

Comparing the Legal Frameworks for Establishing a Grocery Store in India and the UAE

Vaishhnavi Shyam Sundar

Student, Gems New Millennium

Abstract

The objective of this study is to compare the legal aspects of opening a grocery store in India and the United Arab Emirates (UAE). This knowledge is crucial for business people in order to be aware of the regulatory landscape, be compliant, and run their businesses effectively. The paper will examine key legalities like business registration, zoning, health and safety law, taxation, and employment law in India and the UAE.

Legal Aspects for establishing a Grocery stores:

Business Registration:

India: Entrepreneurs have several business forms to select from, such as Sole Proprietorship, Limited Liability Partnership (LLP), or Private Limited Company under the Companies Act, 2013. Trade License from the local municipal corporation is necessary.

UAE: The Dubai Economic Department (DED) conducts business registration. Entrepreneurs have the option of a Sole Proprietorship or a Limited Liability Company (LLC). LLCs are taxed as corporate tax, and sole proprietorships are taxed as personal income.

Health and Safety Regulations:

India: Businesses require an FSSAI license from the Food Safety and Standards Authority of India, an NOC from the Fire Department, and a Health Trade License from the municipal corporation.

UAE: Businesses are required to possess a Food Control Permit from the Dubai Municipality, Health and Safety Certificate, and license from the Civil Defense to be protected from fire.

Taxation and Financial Regulations:

Tax on commodities sold (Indirect tax) -

India: GST (Goods and Services Tax) applies, divided into three forms: Central GST (CGST), State GST (SGST), and Integrated GST (IGST to address the inter-state transactions).

UAE: VAT is charged for most of the items sold in the grocery stores.

Tax on profit derived by grocery stores (Direct tax) -

India – Income tax is chargeable on the profits earned by the groceries and the income tax rate ranges from 5% to 35% as per the applicable provisions of Income Tax Act, 1961

UAE – Income tax is chargeable on the profits beyond USD 100,000 at 9% subject to the provisions of the Corporate tax in UAE.

Employment and Labour Laws:

India: Labor laws include the Minimum Wages Act, the Payment of Wages Act, the Payment of Bonus Act, the Maternity Benefit Act and the Child Labor Act (Prohibition and Regulation) etc.

UAE: Employment under the UAE Labour Law dictates minimum wages, labor conditions and staff benefits.

Other Governing Laws:

India: Establishment of grocery stores are regulated by state-specific Shops and Establishments Acts, which dictate permissible business locations and operating rules. Other regulations viz, Trade mark registration, Import & Export regulations, Consumer protection Act, Competition law, etc needs to be adhered to.

UAE: Real Estate Regulatory Authority (RERA) decides the commercial areas appropriate for grocery business. Other regulations viz, Trade mark registration, Import & Export regulations, Consumer protection Act, Competition law, etc needs to be adhered to.

Comparison Of Laws in Different Jurisdiction:

Category	India	UAE
Business structure	Private Limited Company, LLP, Sole Proprietorship	LLC, Sole Proprietor
Taxation	1) GST (CGST, SGST, IGST) 2) Income Tax	1) VAT 2) Corporate Tax
Health and Safety	1. FSSAI 2. Fire Department NOC 3. Electricity NOC 4. Health Trade License 5. Signage License 6. Environmental permit	1. Dubai Municipality for Food control permit, signage 2. DEWA NOC for water and Electricity connection 3. Civil Defense for safety of lives, properties and environment
Employment laws	Minimum wages Act and Labour legislation	UAE labor law
Other Governing Laws	Shops and Establishment Act, IP laws, Competition laws, Consumer Protection Act.	RERA commercial zoning regulations, IP laws, Competition laws, Consumer Protection Act.

Challenges in Compliance:

India: The abundance of laws, the bureaucratic process, complexity and the frequency of revision makes compliance with these laws challenging.

UAE: Challenges include high license fee and registration fee, strict obedience to the regulations governing commercial zones and strict laws regarding health and safety are the issues.

Case studies:**Big Bazaar – Regulatory and Tax Compliance Challenges:****Background:**

Big Bazaar, an Indian big supermarket chain, was inaugurated in 2001 under the Future Group. The store picked pace across the country selling household items along with apparel and grocery.

Legal & Regulation Issues Faced

GST Compliance: When GST was introduced during 2017, Big Bazaar was forced to rationalise taxation. Previously, it was paying service tax, VAT, etc., but under GST it was forced to realign billing, pricing and accounting mechanisms.

The challenge was to encompass the ranges of the various products under the fold where the rate was 0% to 28% (essentials foods to luxuries).

Licensing & Permits: With operations across states, the company needed independent Shops and Establishment Act registration and FSSAI licenses per store. Fire safety measures and eco-consents were strengthened together with the opening of the shops.

Labor Law Compliance: With thousands of employees, the minimum wages ordinance, the law about the working time, and the mandatory benefits such as the Provident Fund (PF) and the Employee State Insurance (ESI) had to be adhered to.

How Big Bazaar Overcame Such Challenges

1. The company mechanised monitoring the system of compliance, labor laws and GST tracking, and license renewal.
2. It partnered law firms and counsel to ensure seamless operations.
3. Employee training sessions to advise store managers regarding new labor laws and taxation guidelines were implemented.

Outcome

Big Bazaar survived the shift to the GST regime unscathed, continued to remain compliant and kept expanding. Subsequently however, the store was acquired by Reliance Retail in 2022 under the pretext of finance and competition.

Carrefour – Adapting to Dubai’s Regulatory Environment:**Background:**

Carrefour, a French international retail group, has been open in the UAE market since 1995 under an agreement with Majid Al Futtaim. It has diversified to over 100 UAE outlets.

Legal & Regulatory Issues Faced:**i) Business Registration and Trading License:**

Carrefour had to be registered under the LLC under the **Dubai Economic Department** to comply with UAE law under the Foreign Investment Law.

A trade license under the "General Trading" license was essential to enable it to sell various kinds of products.

VAT Implementation in 2018: With the UAE implementing 5% VAT on the majority of items, Carrefour was forced to revise the pricing and implement VAT-compliant billing to every store. It had to ensure that the suppliers raise VAT-compliant invoices during purchasing.

Food Safety Regulation: Carrefour had to acquire the Dubai Municipality's Food Control Permit to comply with the regulations regarding hygiene and quality.

Regular inspections to guarantee that there are no spoiled foods, correct labeling, and hygienic conditions.

Consumer Protection Laws and Price Controls: The UAE has strong regulations to manage anti-hoarding and price control. The Consumer Protection Department compelled Carrefour to comply with the regulations about the management of prices during periods of economic uncertainty.

How Carrefour Overcame the Issues

It established a strong legal and compliance department to monitor regulatory changes and execute timely rectifications. It automated VAT invoicing and invested in food safety technology like temperature-controlled storage. Carrefour engaged the government of UAE to be included in consumer protection programs to maintain the reputation.

Outcome

Carrefour successfully adapted to UAE laws and has continued to be the market leader within the grocery retail sector. Its commitment to the labor laws of Dubai, food laws, and UAE's VAT system has made it the standard to be emulated by other supermarket retailers.

Conclusion:

This comparative analysis puts the similarities and dissimilarities of the UAE and the Indian legal frameworks that cover the grocery shops. The UAE has centralized and strict laws that are imposed but India has highly diversified laws that are dissimilar based on states. The entrepreneurs will need to take professional legal counsel and comply with every law to initiate the grocery business. The future policies need to simplify the registration procedure of the businesses and the alleviate the bureaucratic burden on the small businesses within the UAE and India.