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## **Startup India Initiative – A Glimpse**

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### Introduction and Background:

The new buzzwords in the world today are startup, investor and valuation. With increased entrepreneurial focus, backed by strong fund houses and wide spread innovation, the aura around startup is growing. It is also pegged that India is the world's fastest growing startup ecosystem.

The startup scenario in India got a shot in the arm when the Government of India announced a campaign called '**Startup India**'. Startup India campaign is based on an action plan 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.

As a part of this, the Government identified various laws that need attention to ensure that it becomes fairly easy for entrepreneur to start businesses and operate smoothly in India.



### Recent Developments

To bring uniformity in the identified enterprises, the Government of India vide notification no. **G.S.R. 180** dated **17<sup>th</sup> February, 2016** under the guidance of Department of Industrial Policy and Promotion (DIPP) brought out a notification covering the definition and various operational details of applying for availing the benefits under the 'Startup India' Initiative.

Continuing with the intent, the Finance Bill 2016<sup>1</sup> also provided for various tax benefits like tax holiday for a period of 3 years, provided the start up holds an eligibility certificate from an inter-ministerial board.

On **22<sup>nd</sup> April 2016**, The Government of India vide notification no. **G.S.R. 439(E)** has set-up the Inter-Ministerial Board consisting of the following personnel:

- i. Shri Shailendra Singh, Joint Secretary, Department of Industrial Policy & Promotion,
- ii. Dr. Alka Sharma, Director/Scientist 'F', Department of Biotechnology, and
- iii. Sh. H.K. Mittal, Head, Innovation/Entrepreneurship & National Science & Technology Entrepreneurship Development Board, Department of Science & Technology.

This board will be responsible for issuing the eligibility certificate for claiming tax exemption under Income Tax Act.

<sup>1</sup> Once the bill is passed by both the houses of parliament and after the same is assented by President of India, would become a law.

## Criteria and Procedure for recognition

### (i) *The definition:*

It can be a private limited company, registered Partnership or a Limited Liability Partnership. Such an entity shall be considered as start-up:

- a) Up to five years from the date of its incorporation/registration,
- b) If its turnover for any of the financial years has not exceeded Rupees 25 crore, and
- c) It is working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property;

### (ii) *Meaning of innovation:*

An entity is considered to be working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property if it 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.

Provided that the mere act of developing:

- 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 be covered under this definition.

### (iii) *Process of Recognition:*

The process of recognition as a 'startup' will be through mobile app/portal of the DIPP. The portal has the facility to upload application by filling online information of the enterprise willing to get Startup recognition.

Startups will be required to submit a simple application with any of following documents:

- a) A recommendation from any Incubator established in a postgraduate college in India; or from any Incubator recognized by Government of India;
- b) a letter of support by any incubator which is funded from Government of India or any State Government as part of any specified scheme to promote innovation; or
- c) A letter of funding of not less than 20 per cent in equity by any Incubation Fund/Angel Fund/Private Equity Fund/Accelerator/Angel Network duly registered with Securities and Exchange Board of India that endorses innovative nature of the business; or
- d) A letter of funding by Government of India or any State Government as part of any specified scheme to promote innovation; or
- e) A patent filed and published in the Journal by the Indian Patent Office in areas affiliated with the nature of business being promoted.

The Board will review the supporting document(s) provided to ascertain if the entity qualifies as an eligible business for availing tax benefits. If the document(s) provided is valid the Board will issue the Certificate within a period of 10-25 working days in the Startup India portal itself.

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