

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF INDUSTRIAL POLICY & PROMOTION**

LOK SABHA

**STARRED QUESTION NO. 75.
TO BE ANSWERED ON MONDAY, THE 21ST NOVEMBER, 2016.**

FUND FOR START-UP COMPANIES

***75. SHRI GUTHA SUKENDER REDDY:
SHRI SUMAN BALKKA:**

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

वाणिज्य एवं उद्योग मंत्री

- (a) the details of incentives and encouragements, financial and otherwise provided for start-ups;
- (b) whether the Government is planning to set up a Credit Guarantee Fund for encouraging start-up companies in the country;
- (c) if so, the details thereof including the number of companies which have availed the facilities under the scheme so far; and
- (d) the other steps taken to promote the start-up companies especially in their early formulation?

ANSWER

**वाणिज्य एवं उद्योग राज्यमंत्री (स्वतंत्र प्रभार)(श्रीमती निर्मला सीतारमण)
THE MINISTER OF STATE (INDEPENDENT CHARGE)
OF THE MINISTRY OF COMMERCE & INDUSTRY
(SHRIMATI NIRMALA SITHARAMAN)**

(a) to (d): A Statement is laid on the Table of the House.

**STATEMENT REFERRED TO IN REPLY TO PARTS (a) to (d) OF LOK SABHA
STARRED QUESTION NO. 75 FOR ANSWER ON 21ST NOVEMBER 2016.**

(a) & (d): The Startup India initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive to growth of Startups.

Since the launch of the Startup India program, a number of initiatives have been taken to promote Startups. Details are at Annexure.

(b): Yes Madam. The Government is formulating a Credit Guarantee Scheme for Startups (CGSS) with a view to encourage banks and other lenders to provide loans to Startups.

(c): Under the proposed scheme, a Credit Guarantee Fund for Startups (CGFS) shall be set up for providing credit guarantee cover (up to a specified limit) to eligible Member Lending Institutions (MLIs) against default in repayment of a loan extended to a Startup.

ANNEXURE REFERRED TO IN REPLY TO PARTS (a) & (d) OF LOK SABHA STARRED QUESTION NO. 75 FOR ANSWER ON 21ST NOVEMBER 2016.

The Startup India Action Plan consists of 19 action items spanning across areas such as “Simplification and handholding”, “Funding support and incentives” and “Industry-academia partnership and incubation”. Since the launch of the program, a number of forward looking strategic amendments to the existing policy ecology have been introduced, like:

1. Fund of Funds

For providing fund support for Startups, Government has created a ‘Fund of Funds for Startups (FFS)’ at Small Industries Development Bank of India (SIDBI) with a corpus of ₹ 10,000 crore. The FFS shall contribute to the corpus of Alternate Investment funds (AIFs) for investing in equity and equity linked instruments of various Startups. The FFS is managed by Small Industries Bank of India (SIDBI) for which operational guidelines have been issued. In 2015-16, Rs. 500 crores was released towards the FFS corpus.

2. Relaxed Norms in Public Procurement for Startups

Provision has been introduced in the procurement policy of Ministry of Micro, Small and Medium Enterprises (Policy Circular No. 1(2) (1)/2016-MA dated March 10, 2016) to relax norms pertaining to prior experience / turnover for Micro and Small Enterprises. Department of Expenditure has issued a notification for relaxing public procurement norms in respect of medium enterprises by all central Ministries/Departments.

3. Tax Incentives:

• **3 Year Tax Exemption**

The Finance Act, 2016 Section 80- IAC has provision for Startups (Companies and LLPs) to get income tax exemption for 3 years in a block of 5 years, if they are incorporated between 1st April 2016 and 31st March 2019. To avail these benefits, a Startup must get a Certificate of Eligibility from the Inter-Ministerial Board.

• **Removal of Angel Tax:**

Tax exemption on investments made in excess of face value in the shares of a Startup company has been introduced on 14 June 2016.

• **Tax Exemption on Capital Gains:**

Section 54 EE has been introduced under the Finance Act, 2016 which provides for exemption of capital gain arising out of transfer of long term capital asset invested in a fund notified by Central Government.

Section 54GB of Income-tax Act, 1961 has been amended to provide for exemption from tax on capital gains arising out of sale of residential house or a residential plot of

land if the amount of net consideration is invested in equity shares of eligible Startups.

4. Legal Support and Fast-tracking Patent Examination at Lower Costs

A scheme for Startups IPR Protection (SIPP) for facilitating fast track filing of Patents, Trademarks and Designs by Startups has been introduced. The scheme provides for expedited examination of patents filed by Startups. This will reduce the time taken in getting patents. The fee for filing of patents for Startups has also been reduced up to 80%.

Panels of facilitators for Patents and Trademark applications have been formed to facilitate the process of patent filing and acquisition. The facilitators would provide legal guidance and handholding through the entire patent acquisition process free of cost.

5. Self-Certification based Compliance Regime:

Compliance norms relating to Environmental and Labour laws have been eased in order to reduce the regulatory burden on Startups thereby allowing them to focus on their core business and keep compliance cost low.

Ministry of Environment and Forests (MoEF) has published a list of 36 white category industries. Startups falling under the “White category” would be able to self-certify compliance in respect of 3 Environment Acts –

- 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.

Further, Ministry of Labour and Employment (MoLE) has issued guidelines to State Governments whereby Startups shall be allowed to self-certify compliance in respect of 6 Labour laws. These shall be effective after concurrence of States/UTs. The Acts are:

- The Building and Other Constructions 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

So far 9 States have confirmed compliance to the advisory issued by Ministry of Labour and Employment (MoLE):

- Rajasthan
- Uttarakhand
- Madhya Pradesh
- Chhattisgarh
- Delhi

- Jharkhand
- Gujarat
- Chandigarh
- Daman & Diu

6. Setting up Incubators

- Under Atal Innovation Mission of Niti Ayog, a grant-in-aid of Rs. 10 crore would be provided to each incubator for a maximum of 5 years to cover the capital and operational costs in running the centre. NITI Aayog has received 232 applications for providing scale up support for established incubation centres.
- Under the Mission, Niti Ayog will set up Atal Incubation Centres (AICs) in public and private sector. NITI Aayog has received 3658 applications (1719 from academic institutions and 1939 from non-academic institution) for setting up Atal Incubation Centres (AICs) from both Public and Private sector organizations.

7. Setting up of Startup Centres and Technology Business Incubators (TBI)

14 Startup Centres and 15 Technology Business Incubators will be setup collaboratively by Ministry of Human Resource Development (MHRD) and the Department of Science and Technology (DST). As informed by MHRD, out of the 14 Startup Centres, 10 have been approved. Once MHRD releases its share of Rs. 25 lakhs each for the Startup centres, all the Startup centres would be supported and completed by DST by December, 2016.

The target of sanctioning of 15 TBIs is expected to be achieved by December 2016.

8. Research Parks

7 Research Parks will be set up as per the Startup India Action Plan. Out of these 7, IIT Kharagpur already has a functional Research Park. Further, DST will establish 1 Research Park at IIT Gandhinagar and the remaining 5 shall be set up by Ministry of Human Resource Development (MHRD).
