<u>RECOGNITION OF OTHER THAN TECH COMPANIES AS STARTUP'S</u>

The Ministry of Commerce and Industry (DIPP) vide its Supersession Notification No. G.S.R. 180 (E) dated 17th February, 2016 - F. No. 5(91)/2015-BE-I - G.S.R. 501 (E) - Dated 23-5-2017 has amended the definition of a startup as under;

***<u>An entity shall be considered as a Startup</u>*:**

a) if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India; and
b) up to seven years from the date of its incorporation/ registration; however, in the case of Startups in the biotechnology sector, the period shall be up to ten years from the date of its incorporation/ registration; and
c) if its turnover for any of the financial years since incorporation/ registration has not exceeded ₹ 25 crores; and
d) <u>if it is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.</u>

Provided that any such entity formed by splitting up or reconstruction of a business already in existence shall not be considered a 'Startup'.

Further, an entity shall cease to be a Startup on completion of seven years from the date of its incorporation/ registration or if its turnover for any previous year exceeds ₹ 25 crores. However, in respect of Startups in the biotechnology sector, 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 ₹ 25 crores.

The definition of Turnover is as defined under the Companies Act, 2013.

<u>How will the Startup be recognised?</u>

The process of recognition as a 'Startup' shall be through an online application made over the mobile app/ portal set up by the Department of Industrial Policy and Promotion. Entities will be required to submit the online application along with the Certificate of Incorporation/ Registration and other relevant details as may be sought. ***<u>Startups also have to submit a write-up about the nature of business highlighting how is it working towards innovation, development or improvement of products or processes or services, or its scalability in terms of employment generation or wealth creation.</u>***

Tax Benefits

In order to avail the tax benefits, a Startup should –

a) be a private limited company (as defined in the Companies Act, 2013) or a limited liability partnership (as defined under the Limited Liability Partnership Act, 2008) which is incorporated on or after the 1st day of April, 2016 but before the 1st day of April, 2019, and
b) be working towards innovation, development or improvement of products or processes or services, or should be a scalable business model with a high potential of employment generation or wealth creation, and
c) obtain a certificate of an eligible business from the Inter-Ministerial Board of Certification as constituted by Department of Industrial Policy and Promotion from time to time.

The mere act of developing indicates as below;

a) products or services or processes which do not have potential for commercialization, or
b) undifferentiated products or services or processes, or
c) products or services or processes with no or limited incremental value for customers or workflow would not make a Startup eligible for tax benefits.

Revocation

Subsequently, if such recognition is found to have been obtained without uploading the relevant documents or on the basis of false information, DIPP reserves the right to revoke the recognition certificate and certificate of an eligible business for tax benefits immediately without any prior notice or reason.

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