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Unified Single-window Clearance System

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Why in News

The government is working on a **new, unified single-window clearance system** for **foreign direct investment** (FDI) proposals.

It is taking up **several other active reform-related steps** related to **sovereign wealth funds and tax dispute settlements** to continue the momentum of reforms. It also **seeks feedback from global investors** to make the system more functional.

Key Points

- **Background:**

Despite the presence of several IT platforms for investing in India such as the **Foreign Investment Facilitation Portal (FIFP)** and **state single-window clearances**, investors need to visit multiple platforms to **gather information and obtain clearances** from different stakeholders.

- FIFP is the **online single point interface** of the Government of India with investors to facilitate FDI.
- It is administered by the **Department for Promotion of Industry and Internal Trade** (DPIIT), Ministry of Commerce and Industry.

- **About Single-window System:**

- To address this, the creation of a **centralised Investment Clearance Cell** was proposed by the DPIIT.

The cell will be a **one-stop digital national portal** that **integrates the existing clearance systems** of various ministries/departments of the government and will have a **single, unified application form**.

- It would **provide end-to-end facilitation support**, including pre-investment advisory, information related to land banks and facilitating clearances at Central and state level.
- It will allow **digital access** to regulators, policymakers and facilitators at one point **irrespective of their geographical location** and also provide **time-bound approvals and a real-time status update** to investors.
- It will **enable the potential investor to interact** with all the ministries whose approvals are required, in the central government as well as in the states.

- **Sovereign Wealth Funds:**

- Despite the **Covid-19 pandemic**, the government has seen **fresh interest from large sovereign wealth funds** looking to invest in the country.

- In the **Budget 2020-21**, the government promised **100% tax exemption** to the interest, dividend and capital gains income on the investment made in infrastructure and priority sectors **before 31st March, 2024 with a minimum lock-in period of 3 years** by the Sovereign Wealth Fund of foreign governments.

- A **sovereign wealth fund** is a **state-owned investment fund** composed of the **money generated by the government**, often derived from a country's surplus reserves.

- Despite **lockdowns**, the **National Infrastructure Investment Fund (NIIF)** actively engaged with the investors to find out the best way **to facilitate them with the benefits of the tax exemptions**.

- **Advance Pricing Agreements and Tax Dispute Settlements:**

- Various MNCs highlighted the concerns about **delays in bilateral Advance Pricing Agreements (APAs) and tax dispute settlements**.

- APA is an **agreement between a taxpayer and tax authority determining the transfer pricing methodology**, for pricing the taxpayer's international transactions for future years.

- In February 2020, Government approved an amendment to the **Direct Tax Vivad se Vishwas Bill 2020** which provides a mechanism for resolution of pending tax disputes in a simple and speedy manner.

- India needs a **robust system to resolve disputes on an ongoing basis** instead of waiting for specific schemes to be announced for them. There should be **simultaneous tracking of disputes and efforts to settle** them at the earliest.

Foreign Direct Investment

- It is an **investment made by a firm or individual** in one country into business interests located **in another country**.
- Generally, FDI takes place when an investor establishes foreign business operations or acquires foreign business assets, including establishing ownership or controlling interest in a foreign company.
- It is different from **Foreign Portfolio Investment** (FPI) where the foreign entity merely buys equity shares of a company.

FPI does not provide the investor with control over the business.

- **Routes Through which India gets FDI:**
 - **Automatic Route:** In this, the foreign entity does not require the prior approval of the government or the **Reserve bank of India** (RBI).
 - **Government Route:** In this, the foreign entity has to take the approval of the government through the existing FIFP.

Source: TH