

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

**UNSTARRED QUESTION NO. 2166.  
TO BE ANSWERED ON WEDNESDAY, THE 04<sup>TH</sup> MARCH, 2020.**

**NATIONAL STARTUP ADVISORY COUNCIL**

**2166. DR. HEENA GAVIT:  
SHRI SOYAM BAPU RAO:  
SHRI DHANUSH M. KUMAR:  
SHRI SELVAM G.:  
SHRI GAUTAM SIGAMAANI PON:**

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

**वाणिज्य एवं उद्योग मंत्री**

- (a) whether the Government has set up a National Startup Advisory Council;
- (b) if so, the details thereof and the aims and objectives behind the move;
- (c) the details of the composition of the Council and the time period for which this Council will function;
- (d) whether various problems are being faced by the Indian Startups;
- (e) if so, the details thereof and the corrective steps taken by the Government in this regard;
- (f) whether the Government is encouraging students to take up innovation across all the economic sectors including semi-urban and rural areas and if so, the details thereof; and
- (g) the details of other steps taken by the Government to build a strong eco-system for nurturing innovation and start-ups in the country to drive sustainable economic growth and generate large-scale employment opportunities?

**ANSWER**

**वाणिज्य एवं उद्योग मंत्री (श्री पीयूष गोयल)**

**THE MINISTER OF COMMERCE & INDUSTRY  
(SHRI PIYUSH GOYAL)**

- (a) to (c):** Yes Sir, Department For Promotion of Industry and Internal Trade (DPIIT) has notified the structure of the 'National Startup Advisory Council' to advise the Government on measures needed to build a strong ecosystem for nurturing innovation and startups in the country to drive sustainable economic growth and generate large scale employment opportunities. A copy of published notification containing the details regarding aims, objective and composition etc. is attached at Annexure - I

**(d) to (g):** The Startup India initiative was announced by Hon'ble Prime Minister of India on 15th August, 2015. The flagship initiative aims 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. Further to this, an Action Plan for Startup India was unveiled by Prime Minister of India on 16th January, 2016. The Action Plan comprises 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 initiative in January 2016, there has been a substantial progress under Startup India Action Plan. A detailed progress made on 19 Action Points of Startup India Action Plan, including various initiatives encouraging students to take up innovation across all the economic sectors including semi-urban and rural areas is enclosed at Annexure-II.

DPIIT has held extensive consultations with all the stakeholders and has worked with relevant Government Agencies to identify and address the problems faced by Indian Startups. Many other initiatives beyond the Startup India Action Plan have also been undertaken to address the Tax and other regulatory issues faced by the Startup community for development of overall growth of Startup movement in the country. Summary of achievements made so far under such initiatives is attached at Annexure - III.

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**ANNEXURE REFERRED TO IN REPLY TO PARTS (a) TO (c) OF THE LOK SABHA UNSTARRED QUESTION 2166 FOR ANSWER ON 4<sup>TH</sup> MARCH, 2020.**

[To be published in the Gazette of India, Extraordinary, Part-I, Section1]

F. No. 5(24)/2019-Startup India  
Government of India  
Ministry of Commerce and Industry  
Department for Promotion of Industry and Internal Trade  
Startup India Section

Udyog Bhawan, New Delhi  
Dated the 21<sup>st</sup> January, 2020

NOTIFICATION

The Central Government hereby constitutes the ‘National Startup Advisory Council’ to advise the Government on measures needed to build a strong ecosystem for nurturing innovation and startups in the country to drive sustainable economic growth and generate large scale employment opportunities. The council shall, *inter alia*, suggest measures to:

- (i) Foster a culture of innovation amongst citizens and students in particular;
- (ii) Promote innovation in all sectors of economy across the country, including semi-urban and rural areas;
- (iii) Support creative and innovative ideas through incubation and research and development to transform them into valuable products, processes or solutions to improve productivity and efficiency;
- (iv) Create an environment of absorption of innovation in industry;
- (v) Facilitate public organizations to assimilate innovation with a view to improving public service delivery;
- (vi) Promote creation, protection and commercialization of intellectual property rights;
- (vii) Make it easier to start, operate, grow and exit businesses by reducing regulatory compliances and costs;
- (viii) Promote ease of access to capital for startups;
- (ix) Incentivize domestic capital for investments into startups;
- (x) Mobilize global capital for investments in Indian startups;
- (xi) Keep control of startups with original promoters.
- (xii) Provide access to global markets for Indian startups.

2. The National Startup Advisory Council shall be chaired by Minister for Commerce & Industry, Government of India.

3. The Council shall consist of the following members, namely:-

| Sl. No. | Members  | Status                    | Remarks                               |
|---------|--|---------------------------|---------------------------------------|
| 1       | Founders of successful startups<br><br>- Up to 10 members                    | Members<br>(Non-official) | Nominated by<br>Central<br>Government |
| 2       | Veterans who have grown and scaled<br>companies in India<br>-Up to 6 members | Members<br>(Non-official) | Nominated by<br>Central<br>Government |

|    |  |                           |                                       |
|----|--|---------------------------|---------------------------------------|
| 3. | Persons capable of representing interests of investors into startups<br>- Up to 10 members       | Members<br>(Non-official) | Nominated by<br>Central<br>Government |
| 4. | Persons capable of representing interests of incubators and accelerators<br>-Up to 6 members     | Members<br>(Non-official) | Nominated by<br>Central<br>Government |
| 5. | Representatives of associations of stakeholders of startups<br>- Up to 6 members                 | Members<br>(Non-official) | Nominated by<br>Central<br>Government |
| 6. | Representatives of industry associations like CII, FICCI, ASSOCHAM, NASSCOM<br>- Up to 6 members | Members<br>(Non-official) | Nominated by<br>Central<br>Government |

4. The nominees of the following Ministries/Departments/Organisations, not below the rank of Joint Secretary to the Government of India, shall be ex-officio members of the Council:

| Sl. No. | Members   |
|---------|---|
| 1.      | Office of Pr. Scientific Advisor to the Government    |
| 2.      | NITI Aayog  |
| 3.      | Department Of Revenue                                 |
| 4.      | Department Of Financial Services                      |
| 5.      | Department Of Expenditure                             |
| 6.      | Department Of Commerce                                |
| 7.      | Department Of Science And Technology                  |
| 8.      | Department Of Bio-Technology                          |
| 9.      | Department Of Health & Family Welfare                 |
| 10.     | Ministry Of Labour And Employment.                    |
| 11.     | Department Of Higher Education                        |
| 12.     | Department Of School Education & Literacy             |
| 13.     | Ministry Of Corporate Affairs                         |
| 14.     | Ministry Of Electronic And Information And Technology |
| 15.     | Ministry Of Micro, Small And Medium Entrepreneurs     |
| 16.     | Central Board of Direct Taxes                         |
| 17.     | Central Board of Indirect Taxes and Customs           |
| 18.     | Small Industrial Development Bank Of India            |

5. Joint Secretary, Department for Promotion of Industry and Internal Trade (dealing with startups) shall be the Convener of the Council. Startup India Division of Department for Promotion of Industry and Internal Trade shall provide secretarial assistance to the Council.

6. The Council shall meet at least once in every quarter. Quorum of the meeting shall be one-third of the total Members of the Board.

7. Traveling/Dearness allowances to the members of the Council other than official members shall be regulated as per Ministry of Finance, Department of Expenditure's Orders/Guidelines.

8. The term of the Non-official members of the Startup Advisory Council shall be for a period of two years or until further orders, whichever is earlier.

(Anil Agrawal)  
Joint Secretary

The Manager  
Government of India Press,  
Mayapuri, Ring Road,  
New Delhi - 110064.

Copy to :-

1. All Chief Secretaries of the States and Administrators of UTs.
2. All Officers as per para 4 of the notification.
3. Web Master of Department for Promotion of Industry and Internal trade, Udyog Bhavan, New Delhi. It is requested that this may kindly be displayed on the website of the Department for broad publicity.
4. Guard file / Notification file
5. Press Information Bureau, Shastri Bhawan, New Delhi.

(L. Madan Kumar Reddy)  
Under Secretary to the Govt. of India  
Tel.No. 23063510  
E-mail: [lmk.reddy@gov.in](mailto:lmk.reddy@gov.in)

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**ANNEXURE REFERRED TO IN REPLY TO PARTS (d) TO (g) OF THE LOK SABHA UNSTARRED QUESTION 2166 FOR ANSWER ON 4<sup>TH</sup> MARCH, 2020.**

**Detailed progress made on the 19 Action Points of Startup India Action Plan**

*(Objective and details have been reproduced as published in the Startup Action Plan. Progress has been updated as on 26<sup>th</sup> February, 2020)*

**1. Compliance Regime based on Self-certification**

**Objective**

To reduce the regulatory burden on Startups thereby allowing them to focus on their core business and keep compliance cost low.

**Details**

- Regulatory formalities requiring compliance with various labour and environment laws are time consuming and difficult in nature. Often, new and small firms are unaware of nuances of the issues and can be subjected to intrusive action by regulatory agencies. In order to make compliance for Startups friendly and flexible, simplifications are required in the regulatory regime.
- Accordingly, the process of conducting inspections shall be made more meaningful and simpler. Startups shall be allowed to self-certify compliance (through the Startup mobile app) with 9 labour and environment laws (refer below). In case of the labour laws, no inspections will be conducted for a period of 3 years. Startups may be inspected on receipt of credible and verifiable complaint of violation, filed in writing and approved by at least one level senior to the inspecting officer.
- In case of environment laws, Startups which fall under the 'white category' (as defined by the Central Pollution Control Board (CPCB)) would be able to self-certify compliance and only random checks would be carried out in such cases.

**Progress**

Ministry of Environment, Forest & Climate Change (MoEF&CC) 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 –

1. The Water (Prevention & Control of Pollution) Act, 1974
2. The Water (Prevention & Control of Pollution) Gess (Amendment) Act, 2003
3. 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 are effective after concurrence of States/UTs. The Acts are:

1. The Building and Other Constructions Workers' (Regulation of Employment & Conditions of Service) Act, 1996

2. The Inter- State Migrant Workmen (Regulation of Employment & Conditions of Service) Act, 1979
3. The Payment of Gratuity Act, 1972
4. The Contract Labour (Regulation and Abolition) Act, 1970
5. The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
6. The Employees' State Insurance Act, 1948.

27 states and UTs have implemented the process of self- certification to startups under 6 labour laws. 9 States (Haryana, Madhya Pradesh, Maharashtra, Rajasthan, Gujarat, Uttar Pradesh, Punjab, Uttarakhand, and Delhi) have integrated their portals with Shram Suvidha Portal. Overall, 169 DPIIT recognized Startups have availed the benefits of self-certification.

## **2. Startup India Hub**

### **Objective**

To create a single point of contact for the entire Startup ecosystem and enable knowledge exchange and access to funding

### **Details**

Young Indians today have the conviction to venture out on their own and a conducive ecosystem lets them watch their ideas come to life. In today's environment we have more Startups and entrepreneurs than ever before and the movement is at the cusp of a revolution. However, many Startups do not reach their full potential due to limited guidance and access.

The Government of India has taken various measures to improve the ease of doing business and is also building an exciting and enabling environment for these Startups, with the launch of the "Startup India" movement.

The "Startup India Hub" is a key stakeholder in this vibrant ecosystem and will:

- Work in a hub and spoke model and collaborate with Central & State governments, Indian and foreign VCs, angel networks, banks, incubators, legal partners, consultants, universities and R&D institutions
- Assist Startups through their lifecycle with specific focus on important aspects like obtaining financing, feasibility testing, business structuring advisory, enhancement of marketing skills, technology commercialization and management evaluation
- Organize mentorship programs in collaboration with government organizations, incubation centres, educational institutions and private organizations who aspire to foster innovation. To all young Indians who have the courage to enter an environment of risk, the Startup India Hub will be their friend, mentor and guide to hold their hand and walk with them through this journey.

### **Progress:**

A dedicated Startup Hub team was setup under Invest India. Team members have been assigned to different states for assisting them in formulating and implementing

policies to facilitate growth of startups. A total of 1,71,956 queries have been addressed

### **3. Startup India Portal and Mobile App**

#### **Objective**

To serve as the single platform for Startups for interacting with Government and Regulatory Institutions for all business needs and information exchange among various stakeholders

#### **Details**

In order to commence operations, Startups require registration with relevant regulatory authorities. Delays or lack of clarity in registration process may lead to delays in establishment and operations of Startups, thereby reducing the ability of the business to get bank loans, employ workers and generate incomes. Enabling registration process in an easy and timely manner can reduce this burden significantly.

Besides, Startups often suffer from the uncertainty regarding the exact regulatory requirements to set up its operations. In order to ensure that such information is readily available, it is intended that a checklist of required licenses covering labour licensing, environmental clearances etc. be made available. Currently, the Startup ecosystem in India also lacks formal platform(s) for Startups to connect and collaborate with other ecosystem partners.

Towards these efforts, the Government shall introduce a Mobile App to provide on-the-go accessibility for:

- Registering Startups with relevant agencies of the Government. A simple form shall be made available for the same. The Mobile App shall have backend integration with Ministry of Corporate Affairs and Registrar of Firms for seamless information exchange and processing of the registration application
- Tracking the status of the registration application and anytime downloading of the registration certificate. A digital version of the final registration certificate shall be made available for downloading through the Mobile App
- Filing for compliances and obtaining information on various clearances/ approvals/ registrations required
- Collaborating with various Startup ecosystem partners. The App shall provide a collaborative platform with a national network of stakeholders (including venture funds, incubators, academia, mentors etc.) of the Startup ecosystem to have discussions towards enhancing and bolstering the ecosystem
- Applying for various schemes being undertaken under the Startup India Action Plan

The App shall be made available from April 01, 2016 on all leading mobile/ smart devices' platforms. The Startup portal shall have similar functionalities (being offered through the mobile app) using a richer web-based User Interface.



## **Progress:**

Startup India portal and app were launched in April 2016. At present, 3,79,956 users are registered on the Startup India Portal and Startup India Website had more than 7 million views. A total of 28,951 Startups have been recognized by the portal till Feb 26, 2020.

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

### **Objective**

To promote awareness and adoption of IPRs by Startups and facilitate them in protecting and commercializing the IPRs by providing access to high quality Intellectual Property services and resources, including fast-track examination of patent applications and rebate in fees.

### **Details**

Intellectual Property Rights (IPR) are emerging as a strategic business tool for any business organization to enhance industrial competitiveness. Startups with limited resources and manpower, can sustain in this highly competitive world only through continuous growth and development-oriented innovations; for this, it is equally crucial that they protect their IPRs. The scheme for Startup Intellectual Property Protection (SIPP) shall facilitate filing of Patents, Trademarks and Designs by innovative Startups. Various measures being taken in this regard include:

- Fast-tracking of Startup patent applications: The valuation of any innovation goes up immensely, once it gets the protective cover of a patent. To this end, the patent application of Startups shall be fast-tracked for examination and disposal, so that they can realize the value of their IPRs at the earliest possible.
- Panel of facilitators to assist in filing of IP applications: For effective implementation of the scheme, a panel of “facilitators” shall be empanelled by the Controller General of Patents, Designs and Trademarks (CGPDTM), who shall also regulate their conduct and functions. Facilitators will be responsible for providing general advisory on different IPRs as also information on protecting and promoting IPRs in other countries. They shall also provide assistance in filing and disposal of the IP applications related to patents, trademarks and designs under relevant Acts, including appearing on behalf of Startups at hearings and contesting opposition, if any, by other parties, till final disposal of the IPR application.
- Government to bear facilitation cost: Under this scheme, the Central Government shall bear the entire fees of the facilitators for any number of patents, trademarks or designs that a Startup may file, and the Startups shall bear the cost of only the statutory fees payable.
- Rebate on filing of application: Startups shall be provided an 80% rebate in filing of patents vis-à-vis other companies. This will help them pare costs in the crucial formative years.

The scheme was launched initially on a pilot basis for 1 year; based on the experience gained, further steps were taken.

## **Progress**

Startups are eligible for an 80% rebate in patent filing fees and a 50% rebate in trademark filing fees. Additionally, Startups are also provided the facility of expedited examination of patent applications to reduce the time taken in granting patents. 211 patent facilitators and 241 trademark facilitators have been empanelled under this scheme to provide free-of-charge services to Startups.

2,785 patent applications have been granted 80% rebate on the filing fee. 5,494 trademark applications have been granted a 50% rebate on filing fee.

## **5. Relaxed Norms of Public Procurement for Startups**

### **Objective**

To provide an equal platform to Startups (in the manufacturing sector) vis-à-vis the experienced entrepreneurs/ companies in public procurement

### **Details**

Typically, whenever a tender is floated by a Government entity or by a Public Sector Undertaking (PSU), very often the eligibility condition specifies either “prior experience” or “prior turnover”. Such a stipulation prohibits/ impedes Startups from participating in such tenders.

At present, effective April 1, 2015 Central Government, State Government and PSUs have to mandatorily procure at least 20% from the Micro Small and Medium Enterprise (MSME).

In order to promote Startups, Government shall exempt Startups (in the manufacturing sector) from the criteria of “prior experience/ turnover” without any relaxation in quality standards or technical parameters. The Startups will also have to demonstrate requisite capability to execute the project as per the requirements and should have their own manufacturing facility in India.

## **Progress**

The requirement of prior turnover and prior experience has been relaxed to encourage startups to participate in tenders. Further, startups have been exempted from the requirement of earnest money deposit. ‘GeM Startup Runway’ has been launched for startups to sell products and services to Government. As on 11<sup>th</sup> February 2020, 4,210 DPIIT recognized startups have registered on Government e-Marketplace (GeM). 21,323 orders have been placed to startups. The value of orders served by startups is to the tune of about Rs.800.15 crore.

Additionally, Startups can now register and participate in all public orders on Central Public Procurement Portal and get exemptions on prior experience, prior turnover and earnest money deposit requirements.

## **6. Faster Exit for Startups**

### **Objective**

To make it easier for Startups to wind up operations

## **Details**

Given the innovative nature of Startups, a significant percentage fail to succeed. In the event of a business failure, it is critical to reallocate capital and resources to more productive avenues and accordingly a swift and simple process has been proposed for Startups to wind-up operations. This will promote entrepreneurs to experiment with new and innovative ideas, without having the fear of facing a complex and long-drawn exit process where their capital remains interminably stuck.

The Insolvency and Bankruptcy Bill 2015 (“IBB”), tabled in the Lok Sabha in December 2015 has provisions for the fast track and / or voluntary closure of businesses.

In terms of the IBB, Startups with simple debt structures or those meeting such criteria as may be specified may be wound up within a period of 90 days from making of an application for winding up on a fast track basis. In such instances, an insolvency professional shall be appointed for the Startup, who shall be in charge of the company (the promoters and management shall no longer run the company) for liquidating its assets and paying its creditors within six months of such appointment. On appointment of the insolvency professional, the liquidator shall be responsible for the swift closure of the business, sale of assets and repayment of creditors in accordance with the distribution waterfall set out in the IBB. This process will respect the concept of limited liability.

## **Progress**

Ministry of Corporate Affairs has notified Startups as “Fast track firms” enabling them to wind up operations within 90 days vis-a-vis 180 days for other companies

## **7. Funding Support through Fund of Funds**

### **Objective**

To provide funding support for development and growth of innovation driven enterprises

### **Details**

One of key challenges faced by Startups in India has been access to finance. Often Startups, due to lack of collaterals or existing cash flows, fail to justify the loans. Besides, the high-risk nature of Startups wherein a significant percentage fail to take-off, hampers their investment attractiveness.

In order to provide funding support to Startups, Government will set up a fund with an initial corpus of Rs. 2,500 crore and a total corpus of Rs. 10,000 crore over a period 4 years (i.e. Rs. 2,500 crore per year). The Fund will be in the nature of Fund of Funds, which means that it will not invest directly into Startups but shall participate in the capital of SEBI registered Venture Funds.

Key features of the Fund of Funds are highlighted below:

- The Fund of Funds shall be managed by a Board with private professionals drawn from industry bodies, academia, and successful Startups

- Life Insurance Corporation (LIC) shall be a co-investor in the Fund of Funds
- The Fund of Funds shall contribute to a maximum of 50% of the stated daughter fund size. In order to be able to receive the contribution, the daughter fund should have already raised the balance 50% or more of the stated fund size as the case maybe. The Fund of Funds shall have representation on the governance structure/ board of the venture fund based on the contribution made.
- The Fund shall ensure support to a broad mix of sectors such as manufacturing, agriculture, health, education, etc.

### **Progress**

The Fund of Funds for Startups (FFS) is being operated and managed by Small Industries Development Bank of India (SIDBI). FFS funds the Alternative Investment Funds (AIFs) which in turn invest twice the amount contributed by the FFS, into DPIIT recognized startups. As of 18th February 2020, SIDBI has committed Rs. 3123.20 Cr to 47 SEBI registered Alternative Investment Funds (AIFs). These funds have raised a corpus fund of Rs. 25,728 Cr. Rs. 912.91 Cr. have been drawn from the FFS and Rs. 3,378.47 Cr. have been invested into 320 startups.

## **8. Credit Guarantee Fund for Startups**

### **Objective**

To catalyse entrepreneurship by providing credit to innovators across all sections of society

### **Details**

In order to overcome traditional Indian stigma associated with failure of Startup enterprises in general and to encourage experimentation among Startup entrepreneurs through disruptive business models, credit guarantee comfort would help flow of Venture Debt from the formal Banking System.

Debt funding to Startups is also perceived as high-risk area and to encourage Banks and other Lenders to provide Venture Debts to Startups, Credit guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/ SIDBI is being envisaged with a budgetary Corpus of Rs 500 crore per year for the next four years.

### **Progress**

The earlier Cabinet Note on Credit Guarantee Scheme for Startups has been withdrawn. DPIIT is under process of re-drafting the cabinet note keeping in view the suggestions of SIDBI.

## **9. Tax Exemption on Capital Gains**

### **Objective**

To promote investments into startups by mobilizing the capital gains arising from sale of capital assets.

## **Details**

- Due to their high-risk nature, startups are not able to attract investment in their initial stage. It is therefore important that suitable incentives are provided to investors for investing in the startup ecosystem.
- With this objective, exemption shall be given to persons who have capital gains during the year, if they have invested such capital gains in the Fund of Funds recognized by the Government. This will augment the funds available to various VCs/AIFs for investment in startups.
- In addition, existing capital gain tax exemption for investment in newly formed manufacturing MSMEs by individuals shall be extended to all startups. Currently, such an entity needs to purchase “new assets” with the capital gain received to avail such an exemption. Investment in ‘computer or computer software’ (as used in core business activity) shall also be considered as purchase of ‘new assets’ in order to promote technology driven Startups.

## **Progress**

Section 54EE and 54 GB have been inserted in the Income Tax Act, 1961 to provide exemption from capital gains tax.

## **10. Tax Exemption to Startups for 3 years**

### **Objective**

To promote the growth of Startups and address working capital requirements.

### **Details**

- During the initial years, budding entrepreneurs struggle to evaluate the feasibility of their business idea. Significant capital investment is made in embracing ever-changing technology, fighting rising competition and navigating through the unique challenges arising from their venture.
- Also, there are limited alternative sources of finance available to the small and growing entrepreneurs, leading to constrained cash funds.
- With a view to stimulate the development of startups in India and provide them a competitive platform, it is imperative that the profits of startup initiatives are exempted from income-tax for a period of 3 years.
- This fiscal exemption shall facilitate growth of business and meet the working capital requirements during the initial years of operations. The exemption shall be available subject to non-distribution of dividend by the Startup.

### **Progress**

With a view to stimulate the development of Startups in India and provide them a competitive platform, the profits of eligible DPIIT recognized startups are exempt from income-tax for a block of 3 years out of 10 years since incorporation under Section 80IAC of the Income Tax Act. To avail these

benefits, a Startup must get a Certificate of Eligibility from the Inter-Ministerial Board (IMB). 264 startups have been granted income tax exemptions.

## **11. Tax Exemption on Investments above Fair Market Value**

### **Objective**

To encourage seed-capital investment in Startups.

### **Details**

- Under the Income Tax Act, 1961, where a Startup (company) receives any consideration for issue of shares which exceeds the Fair Market Value (FMV) of such shares, such excess consideration is taxable in the hands of recipient as Income from Other Sources.
- In the context of Startups, where the idea is at a conceptualization or development stage, it is often difficult to determine the FMV of such shares.
- In majority of the cases, FMV is also significantly lower than the value at which the capital investment is made. This results into the tax being levied under section 56(2)(viib).
- Currently, investment by venture capital funds in Startups is exempted from operations of this provision. The same shall be extended to investment made by incubators in the Startups.

### **Progress**

DPIIT recognized startups are exempt from tax under Section 56(2)(viib) of the Income Tax Act when such a Startup receives any consideration for issue of shares which exceeds the Fair Market Value of such shares. The startup has to file a duly signed declaration to DPIIT. 2,176 entities, have availed of this benefit as on 24th of February 2020.

## **12. Organizing Startup Fests for Showcasing Innovation and Providing a Collaboration Platform**

### **Objective**

To galvanize the Startup ecosystem and to provide national and international visibility to the Startup ecosystem in India

### **Details**

A pivotal component for growth of Startups is regular communication and collaboration within the Startup community, both national as well international. An effective Startup ecosystem can't be created by the Startups alone. It is dependent on active participation of academia, investors, industry and other stakeholders.

To bolster the Startup ecosystem in India, the Government is proposing to introduce Startup fests at national and international stages.

These fests would provide a platform to Startups in India to showcase their ideas and work with a larger audience comprising of potential investors, mentors and fellow Startups.

As part of “Make in India” initiative, Government proposes to:

- Hold one fest at the national level annually to enable all the stakeholders of Startup ecosystem to come together on one platform.
- Hold one fest at the international level annually in an international city known for its Startup ecosystem.

The fests shall have activities such as sessions to connect with investors, mentors, incubators and Startups, showcasing innovations, exhibitions and product launches, pitches by Startups, mentoring sessions, curated Startup walks, talks by disruptive innovators, competitions such as Hackathon, Makerspace, etc., announcements of rewards and recognitions, panels and conferences with industry leaders, etc.

### **Progress**

This Department has organized various Startup events. Some of such key events are as follows:

- I. Roundtable headed by Minister of Commerce and Industry with Venture Fund managers in April 2018 at Mumbai;
- II. Roundtable with Singapore delegation led by Enterprise Singapore & TiE Singapore in August 2018 at Delhi;
- III. Roundtable with Japanese startups led by JETRO in September 2018 at Delhi;
- IV. Roundtable headed by Secretary DPIIT with Venture Fund managers in August 2018 at Delhi;
- V. Roundtable with Finance Secretary on banking regulations faced by startups in September 2018 at Delhi;
- VI. Startup India Global Venture Capital Summit in December 2018 at Goa;
- VII. Roundtable headed by Secretary DPIIT on Angel Tax regulations in February 2019 at Delhi;
- VIII. Startup Manthan @ Aero India in February 2019 at Bengaluru;
- IX. Speed Mentoring Session for Women Entrepreneurs in March 2019 at Delhi;
- X. Roundtable headed by Secretary, DPIIT on Accreditation of investors in April 2019 at Delhi;
- XI. Roundtable headed by Secretary DPIIT on Regulatory issues faced by stakeholders of startup ecosystem April 2019 at Delhi;
- XII. Roundtable with Central Government Departments on best practices for promoting startups in May 2019 at Delhi
- XIII. Roundtable headed by Secretary, DPIIT on journey and hurdles faced by Startups in November 2019 at Delhi
- XIV. Second edition of Startup India Global Venture Capital Summit in December 2019 at Goa;
- XV. Roundtable headed by Minister of Commerce and Industry to discuss regulatory concerns of investors in December 2019 at Goa
- XVI. Roundtable headed by Secretary DPIIT on Regulatory issues pertaining to Startups held in January 2020 at Delhi;

- XVII. Roundtable headed by Secretary DPIIT on mobilization of surplus funds available with pension, insurance and PSUs for investment into Startups in January 2020 at Delhi;

### **13. Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program**

#### **Objective**

To serve as a platform for promotion of world-class Innovation Hubs, Grand Challenges, Startup businesses and other self-employment activities, particularly in technology driven areas

#### **Details**

The Atal Innovation Mission (AIM) shall have two core functions:

- Entrepreneurship promotion through Self-Employment and Talent Utilization (SETU), wherein innovators would be supported and mentored to become successful entrepreneurs
- Innovation promotion to provide a platform where innovative ideas are generated

The main components proposed to be undertaken as part of the mission include:

#### **Entrepreneurship promotion:**

- Establishment of sector specific incubators including in PPP mode.
- Establishment of 500 Tinkering Labs.
- Pre-incubation training to potential entrepreneurs in various technology areas in collaboration with various academic institutions having expertise in the field.
- Strengthening of incubation facilities in existing incubators and mentoring of Startups.
- Seed funding to potentially successful and high growth Startups.

#### **Innovation promotion:**

- Institution of Innovation Awards (3 per state/UT) and 3 National level awards.
- Providing support to State Innovation Councils for awareness creation and organizing state level workshops/conferences.
- Launch of Grand Innovation Challenge Awards for finding ultra-low cost solutions to India's pressing and intractable problems.

#### **Progress**

This initiative is coordinated by NITI Aayog. 8,878 schools have been selected for establishing tinkering labs and Rs 12 Lakh each has been disbursed to 4,020 tinkering labs. Rs. 482.40 Crore grant has been given to Atal Tinkering Labs. NITI has launched Innovation Awards through the challenge route by the name of Atal New India Challenges (ANIC). Applications were called in 24 focus areas across 5 ministries. 26 applicants have been shortlisted for funding and handholding support and additional 26 applicants are shortlisted for handholding support.



## **14. Harnessing Private Sector Expertise for Incubator Setup**

### **Objective**

To ensure professional management of Government sponsored / funded incubators, Government will create a policy and framework for setting-up of incubators across the country in public private partnership

### **Details**

India currently lacks availability of incubation facilities across various parts of the country. Incubation facilities typically include physical infrastructure, provision of mentorship support, access to networks, access to market, etc. Of all these features, physical infrastructure entails large capital investments which can generally be facilitated by the Government. However, requisite skills for operating an incubator are pivotal as well, for which expertise of the private sector needs to be leveraged. Considering this, Government shall encourage

- i. Setting up of 35 new incubators in existing institutions. Funding support of 40% (subject to a maximum of Rs. 10 crore) shall be provided by Central Government for establishment of new incubators for which 40% funding by the respective State Government and 20% funding by the private sector has been committed. The incubator shall be managed and operated by the private sector.
- ii. 35 new private sector incubators. A grant of 50% (subject to a maximum of Rs. 10 crore) shall be provided by Central Government for incubators established by private sector in existing institutions. The incubator shall be managed and operated by the private sector.
- iii. The funding for setting up of the incubators shall be provided by NITI Aayog as part of Atal Innovation Mission (refer #13 of this Action Plan). Participating departments and agencies for setting up of new incubators shall be Department of Science and Technology, Department of Biotechnology, Department of Electronics and Information Technology, Ministry of Micro, Small and Medium Enterprises, Department of Higher Education, Department of Industrial Policy and Promotion and NITI Aayog.

Each of the above-mentioned departments/agencies would enter into a standard MoU with identified private sector players for creation of academia-industry tie-ups for nurturing innovations in academic institutions

### **Progress**

Atal Innovation Mission has selected 102 incubators across the country to provide financial support through grants in aid. 38 Atal Incubation Centers and 9 Established Incubation Centers are operational across the country. Rs. 139.91 Cr has been disbursed to these 38 AICs and 9 EICs. More than 620 Startups incubated in AICs/EICs out of which 121 are women-led start-ups. More than 14,000 jobs have been created and more than 150 MSME's have been supported to build business sustainability. Additionally, more than 500 mentors have been on-boarded by the AICs/EICs to guide the Startups.

## **15. Building Innovation Centres at National Institutes**

### **Objective**

To propel successful innovation through augmentation of incubation and R&D efforts.

### **Details**

In order to augment the incubation and R&D efforts in the country, the Government will set up/ scale up 31 centres (to provide facilities for over 1,200 new Startups) of innovation and entrepreneurship at national institutes, including:

Setting up 13 Startup centres: Annual funding support of Rs. 50 lakhs (shared 50:50 by Department of Science and Technology and Ministry of Human Resource Development) shall be provided for three years for encouraging student driven Startups from the host institute.

Setting-up/ Scaling-up 18 Technology Business Incubators (TBIs) at NITs/IITs/IIMs etc. as per funding model of Department of Science and Technology with Ministry of Human Resource Development providing smooth approvals for TBI to have separate society and built up space.

### **Progress**

This initiative is coordinated by Department of Science and Technology and Ministry of Human Resource Development. 11 TBIs (Technology Business Incubators) have been approved for which Rs 42.2 crore have been sanctioned and Rs 18.7 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

## **16. Setting up of 7 New Research Parks**

### **Objective**

To propel successful innovation through incubation and joint R&D efforts between academia and industry

### **Details**

The Government shall set up 7 new Research Parks in institutes such as IIT Guwahati, IIT Hyderabad, IIT Kanpur, IIT Kharagpur, IISc Bangalore, IIT Gandhinagar and IIT Delhi with an initial investment of Rs. 100 crore each. The Research Parks shall be modelled based on the Research Park setup at IIT Madras.

- The IIT Madras Research Park endeavors to enable companies with a research focus to set up a base in the Park and leverage the expertise of IIT Madras. The Research Park breaks down the traditional, artificial barriers of innovation through its connectivity and collaborative interaction. This helps industry to create, integrate and apply advancements in knowledge. It

leverages best practices from successful Research Parks such as those at Stanford, MIT and Cambridge.

The guiding principles behind the park include:

- Creating a collaborative environment between industry and academia through joint research projects and consulting assignments.
- Creating a self-sustaining and technologically fertile environment.
- Encouraging and enabling R&D activities and Startups that are aligned to potential needs of the industry
- Providing world class infrastructure for R&D activities and incubation.
- Enabling development of high-quality personnel and motivating professional growth for researchers in companies through part time master's and PhD Programs.

### **Progress**

This initiative is coordinated by Department of Science and Technology and Ministry of Human Resource Development. 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.

## **17. Promoting Startups in the Biotechnology Sector**

### **Objective**

To foster and facilitate bio-entrepreneurship

### **Details**

The Biotechnology sector in India is on a strong, growth trajectory. Department of Biotechnology endeavors to scale up the number of Startups in the sector by nurturing approximately 300-500 new Startups each year to have around 2,000 Startups by 2020. In order to promote Startups in the sector, The Department of Biotechnology shall be implementing the following measures along with its Public Sector Undertaking Biotechnology Research Assistance Council (BIRAC): Bio-incubators, Seed Fund and Equity Funding:

- 5 new Bio-clusters, 50 new Bio-Incubators, 150 technology transfer offices and 20 Bio-Connect offices will be set up in research institutes and universities across India.
- Biotech Equity Fund – BIRAC AcE Fund in partnership with National and Global Equity Funds (Bharat Fund, India Aspiration Fund amongst others) will provide financial assistance to young Biotech Startups.

### **Encouraging and leveraging global partnerships:**

- Bengaluru-Boston Biotech Gateway to India has been formed. Letter of Intent has been signed between Department of Biotechnology, Government of India and Department of Information Technology, Government of Karnataka for the same. Through this initiative, a range of institutes in Boston (Harvard/ MIT) and Bengaluru will be able to connect to share ideas and mentor the

entrepreneurs especially in the areas of Genomics, Computational Biology, Drug Discovery and new vaccines.

- Amplification of Bio-entrepreneurship through BIRAC Regional Entrepreneurship Centres (BREC). The BREC aims to impart bio-entrepreneurs with the necessary knowledge and skills required for converting innovative ideas into successful ventures. Department of Biotechnology shall set up 5 Regional centres or Mini-BIRACs in the next 5 years.

### **Progress**

Four bio-clusters at Kalyani, Bangalore, Faridabad, and Pune are operational. Rs 401 crore have been sanctioned, and Rs 300 crore has been disbursed to these bio-clusters. In 2019, EFC has been approved for the establishment of 10 URJIT clusters- University Research Joint Industry Translational Cluster. As per this model, the universities in the region would become central part of the cluster approach. 41 bio-incubators have been supported and all of them are operational. Rs 272.26 crore have been sanctioned and Rs 193.88 crore have already been disbursed. Five bio-connect offices have been established as following:

1. CCAMP, Bengaluru with California Institute for Quantitative Biosciences (QB3)
2. CCAMP- Sister Innovation HUB with Roslin Innovation Centre, University of Edinburgh, UK
3. CEIIC BioNEST with European Union
4. KIIT BioNEST – with TECHNOPORT SA – BELVAL Business Incubator, Luxembourg
5. KIIT BioNEST – with Start-Life Centre, Wageningen University Netherland

The target for 2020 – 2021 is to set up 8 additional Bio-connect offices. Four BIRAC Regional Centres have already been set up at Hyderabad, Bengaluru, Bhubaneswar, and Pune. For this, Rs 16.95 crore have been sanctioned and Rs 9.42 crore have been disbursed.

The Funds are disbursed to Bio-Incubators, under BIRAC Seed Fund, who in turn provide seed funding to their incubatees. So far, Rs 150 crore has been committed to Alternate Investment Funds (AIFs) and Rs 25.1 crore has been disbursed. BIRAC's SEED Fund with 14 Bio-incubators as Seed fund partners are operational, Rs 26 Crores have been sanctioned for BIRAC SEED Fund and INR 18.3 Cr has been disbursed.

## **18. Innovation Focused Programs for Students**

### **Objective**

To foster a culture of innovation in the field of Science and Technology amongst students

### **Details**

In order to promote research and innovation among young students, the Government shall implement the following measures:

- Innovation Core. Innovation Core program shall be initiated to target school kids with an outreach to 10 lakh innovations from 5 lakh schools. One lakh

innovation would be targeted, and the top 10,000 innovations would be provided prototyping support. Of these 10,000 innovations, the best 100 would be shortlisted and showcased at the Annual Festival of Innovations in the Rashtrapati Bhavan.

- NIDHI: A Grand Challenge program (“National Initiative for Developing and Harnessing Innovations) shall be instituted through Innovation and Entrepreneurship Development Centres (IEDCs) to support and award Rs. 10 lakhs to 20 student innovations from IEDCs.
- Uchhattar Avishkar Yojana: A joint MHRD-DST scheme which has earmarked Rs. 250 crore per annum towards fostering “very high quality” research amongst IIT students. The funding towards this research will be 50% contribution from Ministry of Human Resource Development, 25% from Department of Science and Technology and 25% from industry. This format has been devised to ensure that the research and funding gets utilized bearing in mind its relevance to the industry. Each project may amount to Rs5 crore only. This scheme will initially apply to IITs only.

### **Progress**

This initiative is coordinated by Department of Science and Technology and Ministry of Human Resource Development.

224 applications were received under NIDHI (National Initiative for Developing and Harnessing Innovations). Out of 30 finalists selected, 12 student run teams were awarded Rs 10 Lakh each. 148 projects have been sanctioned and Rs 220.75 crore has been released under the UchchatarAvishkarYojana scheme. Rs10,000 has been granted to 1,03,497 students in the last 3 years under the MANAK (Million Minds Augmenting National Aspiration and knowledge) Scheme.

## **19. Annual Incubator Grand Challenge**

### **Objective**

To support creation of successful world class incubators in India

### **Details**

For a new idea to become a successful commercial venture, adequate support and mentoring at various stages of the business lifecycle is required. Incubators play an important role in identifying early stage Startups and supporting them across various phases of their lifecycle. In order to build an effective Startup ecosystem, it is imperative that world class incubators, adopting leading industry practices, are setup in the country.

The Government is proposing to make forward looking investments towards building world class incubators. In its first phase, the aim is to establish 10 such incubators. To enable this, Government of India shall identify and select 10 incubators who have the potential to become world class. These incubators would be given Rs. 10 crore each as financial assistance which may be used for ramping up the quality of service offerings. The incubators shall also become reference models for other incubators aspiring to offer best-in-class services. Video interviews of these incubators would be showcased on the Startup India portal.

An “Incubator Grand Challenge” exercise shall be carried out for identification of these incubators. The exercise shall entail:

- Open invitation of applications from incubators
- Screening and evaluation based on pre-defined Key Performance Indicators (KPIs)

The Incubator Grand Challenge shall be an annual exercise

### **Progress**

This activity is being coordinated by NITI Aayog.

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**ANNEXURE REFERRED TO IN REPLY TO PARTS (d) TO (g) OF THE LOK SABHA UNSTARRED QUESTION 2166 FOR ANSWER ON 4<sup>TH</sup> MARCH, 2020.**

**1. Regulatory Easing**

Recognizing that disruptive business models and innovative technologies may face regulatory hurdles, DPIIT has held extensive consultations with all the stakeholders and has worked with relevant Government Agencies to make regulatory changes. 35 such regulatory changes, to enhance ease of doing business, ease raising capital and reduce compliance burden have been undertaken. The list of regulatory reforms is enclosed at Annexure – A

**2. Participation of States in Strengthening Startup Ecosystems**

DPIIT is engaging intensively with the State Governments to develop strong Startup ecosystems across the country.

State/UT Startup Ranking Framework was launched on 6<sup>th</sup> February, 2018. The key objective of the Startup States Ranking Framework 2018 (SRF-2018) was to encourage States and UTs to take proactive steps towards strengthening the Startup ecosystem within their jurisdiction. There were 38 action points categorized into 7 broad areas such as Startup Policy and Implementation, Incubation support, Seed Funding, Angel and Venture Funding, Simplification of Regulations, Easing Public Procurement and Awareness & Outreach. The ranking methodology aims to create a healthy competition among States to further learn, share and adopt best practices. A compendium of good practices was also launched, listing 95 good practices implemented by various State Governments. Knowledge Workshops were held to assist States in formulating policies and executing appropriate programs. Visits to USA and Israeli ecosystems were facilitated for State Government representatives to enable the transfer of information and knowledge from the best ecosystems of the world. The final rankings of SRF 2018 were announced on 20th December, 2018 and the States were felicitated by DPIIT. 27 States and 3 Union Territories participated in the exhaustive ranking exercise.

As a result of SRF 2018, new Startup policies were launched, old and archaic laws were abolished, new Government orders were issued and many Startups were supported. Some of the major impacts of the ranking exercise include Implementation of Startup Policies in 25 States, Seed Funding to 3213 Startups; Funding of 163 Startups through Venture Funds; 17 States announcing incentives for women entrepreneurs; Incubation area of 10.2 lakh Sq.ft supported by State Governments; Establishment of 596 Entrepreneurship Cells across 340 districts; Registration of 1996 mentors across 19 States and organization of 233 Startup events across 21 States.

DPIIT has launched States' Startup Ranking Framework for 2019 with the key objective of encouraging States and Union Territories to take proactive steps towards strengthening the Startup ecosystems within their respective jurisdiction. Details of the Framework have already been shared with all the State Governments. The framework would evaluate the progress

from 1<sup>st</sup> May, 2018 to 30<sup>th</sup> September, 2019. Feedback and evaluation exercise is underway.

### **3 Startup Yatra**

DPIIT has also made efforts to engage with the Startup ecosystem through extensive outreach via bootcamps, social media, print and digital platforms. The Startup India Yatra is an initiative that travels to Tier 2 and Tier 3 cities of India to search for entrepreneurial talent and help develop Startup ecosystem. Day long bootcamps are conducted which include awareness workshops, idea validation and pitching sessions. Startup Yatra has been conducted across 23 States in 207 districts impacting 78346 aspiring entrepreneurs. A total of 1,424 incubation offers have been given to the startups as a result of this initiative.

### **4 Grand Challenges**

DPIIT has engaged with various Government Departments and assisted them in launching Startup challenges in various sectors and domains.

DPIIT launched the Ease of Doing Business (EoDB) Grand Challenge inviting innovative ideas from individuals, startups or other enterprises to implement Artificial Intelligence (AI), Big Data Analytics, Internet of Things (IoT), Blockchain and other cutting-edge technologies, for re-engineering related Government processes. 789 startups application received through Startup India website were screened and winners have been announced for problem statements.

Under the Swachh Bharat Grand Challenge, Startup India worked with Ministry of Water and Sanitation to recognise Startups spearheading novel innovations in the field of waste management, water management, air quality management and sanitation. The initiative has helped the Ministry to identify relevant solutions for environmental challenges. Two startups under each sector, have been awarded cash grants.

DPIIT in collaboration with Ministry of Agriculture has launched an Agriculture Grand Challenge inviting solutions on 12 problem statements. Winners of the challenge have received mentorship, free of cost incubation for a period of 3 months, opportunities to conduct pilot programs and funding support in the form of grants.

Apart from channelizing resources from the Government, Market opportunities and mentorship have been provided by way of organizing Corporate Grand Challenges in partnership with Softbank, Whatsapp, Western Digital, International Accelerator etc.

### **5 International Bilateral Cooperation**

One of the key objectives under the Startup India initiative is to help connect Indian Startup ecosystems to global Startup ecosystems through various engagement models. International bilateral cooperation with countries having strong Startup ecosystems, e.g., Israel, Singapore, Portugal and Sweden, have been entered into by Startup India Hub to facilitate market access and promote investments.



## **6 Encouraging Women Entrepreneurship**

To promote women entrepreneurship, SIDBI has been directed to reserve 10% of the Fund of Funds for women led startups. Further, all the Alternative Investment Funds (AIFs) where SIDBI takes equity have been mandated to contribute 20% in businesses which are women led, women influenced or women employment or women consumption centric.

It has been decided that in all programs organized by DPIIT, at least one third of beneficiaries shall be women. Efforts are being made to see that other Central Government Departments and State Governments having specific schemes for start-ups and entrepreneurs shall reserve at least one third of the benefits for women. To promote flow of both equity and debt to women led startups, interactions of such women entrepreneurs with venture funds supported by SIDBI and lending institutions including banks are being organized by inviting applications on the 'Startup India Hub' and inviting selected women entrepreneurs, after a process of screening by experts, to interact with these institutions for both equity/debt funding. Specific and suitable entrepreneurship development programmes for women led startups throughout the country are being designed by ascertaining the training/skilling needs of the target groups. To meet the advisory needs of the start-ups led by women, legal, tax, financial and other service providers are being sought to get them connected with each other through the Startup India Hub.

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**Regulatory Reforms**  
**For Enabling Small Businesses or Startups**  
**(Since January, 2016)**

**Reserve Bank of India**

1. Startup enterprises permitted to access loans under External Commercial Borrowing Framework up to USD 3 million.(Oct, 2016)
2. A Securities and Exchange Board of India (SEBI) registered Foreign Venture Capital Investor (FVCI) may contribute up to 100%of the capital of an Indian company engaged in any activity mentioned in Schedule 6 of Notification No. FEMA 20/2000, including startups irrespective of the sector in which it is engaged, under the automatic route. (Aug, 2017)
3. An Indian startup having an overseas subsidiary, may open a foreign currency account with a bank outside India for the purpose of crediting to it foreign exchange earnings out of exports/ sales made by the said entity and/ or the receivables, arising out of exports/ sales, of its overseas subsidiary. (June, 2016)
4. SOFTEX form filed by software exporters moved online. (Feb, 2019)

**Securities and Exchange Board of India (SEBI)**

5. Lock in period for investments made by an Angel Fund reduced to 1 year from 3 years as amended by the SEBI (Alternative Investment Funds) (Amendment) Regulations,2016, w.e.f. 04-01-2017.
6. Angel Funds are allowed to invest in overseas venture capital undertakings upto 25% of their investible corpus in line with other AIFs as provided by the SEBI (Alternative Investment Funds) (Amendment) Regulations, 2016, w.e.f. 04-01-2017.
7. The upper limit for number of angel investors in a scheme is increased from forty nine to two hundred as amended by SEBI (Alternative Investment Funds) (Amendment) Regulations, 2016,w.e.f. 04-01-2017
8. The requirements of minimum investment amount by an Angel Fund in any venture capital undertaking is reduced from fifty lakhs to twenty five lakhs as amended by SEBI (Alternative Investment Funds) (Amendment) Regulations, 2016,w.e.f. 04-01-2017
9. “Operating Guidelines for Alternative Investment Funds in International Financial Services Centres” issued by SEBI. (Nov, 2018)

**Ministry of Corporate Affairs**

- 10.The financial statement, with respect to private company (if such private company is a start-up) may not include the cash flow statement. (June, 2017)
- 11.A private company, which is considered as a start-up for a period of five years from the date of its incorporation, is also allowed to accept deposits from members without any restriction on the amount. (Sep, 2017)
- 12.Startup defined for the purpose of Companies Act, 2013: As per the definition, a start-up company means a private company incorporated under the Companies Act, 2013 and recognised as a “start-up” in accordance with the notification issued by the Department for Promotion of Industry and Internal Trade. (June, 2017)

13. Exemption from procedural compliance (e.g. such as issue of an offer circular or creation of a deposit repayment reserve) for raising deposits from shareholders. (June, 2017)
14. In relation to a private company (if such private company is a startup), the annual return shall be signed by the Company Secretary, or where there is no Company Secretary, by the Director of the company. (June, 2017)
15. A private company (if such private company is a startup) is required to conduct at least one meeting of the Board of Directors in each half of a calendar year and the gap between the two meetings is not less than ninety days. (June, 2017)
16. Name Reservation for Company incorporation: Rule 8, Companies (Incorporation) Rules, 2014 substituted with Companies (Incorporation) 5th Amendment Rules, 2019, which provides for new regulations on resemblance with an existing company name, new categories of undesirable names of a company and list of words which can be used only after obtaining approval. (May, 2019)
17. Amendment in Companies (Share Capital and Debentures) Rules, 2014: The Ministry of Corporate Affairs issued a notification on 16th August, 2019 increasing the period in which ESOPs could be granted to promoters and directors (holding more than 10% equity) of Startups, from 5 years to 10 years from the date of incorporation and thereby aligned the provisions of the Companies (Share Capital and Debentures) Rules with the provisions referred to in the DPIIT notification dated 19<sup>th</sup> Feb, 2019.  
The notification also enhanced the limit on shares with Differential Voting Rights in the Company from 26% of the total post-issue paid up equity capital of the Company to 74% of the total voting power. Further, the condition for the company to have consistent track record of distributable profits for the last three years for issue of DVR shares has been removed. (August 2019)
18. Corporate Social Responsibility Funds: In reference to section 135 of the Companies Act 2013, Schedule VII has been amended to include Contribution to incubators funded by Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government, and contributions to public funded Universities, Indian Institute of Technology (IITs), National Laboratories and Autonomous Bodies (established under the auspices of Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO), Department of Science and Technology (DST), Ministry of Electronics and Information Technology) engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs). (October 2019)

### **Ministry of Finance, Department of Revenue**

19. In the case of a domestic company, where its total turnover or the gross receipt in the previous year does not exceed two hundred and fifty crore rupees, income tax shall be charged at the rate of 25 percent of the total income. (Feb, 2018)
20. Definition of eligible business as stated in Section 80-IAC aligned with Startups definition. (April, 2018)
21. Introduction of Section 54EE in the Income Tax Act, 1961: Exemption from tax on long-term capital gain if such long-term capital gain is invested in a fund

- notified by Central Government. The maximum amount that can be invested is Rs 50 lakh. (May, 2016)
22. Amendment in Section 54GB of Income Tax Act: 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 prescribed stake of equity shares of eligible Startup for utilizing the same for purchase of specified asset. (Feb, 2016)
  23. Minimum Alternate Tax credit allowed to be carried forward up to fifteenth assessment years instead of ten assessment years. (2017)
  24. Exemption under section 80-IAC of Income Tax Act: Exemption to eligible Startup for any 3 consecutive assessment years out of 7 years (earlier 5 years) beginning from the year in which such eligible Startup is incorporated. (April, 2018)
  25. Exemption from tax under the provisions of section 56(2)(viib) to Startups for issue of shares above fair market value on the basis of a self-declaration to the Central Board of Direct Taxes. The aggregate amount of paid up share capital and share premium of the startup after issue or proposed issue should not exceed Rs. 25 Crore (Feb, 2019)
  26. Taxation of convertible notes - Period for which a bond, debenture, debenture-stock or deposit certificate was held prior to conversion shall be considered for determining the period of holding of such shares or debentures acquired upon conversion. (March, 2016)
  27. Amendment in Section 54GB of Income Tax Act w.e.f 1<sup>st</sup> April 2020: (August 2019)
    - i. The condition of minimum holding of 50% of share capital or voting rights in the start-up relaxed to 25%
    - ii. Extension of period under which benefit under section 54GB from for sale of residential property can be availed up to 31st March, 2021
    - iii. Condition restricting transfer of new asset being computer or computer software is to relaxed from 5 years to 3 years w.e.f. 1-4-2020
  28. Amendment in Section 79 of Income Tax Act (August 2019): Eligible Startups to carry forward their losses on satisfaction of any one of the two conditions:
    - i. Continuity of 51% shareholding/voting power or
    - ii. Continuity of 100% of original shareholders carrying voting power
  29. Pass through of losses allowed to Investment Funds i.e. Category I and II AIF similar to pass through of income. These amendments will take effect from the 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years (August 2019)
  30. The investment made by Venture Capital Fund of Category-I AIF in a startup was exempted from the applicability of the provisions of section 56(2)(viib) of the IT Act. This exemption has been extended to all sub-categories of Category-I AIF and Category-II AIF via introduction of "specified funds" in the said section (August 2019)
  31. The Finance Bill 2020 seeks to amend section 80-IAC of the Income-tax Act relating to special provision in respect of specified business. The provisions of section 80-IAC, inter alia, provide for a deduction of an amount equal to hundred per cent. of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years vis-à-vis the earlier norm of seven years at the option of the assessee and the total turnover of its business does not exceed hundred crore rupees in the previous year relevant to the assessment year for which deduction under this section is claimed. This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-2022 and subsequent assessment years. (Feb 2020)

32. The Finance Bill 2020 seeks to amend section 80-IAC of the Income-tax Act relating to special provision in respect of specified business. The provisions of section 80-IAC, inter alia, provide for a deduction of an amount equal to hundred per cent. of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years at the option of the assessee and the total turnover of its business does not exceed hundred crore rupees vis-à-vis the earlier norm of twenty-five crore rupees in the previous year relevant to the assessment year for which deduction under this section is claimed. This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-2022 and subsequent assessment years. (Feb 2020)
33. The Finance Bill 2020 seeks to amend Sections 156, 191 and 192 of the Income Tax Act to enable employees receiving specified security or sweat equity share as perquisite under section 17(2)(vi) of an eligible startup referred to in section 80-IAC, to deduct or pay, as the case may be, tax on such income within fourteen days after the expiry of forty-eight months from the end of the relevant assessment year; or from the date of the sale of such specified security or sweat equity share by the assessee; or from the date of the assessee ceasing to be the employee of the person, whichever is earlier, on the basis of rates in force of the financial year in which the said specified security or sweat equity share is allotted or transferred. This amendment will take effect from 1st April, 2020. As per the earlier norms, the said perquisite including ESOPs were taxed in the hands of the employee at the time of exercise of the option.

#### **Ministry of Electronics and Information Technology**

34. Removal of clause from Electronic Development Fund (EDF) operating guidelines stating that if a fund draws from Fund of Funds for Startups, then they cannot draw from EDF and vice versa. (Nov, 2018)

#### **Ministry of Commerce and Industry, Department for Promotion of Industry and Internal Trade**

35. Amendment in the definition of a Startup: An entity shall be considered as a Startup upto a period of ten years from the date of incorporation/ registration and turnover of the entity for any of the financial years since incorporation/ registration has not exceeded one hundred crore rupees. (Feb, 2019)

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