

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

LOK SABHA

**UNSTARRED QUESTION NO. 2646.
TO BE ANSWERED ON MONDAY, THE 12TH MARCH, 2018.**

FOREIGN INVESTMENT UNDER STARTUP INDIA PROGRAMME

**2646. SHRI SANJAY DHOTRE:
SHRI RAHUL SHEWALE:
SHRI BHARTRUHARI MAHTAB:**

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

वाणिज्य एवं उद्योग मंत्री

- (a) the extent to which the Government has achieved the aims and objectives of launching 'Startup India' programme in the country;
- (b) whether the Government proposes to set up lenient regulatory framework to encourage foreign investments under the said programme;
- (c) if so, the details thereof along with the reaction of the foreign investors thereto;
- (d) the funds released from the Fund of Funds for Startups (FFS) established under the Startup India initiative so far; and
- (e) the number of shortcomings noticed by the Government during implementation of the said programme since its inception and the corrective steps taken/proposed to be taken by the Government in this regard?

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):** The achievements under the 'Startup India' initiative have been provided at Annexure I.
- (b) & (c):** The Government has undertaken number of steps to ease regulatory framework to encourage foreign investments. The various steps undertaken in this regard are placed at Annexure II. No details regarding reactions of foreign investors are available.

(d): Under the Fund of Funds for Startups (FFS) established under the Startup India initiative, a total amount of Rs. 600 crore has been released to SIDBI. Further, Rs. 1050.7 crore has been committed by SIDBI to 24 Alternative Investment funds (AIFs) and Rs. 122.86 crore has been disbursed to 17 AIFs, who in turn have invested Rs. 517.92 crore in 109 Startups.

(e): As a constant endeavour to facilitate the Startup ecosystem, Department of Industrial Policy and Promotion (DIPP) had extensive consultations with stakeholders wherein following concerns were highlighted –

1. Startups were required to submit a Letter of Recommendation (LoR) from organizations such as incubators/ industry associations which often led to undue expenditure and delay for Startups. This discouraged a large number of entities from applying under the programme.
2. Taking into account the long gestation period required by Startups to get established, the period of 5 years as provided in the definition of Startups was too short. Further Startups in bio -technology sector require longer gestation period as compared to others.

In order to address the above concerns, following corrective measures have been taken:

1. The requirement of Letter of Recommendation from an incubator/industry association has been done away with both for the purpose of recognition as well as for availing certificate of eligibility for obtaining tax benefits.
2. In order to further promote entrepreneurship in the country, the definition of a Startup has been modified on 23rd May, 2017. It has been broadened to include scalability of business model along with a high potential of employment generation or wealth creation. As per the new definition, an entity is considered as a Startup up to seven years from the date of its incorporation (from earlier 5 years). However, in the case of Startups in the Biotechnology sector, the period is up to ten years from the date of incorporation.

ANNEXURE REFERRED TO IN REPLY TO PART (a) OF THE LOK SABHA UNSTARRED QUESTION NO. 2646 FOR ANSWER ON 12.03.2018.

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 – 7837 Startups have been recognised till 6th March 2018
 - Advertising space for Startups
 - Learning & development module – over 1,97,000 registrations achieved
- 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.

3. Startup India Hub

- 84,000+ queries have been handled by the Startup India Hub
- 460+ Startups have been mentored for incubation and funding support
- 30,000+ registrations have been achieved on the Hub as of February, 2018.

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
- 768 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 126 Startups have been facilitated
- Trademark facilitation has been extended to 858 Startups as of January, 2018

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 Rs. 10,000 crore

- Fund of Funds for Startups of Rs. 10,000 crore shall be released over two Finance Commission cycles, that is, by the year 2025
- Rs. 500 crore has been released to SIDBI in FY16 and Rs. 100 crore in FY 17
- Total commitments under FFS stand at Rs. 1050.7 crore to 24 Alternative Investment Funds (AIFs) while drawdown by AIFs is Rs. 122.86 crore
- 109 Startups have received funding under FFS with catalysed investment of Rs. 517.92 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 Rs. 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 for Startups (Companies and LLPs) to avail income tax exemption for 3 years in a block of 7 years, if they are

incorporated between 1st April 2016 and 31st March 2019.

- 87 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 Rs. 12 Lakh each has been disbursed to 374 tinkering labs

12. Harnessing Private Sector Expertise for Incubator Setup

- 6 existing Incubators have been sanctioned scale-up grant of Rs. 2.5 crore each by NITI Aayog
- 13 New Incubators approved for funding support by NITI Aayog

13. Building Innovation Centres at National Institutes

- 15 Startup Centres have been approved for joint set up by Department of Science and Technology (DST) and Ministry of Human Resource Development (MHRD)
- Amount of Rs. 37.50 lakh (Rs. 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 Rs. 42 crore have been sanctioned and Rs. 17 crore disbursed to TBIs

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

- IIT Kharagpur at a cost of Rs. 100 crore is under construction and Rs. 74.83 Cr. released to IIT Kharagpur
- IIT Mumbai at a cost of Rs. 100 crore is under construction and Rs. 34 Cr. released to IIT Bombay
- The Research Park at IIT Gandhinagar has been sanctioned by DST at a total cost of Rs. 90 crore and the Department has already disbursed instalment of Rs. 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 Rs. 375 Crore for a period of 3 years.

15. Promoting Startups in the Biotechnology Sectors

- Department of Biotechnology (DBT) has sanctioned Rs. 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 Rs. 185 crore sanctioned and Rs. 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 joining the Harvard University, USA to share ideas and receive mentorship

16. 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)
 - Rs. 475 crore for 2016-18 has been earmarked for 3 years
 - Rs. 75 crore has been disbursed for research proposals from IITs under 6 domains
 - 92 projects have been recommended for approval

17. 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 Rs. 50 lakh to Rs. 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.

ANNEXURE- II

ANNEXURE REFERRED TO IN REPLY TO PARTS (b) & (c) OF THE LOK SABHA UNSTARRED QUESTION NO. 2646 FOR ANSWER ON 12.03.2018.

Regulatory reforms undertaken to encourage foreign investments

1. **Access to External Commercial Borrowing (ECB) for Startups**
Separate framework for ECB for Startups was notified in October 2016. Startups allowed to raise ECB up to USD 3 million.
2. **Investment by foreign Venture Capital Investors (FVCI)**
SEBI registered FVCI can invest in equity or equity linked instrument or debt instrument issued by an Indian 'Startup' irrespective of the sector in which the startup is engaged under automatic route.
3. **Opening of foreign currency account**
Indian Startup having an overseas subsidiary are allowed to open a foreign currency account with a bank outside India for the purpose of crediting to the account the foreign exchange earnings out of exports/sales made by the said startup or its overseas subsidiary.
