

# Startup

## What is Startup India Initiative?

In the year 2016, Government of India recognised the Start-up entities, Startup India is a flagship initiative of the Government of India, for the growth of startup businesses. The Government encourages the startups to grow through **innovation and design**.

## Key features available to start up entities

### 1. Self-certification compliance regime.

Up to 3 years there will be no compliance in regards to the environmental law compliance, labour post self-certification

### 2. Start-up India Hub

The “Startup India Hub” to assist as under:

- Work in a hub and spoke model and collaborate with Central & State governments, Indian and foreign VCs, angel networks, banks, incubators, legal partners, consultants, universities and R&D institutions
- Assist Startups for obtaining financing, feasibility testing, business structuring advisory, enhancement of marketing skills, technology commercialization and management evaluation etc.
- Organize mentorship programs in collaboration with government organizations, incubation centers, educational institutions and private organizations who aspire to foster innovation. our

### 3. Mobile app and portal

Single platform mobile app available for-

- Start-up registration
- Registering the star up with relevant Government agencies

You can track the status of your registration applications.

A digital version of the final registration certificate can be downloading through the Mobile App. The App shall provide a collaborative platform with a national network of stakeholders (including venture funds, incubators, academia, mentors etc.) of the Startup ecosystem.

### 4. Lower cost and fast examination for Patent

The patent application of Startups shall be fast-tracked for examination and disposal. Startups shall be provided an 80% rebate in filing of patents applications.

## 5. Easy norms in public procurement

Startups (in the manufacturing sector) have been exempted from the criteria of “prior experience/turnover” while participating in any tender by Government or PSUs, without any relaxation in quality standards or technical parameters.

## 6. Fast exit

It is very important for a business to have a fast and simple exit route. The Insolvency and Bankruptcy Code, 2016 provides for fast track a simple and fast would up scheme within a period of 90 days from making Goan application under the scheme.

## 7. Exemption from the taxation of capital gain.

### Registration of a startup with DIPP

Most of the startups are focused on gaining revenues and maximizing their profits by using various methods which is a good thing. At the initial stage, most of the startups are bootstrapping their organizations out of their hard-earned money. One of the ways to enhance your earnings is to reduce the cost. Government retains 30% of our income in form of tax which leads to increased cost. We can save this cost for three years by simply registering our startup with the Startup India initiative.

However, a rumour in the industry that all the startups can avail tax benefits is trending, which is a myth. Not all startups will get tax benefits. There is a difference between startup recognition and startup recognition with tax.

### Some points to consider in this regard:

1. Startup recognition is granted by the department of industrial policy and promotion (DIPP) and approval in regards to tax benefits shall be provided by the inter-ministerial board of certification.
2. The tax benefit is available for both companies and LLP registered on or after **1st of April 2016** and with turnover not less than 25 crores. This provision is available under **section 80 IAC** of the Income Tax Act, 1961.
3. Registered partnerships are also considered under in normal startup scenario, but if you want to claim tax benefits registered partnerships are not eligible for the scheme.

### Benefits for startup India:

The benefits for startup India comprise of

- Startups will be permitted to self-certify compliance with nine labour laws and environmental laws. In the case of labour laws, no inspection will be conducted for a period of three years.
- Startup India enables companies to register through their mobile application and upload relevant documents. There will also be single window clearances for approvals, registrations and filing compliances among other things.
- Patent filing approach will be simplified. The Startup will enjoy a rebate of 80% of the fee in the patent application. The startup will bear only the statutory fees and the government will bear all facilitator fees.
- The Startup India programme will encourage research and innovation among students who are aspiring entrepreneurs and seven new research parks will be set up to provide facilities for startups in the R&D sector.

- Equal opportunities will be provided for both startups and experienced entrepreneurs. Earlier this was not possible because all applicants required either 'prior experience' or a 'prior turnover'. But now, public appropriation norms have been relaxed for startups.

## **How to register your startup with Startup India**

### **STEP 1: INCORPORATE YOUR BUSINESS**

You must first incorporate your business as a **Private Limited Company** or a Partnership firm or a Limited Liability Partnership

You have to follow all the normal procedures for registration of any business like obtaining the certificate of Incorporation/Partnership registration, PAN, and other required compliances.

### **STEP 2: REGISTER WITH STARTUP INDIA**

Then the business must be registered as a startup. The entire process is simple and online. All you need to do is log on to the Startup India website ( <https://www.startupindia.gov.in/content/sih/en/home-page.html>) and fill up the form with details of your business and upload certain documents.

### **STEP 3: DOCUMENTS TO BE UPLOADED (IN PDF FORMAT ONLY)**

#### **a) Incorporation/Registration Certificate**

You need to upload the certificate of incorporation of your company/LLP (Registration Certificate in case of partnership)

#### **b) Description of your business in brief**

A brief description of the innovative nature of your products/services.

### **STEP 4: ANSWER WHETHER YOU WOULD LIKE TO AVAIL TAX BENEFITS**

Startups are exempted from income tax for 3 years. But to avail these benefits, they must be certified by the Inter-Ministerial Board (IMB). Start-ups recognized by DIPP, Govt. of India can now directly avail IPR related benefits without requiring any additional certification from IMB.

### **STEP 5: FINALLY, YOU MUST SELF-CERTIFY THAT YOU SATISFY THE FOLLOWING CONDITIONS**

a) You must register your new company as a Private Limited Company, Partnership firm or a Limited Liability Partnership

b) Your business must be incorporated/registered in India, not before 5 years.

c) Turnover must be less than 25 crores per year.

d) Innovation is a must– the business must be working towards innovating something new or significantly improving the existing used technology.

e) Your business must not be as a result of splitting up or reconstruction of an existing business.

## **STEP 6: IMMEDIATELY GET RECOGNITION NUMBER**

That's it! On applying you will immediately get a recognition number for your startup. The certificate of recognition will be issued after the examination of all your documents.

However, be careful while uploading the documents. If on subsequent verification, it is found to be obtained that the required document is not uploaded/wrong document uploaded or a forged document has been uploaded then you shall be liable to a fine of 50% of your paid-up capital of the startup with a minimum fine of Rs. 25,000.

## **STEP 7: OTHER AREAS**

### **a) Patents, trademarks and/or design registration**

If you need a patent for your innovation or a trademark for your business, you can easily approach any from the list of facilitators issued by the government. You will need to bear only the statutory fees thus getting an 80% reduction in fees.

### **b) Funding**

One of the key challenges faced by many startups has been accessing to finance. Due to lack of experience, security or existing cash flows, entrepreneurs fail to attract investors. Besides, the high-risk nature of startups, as a significant percentage fail to take-off, puts off many investors.

In order to provide funding support, Government has set up a fund with an initial corpus of INR 2,500 crore and a total corpus of INR 10,000 crore over a period 4 years (i.e. INR 2,500 crore per year). The Fund is in the nature of Fund of Funds, which means that it will not invest directly into Startups, but shall participate in the capital of SEBI registered Venture Funds.

### **Key features of the Fund of Funds**

The Fund of Funds shall be managed by a Board with professionals from industry bodies, academia, and successful Startups.

Life Insurance Corporation (LIC) shall be a co-investor in the Fund of Funds

The Fund of Funds shall contribute to a maximum of 50% of the SEBI registered Venture Funds ("daughter funds"). In order to be able to receive the contribution, the daughter fund should have already raised the balance 50%. The Fund of Funds shall have representatives on the board of the venture fund based on the contribution made.

The Fund shall ensure support to a broad mix of sectors such as manufacturing, agriculture, health, education, etc.

## **Conclusion**

Indian government is providing enough help to the startups to cope up with the economy. Moreover, many startups have registered themselves under this startup India regime so as to get maximum benefits from the government. As the result of this scheme more and more entrepreneurs are getting motivation and they are starting up their companies and contributing towards making society more efficient and comfortable. Generating more and more jobs for the

country is the reward we are getting from the startup India scheme. Startup India is one of its kind schemes.

### **\*Tax Exemption under 80IAC**

Eligible startups are exempted from paying income tax for 3 consecutive financial years out of their first ten years since incorporation.

Eligibility to avail tax exemption under 80IAC. The entity should be recognised by the DPIIT Only Private Limited Companies or Limited Liability Partnerships are eligible for tax exemption under Section 80IAC. The Startup must have been incorporated on or after 1st April, 2016  
Registration Process & Documents Access Startup India portal and register  
After registration, apply for DPIIT recognition Access the Section 80 IAC exemption application.

Fill in all details with the below-mentioned documents uploaded and submit the application form

### **Documents Needed**

- Memorandum of Association for Pvt. Ltd./LLP Deed
- Board Resolution (If Any)
- Annual Accounts of the startup for the last three financial years
- IT returns for the last three financial years Electronic Process after Applying
- Refer to your Dashboard on the Startup India Portal for the status of your application. This can be found on the top right of the page after you log in.
- For any clarifications, please email: [dipp-startups@nic.in](mailto:dipp-startups@nic.in)

### **Section 56 Exemption**

Exemption under Section 56(2)(VIIB) of Income Tax Act

- Investments into eligible startups by listed companies with a net worth of more than INR 100 Crore or turnover more than INR 250 Crore shall be exempt under Section 56(2) VIIB of Income Tax Act
- Investments into eligible Startups by Accredited Investors, Non-Residents, AIFs (Category I), & listed companies with a net worth more than 100 crores or turnover more than INR 250 Crore, shall be exempt under Section 56(2)(VIIB) of Income Tax Act
- Consideration of shares received by eligible startups shall be exempt upto an aggregate limit of INR 25 Crore

### **Eligibility to avail tax exemption under Section 56**

- Should be a private limited company
- Should have been recognised as a DPIIT. To get DPIIT recognition, click on “Get Recognised” below.
- Not Investing in specified asset classes
- Startup should not be investing in immovable property, transport vehicles above INR 10 Lakh, Loans and advances, capital contribution to other entities, except in the ordinary course of business

- **For Startup Registration below mentioned details/documents required are as mentioned below:**
  - a. Certificate of Incorporation of the Company
  - b. PAN CARD of the company
  - c. Director's PAN, Aadhar Card, Email Id & Phone number
  - d. Logo of startup or company
  - e. Email and Mobile Number to create Credential on Startup India Portal.
  - f. Incorporation/Registration Certificate
  - g. A brief description of the innovative nature of your products/services.
- **For Exemption from Angel Tax (Section 56(2)(viib) of Income Tax Act, 1961 -**
  - a. All the documents as mentioned above.
  - b. Declaration on Letter head is required (format would be provided by us).
- **For 80 IAC Exemption following documents/details are required:**
  - a. **Provisional Financial Statements from the date of incorporation to till date. (The Balance Sheet and the Profit and Loss Statement must be CA Certified)**
  - b. **Startup Video Link:**

Toolkit for Video Link

The video should be of a maximum of 2 minutes and should cover the following aspects:

- Brief about what your startup does or is planning to do
- Showcase the working of the prototype/proof-of-concept developed by you
- Market traction that your product/service has generated till now, if your product/service has already been launched in the market

**Note: Please upload the Video on a third-party video hosting platform such as Youtube or Vimeo. In case you are uploading on Google Drive please make sure that it is NOT access restricted.**

**c. Pitchdeck:**

Toolkit for Pitchdeck

Pitchdeck should be of Maximum 5 slides and should be in PPT or PDF format only. Your pitchdeck should have the following:

- Information about the product/service offering of your startup
- Brief about how is your startup innovative and/or scalable
- Number of people employed by your startup and funding raised, if any

- Credentials of Founders/Management
- Screenshots/images of your product/website and website link, if any

Video Sample: <https://www.youtube.com/watch?v=v6RrejE48cw>

- d. Email received from Income Tax for exemption under Section 56(2)(viib) of Income Tax Act, 1961**