020 till the end of June 2020.
- The small taxpayers (having turnover less than INR 50 million in preceding financial year) would not be required to pay any interest whereas large taxpayer (having turnover more than INR 50 million in preceding financial year) have been given interest-free relaxation of 15 days and thereafter reduced rate of interest @ 9% would be applicable.
- Payment of late fees, as well as the penalty for delayed filing of return for the aforesaid period, are completely waived for all the taxpayer if the returns are filed by end of June 2020.
- Further, the deadline for furnishing Form GSTR-7 (return for Tax Deducted at Source) along with depositing the tax deducted at source has been extended till 30th June 2020.

8.1.4 SUGGESTIONS

- Given the extension of lockdown, the Government may consider further deferment of due dates for filing GST returns for the above mentioned period by an additional 3 months.

- The requirement of payment of interest at the rate of 9% by large taxpayers (having turnover more than INR 50 million in preceding financial year) should also be completely waived.

- In order to further support the liquidity crunch, the scheme for deferment of payment of GST may be introduced which would allow taxpayers to retain the GST collected during the period from April 2020 to March 2021 from the customers and pay the same later on in 3 equal monthly instalments between April 2021 to June 2021 without attracting any interest liability (similar to the erstwhile Sales Tax deferral scheme applicable to New units set up in the State). As an alternative to this, GST on outward supplies may be allowed to be paid by the assesses on cash basis i.e. only after recovery of dues from the customers as against on invoicing basis.

- In order to boost consumption, the applicable GST rates on highly impacted sectors such as automotive and hospitality sectors should be reduced.

- Considering the overall interest of industry, the commodities which are presently outside the ambit of GST should be brought within the ambit of GST to avoid cascading effecting of duties and reduce the overall cost of goods and services.

- Given that the industry's main focus in the coming months would be to create demand, it is suggested that any assessments and audits scheduled by the GST officials be postponed.

- The fixed charges levied in electricity bills may be waived off during the period for April 2020 to June 2020. Alternatively, a complete exemption should be provided from Electricity Duty for the next 1 year to reduce production costs.