

CHAPTER



17

Legal Requirements

All industrial activities are governed by certain legal provisions that come in force from time to time. A few of them are given here with brief explanation for your understanding. These could be divided into ‘general’ and ‘Food Processing Industry specific’.

GENERAL LEGALITIES**Factories Act, 1948**

This is applicable to enterprises where the number of employees is:

- Ten or more and where power is used; or
- Twenty or more and power is not used.

The enterprises covered under the Act are required to keep certain records:

- Muster Roll
- Workers Register
- Overtime Register
- Advance Register
- Register for Fine
- Register for Deductions
- Register of Wages
- Register of Accidents and Dangerous Occurrences

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- Bond Inspection Book
 - Register of Cleaning and White Washing
 - Record of Examination of Parts of Machinery

There is another Act known as Shops & Establishment Act which is applicable to shops and business undertakings employing 5 or more persons.

Employees Provident Fund & Miscellaneous Provisions Act, 1952

The Act applies to every factory or establishment employing 20 or more employees. It, however, exempts a factory or establishment for an initial period of 3 years from commencement of business if the number of employees is more than 50 and for an initial period of 5 years if the number of employees is less than 50. The minimum contribution payable by the employer is 12% of the basic salary contribution and Dearness Allowance. The employee also makes an equal contribution. The Act, however, does not specify a maximum contribution.

Employees' State Insurance Act

It provides benefits to employees in case of sickness, maternity and employment injury and for certain other matters in relation thereto. The Act also provides for payment of contributions by employers and employees at the rates specified in the First Schedule of the Act. The existing rates of employee's contribution vary according to wages and the employer's contribution is exactly double the employee's contribution. It shall apply to factories employing 20 or more people.

Payment of Wages Act, 1936

This Act is applicable to factories and establishments, which come under The Factories Act. The act is restricted in its application to the class of workers whose wages range upto Rs.1,600/- per month.

Minimum Wages Act, 1948

The employer has to pay minimum wages to employees in certain scheduled industries. At present the minimum wages act is applicable in 44 scheduled industries.

The Indian Partnership Act, 1932

The Indian Partnership Act, which was amended in 1932, provides for rules relating to foundation of legal partnership. It states the rights and duties of the partners amongst themselves and outside and lays down rules regarding the dissolution of partnership.

Central Excise (CE)

The Central Government is empowered to levy excise on all articles manufactured in India except alcohol, alcoholic preparations and narcotics. The liability to duty starts the moment a new commodity is manufactured. There are, however, certain exemptions granted to SSI units. However, there is no CE on fruit and vegetable products.

Sales Tax

Sales tax is tax levied by state and centre. Tax charged by state is called LST or Local Sales Tax and tax charged by Centre is known as CST or Central Sales Tax. The latter is charged when goods move out of a state.

The Income Tax Act, 1911

The Act governs the levy of income tax in India. It defines various terms and expressions and states the liability of a person to pay income tax. The rates and pattern of taxation, however, are changed from time to time.

Pollution Control Act

The State Air and Water Pollution Control Board is the body responsible for implementing this Act. The act is applicable to all kinds of industry.

SPECIFIC LEGALITIES: (FOOD PROCESSING)

In addition to the general legal requirements, there are a few legal requirements that are specific to Food Processing Industries. A food processing enterprise has to comply with several compulsory legal requirements. Implementation of these norms with regard to Small and Medium Enterprises

is relatively stringent while cottage and household level units sometimes tend to compromise on such stipulations. These laws include:

- a. Prevention of Food Adulteration Act (1954): which is the basic statute to protect consumers against supply of adulterated food. The Central Committee for Food Standards 'under the Directorate General & Health Services Ministry of Health and Family Welfare has specified the standards.
- b. Milk and Milk Products Order (MMPO): regulates milk and milk products production in the country. The order requires no permission for units handling less than 10,000 litres of liquid milk per day or milk solids upto 500 tpa.
- c. Fruit Products Order (1955): regulates manufacture and distribution of all fruit and vegetable products, sweetened aerated waters, vinegar and synthetic syrups. The license is issued by Regional Director of MoFPI located at Mumbai, Delhi, Kolkatta, Chennai and Guwahati based on the satisfaction of the concerned officer with regard to quality of production, sanitation and hygiene, machinery and equipment and work area standards.
- d. Standard of Weights and Measures (Packaged Commodities) Rules, 1977: lay down certain obligations for all commodities in packed form with respect to their quality declaration. The Directorate of Weights and Measures under the Ministry of Food and Civil Supplies operates these rules.
- e. Export (Quality Control and Inspection) Act, 1963: is operated by the Export Inspection Council and under this act many exportable commodities have been notified for compulsory pre-shipment inspection unless specifically requested by the importer not to do so.
- f. Voluntary Standards: are regulated by organisations involved with voluntary standardisation and certificates systems concerning quality parameters in food. They are the Bureau of Indian Standards (BIS) and Directorate of Marketing and Inspection (DMI). The food processing industries sector as a whole involves other legislations.
- g. Oils, Deoiled Meal and Edible Flour Control Order 1967 and Vegetables Products Control Order, 1976: control the production and distribution of solvent extracted oils, deoiled meals, edible oil seed flours and hydrogenated vegetable oils (vanaspati).
- h. Meat Food Products Control Order, 1973: regulates manufacture, quality, and sale of all meat products and is operated by the Directorate of Marketing and Inspection.