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STARTUPs in INDIA

STARTUP INDIA

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Background

Startup India initiative formally launched on 16th January, 2016.

Several programs rolled with the objective of:

- Supporting entrepreneurs
- Building a robust startup ecosystem
- Transforming India into a country of job creators instead of job seekers

Business Eligibility

Conditions for eligibility to be Defined as Startup

- Entity is incorporated or registered in India not prior to ten years
- Annual turnover Not exceeding INR 1000 Million in any preceding financial year
- Working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property
- Approval from Department for Promotion of Industries and Internal Trade (DPIIT) that your business is innovative

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Structure

Private Limited Company / LLP / Partnership Firm

Startup Age should not be more than ten years

Turnover should not Exceed 1000 Million

Should develop and innovative product which should add to the values of customers and should be commercial

Get an approval from DPIIT that your business is innovative

Registration Process

Step 1: Incorporation and Registration

i. Registered Entity such as Private Limited Company or a partnership firm or a Limited Liability Partnership is eligible for registration

ii. Online registration process

Step 2: Startup Business Note

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

Registration Process

Step 3: Recommendation / Support Letter

Seek recommendation / support letter issued by any of the authorities such as:

i. Incubator established in a post-graduate college in India certifying innovative nature of business of Startup

ii. Incubator funded (in relation to the project) by Government of India as part of any specified scheme to promote innovation

Registration Process

Step 3: Recommendation / Support Letter

Seek recommendation / support letter issued by any of the authorities such as:

iii. Incubator recognized by Department for Promotion of Industry and Internal Trade

iv. Funding of not less than 20% in equity, by Incubation Fund / Angel Fund / Private Equity Fund / Accelerator / Angel Network, duly registered with SEBI that endorses innovative nature of the business

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Registration Process

Step 3: Recommendation / Support Letter

Seek recommendation / support letter issued by any of the authorities such as:

v. Funding by Government of India or any State Government as part of any specified scheme to promote innovation

vi. Patent filed and published in the Journal by the Indian Patent Office in areas affiliated with the nature of the business being promoted

Registration Process

Step 4: Eligibility of Tax Benefits

To avail Tax benefits Startups are required to be certified by Inter-Ministerial Board (IMB)

* Start-ups recognized by DIPP, can now directly avail IPR related benefits without requiring any additional certification from IMB

Step 5: Recognition number

i. On acceptance of application Startup is allotted recognition number

Advantages for Business

- Single Window clearance even with the help of a mobile application
- INR 100 billion fund of funds
- 80% reduction in patent registration fee and
- Various schemes to provide IPR protection to start-ups and new firms

Advantages for Business

- Modified and friendlier Bankruptcy Code to ensure 90-day exit window
- Income Tax Reliefs for Startup and Investor in Startup
- Innovation hub under Atal Innovation Mission
- Self-certification compliance

Tax Relief

Government of India has notified and amended few sections of Income-tax Act, 1961 to give various tax benefits to Startup India Business

1. **Tax Holiday on Profits**

    Startup can avail tax holiday for 3 consecutive financial years out of its first ten years since incorporation by making an application to Tax authorities

Tax Relief

2. Conditions for Tax benefits

- Entity should be a recognized Startup
- Certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government
- Startup should have been incorporated after 1st April, 2016

Refer Tax exemption under section 80 IAC of the Income-tax Act, 1961

Tax Relief

3. **Tax exemption on investment by Angel Investor above the fair market value**

   Refer Section 56 (2) (vii)

4. **Tax exemption on Long Term Capital Gains on sale proceed for Investment in Startup**

   Tax on long-term capital gains on the sale of a residential property made for investment in Startup

   Refer Section 54 GB

Foreign Direct Investment

- Startups allowed to raise 100% funds from SEBI (Securities and Exchange Board of India) registered Foreign Venture Capital Investors (FVCI) under the automatic route

- Start-ups can issue equity or equity linked instruments or debt instruments to FVCI against receipt of foreign remittance

Foreign Direct Investment

- Investment can be made in the capital or through any profit-sharing arrangement
- Start-ups can issue convertible notes to person resident outside India subject to fulfillment of certain conditions

Intellectual Property Rights Benefits

The scheme for Startup Intellectual Property Protection (SIPP) shall facilitate filing of Patents, Trademarks and Designs by Innovative Startups

Funding for Startups

Venture capital funds from abroad and angel investors are providing to be a big boon for Indian startup story

Exit Strategy

- Fast track and / or voluntary closure of businesses option under Insolvency and Bankruptcy Bill, 2015 (IBB)

- Startups with simple debt structures can be wound up within a period of 90 days from making of an application for winding up on a fast track basis

Exit Strategy

- Insolvency resolution professional takes charge of the company for liquidating assets and discharging liabilities within six months of appointment

- On appointment of the insolvency resolution professional, the liquidator shall be responsible for the swift closure of the business, sale of assets and repayment of creditors in accordance with the distribution waterfall set out in the IBB. This process will respect the concept of limited liability

Government Initiatives

- Setup over 75 startup support hubs in the National Institutes of Technology such as Information technology, Science Education and Research, Pharmaceutical Education and Research

- Setup of Online portal Startup India Hub providing assistance
  - Certificate of Recognition
  - Certificate of Eligibility to avail tax benefits
  - Details and information on incubators or funding

We assist you for Set-up of Start-ups

Thank You

Kruti Services

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