

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE**

LOK SABHA

**UNSTARRED QUESTION NO. 3906
TO BE ANSWERED ON WEDNESDAY, THE 17th JULY, 2019**

STRENGTHENING OF START-UPS

3906. SHRI JANARDAN SINGH SIGRIWAL:

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

वाणिज्य एवं उद्योग मंत्री

- (a) whether the Government has any plans to strengthen the start-up ecosystem at local level in the country under start-up India initiative;
- (b) if so, the details thereof indicating proactive steps taken in this regard;
- (c) whether the Government has any data regarding rising trend in funding of start-ups in the country during the last three years;
- (d) if so, the details thereof; and
- (e) the measures being taken by the Government to improve the situation in this regard?

ANSWER

वाणिज्य एवं उद्योग मंत्रालय में राज्यमंत्री (श्री सोम प्रकाश)

**THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY
(SHRI SOM PARKASH)**

- (a) to (e):** Department for Promotion of Industry and Internal Trade (DPIIT) under Startup India initiative has taken several steps to strengthen startup ecosystem at local level in the country. The steps taken are listed at Annexure I. While funding of Startups in India has seen a rising trend, the data thereof is not centrally maintained.

ANNEXURE REFERRED TO IN REPLY TO LOK SABHA UNSTARRED QUESTION NO. 3906 FOR ANSWER ON 17.07.2019

Steps taken under Startup India initiatives

Simplification and Handholding

1. Compliance Regime based on Self-Certification

- List of 36 industries in “white” category has been published on Central Pollution Control Board’s (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; 27 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 – 19,874 Startups have been recognised till 12th July 2019
 - Learning & development module – over 2,30,000 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.
- 3,157 mentor, investor and incubator connections have been established through the portal for Startups

3. Startup India Hub

- Over 1,34,000 queries have been handled by the Startup India Hub
- Over 3,29,000 registrations have been achieved on the Hub as of July, 2019.

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

- 425 facilitators for Patent and Design and 606 facilitators for Trademark applications have been empanelled to assist Startups in filing of patents and trademarks
- 1496 applications have received rebate of up to 80% on patent fees and have also received legal assistance as of 31st May 2019
- Patent filing has been made faster for Startups and accordingly, 389 applications were granted expedited examination and 103 patents were granted as of 31st May 2019.
- Trademark facilitation has been extended to 2761 Startups as of 31st May 2019

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 Department for Promotion of Industry and Internal Trade (DPIIT) 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 DPIIT. 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 has been established with a corpus of Rs. 10,000 crore for extending assistance to startups. As of 10th July 2019,
 - Total commitments under FFS stand at Rs. 3123.20 Cr. crore to 47 Alternative Investment Funds (AIFs) while drawdown by AIFs is Rs. 512.58 crore
 - 254 Startups have received funding under FFS with catalysed investment of Rs. 1701.03 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 a continuous period of 3 years in a block of 7 years, if they are incorporated between 1st April 2016 and 31st March 2021.
- 183 Startups have been approved for availing tax benefits as of 12th July 2019

10. Tax Exemption on Investments above Fair Market Value

- Department for Promotion of Industry and Internal Trade issued a notification number G.S.R. 127(E) dated 19th February, 2019 amending the definition of startup and further providing criteria for availing exemption from the provisions of section 56(2)(viib). Thereby, startups raising funds, where the total amount of share capital and premium does not exceed INR 25 Crore, may avail exemption from the provisions of section 56(2)(viib) via self-declaration to CBDT.
- As on 12th July 2019, a total of 1076 applications for Angel Tax Exemption have been received. 45 applications have been found to be incomplete, and 221 applications were repeat or modified applications. CBDT has exempted 810 startups under this provision.

Industry-Academia Partnership and Incubation

11. Launch of Atal Innovation Mission (AIM)

- 8,878 Schools selected for setting up Atal Tinkering Labs and Rs. 12 Lakh each has been disbursed to 3,020 tinkering labs.

12. Harnessing Private Sector Expertise for Incubator Setup

- 39 green-field incubators and Established Incubation centres (EICs) have been given Rs 96.59 crore. Further 63 Atal Incubation and Established Incubation Centres have been selected for further disbursement and are currently undergoing due-diligence.

13. Building Incubation Centres at National Institutes

- 11 TBIs (Technology Business Incubators) have been approved for which Rs 42.23 crore have been sanctioned and Rs 18.69 crore have been disbursed to TBIs.
- 15 Startup Centres have been approved for joint set up by Department of Science and Technology and Ministry of Human Resource Development and an amount of Rs 37.50 lakh (Rs 3.75 lakh each for 10 Startup Centres) has been released for 10 Startup Centres by Ministry of Human Resource Development

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

- 8 new Research Parks have been identified to be built over 5 years at 7 IITs and IISc Bangalore.
- Government has sanctioned total funding of Rs 680 crore towards development of these research parks with over Rs 233 crore being disbursed so far.

15. Promoting Startups in the Biotechnology Sectors

- Rs 195.9 crore has been disbursed out of Rs 401.79 crore Sanctioned to 4 bio-clusters at Kalyani, Bangalore, Faridabad and Pune;
- Rs 174 crore has been disbursed out of Rs 272 crore Sanctioned to 41 Bio-incubators supported through the BioNEST Program;
- Rs 16.95 crore has been sanctioned of which Rs 6.48 crore has been disbursed to 4 BIRAC Regional Centres operationalized at Hyderabad, Bengaluru, Pune and Bhubaneswar.

- BIRAC Ace Fund of Rs 150 crore equity fund has been approved as fund of funds to Bio incubators. Rs 82 crore out of this fund of funds has been committed and Rs 6.23 crore has been disbursed.
- BIRAC Seed Fund of Rs 24 crore has been sanctioned and Rs 8.5 crore has been disbursed to 13 Bio- Incubators

16. Launching of Innovation Focused Programs for Students

- NIDHI (National Initiative for Developing and Harnessing Innovations) is Grand challenge conducted to promote entrepreneurship amongst student community. 224 applications have been received. Out of 30 finalists selected, 12 student run teams have been awarded Rs 10 Lakh each.
- Under Uchchar Avishkar Yojana, 148 projects have been sanctioned and Rs 220.75 crore has been released.
- Under MANAK (Million Minds Augmenting National Aspiration and knowledge) scheme, Rs 10,000 has been granted to 1,03,497 students in the last 3 years

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 under automatic route
- 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 ten years, which was earlier seven 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.
