

THE BOMBAY CHARTERED ACCOUNTANT JOURNAL

VOLUME 57 | ISSUE 12 | ENGLISH - MONTHLY | MUMBAI MARCH 2026 | PAGES 148 | PRICE: ₹100

Strengthening Governance & Compliance

Piercing the Corporate Veil



Decoding Significant Beneficial Ownership (SBO) to identify actual natural persons in control.



The 3-Stage Audit Gatekeeper

Implementing EQCR transitions by April 2026 to safeguard audit integrity and judgements



50% Labour Code Wage Cap

Managing a potential 25-50% surge in benefit liabilities under new wage definitions

Strategic Growth & Sustainability



The BRSR ESG Blueprint

Mandatory ESG disclosures for the top 1,000 listed companies



India US Trade Treaty

Pivoting from trade friction to a \$500 billion bilateral India-US partnership



Regulation vs. Strangulation

Shifting from complex 'archaic' laws to modern, trust-based regulatory frameworks

CHATTING UP ABOUT INDIA: PART I LIPID PROFILE OF REGULATORY CHOLESTEROL

RAMAN JOKHAKAR
Chartered Accountant

India's ambition to become a developed nation by 2047 is severely hindered by **over-regulation**, which the author terms "**strangulation**". Driven by an archaic, distrust-based approach, current laws are overly complex, coercive, and often weaponized for bureaucratic intimidation and corruption. This excessive compliance burden stifles risk-taking, innovation, and the overall ease of doing business. Instead of enabling growth, the system traps citizens in multiple registrations, overlapping filings, and unending litigation without administrative accountability. To unlock its economic potential, India must shift towards trust-based governance, proportionate regulations, and unified compliance systems like "**One Nation, One Business, One Number**".

Reform is China's second revolution – Deng Xiaoping

Since independence we have solved innumerable problems, which most born after 1990 cannot even imagine. My past articles¹ have covered few areas of phenomenal transformation and challenges in recent times. Bharat now seeks to become a developed nation by 2047 (21 years to go).

In this article, **we look at a limiting factor - over regulation - that blocks the target**. Apart from being a remnant of the Raj, **OVER REGULATION or as I call it STRANGULATION**, is a **first order issue** that fundamentally contaminates the ability of individuals and businesses to operate in India with **speed, scale and certainty**.

Speaking about the erstwhile Indian Civil Services, PM Nehru is supposed to have said this² – it is **neither Indian, neither civil nor service**. In the following pages, we will talk about **nature of regulations and effect of their implementation** without going into any specific law or civil service that governs it. The dangerous chasm between where we are and destination 2047, is the challenge of how the government can reduce the sting effect of regulations. Recent GST 2.0 and

Jan Vishwas bills have made effort towards removing the **sting of strangulation** and **decriminalising** the otherwise civil matters. This article is written from a perspective of ease of doing business (**EoDB**) and ease of living (**EoL**) and what makes over-regulation a deterrent to uncovering the potential our nation has.

You may have read about or faced over-regulation such as: despite there being 26,000 ways³ (18,000 only in labour laws) to put an employer in jail, few employers actually go to jail for violations. The reason being, that these **laws are often used as a means of intimidation and corruption to extract money by those who control implementation**. Who doesn't know that many of the laws are excessive (disproportionately intrusive), coercive (threatening punishment), one sided (loaded in favour of administrator with low recourse for citizen), archaic (irrelevant), detrimental to growth and freedom, and a means for '**babudom**'⁴. They exist to leave a window open to exploit the situation and make side income. The extent of bureaucratic overreach is aptly captured by the phrase – "*you show me the person and I will show you the crime*". Continuing with the example

³ Jailed for Doing Business Report, Dated February 2022

⁴ The collective Indian civil service and its culture, implying a system of power, coercion, entitlement, and often inefficiency, red tape, corruption, focus on hierarchy, with a tendency towards slow, rule-bound processes rather than effective action, especially in the post-colonial era. This is not just IAS but collective of more than 2 crore civil servants.

¹ Chatting Up about India series published in September 2023, August 2024, and January 2025

² Indian Civil Services as it was called before being morphed into IAS after independence in 1947

of labour laws, this is possible only because there are **21 definitions of wages, 17 definitions of workers.** In such a scenario, no one can comply without violating something, somewhere, sometime.

Let's look at the problem of over regulations through these questions–

- i) **Why are we fifth in total GDP but 128th in per capita GDP?**
(generally per capita is linked to productivity of sectors, firms, people!)
- ii) **Why are there only 30,000 companies with paid up capital of more than Rs. 10 Crores?**
(We have infrastructure, skills, and capital but risk taking at scale is a challenge.)

v) **Why are HNIs leaving India⁵?**

vi) **Why do politicians praise the diaspora for their entrepreneurial contribution in that country?**
(We all know that most left India often for better 'opportunities' in the first place.)

Despite considerable positive sentiments – policies or the **politics of policies** remain unstable and untrustworthy⁶, babudom makes things difficult rather than facilitates ease. Politicians go back on promises, and if it came to political benefit, they will change laws and contracts anytime. In other words, there is a **contrast between objectives and tools.**

The other day I met an architect friend, who won a contract at L1 to build a museum for a state

BREAKING THE CHAINS: FROM "STRANGULATION" TO REGULATION

THE WEIGHT OF "STRANGULATION"

26,000
PATHS TO PRISON
26,000 ways (18,000 in labor laws alone) to jail an employer.

COMPLIANCE OVERLOAD
Small companies face 30–50 annual compliances, including overlapping filings for GST, PF, and IT.

THE DEFINITION TRAP
Compliance is impossible with 21 different definitions of "wages" and 17 of "workers."

REGULATION VS. STRANGULATION

TRUST VS. DISTRUST
Regulation facilitates based on trust; Strangulation restricts based on a presumption of guilt.

"SEATBELTS" VS. "CHAINS"
Good laws protect like seatbelts; bad laws chain the driver's hands and legs.

PLAIN LANGUAGE VS. "CLAWS"
Regulation uses clear, modern language; Strangulation uses complex, archaic "claws" from 200 years ago.

ADMINISTRATIVE IMPACT COMPARISON		
FEATURE	TRUE REGULATION	× CURRENT "STRANGULATION"
Philosophy	Permitted unless prohibited	Prohibited unless permitted
System	Open architecture (Steel Frame)	Closed system (Steel Cage)
Outcome	High Speed & Certainty	Litigation without resolution

- iii) **What is stopping the pace of growth? Why does UP and Karnataka have about the same GSDP, but Karnataka does it at 1/3 the population?**
- iv) **Why is there five to six times difference between richest and poorest large states and why are backward states not creating habitat for ease of doing business despite its obvious benefits to its people?**

government. The State government appointed a project manager. On day one, the manager asked how he can get 15% of the total cost of the contract to approve the project progress and expenses. The architect had to contact chief secretary in Delhi, to ensure the manager backs off. However, if he had his way, he could stall the contract, block payments and create havoc for

⁵ Secession of the Successful: The Flight out of New India by Sanjay Baru citing ease of living, business environment, escaping bureaucracy, and better quality of life.

⁶ Many policies are based on the government, and with change of power, there is an impending threat that they will invert the current policies on day 1.

the architect taking risk and putting his capital at stake. That is **why a lot of businesses stay quiet, stay small, rather than suck up to politicians and sahebs, and risk taking / innovation suffers.** There are innumerable examples like this. However, here we will focus on a more controllable factor – nature and implementation of regulations.

REGULATION AND STRANGULATION

Indian governments (includes central, state and local) as an institution historically displayed negligible sense between the two words despite the difference between meaning and spelling. The Indian approach to refining absurd regulations most of the time has been sloooooooooooooow or postponed until a crisis builds up. The entire system is like a maze of wires we see on photos of old Delhi streets which no one wants to touch. Take the example of four labour codes – have combined 29 laws into four and how much time this took to legislate (2019) and notify (2025).

Regulations and strangulation – in nature, function and everything in between – they are as apart from each other as chalk and cheese. The following indicative list gives a **bunch of distinctions.** As you go through the list under few headings. Each aspect is juxtaposed under what **a Regulation can be vs. what it ends up being : Strangulation**

I. Philosophical Foundations: Presumption of Guilt over Trust

- a) Enables, facilitates, and makes things easy vs. Restrictions, suppression or destruction
- b) Akin to a seatbelt vs. Akin to chaining hands and legs while being in the driver's seat
- c) Based on trust of participants vs. Based on distrust of participants
- d) Permitted unless prohibited approach vs. Prohibited unless permitted approach
- e) For equitable, orderly and balanced growth of everyone; you cannot harm others to benefit yourself vs. Focus on control, manipulation, surprises, excesses where many will give up and say I don't want to be in this, it's too much or evade as compliance is disproportionately high in terms of time, cost and risk
- f) Makes entry and exit easy vs. Barrier for entry, exit and existence – high degree of difficulty
- g) Democracy – Governance – Nagarik is supreme vs. Tyranny– Ruling – Praja is subordinate
- h) Business failure is treated with an approach to find

out whether it is due to bad judgment, situational change, incompetence or fraud vs. Business failure is seen suspiciously and treated as fraud to start with unless proved otherwise

- i) Crimping of administrative state to serve the people to excel and rise instead of crimping of free society which is in pursuit of happiness vs. Crimping of free society with dos and don'ts and coercive provisions which are often tools of corruption
- j) Positive reinforcement of good behaviour of citizens, to encourage people to be good citizens vs. Negative reinforcement with only punishments for bad behaviour, good behaviour begets nothing

Examples: Take most laws we deal with and find out Number of provisions asking citizens for a certain type of action or prohibition. Add to it penalties for violations. Now look for number of things that government will do for you or not do and penalties for not doing it on the administrator. The first list almost makes the entire Act. Now take the language of saying this. Add to that fictional items taxed (Section 2(22) (e) of the ITA⁷ or Rule 8D of calculating mathematically something that may have no relevance for Section 14A to work). Lastly add distrust provisions to this. These lead to constant misuse and conflict, forcing citizens to perpetually prove they are in the right.

II. Design and Accessibility: Monuments of Complexity and Archaic language

- a) Crisp, clear, intelligible vs. Voluminous, ambiguous, incoherent
- b) Reads like clauses when reading – plain, simple, in normal language vs. Feels like claws – complicated, long winding and written in English of 200 years ago
- c) Low possibilities to interpret and extend meanings, is objective, and lacks susceptibility to litigation vs. Loopholes embedded in laws to extend meanings, interpret, leading to absurd outcomes and litigation
- d) Current, realistic, allowance for reality, relevant, pacing with time and addresses current market vs. Outdated, not pacing with time and reality, idealistic to the extent of being absurd
- e) Law made by parliament/legislature and rules by executive vs. Guidelines, rules, circulars, office orders, government order, memorandum, FAQs, and multiple instruments which are unrecognised by constitution and become quasi laws throwing their weight around

⁷ Indian Income Tax Act

f) Adaptable, flexible and allowance for reality of current addressable market and its participants vs. Bans (say audits have to be done per individual partner as opposed to firm total to enable specialisation in case of CAs)

Examples: The recently replaced ITA used to be a monument of complexity and inaccessibility (incomprehensible) with 900 odd sections, proviso, explanations, and clauses, sub clauses and the rest. There are decisions and circulars that contradict one another or retrospective changes (recent being LTCG at 12.5% without grandfathering or c/f of losses) where compliance requires constant monitoring so one isn't hit by a new missile launched from the North Block. Proliferation of scope expansion beyond legislative intent by circulars, notifications, FAQs which lay down 'laws' by the unelected and result in administrative enforcement. Unclear in Section 80JJAA or even Section 44ADA, are prone to litigation. For larger firms that specialise, now there is a ban on number of audits one partner can sign off instead of allowance for average based on total partners.

III. Proportionality and Market Dynamics: One size fits all Regulations

- a) Proportionate to activity and risk, need not be equal for all players and is based on situation/need vs. Applies in same proportion to all with disregard for context/need/situation
- b) Registration based, creates competition/supply through an open architecture vs. Licenses/permission based, restricts supply/shortage and a closed system
- c) Encourages new entrants when laws are less and thresholds are proportionate to the size of the entity vs. Favours incumbent almost always as laws can be a barrier to entry
- d) Raises standards, focussed on outcomes, enhances trust in the market vs. Keeps 'small' small and make them smaller, makes people want to take short cuts, focussed on process without view of outcomes
- e) Degree of economic complexity is less when compared to per capita GDP of our nation (say high thresholds) vs. Degree of economic complexity is much higher when compared to per capita GDP of our nation (say low thresholds)
- f) Number of people required by a business for regulatory control/compliance – LOW vs. Number of people required by a business for regulatory control/compliances – HIGH

- g) Steel frame – where capacity is increased to facilitate protecting and enabling EoDB and EoL vs. Steel cage – where pressure is put on capacity of business or individual to decrease ease
- h) Administrator proportionate for size of business, because laws are so vs. Administrator too big for small fish, and too small for big fish
- i) Inexpensive to be in formal economy. Cost makes sense for receiving capital, skills and productivity vs. Expensive to be in formal economy. Makes low sense even to receive capital and skills and productivity

Examples: Look at ITR or TAR Forms – they have low linkage to the business that is filing them - risks, complexity or profitability. A GIANT CAP entity and a small individual will file same ITR and TAR. Isn't it time that based on business code or something similar that TAR is differentiated for manufacturing, trading and service entities – that it is shorter and take relevant data only and which will get rid of standard questionnaires during 'assessments' at later stage. Imagine a single business registration – say PAN instead of CIN, TAN, PF IDs, and the rest of it. **Are we one nation or different fiefdoms under a sovereign?** A small business is filing same number of forms for companies act, TDS, GST, income tax, DGFT, PF, and so on. There are instances where a politician or a local civil servant can close or shut down a business for illegitimate reasons. If there is benefits to be granted to small businesses, why should they be deducting TDS to start with for the government and be exposed to delays and filings? Why not exempt non TAR cases from TDS deduction? Why should I as a taxpayer or business owner deal with numerous departments and offices if I am living in unified nation – why should there not be a single **Indian Tax Office or Indian Revenue Office** which has customs, income tax, international tax, GST, employment tax authorities sitting together and talk to one another? Why can I not pay one tax based on turnover which is a combination of GST and Income tax? **Federalism is made out to be small kingdoms** spread all across for 'collecting'. BTW **we still have something called 'collector'?** **ONE NATION, ONE BUSINESS, ONE NUMBER and EVERYTHING on ONE DASHBOARD is the way to go.**

Even as an individual, you must still secure a domicile certificate. Why is this necessary and why it can't be downloaded from a single portal where I have all my data from passports, to ration cards, to Aadhaar, to

electricity bills, municipal bills and the rest? One great FM brought one law that existed in Australia and said Bharat needs it too, with zero sense of comparative dissimilarities of GDP of Australia and India. The point is people in government think less of people.

IV. Administrative burden and Compliances: Multiple Registrations and Excessive Filings

- a) Bare minimum procedures, filings vs. Excessive procedures, filings
- b) Timelines are clearly and fairly given wherever action is required from citizen or administrator vs. Administrator works without timelines or favourable timelines compared to citizen
- c) Not data hungry. Takes basic data directly. Rest of the data is taken discretely from other sources directly vs. Obsessive data greed, burdening the citizen with forms for supplying more and more data, akin to snooping
- d) *Tatathataa* – can interrupt on severe critical matters with consideration of people who have taken the risk to start a business vs. *Dakhalandazi* – can touch almost every area of life or business, disrupt where unelected regulator has no skin in the game
- e) Negative list – only what is not allowed is generally listed vs. Positive list – generally listing everything that is allowed through a long list, often leaving a grey area
- f) Single registration for all laws - one nation one entity one registration – why should a citizen register everywhere and give the same data and do overlapping filings/reporting. Everything linked to a single identifier like Aadhaar or similar instead of numerous registration numbers like PF, ESIC, PAN, DIN, CKYC, CIN, etc. vs. Multiple registrations, permissions, returns, submissions of identical or similar data at a number of places in the garb of 'compliance' for taking services. Every law has its different identifier number and having its own registration numbers for individuals and businesses
- g) Low jail provisions when there are no cases of prosecution, as law need not be deterrence as it leads to promotion of corruption vs. Jail provisions without examples of prosecutions, to encourage fear and corruption

Examples: India loves compliance. A private company with less than ₹100 Crores of turnover will have to comply with ITR (1), TDS (4) + payments (4), GST (4+4), Company Law – Annual Filings (2), Board Meetings (4), Registers, KYC (1+), Appointments / resignations, all

changes, PF (12+12), PT (12+), TAR (1), GST (4+4) plus calculations and dealing with notices and other avoidable harassment like non-working portals or 5 MB upload size by a ₹4000 crore income tax portal' which is supposed to shrink the size on its end and not tell taxpayers to do this. A minimum of 30-50 compliances per LLP / Company are a normal threshold. The question is – why most of these can't be filed once a year or twice a year, at the same place under same number? Add to this – if you are running a small entity and its 50% assets and / or income happen to be financial assets – you may trigger a Reserve Bank of India coverage⁸! Indian industrial laws asking how many times the wall should be painted or whitewashed, and specifying penalties for not doing so. Every department is trying to encroach on businesses to obtain its pound of flesh when its existence is questionable. Imagine single **Indian Tax office – all taxes at one location, under one number, under one portal, one login, one DSC registered, one signatory,...** I must be crazy to even think this way!

V. Outcomes, Accountability, and Continuous Improvement: Litigation without resolution

- a) Fast, smooth and inexpensive recourse/escalation for the aggrieved vs. Slow, steep and expensive recourse to excesses inflicted
- b) Revisited often for correlating it to fulfilment of its initial purpose and by testing it with present situation vs. Not revisited anytime till there is uproar, mess, crisis or repeated representations
- c) Pruning and self-correcting mechanism built inside the law where law will be reviewed, or have sunset clauses for relevance, stability and clarity every few years on a systematic basis vs. No pruning or self-correcting mechanism or modifications set for clarity and stability
- d) Data based correlation between written law, its interpretation, practices and enforcement vs. Low evaluation of existing laws, especially at state and municipal levels
- e) Creates no friction to justify oil for greasing vs. Needs oil for greasing to remove frictions (pun intended)
- f) Penalties and punishment for similar offences are similar across laws vs. Penalties and Punishment for similar offences are different across laws
- g) Accountability of regulator vs. Penalties and punishment for similar offences are different across laws vs. Accountability of only citizens

⁸ Recently raised to ₹1000 Crore threshold as RBI could possibly not manage no threshold law applied to entities without public interface

Examples: How long does an appeal take to be heard? Tribunal for GST on paper established 9 years after the law enforced. Should related parties be defined consistently under accounting, direct taxes, indirect taxes? If you delay filing you pay fine/interest or lose chance to fight back and if regulator delays response or gives false response what is she accountable for? Under BNS (S. 319) imprisonment for cyber criminal is different compared to IT Act, 2000 (S.66C). Crime is same/similar – Identity theft. Same for Adulteration under IPC and FSSAI where difference in fine is ₹1,000 and ₹10 Lacs. Look at Charity commissioner sitting like judges – for change of a trustee due to death – takes 6 months, appearing in person, filing 1 inch fat docket and hiring a lawyer through whom the money moves to the approver. Zero reason for any ‘hearing’ – death of a

trustee can be ‘seen’ from QR code and name removal should be free of so called ‘hearing’.

The above list seems particularly long to emphasize the fact that innumerable lifetimes wasted by terrible regulations, compliance, adjudication and even recalibration/deletion⁹. The next two decades are possibly the last big opportunity of Bharat when we are a nation full of youth and energy.

(the second part of the article will be published next month...) ■

⁹ It took 100 years to change Indian Succession Act, 1925 where the law makers realised that probate was there in Mumbai but not required in Delhi and Bangalore and was required for Hindus, Sikhs, Jains, ...and not Christians and Muslims. That's as bizarre, deaf and blind a law can get.



**MAKE THE START RIGHT,
TO ENSURE A FUTURE BRIGHT!**

Be a Certified Public Accountant (USA)

► Concorde-Gleim CPA Review

Enjoy the advantage of comprehensive study material clubbed with effective teaching techniques to give your career the edge, Enroll today and zoom ahead on your career highway.

► Concorde Advantage

Over 22 years in CPA training • Associated with the best CPA review GLEIM • Unique interactive live sessions • 250+hours of training • Exemplary pass rate • Exam focused flash cards • AI based Smart Adapt for mock exams • Best CA, CPA qualified industry experienced faculty • Assistance for evaluation, exam registration & licence

**Premium Gleim Study Kit
with Online Live
Classroom Training**

For Registration or Enquiry Call

**+91 93200 90043
+91 93200 90045**

query@concorde-cpa.com

www.concorde-cpa.com

BCA JOURNAL

57th Year of Monthly Publication

- ◆ BCA Journal is driven by analysis that is independent and balanced
- ◆ Receive in-depth but to the point coverage of developments in Direct Tax, Indirect Taxes, GST, International Tax, Auditing, Accounting, Business, Commercial, Economy, Practice Management, Information Technology, Right to Information, and more
- ◆ Articles curated by specialists
- ◆ Features covering the most relevant themes
- ◆ Series of monthly features dedicated to topics – Practice Management, GST, ICDS, Ind-AS, Transfer Pricing...
- ◆ Contributions from experience professionals
- ◆ Access E-journal, repository of 20 years of Journals in a searchable format
- ◆ Special issues - covers the full spectrum of a subject such as GST
- ◆ Features in Special Issues: Interviews, view and counterview, musings, and more ...

BCA Journal is printed in both paper format and electronic version.
For subscription and access to past issues: www.bcajonline.org