STARTUP INDIA
STANDUP INDIA

7 FEB

YOUR STORY | INSPIRE INNOVATE IGNITE

By CA Chintan Thakkar

- What if your idea is not just an idea?
- What if it sees light?
- What if it's really born?
- What if you can get someone to believe in it?
- And help you nurture it?
- What if you can set a clear path for it?
- What if it can actually travel?
- What if it grows and blooms?
- What if the whole world embraces it?
- What if your idea is not just an idea?

C.A. THAKKAR & ASSOCIATES
MO: 87340 27000

Introduction

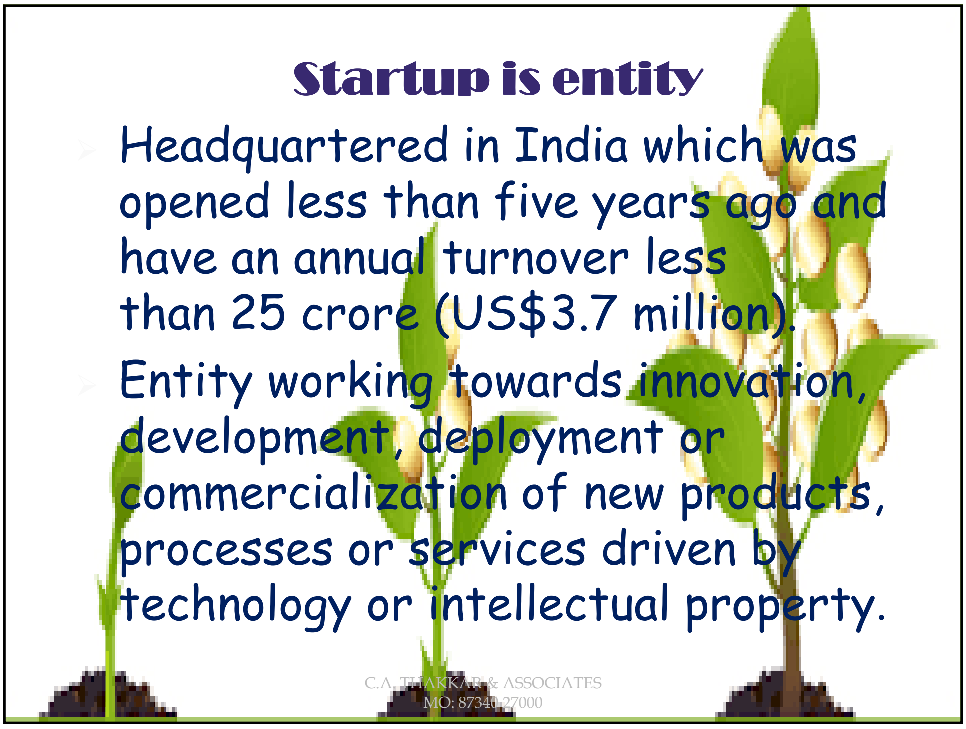
- Prime Minister Narendra Modi launched the ambitious 'Startup India' Movement to boost digital entrepreneurship at the grassroots level.

Digital India
Power To Empower

- Start-up India is consistent with the PM's call for innovation when he launched Digital India.
- The Start-up India Action plan is a good start to this – but will need continued support and evolution to make this a true, deep revolution for the youth of India.

Digital India
Power To Empower


What is Startup?
Action plan
Aimed at Promoting bank financing
Boost entrepreneurship
Organized by DIIP
C.A. THAKKAR & ASSOCIATES
MO: 87340 27000


Startup is entity
Headquartered in India which was opened less than five years ago and have an annual turnover less than 25 crore (US$3.7 million).
Entity working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.
C.A. THAKKAR & ASSOCIATES
MO: 87340 27000

What is Startup?

- **Note:**

  Such entity should not be formed by splitting up, or reconstruction, of a business already in existence. Further the entity shall cease to be a Startup if its turnover for the previous financial years has exceeded Rs. 25 crore or it has completed 5 years from the date of incorporation/ registration.

C.A. THAKKAR & ASSOCIATES
MO: 87340 27000

Investment and Government's role

- SoftBank, which is headquartered in Japan, has invested $2 billion into Indian startups. The Japanese firm had pledged the total investments at $10 billion.
- Google declared to launch a startup, based on the highest votes in which the top three startups will be allowed to join the next Google Launch pad Week, and the final winner could win an amount of $100,000 in Google cloud credits.

C.A. THAKKAR & ASSOCIATES
MO: 87340 27000

- **Government' role**
- The government has already launched a new institution set up for development and refinancing activities relating to micro units with a refinance Fund of 200 billion (US$3.0 billion).

- The Ministry of Human Resource Development and the Department of Science and Technology have agreed to partner in an initiative to set up over 75 such startup support hubs in the National Institutes of Technology (NITs), the Indian Institutes of Information Technology (IIITs), the Indian Institutes of Science Education and Research (IISERs) and National Institutes of Pharmaceutical Education and Research (NIPERs).

C.A. THAKKAR & ASSOCIATES
MO: 87340 27000

Eligibility for Startup

- A business which aims to develop and commercialize:

A. A new product or service or process; or

B. A significantly improved existing product or service or process that will create or add value for customers or workflow.

C.A. THAKKAR & ASSOCIATES
MO: 87340 27000

- Note:

- However, the mere act of developing products or services or processes which do not have potential for commercialization or undifferentiated products or services or processes with no or limited incremental value for customers or workflow would not be considered as eligible business.

C.A. THAKKAR & ASSOCIATES
MO: 87340 27000

How to get recognised as start-ups?

- The Startup should be:
  - Supported by a recommendation (with regard to innovative nature of business), in a format specified by DIPP, from an Incubator established in a postgraduate college in India; or
  - Supported by an incubator which is funded (in relation to the project) from Govt. as part of any specified scheme to promote innovation; or

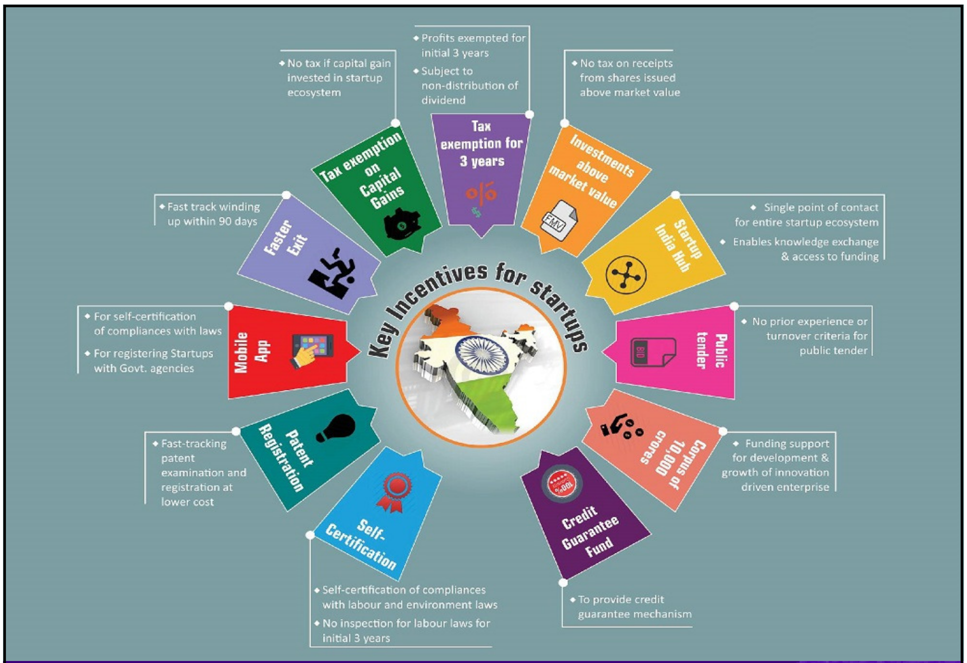
How to get recognised as start-ups?

- Supported by a recommendation (with regard to innovative nature of business), in a format specified by DIPP, from an Incubator recognized by Government; or
- Funded by an Incubation Fund/ Angel Fund/Private Equity Fund/Accelerator/ Angel Network duly registered with SEBI* that endorses innovative nature of the business; or

How to get recognised as start-ups?

- Funded by Govt. as part of any specified scheme to promote innovation; or
- Have a patent granted by the Indian Patent and Trademark Office in areas affiliated with the nature of business being promoted.

C.A. THAKKAR & ASSOCIATES
MO: 87340 27000



C.A. THAKKAR & ASSOCIATES
MO: 87340 27000

1. Self Certification:

- Startups would be allowed self certification of compliances with certain labour laws and environment laws so as to reduce the regulatory burden. Further in case of the labour laws, no inspections will be conducted for initial period of 3 years.
- Funded by an Incubation Fund/Angel Fund/Private Equity Fund/Accelerator/ Angel Network duly registered with SEBI* that endorses innovative nature of the business; or

2. Patent registration at lower cost:

- Patent applications of Startups shall be fast tracked for examination and disposal, so that they can realize the value of their IPR at the earliest possible. A Panel of facilitators will be empanelled to assist in filing of IP applications. The Government shall bear the entire fees of the facilitators and the Startup shall bear the cost of only statutory fees. Further, Startups shall be provided 80% rebate in filing of patents visàvis other companies.

3. Mobile App for tracking:

- The Government of India shall provide mobile app for:

A. Registering Startups with relevant agencies of Government

B. Tracking the status of registration application and downloading of the registration certificate.

C. Filing for compliances and obtaining information on various clearances and approval required.

D. Applying for various schemes being undertaken under the Startup India Action Plan.

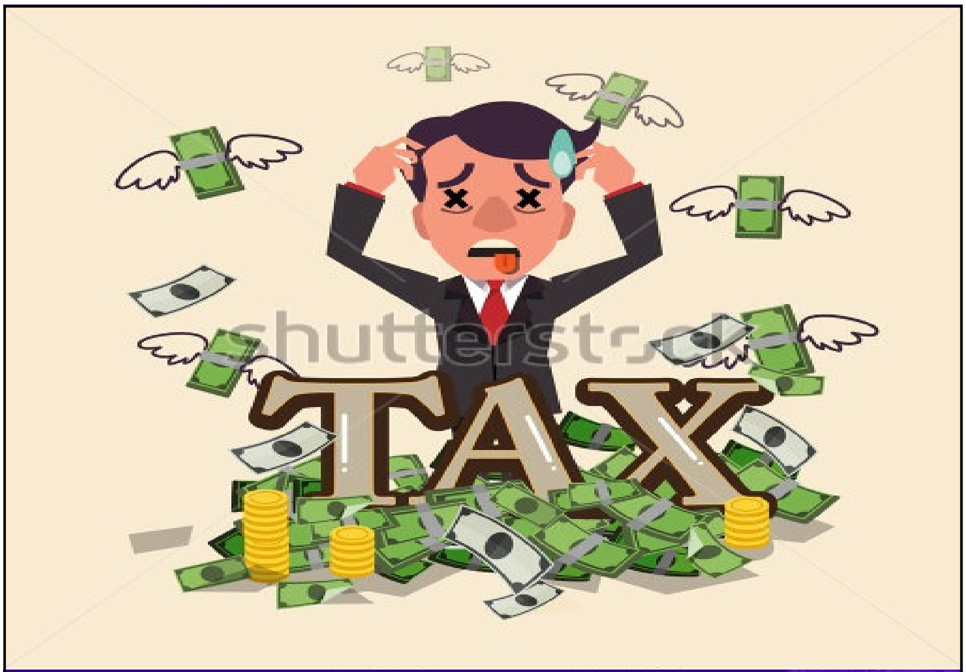
The Mobile App shall be made available from April 1, 2016 on all leading mobile/ smart devices' platforms.

4. Faster exit for Startups:

- In terms of the Insolvency and Bankruptcy Bill 2015, Startups with simple debt structures or those meeting such criteria as may be specified may be wound up within a period of 90 days from making of an application for winding up on a fast track basis.

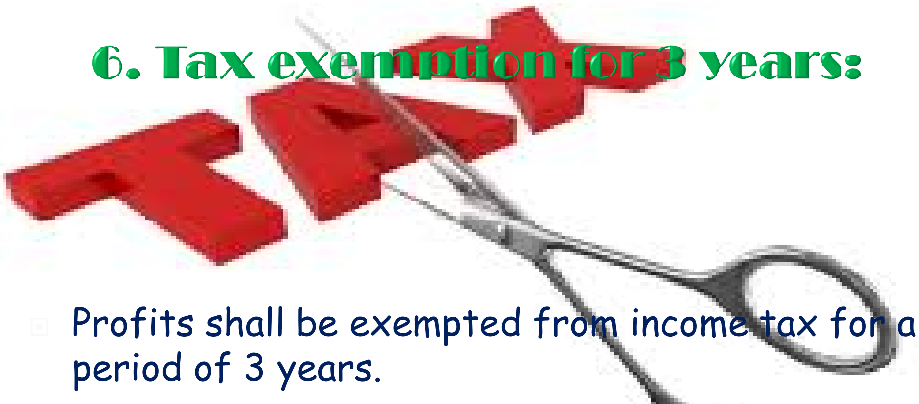
5. Exemption if capital gain is invested in startups:

Exemption shall be given in respect of a capital gain which is invested in the Startup ecosystem. This will increase the funds available to various VCs (Venture Capital Funds) / AIFs (Alternative Investment Funds) for investment in Startups.



C.A. THAKKAR & ASSOCIATES
MO: 87340 27000

6. Tax exemption for 3 years:



- Profits shall be exempted from income tax for a period of 3 years.
- The exemption shall be available subject to no distribution of dividend by the Startup. A Startup shall be eligible for tax benefits only after it has obtained **certification** from the **Inter-Ministerial Board**, setup for such purpose.

C.A. THAKKAR & ASSOCIATES
MO: 87340 27000

7. Investments in start-ups above FMV is not taxable:

- Consideration received by a Startups for issuing shares at a price higher than its Fair Market Value would not be taxable as income from other Sources in the hands of recipient under section 56(2)(viib) of the Incometax Act.

C.A. THAKKAR & ASSOCIATES
MO: 87340 27000

8. Startup India Hub:

single point of contact for the entire Startup ecosystem and enable knowledge exchange and access to funding. The "Startup India Hub" will be a key stakeholder in this vibrant ecosystem and will:

A. Work in a hub and spoke model and collaborate with Central & State Governments of Indian and foreign VCs, angel networks, banks, incubators, legal partners, consultants, universities and R&D institutions.

C.A. THAKKAR & ASSOCIATES
MO: 87340 27000

8. Startup India Hub:

B. Assist Startups through their lifecycle with specific focus on important aspects like
obtaining financing,
feasibility testing,
business structuring advisory,
enhancement of marketing skills,
technology commercialization
and management evaluation.

8. Startup India Hub:

C. Organize mentorship programs in collaboration with
Government organizations,
Incubation centers,
Educational institutions
& Private organizations to aspire foster innovation.

- Startup India Hub will be guide, friend and a mentor for the people who has courage to enter in environment of risk.

9. Relaxation in Public tender:

- Typically whenever a tender is floated by a Government entity or by a PSU, a very often eligibility condition specifies either "prior experience/turnover". Such a stipulation prohibits/impedes Startups from participating in such tenders. 1st April 2015 Central Government, State Government and PSUs have to mandatorily procure at least 20% from the Micro Small and Medium Enterprise (MSME). In order to promote Startups, Government shall exempt Startups (in the manufacturing sector) from the criteria of "prior experience/turnover" for filing of public tenders.

C.A. THAKKAR & ASSOCIATES
MO: 87340 27000

10. Creating corpus of Rs. 10,000 crore:

- Government will set up a fund with an initial corpus of Rs. 2,500 crore and a total corpus of Rs. 10,000 crore over a period 4 years (i.e. Rs. 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.

C.A. THAKKAR & ASSOCIATES
MO: 87340 27000

❖Features of the Fund of Funds are below:

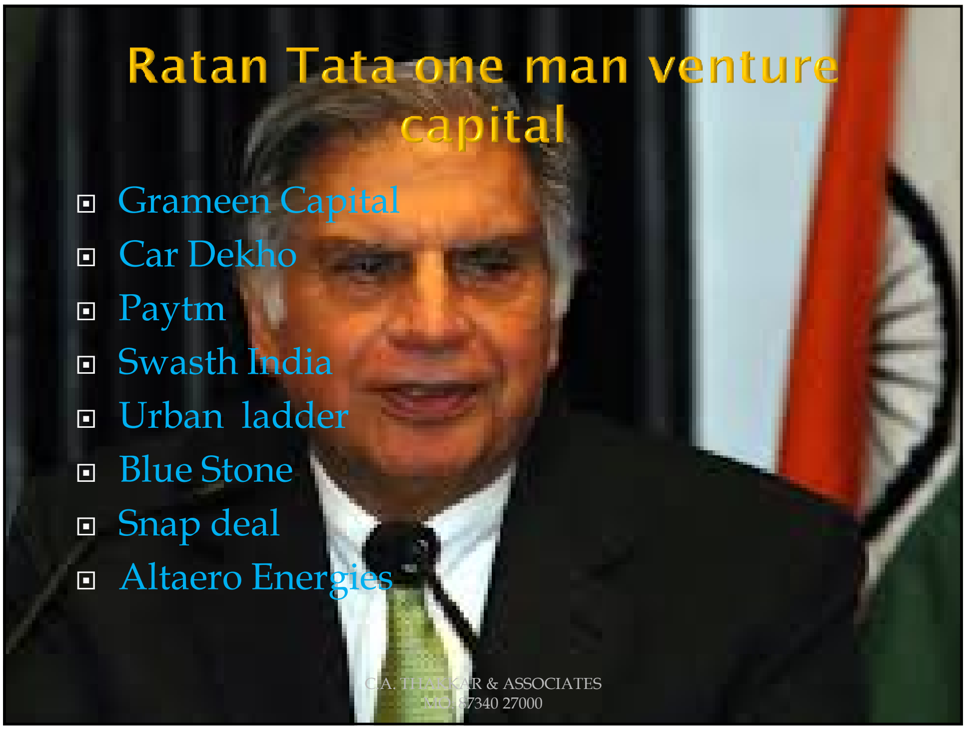
The Fund of Funds shall be managed by a Board with private professionals drawn from industry bodies, academia, and successful Startups

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 stated daughter fund size. In order to be able to receive the contribution, the daughter fund should have already raised the balance 50% or more of the stated fund size as the case maybe. The Fund of Funds shall have representation on the governance structure/ 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.

C.A. THAKKAR & ASSOCIATES MO: 87340 27000



Ratan Tata one man venture capital

- Grameen Capital
- Car Dekho
- Paytm
- Swasth India
- Urban ladder
- Blue Stone
- Snap deal
- Altaero Energies

11. Credit Guarantee fund:

- Debt funding to Startups is also perceived as high risk area and to encourage Banks and other Lenders to provide Venture Debts to 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.

Education institute alliances

- Under the scheme, a group of start-ups will acknowledge an MOU with the prestigious institutions and will also establish the start-up centers in the campus.
- NIT-Silchar (The National Institute of Technology, Silchar) is one of the institutions of the country to have joined the program.
- IIT Madras is also linked with this campaign. The institution has been successfully managing seven research parks that have incubated many start-ups.

C.A. THAKKAR & ASSOCIATES
MO: 87340 27000

Criticism

- The primary gripe is whether it is prudent, even proper, on the part of the government to invest taxpayers' money in venture capital funds, which will in turn invest in enterprises that carry a high risk of failure.
- It also requires a 'recommendation' from an incubator setup by the government or be supported by an incubator in a post-graduate institution recognised by the government — this need for validation and recommendation goes against the very steps the Action Plan takes to reduce government involvement. This additional layer of bureaucracy could slow down the starting up process and needs to go.

- The quality of education in the institutions of the nation is always questioned and found not matching with the organizations' standards for the required skill set and they have to expend on the training the fresher's. The country has also launched the Skill India campaign for addressing the issue.

Next Seminar

- Subject : Budget Analysis
- 6TH March 2016. Sunday
- 9:30 am TO 12:30 pm.
- Town Hall,Sector-17, Gandhinagar.
- CA Chintan Thakkar
- C. A. Thakkar & Associates
- Infocity, Gandhinagar.

C.A. THAKKAR & ASSOCIATES
MO: 87340 27000