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# STARTUP INDIA

## QUICK GUIDE

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## INTRODUCTION

Startup India is a flagship initiative of the Government of India to promote a robust startup ecosystem in India. Through this initiative, the Government plans to empower Startup ventures to boost entrepreneurship, economic growth and employment across India.

There are a host of benefits provided to the startups by the Startup India Scheme. However, in order to avail these benefits, an entity is required to be recognized by the DPIIT as a startup.

## LAUNCH OF STARTUP INDIA ACTION PLAN

The Startup India Action Plan was unveiled on 16th January, 2016 to highlight various initiatives and schemes proposed by the Government of India to accelerate the growth of Startups throughout India.

The Action Plan is divided across the following areas:

- Simplification and Handholding
- Funding Support and Incentives
- Industry-Academia Partnership and Incubation

The 19-point Action Plan envisages several incubation centres, easier patent filing, tax exemptions, ease of setting-up of business, a INR 10,000 crore corpus fund, credit guarantee funding, a faster exit mechanism, among others.

## BENEFITS OF DPIIT RECOGNITION

Under the Startup India initiative, DPIIT-Recognised Startups are eligible for the following benefits:

### **1. Intellectual Property Rights (IPR) benefits:**

Fast-tracking of Startup patent applications - The patent application of Startups is fast-tracked for examination and disposal. The process is much faster for recognised Startups.

Panel of facilitators to assist in IP applications - Facilitators are responsible for providing general advisory on different IPRs, and information on protecting and promoting IPRs in other countries.

Government to bear facilitation cost: Central Government bears the entire fees of the facilitators for any number of patents, trademark or designs, and Startups only bear the cost of the statutory fees payable.

Rebate on filing of application: Startups shall be provided an 80% rebate in filing of patents vis-a-vis other companies. 50% rebate is also provided in filing of Trademarks vis-a-vis other companies

## **2.Relaxation in public procurements norms:**

Startups can apply for government and PSU tenders. They are exempted from the “prior experience/turnover” criteria applicable for normal companies answering to government tenders.

### Exemption from Prior Experience/Turnover:

In order to promote startups, the Government shall exempt Startups in the manufacturing sector from the criteria of “prior experience/ turnover” without any compromise on the stated quality standards or technical parameters.

The Startups will also have to demonstrate requisite capability to execute the project as per the requirements and should have their own manufacturing facility in India.

EMD Exemption: DPIIT recognised startups have been exempted from submitting Earnest Money Deposit (EMD) or bid security while filling government tenders

Opportunity to list product on Government e-Marketplace (GeM): GeM is an online procurement platform and the largest marketplace for Government Departments to procure products and services. DPIIT recognised Startups can now get listed as Sellers on the Government of India’s largest e-procurement portal-(GeM).

## **3.Self-Certification under Labour & Environment Laws**

Startups are allowed to self-certify their compliance under 6 Labour and 3 Environment laws for a period of 3 to 5 years from the date of incorporation.

This is a simple online procedure which can be done through Shram Suvidha Portal.

In the case of labour laws, no inspections will be conducted for a period of 5 years.

Startups may be inspected only on receipt of credible and verifiable complaint of violation, filed in writing and approved by at least one level senior to the inspecting officer.

In the case of environment laws, startups which fall under the ‘white category’ (as defined by the Central Pollution Control Board (CPCB)) would be able to self-certify compliance and only random checks would be carried out in such cases.

### Labour Laws:

The Building and Other Construction Workers' (Regulation of Employment & Conditions of Service) Act, 1996

The Inter-State Migrant Workmen (Regulation of Employment & Conditions of Service) Act, 1979

The Payment of Gratuity Act, 1972

The Contract Labour (Regulation and Abolition) Act, 1970

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952

The Employees' State Insurance Act, 1948

Environment Laws:

The Water (Prevention & Control of Pollution) Act, 1974

The Water (Prevention & Control of Pollution) Cess (Amendment) Act, 2003

The Air (Prevention & Control of Pollution) Act, 1981

#### **4.Fund of Funds for Startups (FFS):**

To provide equity funding support for development and growth of innovation driven enterprises, the Government has set aside a corpus fund of INR 10,000 crores managed by SIDBI.

The Fund is in the nature of Fund of Funds, which means that the Government participates in the capital of SEBI registered Venture Funds, who invest twice the amount in Startups.

The flow of funds is Government > SIDBI > Venture Capitals > Startups

#### **5.Faster Exit for Startups:**

As per the Insolvency and Bankruptcy Code, 2016, startups with simple debt structures, or those meeting certain income specified criteria can be wound up within 90 days of filing an application for insolvency.

An insolvency professional shall be appointed for the Startup, who shall thereafter be in charge of the company (the promoters and management shall no longer run the company) including liquidation of its assets and paying its creditors within six months of such appointment.

Upon appointment of the insolvency 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 IBC.

This process will respect the concept of limited liability.

#### **6.Tax Exemption for 3 years under Section 80-IAC of Income Tax Act, 1961:**

The recognised Startups that are granted an Inter-Ministerial Board Certificate can be exempted from paying income tax for 3 consecutive financial years out of their first ten years since incorporation.

Only Private Limited Companies or Limited Liability Partnerships incorporated after 1st April, 2016 are eligible for tax exemption under Section 80-IAC.

The Inter-Ministerial Board validates the innovative nature of the business for granting Income Tax Benefits and is constituted by representatives from DPIIT, DBT, and DST.

Registration Documents for Tax Exemption:

Memorandum of Association for Pvt. Ltd. / LLP Deed

Board Resolution (If Any)

Annual Accounts of the startup for the last three financial years

Income Tax returns for the last three financial years

A Startup being a private limited company or limited liability partnership, which fulfils the conditions specified in sub-clause (i) and sub-clause (ii) of the Explanation to section 80-IAC of the Income-tax Act 1961, may, for obtaining a certificate for the purposes of section 80-IAC of the Act, make an application in Form-1 along with documents specified therein to the Inter-Ministerial Board of Certification and the Board may, after calling for such documents or information and making such enquires, as it may deem fit, —

- (i) grant the certificate referred to in sub-clause (c) of clause (ii) of the Explanation to section 80-IAC of the Act; or
- (ii) reject the application by providing reasons.

### **7.Exemption under Section 56(2) (viib) of Income Tax Act,1961:**

A DPIIT recognized Startup is eligible for exemption from the provisions of section 56(2) (viib) of the Income Tax Act.

They are required to File up the Section 56 Exemption application form.

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:

Should be a private limited company

Should be a DPIIT recognised startup,

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

## BENEFITS OF STARTUP INDIA HUB

Startup India Hub is a one-stop platform for all stakeholders in the Startup ecosystem to interact amongst each other, exchange knowledge and form successful partnerships in a highly dynamic environment. Startup India provides free resources to Startups to help them scale faster, better and stronger.

**Learning and Development Programs** - To guide budding entrepreneurs through the journey of their Startup venture, the website hosts a variety of courses and programs.

**Government Schemes** - Centralized repository of all Government schemes for the Startup Ecosystem which can be filtered by relevant departments and ministries for easy access.

**State Startup Policies** - Single point to access all notified Startup Policies by the respective State Governments.

**Pro Bono Services** - Get free applications, cloud credits, legal and banking support from the partners.

**Programs and Challenges** – Startups can apply for acceleration, mentorship programs & other challenges across the globe. Startup India works with multiple corporates and Government departments to bridge the gap and build connections with Startups. Any industry or department can solve for their business challenges by co-creating programs and challenges on the Startup India portal.

**Tools and Templates** – A repository of sample templates for all legal & HR documents, investor decks, deeds, contracts etc. available on portal which can be customised.

**Networking & Discussion** – Members of the startup ecosystem – Startups, investors, mentors, incubators, accelerators and Government bodies can connect with each other on the Startup India portal. The platform provides the ecosystem members with the opportunity to discuss, express and opine on the forum through discussion threads, blogs and one to one messaging.

**International Bridges** - Startup India enables global market access and knowledge exchange for Indian Startups through bilateral government collaborations.

Commonly referred to as a Startup Bridge, it enables Startups, investors, incubators, accelerators and aspiring entrepreneurs of both countries to connect with one another and provide them with resources to expand and become globalised Startups.

## DPIIT RECOGNITION

Under the Startup India initiative, eligible companies can get recognised as Startups by DPIIT, in order to access a host of tax benefits, easier compliance, IPR fast-tracking & more.

## ELIGIBILITY CRITERIA FOR RECOGNITION OF STARTUPS

An entity shall be considered as a Startup if it meets the following criteria:

Entity Age: The Period of existence and operations of the entity should not exceed 10 years from the date of its incorporation/registration.

Entity Type: The Entity should be a Private Limited Company, a Registered Partnership Firm or a Limited Liability Partnership.

Annual Turnover: The Entity should have an annual turnover not exceeding Rs. 100 crore for any of the financial years since its incorporation /registration.

Original Entity: The Entity should not have been formed by splitting up or reconstructing an already existing business.

Innovative and Scalable: The Entity should work towards innovation, development or improvement of a product, process or service and/or have scalable business model with high potential for creation of wealth & employment.

An entity shall cease to be a Startup on completion of ten years from the date of its incorporation/ registration or if its turnover for any previous year exceeds one hundred crore rupees.

## FOLLOWING ENTITIES SHALL NOT BE RECOGNIZED AS STARTUP:

Merger/ Demerger/ Acquisition/ Amalgamation/ Absorption: Entities formed due to merger/ demerger/ acquisition/ amalgamation/ absorption will not be recognized as Startup.

Compromise/ Arrangement: Entities formed due to compromise/ arrangement as provided under the Companies Act, 2013 will not be recognized as Startup.

Holding including foreign holding, Subsidiary including foreign subsidiary, Joint Ventures, entities incorporated outside territory Indian Territory:

Holding/Subsidiary Companies will not be permitted for recognition

Any entity formed by Joint Venture will not be recognized

Entities incorporated outside India will be ineligible for recognition

Incorporating additional entities: Incorporating additional entities having similar address with same production line/services and at least one common director/ designated partner/partner will not be recognized as startup.

Common directorship/partnership: Recognition of an entity having common director/designated partner/ partner with any other entity shall be allowed to the extent permissible under the provisions

of the Companies Act, 2013. Related party transaction shall not be allowed except transactions on arm's length basis.

Regulatory Areas: Entities operating in domains specifically prohibited by law shall not be recognized.

Sole Proprietorship: A sole proprietorship is not eligible to apply for recognition. If a sole proprietorship changes its type of entity into a type permissible for recognition, then the recognition will be granted from date of commencement of business of the sole proprietorship.

Further, the Startup shall be eligible for tax benefits only after it has obtained certification from the Inter-Ministerial Board, set up for such purpose.

## **PROCEDURE FOR STARTUP INDIA REGISTRATION & DPIIT RECOGNITION**

### **Step 1: Incorporate your business**

Firstly, you need to incorporate your business as a Private Ltd Company or Limited Liability Partnership or a Partnership Firm. You will have to follow usual procedure for registration of any business, which involves getting a certificate of Incorporation, PAN, and other required compliances.

### **Step 2: Register with Startup India**

Now you need to register your business as a startup in the Startup India Portal. The entire process is simple and online. Visit the Startup India website ([www.startupindia.gov.in](http://www.startupindia.gov.in)) and click on the 'Register' button.

Enter your name, email ID, mobile number, password and click on the 'Register' button.

Next, enter the OTP which is sent to your email and fill other details like, the type of user, name and stage of the startup, etc and click on the 'Submit' button. After entering these details, the Startup India profile is created.

Once, the profile is created on the website, startups can avail benefits of Startup India Hub.

### **Step 3: Get DPIIT Recognition**

To get DPIIT Recognition, log in with your registered profile (account) on the Startup India website and click on the 'DPIIT Recognition for Startups' button under the 'Schemes and Policies' tab or just click How to get Recognised under Government Schemes & Benefits in Home Page.

Click on the 'Get Recognised' button on the next page. A new page will open. Scroll down this page and click on the 'Click here for submitting your application for recognition as a Startup' button.

The 'Startup Recognition Form' page will open.

#### **Step 4: Recognition Application**

On the 'Startup Recognition Form', you need to fill the details such as the entity details, full address, authorised representative details, directors/partner details, information required, startup activities and self-certification. Click on the plus sign on the right-hand side of the form and fill each section of the form.

After filling all the sections of the 'Startup Recognition Form', accept the terms and conditions and click on the 'Submit' button.

#### **Step 5: Documents Required for Registration**

- Incorporation/Registration Certificate of your startup
- Proof of funding, if any
- Authorisation letter of the authorised representative of the company, LLP or partnership firm
- Director details
- Proof of concept like pitch deck/website link/video (in case of a validation/ early traction/scaling stage startup)
- Patent and trademark details, if any
- List of awards or certificates of recognition, if any
- PAN Number

#### No requirement of:

Letter of Recommendations

Sanction Letters

Udyog Aadhar

MSME Certificate

GST Certificate

## **Step 6: Get Recognition Number**

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 which is usually done within 2 days after submitting the details online.

## **CONCLUSION**

India has become the third-largest startup ecosystem in the world after the US and China and has potential for enormous growth.

Sustained government efforts in this direction have resulted in increasing the number of recognised startups from 726 in FY 2016-17 to 69384 in FY 2022-23 (as on 5th May 2022).

In April 2021, the Government rolled out the Startup India Seed Fund Scheme (SISFS), which aims to provide financial assistance to start-ups for proof of concept, prototype development, product trials, market-entry, and commercialisation.

Further moderation, ease of compliance, easier fund accessibility (from foreign and domestic sources), recognition, and rewarding programs are required from Government of India to ensure a superior startup ecosystem to help India reach its long-term goals.

Thank you for reading!



If you wish to get your business registered and recognised under the Startup India Scheme and avail various benefits,

please contact us at 7439465229 / 8961320590 or

email us at [info@startupbizsolution.com](mailto:info@startupbizsolution.com)

To learn more about our services please visit <http://www.startupbizsolution.com/>