

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

LOK SABHA

**UNSTARRED QUESTION NO. 322.
TO BE ANSWERED ON MONDAY, THE 18TH DECEMBER, 2017.**

CGF FOR STARTUPS

322. SHRI INNOCENT:

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

वाणिज्य एवं उद्योग मंत्री

- (a) The achievements made under “Startup India” programme being implemented in the country;
- (b) whether Government proposes to introduce certain schemes including Credit Guarantee Fund to enable Startups to get collateral free loans for their operations in the country;
- (c) if so, the details thereof including the terms and conditions of the schemes; and
- (d) the details of other financial support and incentives being extended to the Startups in the country?

ANSWER

वाणिज्य एवं उद्योग मंत्रालय में राज्यमंत्री (श्री सी.आर. चौधरी)

**THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY
(SHRI C.R. CHAUDHARY)**

- (a) to (d):** Details of the achievements made under ‘Startup India’ initiative are at **Annexure-I**. Under the Startup India initiative, a Fund of Funds for Startups (FFS) with a corpus fund of INR 10,000 crore has been established for development and growth of innovation driven enterprises. Till date, a total amount of INR 600 crore has been released to SIDBI for the FFS. INR 605.7 crore has been committed by SIDBI and INR 90.62 crore has been disbursed to 17 Alternative Investment funds (AIFs), who in turn have invested INR 337.02 crore in 75 Startups. Further, as on 1st December, 2017, a total of 5350 Startups have been recognized by Department of Industrial Policy and Promotion (DIPP). A total of 74 Startups have been given tax exemption under Section 80 IAC of Income Tax Act. The Startup India Hub has resolved 75,643 queries so far and there are 15000 registered users on the Startup India Hub. The Learning and Development module of the Startup India program has been used by 1,89,000 individuals so far. As regards the Credit Guarantee Fund, no decision has been taken by the Government of India in this regard.

ANNEXURE REFERRED TO IN REPLY TO PARTS (a) TO (d) OF THE LOK SABHA UNSTARRED QUESTION NO. 322 FOR ANSWER ON 18TH DECEMBER, 2017.

Achievements under the Startup India initiative

Simplification and Handholding

1. Compliance Regime based on Self-Certification

- List of 36 industries in “white” category has been published on CPCB’s website. CPCB has exempted such industries from all the applicable self-certifications under 3 Environment related Acts listed in the Startup India Action Plan
- Ministry of Skill Development and Entrepreneurship (MSDE) has issued advisory to states to allow Startups to self-certify compliance with the Apprenticeship Rules, 1992 of Apprenticeship Act, 1961
- Startups have been allowed to self-certify compliance in respect of 6 Labour laws; 26 states have confirmed compliance to the advisory issued on 12.01.2016 and new advisory issued on 6.4.2017 by Ministry of Labour and Employment (MoLE)

2. Rolling out of Mobile App and Portal

- Startup India portal has been developed to provide access to the following:
 - Startup recognition
 - Advertising space for Startups
 - Learning & development module
- The portal acts as a one stop solution for all queries related to the Startup India initiative
- Startup India mobile app has been developed to provide on the go services and information to users.
- Startup India online hub was launched on 19.6.2017 to serve as a platform where all the stakeholders of the Startup ecosystem can collaborate and synergise their efforts. It will facilitate location-wise and sectoral mapping. 15,000+ registrations have been achieved on the Hub as of November, 2017.

3. Startup India Hub

- 75,000+ queries have been handled by the Startup India Hub
- 450+ Startups have been mentored for incubation and funding support

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

- 423 facilitators for Patent and Design and 596 facilitators for Trademark applications have been empanelled to assist Startups in filing of patents and trademarks
- 415 applications have received rebate of up to 80% on patent fees and have also received legal assistance
- Patent filing has been made faster for Startups and accordingly 87 Startups have been facilitated
- Trademark facilitation has been extended to 473 Startups

5. Relaxed Norms of Public Procurement for Startups

- Relaxed norms for public procurement for micro, small and other enterprises have been provisioned in the Procurement Policy by the Ministry of Micro, Small and Medium Enterprise
- All Central Ministries / Departments /Department of Public Enterprises/ Central Public Sector Undertakings have been authorised to relax conditions of prior experience and prior turnover with respect to MSEs in all public procurements subject to meeting quality and technical specifications
- Further, Rule 173(i) has been incorporated in GFR, 2017 which provides for relaxation of conditions of prior turnover and prior experience for Startups, and
- Rule 170(i) of GFR 2017 has been amended on 25th July 2017 allowing all Startups as recognized by DIPP exemption from submission of Earnest Money Deposit/Bid Security in public procurement tenders

6. Faster Exit for Startups

- Insolvency and Bankruptcy Board has been constituted
- MCA has notified the relevant sections 55 to 58 of Insolvency and Bankruptcy Code, 2016 pertaining to the Fast Track process on 16.6.2017 and also notified that the process shall apply to Startup (other than the partnership firm) as defined by DIPP. For Startups, Insolvency Resolution process to be completed within 90 days as against 180 days for other entities.

Funding Support and Incentives

7. Providing Funding Support through Fund of Funds (FFS) with a Corpus of INR 10,000 crore

- Fund of Funds for Startups of INR 10,000 crore shall be released over two Finance Commission cycles, that is, by the year 2025
- INR 500 crore has been released to SIDBI in FY16 and INR 100 crore in FY 17
- Total commitments under FFS stand at INR 605.7 crore to 17 Alternative Investment Funds (AIFs) while drawdown by AIFs is INR 90.62 crore
- 75 Startups have received funding under FFS with catalysed investment of INR 337.02 crore

8. 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 (not exceeding INR 50 lakh in a financial year) invested in a fund notified by Central Government
- Section 54 GB of Income-tax Act, 1961 has been amended to provide 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 an eligible Startup for utilizing the same to purchase specified asset.

9. Tax Exemption to Startups for 3 Years

- Provision has been made in the Finance Act, 2016 Section 80-IAC for Startups (Companies and LLPs) to avail income tax exemption for 3 years in a block of 5 years, if they are incorporated between 1st April 2016 and 31st March 2019.
- In the Union Budget 2017-18, the Government has increased this period of profit-linked deductions available to eligible Startups to 7 years. Startup is eligible to avail income tax exemption for three consecutive assessment years out of a block of seven years, which was earlier five years.
- 75 Startups have been approved for availing tax benefits

10. Tax Exemption on Investments above Fair Market Value

- **Removal of Angel Tax**
Tax exemption on investment above Fair Market Value has been introduced on 14th June 2016.

Industry-Academia Partnership and Incubation

11. Launch of Atal Innovation Mission (AIM)

- 941 schools selected for establishing tinkering labs and INR 12 Lakh each has been disbursed to 374 tinkering labs
- 6 existing Incubators have been sanctioned for scale-up grant by NITI Aayog
- 13 New Incubators approved for funding support

12. Building Innovation Centres at National Institutes

- 15 Startup Centres are being jointly set up by Department of Science and Technology (DST) and Ministry of Human Resource Development (MHRD), and approval for all 15 is in place
- Amount of INR 37.50 lakh (INR 3.75 lakh each for 10 Startup Centres) has been released as 1st instalment of the grant for 10 Startup Centres by MHRD
- 11 TBIs (Technology Business Incubators) have been approved and INR 42 crore have been sanctioned and INR 17 crore disbursed to TBIs

13. Setting up of 7 New Research Parks modelled on the Research Park Setup at IIT Madras

- IIT Kharagpur at a cost of INR 100 crore is under construction and INR 74.83 Cr. released to IIT Kharagpur
- IIT Mumbai at a cost of INR 100 crore is under construction and INR 34 Cr. released to IIT Bombay
- The Research Park at IIT Gandhinagar has been sanctioned by DST at a total cost of INR 90 crore and the Department has already disbursed instalment of INR 40 crore
- 5 more Research Parks at IIT Kanpur, IIT Delhi, IIT Guwahati, IIT Hyderabad and IISc to be supported by MHRD approved with a budget of INR 375 Crore for a period of 3 years.

14. Promoting Startups in the Biotechnology Sectors

- Department of Biotechnology (DBT) has sanctioned INR 1 crore under Biotech Equity fund to be given to each bio-incubator. The initiative has already helped 3 Bio-incubators that have been selected as recipients of the above mentioned Equity Fund.
- 30 bio-incubators have been supported through funding support with INR 185 crore sanctioned and INR 119 crore disbursed. The impact has been multi-fold as a total of 290 start-ups have received benefits from these bio-incubators under various programmes like Biotechnology Ignition Grant, IIPME, Sparsh, Grand Challenges, BioNEST, etc.
- In respect of Bengaluru-Boston Biotech Gateway to India: 4 entrepreneurs have joined and 1 is in the process of joining the Harvard University, USA to share ideas and receive mentorship

15. Launching of Innovation Focused Programs for Students

- (a) Innovation Core program with an outreach to 10 lakh innovations from 5 lakh schools
- 4 regional workshops organized & revamped MANAK (Million Minds Augmenting National Aspiration and Knowledge) approved
 - Over 1 lakh INSPIRE (Innovation in Science Pursuit for Inspired Research) Awardees competed at District & State Level
 - 588 were selected to participate in the 6th National Level Exhibition and Project Competition, Delhi
 - Top 60 projects were showcased at the Annual Festival of Innovations in Rashtrapati Bhavan from 4th-10th March 2017
- (b) NIDHI (National Initiative for Developing and Harnessing Innovation)– Grand challenge program
- 19 new TBIs established
 - 9 TBIs supported for Seed Support System (SSS)
 - 10 NIDHI-PRAYAS (PRomoting and Accelerating Young and ASpiring technology entrepreneurs) and 10 NIDHI-EIR (Entrepreneurs-in-Residence) sanctioned
 - 6 new centres of excellence (COEs) have been recommended to receive funds for COEs in FY2017-18
- (c) Uchhattar Avishkar Yojana (UAY)
- INR 475 crore for 2016-18 has been earmarked for 3 years
 - INR 75 crore has been disbursed for research proposals from IITs under 6 domains
 - 92 projects have been recommended for approval

16. Other incentives:

- External Commercial Borrowing (ECB) guidelines for Startups: Startups can borrow up to \$3 million or equivalent per financial year, either in rupees, or any convertible foreign currency or a combination of both, for a minimum average maturity period of three years
- Foreign venture capital investors (FVCI) are now allowed to invest in Startups irrespective of any sector without Reserve Bank of India's

approval

- SEBI (Foreign Portfolio Investors) Regulations, 2014 have been amended to permit FPIs to invest in unlisted Non-Convertible debentures and securitised debt instruments
- The SEBI Board has approved five key amendments to SEBI (Alternative Investment Funds) Regulations, 2012 with respect to 'Angel Funds':
 - The upper limit for number of angel investors in a scheme has been increased from forty nine to two hundred
 - Angel Funds will be allowed to invest in start-ups incorporated within five years, which was earlier 3 years.
 - The requirement of minimum investment amount by an Angel Fund in any venture capital undertaking has been reduced from INR 50 lakh to INR 25 lakh.
 - The lock-in requirements of investment made by Angel Funds in a venture capital undertaking has been reduced from three years to one year.
 - Angel Funds are allowed to invest in overseas venture capital undertakings upto 25% of their investible corpus in line with other AIFs.
