

# Start-up India: A bird's eye view

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Monday, September 12th, 2016



Government of India has launched the Startup India Action Plan to create conducive environment for startups. The scheme would enable the youth to be employment generator rather than employment seeker. In general parlance 'Startup' may mean any new venture working in the field of information technology. But as per the definition given by the DIPP (Department of Industrial Policy and Promotion), startup means "an entity incorporated or registered in India; not older than five years; whose annual turnover doesn't not exceed INR 25 crores in any preceding year and who is working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or information technology."

Under the Startup India scheme of Government of India, certified/recognized startups are entitled for several benefits. Some of the prime benefits are:

### **Tax Benefits:**

Private Limited Companies and Limited Liability Partnership which are incorporated between 1st April, 2016 and 31st March, 2019 and has obtained certificate from the Inter-Ministerial Board of DIPP can avail the following benefits:

- a. Income Tax Exemption for any 3 years out of 5 years
- b. Tax Exemption on Capital Gain
- c. Tax Exemption on Investment above Fair Market Value.

### **Exemption from Compliances and Routine Inspection**

Various labor and environment laws mandates regular compliances and routine inspections which are time consuming and require a lot of heed. So in order to make all such compliances hustle free, startups are permitted to submit self-certified returns under labor laws on online Shram Suvidha Portal and they may be inspected in exceptional cases only.

Startups which fall under the new list of “white” category industries are exempted from all applicable compliances under the three Environmental Laws viz. the Water (Prevention & Control Off Pollution) Act, 1974, the Water (Prevention & Control Of Pollution) Cess (Amendment) Act, 2003 and the Air (Prevention &Control Of Pollution) Act, 1981.

## **Intellectual Property Rights Benefits**

The scheme for Startups Intellectual Property Protection (SIPP) is rolled out to nurture and mentor innovative and emerging technologies among Startups. The CGPDTM (Controller General of Patents Designs and Trade Marks) has empanelled numerous facilitators to provide general advisory on IPRs and to protect and promote IPRs in other countries.

While applying for the IPR, a recognized/certified startup has to pay only the statutory fees of trademark, patent or any other intellectual property. The fees for rendering the services of filing an application shall be paid to the facilitator directly by the central government through the office of the CGPDTM.

## **Relaxed Norms for Startups in Public Procurement**

Startups are normally micro and small enterprises which may not have a track record and they are not able to meet the qualification criterion of prior experience and prior turnover. However, such startups have technical capabilities to deliver goods and services as per prescribed technical and quality specification. Therefore, for Public Procurement of Micro and Small Enterprises, condition of prior turnover and prior experience with respect to Micro and Small Enterprises may be relaxed. From 1st April, 2015 it has become mandatory for Central Ministries/ Departments/ CPSUs, to procure at least 20% Micro and Small Enterprises.

## **Faster Exit**

The Insolvency and Bankruptcy Code, 2016 aims at the early identification of financial failures and also provides for maximizing the asset value of the insolvent firm. For startups insolvency resolution process shall be completed within a period of ninety days from the date of commencement of insolvency.

## **Fund of Funds for Startups**

A 'fund of funds' of INR 10,000crores is established for startups which is to be managed by SIDBI (Small Industries Development Bank of India). The fund will invest in SEBI (Securities and Exchange Board of India) registered Alternative Investment Funds (AIFs) which, in turn, will invest in startups.

## **Process to Obtain Startup Certificate**

A startup (being a private limited company, a registered partnership firm or a limited liability partnership) which fulfills all the condition and is working for the notified purposes may apply for the Startup Certificate through mobile app/ portal of the DIPP. Startups will be required to submit a simple application with any of the six documents:

a. a recommendation ( with regard to innovative nature of business), in a format specified by DIPP, from any incubator established in a post graduate college in India; or

- b. a letter of support by any incubator which is funded (in relation to the project) from Government of India or any State Government as part of any specified scheme to promote innovation; or**
- c. a recommendation (with regard to innovative nature of business), in a format specified by DIPP, from any incubator recognized by Government of India; or**
- d. a letter of funding of not less than twenty percent in equity by any Incubation Fund/Angel Fund/ Private Equity Fund/ Accelerator/ Angel Network duly registered with SEBI that endorses innovative nature of the business. DIPP may include any of such fund in a negative list for such reasons as may deem fit; or**
- e. a letter of funding by Government of India or any State Government as part of any specified scheme to promote innovation; or**
- f. a patent filed and published in the Journal by the India Patent Office in areas affiliated with the nature of business being promoted.**

### **Recent Status**

**The DIPP in the report dated 18th August, 2016 has disclosed that out of 882 applications, only 266 have been recognized as startups by DIPP and only 31 were considered for tax benefits.**