



FEDERATION OF INDIAN MICRO AND SMALL & MEDIUM ENTERPRISES

FISME

B - 4/161, Safdarjung Enclave, New Delhi - 110029

Tel : (+ 91-11-) 46023157, 46018592, 26187948, 26712064

Fax : (+ 91-11-) 26109470 | E-mail : info@fisme.org.in | Website : www.fisme.org.in

12th Dec 2016

Shri Narendra Modi
Hon'ble Prime Minister of India
New Delhi - 110011

Sub: Once in a life time opportunity for the Govt for enabling migration of millions of enterprises from informal to formal sector in the process transform the Indian socio-economic milieu for all time to come

Hon'ble Sir,

The existing cash based informal economy- which constitutes over 90% of all enterprises and account for most of the employment in the country other than in the Government and the corporates, is not yet ready for cashless economy and GST.

If pushed into the new regime without a well thought out strategy to bridge the chasm, millions of businesses would perish leaving a trail of destruction with huge social & political consequences.

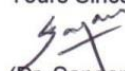
While most of the entrepreneurs can be counseled/persuaded to migrate to formal economy, the biggest hurdle in the way is the fear of persecution both in future and of non-compliance in past. A comprehensive 'amnesty' – a kind of safe passage, is needed especially in two spheres a) Taxation (Direct and Indirect Tax) and b) Labour/ Social Security along with assurance that the government machinery will also be reformed and made to work for the good of the nation and not to serve vested interests.

- a. In Taxation, the enterprises will pledge disclosure and compliance on a promise that their records of previous years will not be opened and they will not be harassed.
- b. In labour laws, not only is an amnesty required for the previous years, but urgent reforms are needed to make compliance feasible in future. Firstly, as promised by the Finance Minister in his Budget speech alternative option should be made available to employers/ employees for the ESI and the EPF. Secondly, the threshold of salary for mandatory Provident Fund deductions should be raised; the Employer's contribution should be fixed @ 10% while the contribution from employee should be made voluntary. (Such a scheme has already been announced for apparel sector). Thirdly, the responsibility of providing medical facilities should be taken up by the State itself (as for Central Government employees) and the ESI contribution should be completely done away with.

These two policy interventions, we are confident, can be precursor to a tectonic change in the socio-economic-political thinking persuading large number of enterprises to come in the fold of formal economy.

Such a movement not only would help them access institutional programs, funds and other inputs and help them grow, but also instill a sense of pride in sharing resources with the Government by way of taxes and being instrumental in developmental goals including higher employment.

Thanking you
Yours Sincerely


(Dr. Sangam Kurade)
President



Bangalore
57/5, Family YMCA Building
Millers Road, Benson Town
Bangalore - 560046
Tel: +91-80-41657607
E-mail: bangalore@fisme.org.in

Hyderabad
H. No. 6-3-569 / 1 / 2 / 4, 2nd Flr
Rockdale Compound, Somajiguda
Hyderabad - 500082
Tel: +91-40-23322117
E-mail: hyderabad@fisme.org.in

Chennai
No. 17/22, 1st floor, 4th Main Road
New Colony, Chromepet
Chennai - 600044
Tel : +91-44-43848805
E-mail: chennai@fisme.org.in