**START UP INDIA**
*A Government of India Initiative*


On Saturday, 16th Jan, 2016 In the Vigyan Bhawan auditorium that was bristling with energy and anticipation Government of India launched their "**Action Plan to promote the Startup's in India"**.

Startup India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design.

I would like to share some of the key Points and the expected amendments in legal and tax laws via budget 2016-

***Simplification and Handholding***

- **Compliance Regime will be based on Self-Certification** to keep compliance cost low for the startup's (**In case of labour & environment laws**)
- **Startup India Hub** will be single point of contact for obtaining financing, feasibility testing, business structuring advisory, enhancement of marketing skills, technology commercialization and management evaluation. It will also organize mentorship programs in collaboration with government organizations, incubation centers, educational institutions and private organizations who aspire to foster innovation.
- **Rolling-out of Mobile App and Portal** to serve as the single platform for Startups for interacting with Government and Regulatory Institutions for all business needs and information exchange among various stakeholders
- **Legal Support and Fast-tracking Patent Examination at Lower Costs-**Startups with limited resources and manpower can sustain in this highly competitive world only through continuous growth and development oriented innovations; for this, it is equally crucial that they protect their IPRs. The scheme for Startup Intellectual Property Protection (SIPP) shall facilitate filing of Patents, Trademarks and Designs by innovative Startups.
- **Relaxed Norms of Public Procurement for Startups-**Whenever a tender is floated by a Government entity or by a PSU, very often the eligibility condition specifies either "prior experience" or "prior turnover". such a stipulation prohibits/ impedes Startups from participating in such tenders. In order to promote Startups, Government shall exempt

Startups (in the manufacturing sector) from the criteria of "prior experience/ turnover" without any relaxation in quality standards or technical parameters.

- **Faster Exit for Startups-** The Insolvency and Bankruptcy Bill 2015 ("IBB"), tabled in the Lok Sabha in December 2015 has provisions for the fast track and / or voluntary closure of businesses to make it easier for Startups to wind up operations in the event of a business failure.

***Funding Support (10000 Cr)***

- **Providing Funding Support through a Fund of Funds with a Corpus of INR 10,000 crore-** In order to provide funding support to Startups, Government will 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 will be 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***
- **Credit Guarantee Fund for Startups-** Credit guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/ SIDBI is being envisaged with a budgetary Corpus of INR 500 crore per year for the next four years.

***3 Major Tax Incentives***

- **Tax Exemption on Capital Gains**- Exemption shall be given to persons who have capital gains during the year, if they have invested such capital gains in the **Fund of Funds** (***SEBI registered Venture Funds*** )recognized by the Government
- **Tax Exemption to Startups for 3 years-** With a view to stimulate the development of Startups in India and provide them a competitive platform, it is imperative that the profits of Startup initiatives are exempted from income-tax for a period of 3 years. This fiscal exemption shall facilitate growth of business and meet the working capital requirements during the initial years of operations. The exemption shall be available subject to non-distribution of dividend by the Startup(I hope this should be real exemption i.e. MAT or AMT will not apply on Startups)
- **Tax Exemption on Investments above Fair Market Value (section 56(2) (viib))-** where a Startup (company) receives any consideration for issue of shares which exceeds the Fair Market Value (FMV) of such shares, such excess consideration is taxable in the hands of recipient as Income from Other Sources (To curb generation & circulation of black money). Currently, investment by venture capital funds in Startups is exempted from operations of this provision. The same shall be extended to investment made by incubators in the Startups, as in the context of Startups, where the idea is at a conceptualization or development stage, it is often difficult to determine the FMV of such shares. In majority of the cases, FMV is also significantly lower than the value at which the capital investment is made

***Industry-Academia Partnership and Incubation***

- **Organizing Startup Fests for Showcasing Innovation and Providing a Collaboration Platform** to provide national and international visibility to the Startup ecosystem in India
- **Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program** to serve as a platform for promotion of world-class Innovation Hubs,

Grand Challenges, Startup businesses and other self-employment activities, particularly in technology driven areas

- **Harnessing Private Sector Expertise for Incubator Setup-** Government will create a policy and framework for setting-up of incubators across the country in public private partnership
- **Building Innovation Centres at National Institutes** to propel successful innovation through augmentation of incubation and R&D efforts (13 Startup centre"s & 18 Technology Business Incubators)
- **Setting up of 7 New Research Parks Modeled on the Research Park Setup at IIT Madras** to propel successful innovation
- **Promoting Startups in the Biotechnology Sector** to foster and facilitate bio-entrepreneurship
- **Launching of Innovation Focused Programs for Students** to foster a culture of innovation in the field of Science and Technology amongst students(Similar to Innovation Core, National Initiative for Developing and Harnessing Innovations, Uchhattar Avishkar Yojana etc)
- **Annual Incubator Grand Challenge-** For a new idea to become a successful commercial venture, adequate support and mentoring at various stages of the business lifecycle is required. Incubators play an important role in identifying early stage Startups and supporting them across various phases of their lifecycle. In order to build an effective Startup ecosystem, it is imperative that world class incubators, adopting leading industry practices, are setup in the country. To enable this, Government shall identify and select 10 incubators who have the potential to become world class. These incubators would be given INR 10 crore each as financial assistance which may be used for ramping up the quality of service offerings.

**Sharing Knowledge….. ☺**

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