

Ease of Doing Business: India's Ongoing Regulatory Transformation

Union Budget FY 2026-27: Strengthening India's Business Climate

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Key Takeaways

- Union Budget 2026-27 reinforces Ease of Doing Business as **pillar of growth and development**, while focusing on digitisation, tax certainty, investor access and litigation reduction.
- **Focus on digital trade facilitation** by single, interconnected digital window for custom clearance and Custom Integrated System.
- For deepening market liquidity and investor access, **PROI investment limits under Portfolio Investment Scheme enhanced**.
- **MAT proposed as final tax with a lower rate of 14%**, enhancing tax certainty and reducing disputes.
- **Trusted importers recognised in risk systems**, reducing physical verification and enabling factory-to-ship clearance.

Enabling Growth and Competitiveness



Ease of Doing Business (EoDB) has emerged as a cornerstone of India's economic reform agenda and is reaffirmed as a **key pillar of growth and development**. The Union Budget 2026-27 focuses on reforms aimed at **digital trade facilitation, tax certainty, reduction in compliance and litigation, trust-based**

customs systems, and an investment-friendly tax regime. These measures build on sustained regulatory and institutional reforms undertaken over the past decade to simplify business procedures, enhance transparency, and reduce compliance burdens, thereby strengthening investor confidence across sectors.

The impact of these reforms is reflected in India's investment and enterprise expansion. **During 2014–25, India attracted USD 748.38 billion in Foreign Direct Investment (FDI), a 143% increase over the previous 11-year period.** Further, the number of **active registered companies** increased from 1.55 lakh in 2020–21 to 1.98 lakh in 2025–26 (as on 3 February 2026), indicating **a growth of ~27% in 5 years.** Continued Ease of Doing Business reforms (EoDB), aligned with **the Viksit Bharat @2047 vision**, will remain vital for strengthening global value chain linkages and driving industry-led growth.

Budget Focus on Ease of Doing Business

The Budget reinforces India's EoDB agenda through measures aimed at enhancing tax certainty, reducing compliance burden, and promoting trust-based governance. Key reforms include rationalisation of MAT, simplification of dispute resolution, and decriminalisation of minor procedural offences. The Budget also advances customs and logistics reforms through digital integration and risk-based clearances to lower transaction costs and improve business efficiency.



Trade and Investment Facilitation

- Single and interconnected **digital window for cargo clearance** approvals.
- For goods not having any compliance requirement, **clearance will be done by Customs immediately after online registration is completed** by the importer, subject to the payment of duty.
- **Customs Integrated System (CIS)** will be rolled out in 2 years as a single, integrated and scalable platform for all the customs processes.
- **Utilization of non-intrusive scanning** with advanced imaging and AI technology for risk assessment will be expanded in a phased manner with the objective to scan every container across all the major ports.
- Individual Persons Resident Outside India (**PROIs**) **will be permitted to invest in equity instruments of listed Indian companies** through the Portfolio Investment Scheme (PIS). It is also proposed to increase the investment limit for an individual PROI under this scheme from 5% to 10%, with an overall investment individual PROIs to 24%, from the current 10%.

- **Exemption from Minimum Alternate Tax (MAT) to all non-residents** who pay tax on presumptive basis.

MAT was introduced to **bring into the tax net "zero tax companies"** which in spite of having earned substantial book profits and having paid handsome dividends, do not pay any tax due to various tax concessions and incentives provided under the Income-tax Law.

- **Tax buyback for all types of shareholders** as Capital Gains.
- **Set-off using available MAT credit to be allowed** to an extent of 1/4th of the tax liability in the new regime.
- **MAT is proposed to be made final tax**, with reduction in rate of final tax to 14% from 15%.

Rationalizing Penalty and Prosecution

- **Integrated assessment and penalty proceedings through a common order**, with no interest liability on penalty during appeal and reduced pre-payment requirement from 20% to 10%, which will continue to be calculated on core tax demand.
- **Allow taxpayers to update their returns even after reassessment proceedings** have been initiated at an additional 10% tax rate over and above the rate applicable for the relevant year.
- **Framework for immunity from penalty and prosecution in the cases of underreporting extended to misreporting**. 100% of the tax amount paid as an additional income tax over and above the tax and interest due.
- **Non-production of books of account and documents**, and requirement of TDS payment, where payment is made in kind, are **being decriminalised**. Further, minor offences will attract fine only.
- **Penalties for certain technical defaults** are proposed to be converted into fee.
- Remaining **prosecutions will be graded in proportion to the quantum of offence**, with only simple imprisonment up to a maximum of 2 years and provision for courts to convert imprisonment into fine.
- **Immunity from prosecution** with retrospective effect from 1.10.2024 **for non-immovable foreign assets below ₹20 lakh**.

Trust-based systems

- **Enhanced the duty deferral period** for Tier 2 and Tier 3 Authorised Economic Operators (AEO), from 15 days to 30 days.

What does it mean?

Deferred duty payment is a mechanism for delinking duty payment and Customs clearance. It is based on the principle '**Clear first-Pay later**'. The aim is to have a seamless wharf to warehouse transit in order to **facilitate just-in-time manufacturing**.

The **enhancement in the duty deferral period** means extending the time allowed to pay customs or import duties after goods are imported, instead of paying them immediately.

- Provided **eligible manufacturer-importers the same duty deferral facility**. This should encourage them to get themselves accredited as a full-fledged Tier 3- AEO in due course.

- For greater certainty and better business planning, **the validity period of advance ruling, binding on Customs, extended from the present 3 years to 5 years.**
- Provided **preferential treatment based on AEO** accreditation in clearing their cargo.
- **Trusted importers recognised in risk systems**, minimising verification, while electronically sealed export cargo cleared factory-to-ship.
- For non-compliance goods, trusted importer filings will automatically notify Customs for clearance, enabling **immediate release on arrival.**
- **Customs warehousing framework to shift to operator-centric system** with self-declarations, electronic tracking and risk-based audits, reducing delays and compliance costs.

From Clearance-to-Compliance Reforms

For several years, India has consistently pursued structural, regulatory, and digital reforms to create a more seamless and efficient business environment. The existing measures and their impact, as also highlighted in the Economic Survey 2025-26, reflect a sustained and coordinated effort by the Government and State administrations to decriminalise minor offences, streamline business approvals, reduce compliance burdens, and simplify regulatory procedures.



Decriminalization and Trust-Based Regulation

In order to further strengthen a trust-based regulatory framework, the Government has undertaken significant decriminalisation reforms. The **Jan Vishwas (Amendment of Provisions) Act, 2023** decriminalised **183 provisions across 42 Acts**, thereby reducing criminal liability for minor and technical offences. Continuing these efforts, the **Jan Vishwas (Amendment of Provisions) Bill, 2025**, which comprises of **355 provisions**, proposes amendments to **288 provisions for decriminalisation to promote Ease of Doing Business** and **67 provisions aimed at enhancing Ease of Living**. This highlights the Government's commitment to simplifying compliance and improving regulatory efficiency.

In addition to these decriminalisation reforms, the Government has undertaken a range of complementary measures to further rationalise regulatory frameworks, reduce compliance burden, and strengthen trust-based governance across sectors and States. Some of them include:

- **The Environment (Protection) Act, 1986, the Air (Prevention and Control of Pollution) Act, 1981 and the Indian Forest Act, 1927** and the **criminal Provisions of the Water (Prevention and Control of Pollution) Act, 1974** have been decriminalised and have rationalised minor offences to further enhance trust-based governance for ease of living and doing business.
- The **Task Force on Compliance Reduction and Deregulation** was constituted in January 2025 to simplify regulations and streamline procedures across States and Union Territories. It identified priority areas across **5 key sectors, which are Land Use, Building and Construction, Labour, Utilities and Permissions, and Overarching Priorities**, and it account for a large share of regulatory interactions. Since March 2025, three rounds of Task Force visits have been undertaken,

distinguished by strong cross-agency coordination, iterative problem-solving with States, and real-time learning.

National Single Window System (NSWS)

The NSWS is a digital platform which **guides in identifying and applying for approvals** according to the business requirements. It has emerged as a key reform initiative to streamline business approvals by reducing approval timelines, securing document repository and fast query management through a single digital gateway. It integrates approval processes across **32 Central Departments and 32 State Governments**, and has access over **698 central and 7435 state approvals**. NSWS has granted over **8,29,750 approvals**, since its launch.

The government has also launched other single-window digital platforms which increase transparency, reduces cost and simplify compliance.

Other Single Window Digital Platforms	
PARIVESH (Pro-Active and Responsive facilitation by Interactive, Virtuous, and Environmental Single Window Hub) 3.0	For environmental clearances and post-approval compliance monitoring. It integrates baseline data, afforestation land banks, inter-ministerial dashboards, and AI-enabled support to enhance transparency, predictability, and efficiency.
e-Gram SWARAJ portal	Provides a single window with the complete Profile of the GP, including details of Sarpanch/Secretary, demography, finances, assets along with activities taken up through the Gram Panchayat Development Plan (GPDP). Serving as a unified reporting and tracking platform, it strengthens decentralised planning and improves the effectiveness of development fund utilisation.

State-Led Reform Innovations

As part of the **Reducing Compliance Burden exercise**, Central Ministries and States & UTs undertook extensive self-identification of burdensome compliances based on data uploaded on the Regulatory Compliance Portal. As of November 2025, more than **47,000 compliances have been reduced**, including 16,108 compliances simplified, 22,287 digitised, 4,458 decriminalised, and 4,270 redundant compliances removed.

Several States and Union Territories have undertaken innovative reforms that go beyond the common reform templates, tailored to their specific administrative, economic, and spatial contexts.

For appropriate land use, **Andhra Pradesh and Uttarakhand have eliminated land conversion requirements** for select categories, reducing procedural delays.

Assam, Jammu & Kashmir, Odisha, Puducherry, and Tripura have introduced negative lists for mixed land-use zones, permitting all activities unless expressly prohibited.

- In the **Andaman and Nicobar Islands**, the **introduction of an online Change in Land Use process** enabled disposal of hundreds of applications within months, facilitated additional tourism capacity, and improved household and entrepreneurial credit flows.

In the area of building and development norms, **Haryana, Madhya Pradesh, Odisha, Tamil Nadu, Uttar Pradesh, and Uttarakhand** have **liberalised building bye-laws and simplified norms** related to setbacks, FAR, parking, and plot size, enabling higher land utilisation and smoother project execution.

- **Chhattisgarh, Mizoram, Rajasthan, Tripura, and Uttar Pradesh** have introduced **third-party building plan approvals**, while **Andaman & Nicobar Islands, Andhra Pradesh, Goa, Tamil Nadu, and Uttarakhand** have **enabled self-certification** and third-party certification for environmental clearances. Fire safety norms have been streamlined through accredited third parties in **Assam, Odisha, Telangana, and Tripura**.

In the labour domain, **Bihar, Gujarat, Odisha, Maharashtra, and Telangana** have **removed restrictions on women working** in a wider range of industries and commercial establishments.

- **Chhattisgarh, Gujarat, Haryana, Karnataka, and Uttar Pradesh** have introduced **State-level Acts similar to the Jan Vishwas Act**, repealing outdated provisions, amending legacy statutes, and decriminalising minor offences.
- In **Tripura**, comprehensive **reforms across land, building regulations, labour, utilities, and overarching statutes** have delivered tangible results. Following the Rising Northeast Investors Summit 2025, a significant share of committed investments progressed to implementation, reflecting the impact of systematic deregulation, institutional coordination, and sustained industry engagement.

Business Reforms Action Plan (BRAP) and District Reforms

Since 2015, the Government has been implementing the Business Reforms Action Plan (BRAP) to **promote transparency, simplify regulatory procedures, and enhance service delivery** across States and Union Territories. 7 editions of BRAP have been completed till date, and the eighth edition, BRAP 2026, was formally rolled out on 11 November 2025. To further deepen reforms at the grassroots, DPIIT has also launched the **District Business Reform Action Plan (D-BRAP) to strengthen Ease of Doing Business at the District Level**. The **Economic Survey 2025-26** highlights some of the state specific achievements under BRAP.

Achievements of States under BRAP

Kerala	• Streamlined business registration • Digitised land and tax processes, • Simplified environmental clearances, and advanced renewable energy adoption, carbon-neutral gram panchayats, and waterbody rejuvenation.
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Tamil Nadu	• Introduced single-window • Digitised approvals alongside land reforms, while promoting solar parks, decarbonisation plans, • Effective monitoring of industrial effluent treatment systems.
Andhra Pradesh	• Implemented single-window industrial clearances, • Online land registration, • E-environmental approvals, • Expanded its Online Consent Management & Monitoring System allowing firms to apply for consents and track approvals digitally

Structural Reforms Supporting Ease of Doing Business

Structural reforms supporting EoDB have focused on regulatory simplification, institutional consolidation, and technology-led governance across financial markets, taxation, labour, banking, and environmental regulation. Recent measures by sectoral regulators, coupled with reforms in insurance, securities, GST, labour codes, and public sector banking, aim to reduce compliance burden, enhance transparency, and improve access to finance. Together, these reforms strengthen regulatory certainty, promote competition, and support a more efficient and resilient business ecosystem.

Regulatory Measures

The **Reserve Bank of India (RBI)** has undertaken a comprehensive reorganisation of its regulatory framework by **consolidating over 9,000 circulars and guidelines into 238 function-specific Master Directions** for different categories of regulated entities. As part of this initiative, **9,446 circulars are being repealed**, with relevant 3,809 circulars subsumed into Master Circulars and 5,673 have been deemed obsolete. The initiative enhances regulatory clarity, reduces compliance burden, and supports the objective of improving EoDB.

Sabka Bima Sabki Raskha (Amendment of Insurance Laws)

The **Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025** has amended various provisions of the Insurance Act, 1938, the Life Insurance Corporation Act, 1956, and Insurance Regulatory and Development Authority Act, 1999, with a view to enhance citizens protection, deepen insurance penetration, accelerate growth and development of the insurance sector and to enhance the EoDB. One of the key features of the provisions is to **allow up to 100% Foreign Direct Investment** in Insurance Companies, opening doors to more foreign players to India. It promotes EoDB by:

- Providing **one-time registration** of insurance intermediaries,
- **Raising the limit for seeking IRDAI approval** for transfer of shares of paid-up equity capital from the current 1% to 5% for insurance companies,
- **Reducing the requirement of Net Owned Funds** for foreign reinsurers from ₹5,000 crores to ₹1,000 crores to facilitate the entry of more reinsurers, thereby helping to build greater reinsurance capacities in the country.

The **Indian Insurance Companies (Foreign Investment) Amendment Rules, 2025** were also notified on 30 December 2025 to ease business by rationalising conditions for insurers and intermediaries.

Credit Assessment Model (CAM)

Public Sector Banks launched the CAM in 2025, based on digital footprints for MSMEs. Between 1 April and 31 December 2025, over **3.96 lakh MSME loan applications amounting to more than ₹52,300 crore** were sanctioned under digital credit underwriting programmes. The model improves EoDB by

- Enabling **automated loan appraisal** using digitally fetched and verifiable data,
- Utilising **objective decisioning for all applications** and model-based limit assessment for both existing-to-bank and new-to-bank MSME borrowers,
- **Integrating credit guarantee schemes.**

Labour Reforms

The consolidation of 29 Central labour laws into four Labour Codes has significantly enhanced Ease of Doing Business by simplifying compliance, reducing approval timelines, and providing greater operational flexibility, particularly for MSMEs.

- The Codes have prescribed a **30-day time limit for granting permission** for factory construction or expansion and **reduced the overall approval timeline** from 90 days to 30 days.
- They simplify contract labour norms by **exempting contractors employing fewer than 50 workers from licensing**, and **introduced electronic single registration, a single return, and single all-India licences valid for five years** with deemed approvals.
- The Codes replaced six existing boards with a **single national tripartite board**, enabled **compounding of offences through graded monetary fines**, **replaced criminal penalties with civil penalties**, and mandated a 30-day notice period for compliance before legal action.
- They also **increased thresholds for lay-off, retrenchment, closure, and Standing Orders to 300 workers**, providing greater operational flexibility to establishments without prior approvals.

GST 2.0

GST reforms introduced in September 2025 strengthen Ease of Doing Business by **simplifying tax slabs, reducing rates across key sectors, thus lowering tax incidence and improving price competitiveness**. The move towards a simplified two-rate structure lowers compliance and transaction costs, while rate rationalisation improves affordability and supports entrepreneurship.

The impact is reflected in the expansion of the tax base, with **registered taxpayers increasing from about 60 lakhs in 2017 to over 1.5 crore in November 2025**, indicating deeper formalisation. Further, **correction of inverted duty structures** in labour-intensive and agri-input sectors such as textiles and fertilisers has reduced costs and working capital pressures, easing business operations.

Conclusion

India's Ease of Doing Business framework continues to evolve through a combination of regulatory simplification, digitalisation, and trust-based governance. The Union Budget 2026-27 proposals, alongside ongoing reforms across taxation, labour, finance, and regulation, signal a sustained commitment to reducing compliance burden and improving predictability for businesses. Strong trends in investment inflows, enterprise growth, and formalisation reflect the broader reform momentum built over the past decade. Together, these initiatives strengthen India's competitiveness and promote growth.

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