

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

**UNSTARRED QUESTION NO. 110.
TO BE ANSWERED ON WEDNESDAY, THE 2ND FEBRUARY, 2022.**

STARTUP COMPANIES

**110. SHRI REBATI TRIPURA:
SHRI ANURAG SHARMA:**

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

वाणिज्य एवं उद्योग मंत्री

- (a) the details of number of startup companies started during the last three years in the State of Uttar Pradesh, Tripura and other North Eastern States;
- (b) the total amount of funds raised by these startup companies till date and the profitability established;
- (c) whether the Government has any proposal to ease the regulatory regime for startups, if so, the details thereof; and
- (d) the other steps taken by the Government to boost the startup India programme in the country especially in Uttar Pradesh (Jhansi and Lalitpur) and NER?

ANSWER

वाणिज्य एवं उद्योग मंत्रालय में राज्य मंत्री (श्री सोम प्रकाश)

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

- (a): The number of startups recognised by DPIIT during the last three years in the State of Uttar Pradesh, Tripura and other North Eastern States is placed at **Annexure-I**.
- (b): There is no centralized compilation of information on the total amount of funds raised and profitability established by startups.
- (c): Government has taken various measures to enhance Ease of Doing Business, raising capital and reducing compliance burden. In this regard, a list of the 49 key regulatory reforms is placed at **Annexure-II**.
- (d): To boost the startup India programme Government has launched various programmes across the country, State/UT-wise including Uttar Pradesh and NER which are placed at **Annexure-III**. All the initiatives under the Startup India are inclusive and are implemented across States, cities, towns and rural areas.

ANNEXURE-I**ANNEXURE REFERRED TO IN REPLY TO PART (a) OF THE LOK SABHA UNSTARRED QUESTION NO. 110 FOR ANSWER ON 02.02.2022.**

The number of startups recognised by DPIIT during the last three years in the State of Uttar Pradesh, Tripura and other North Eastern States is as below:

States	Year 2019	Year 2020	Year 2021
Uttar Pradesh	887	1383	1977
Tripura	7	23	12
Nagaland	2	5	7
Meghalaya	5	0	9
Sikkim	2	0	4
Mizoram	2	1	3
Manipur	6	12	37
Arunachal Pradesh	1	1	2
Assam	67	119	190

ANNEXURE REFERRED TO IN REPLY TO PART (c) OF THE LOK SABHA UNSTARRED QUESTION NO. 110 FOR ANSWER ON 02.02.2022.

List of 49 key Regulatory Reforms

A. 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)

B. 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)
10. Under AIF Regulations, definition of Startup has been aligned with DPIIT Notification dated 19th February,2019 for the purpose of investment by Angel Funds in Startups (5th May,2021)
11. The SEBI (Alternative Investment Fund) (Second Amendment) Regulations 2021 removes the list of restricted activities or sectors from the definition of Venture Capital Undertaking i.e. Category 1 AIFs can now invest in NBFCs. (5th May 2021)

C. Ministry of Corporate Affairs

12. 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)
13. 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)

14. 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)
15. 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)
16. 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)
17. 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)
18. 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)
19. 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 19th 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)
20. 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).
21. As part of Government of India’s Ease of Doing Business (EODB) initiatives, the Ministry of Corporate Affairs has launched a new integrated Web Form christened ‘SPICe+’ replacing the existing SPICe form. SPICe+ would offer 10 services by 3 Central Govt Ministries & Departments (Ministry of Corporate Affairs, Ministry of Labour & Department of Revenue in the Ministry of Finance) and One State Government (Maharashtra), thereby saving as many procedures, time and cost for Starting a Business in India and would be applicable for all new company incorporations w.e.f. 23rd February 2020. SPICe+ has two parts: Part A-for Name reservation for new companies and Part B offering a bouquet of services viz. (i)

Incorporation (ii) DIN allotment (iii) Mandatory issue of PAN (iv) Mandatory issue of TAN (v) Mandatory issue of EPFO registration (vi) Mandatory issue of ESIC registration (vii) Mandatory issue of Profession Tax registration(Maharashtra) (viii) Mandatory Opening of Bank Account for the Company and (ix) Allotment of GSTIN (if so applied for) (February 2020)

22. Amendment in Companies (Share Capital and Debentures) Rules, 2014: The Ministry of Corporate Affairs issued a notification on 05th June, 2020 increasing the period in which Sweat Equity shares, 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 19th Feb, 2019. (June 2020)
23. Amendment in Companies (Acceptance of Deposits) Rules, 2014: The Ministry of Corporate Affairs issued a notification on 07th September, 2020 increasing the period of issuance of convertible note, from 5 years to 10 years from the date of issue and thereby aligned the provisions of the Companies (Acceptance of Deposits) Rules, 2014 with the provisions referred to in the DPIIT notification dated 19th Feb, 2019. (September 2020)
24. Amendment in Companies (Acceptance of Deposits) Rules, 2014: The Ministry of Corporate Affairs issued a notification on 07th September, 2020 whereby the maximum limit in respect of deposits to be accepted from members by a private company shall not apply to a start-up company for 10 years from the date of its incorporation, instead of 5 years. (September 2020)
25. Incorporation of One Person Companies (OPCs) by allowing OPCs to grow without any restrictions on paid up capital and turnover, allowing their conversion into any other type of company at any time, reducing the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days and also allow Non-Resident Indians (NRIs) to incorporate OPCs in India. (February 2021)

D. Ministry of Finance

Department of Revenue

26. 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)
27. Definition of eligible business as stated in Section 80-IAC aligned with Startups definition. (April, 2018)
28. 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)
29. 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)
30. Minimum Alternate Tax credit allowed to be carried forward up to fifteenth assessment years instead of ten assessment years. (2017)
31. 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)
32. 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)
33. 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)
34. Amendment in Section 54GB of Income Tax Act w.e.f 1st 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
35. 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
36. 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)
37. 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)
38. The Finance Act 2020 provides for amendment in 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).
39. The Finance Act 2020 provides for amendment in 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)
40. The Finance Act 2020 provides for amendment in sections 156, 191 and 192 of the Income Tax Act laying 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.

41. The Finance Bill 2021 provides for extension of the eligibility period to claim tax holiday for the startups by one more year.

42. The Finance Bill 2021 provides for extension of claiming Capital gains exemption for investment in startups by one year i.e. till 31 March, 2022.

Department of Economics Affairs

43. The Ministry of Finance now allows non-government provident funds, superannuation, and gratuity funds to invest up to 5 percent of their investible surplus in Category I and II Alternate Investment Funds (AIFs) registered with SEBI. (March 2021).

Insurance Regulatory and Development Authority

44. The Insurance Regulatory and Development Authority of India (IRDAI) has allowed insurance companies to invest in Fund-of-Funds (FoF) that invest within the country subject to certain conditions. (April 2021).

Department of Expenditure

45. Harmonization of Startup Definition under the Manual for Procurement of Consultancy and other Services with the DPIIT notification dated 19th February 2019.

Ministry of Labour and Employment

46. The Ministry of Labour and Employment now allows EPFO to invest up to 5 percent of their investible surplus in Category I and II Alternate Investment Funds (AIFs) registered with SEBI. (April 2021)

Ministry of Electronics and Information Technology

47. 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

48. 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)

49. Ministry of Commerce and Industry, Department for Promotion of Industry and Internal Trade vide Gazette Notification No. G.S.R. 646(E). dated 21st September 2021 amended the Patent Rules. The Patent Rules have now extended the benefits related to 80% reduced fee for patent filing & prosecution to Educational institutions as well. (Sept 2021)

ANNEXURE-III

**ANNEXURE REFERRED TO IN REPLY TO PART (d) OF THE LOK SABHA
UNSTARRED QUESTION NO. 110 FOR ANSWER ON 02.02.2022.**

Programmes launched as part of Startup India Initiative

- i. **Startup India Action Plan**: An Action Plan for Startup India was unveiled 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”. The Action Plan laid the foundation of Government support, schemes and incentives envisaged to create a vibrant startup ecosystem in the country.
- ii. **Startup India: The Way Ahead**: Startup India: The Way Ahead at 5 years celebration of Startup India was unveiled on 16th January 2021 which includes actionable plans for promotion of ease of doing business for startups, greater role of technology in executing various reforms, building capacities of stakeholders and enabling a digital Aatmanirbhar Bharat.
- iii. **Startup India Seed Fund Scheme (SISFS)**: Easy availability of capital is essential for entrepreneurs at the early stages of growth of an enterprise. The capital required at this stage often presents a make or break situation for startups with good business ideas. The Scheme aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization. Rs. 945 crore has been sanctioned under the SISFS Scheme for period of 4 years starting from 2021-22. It will support an estimated 3,600 entrepreneurs through 300 incubators in the next 4 years.
- iv. **Fund of Funds for Startups (FFS) Scheme**: The Government has established FFS with corpus of Rs. 10,000 crore, to meet the funding needs of startups. DPIIT is the monitoring agency and Small Industries Development Bank of India (SIDBI) is the operating agency for FFS. The total corpus of Rs. 10,000 crore is envisaged to be provided over the 14th and 15th Finance Commission cycles based on progress of the scheme and availability of funds. It has not only made capital available for startups at early stage, seed stage and growth stage but also played a catalytic role in terms of facilitating raising of domestic capital, reducing dependence on foreign capital and encouraging home grown and new venture capital funds.
- v. **Ease of Procurement**: To enable ease of procurement, Central Ministries/ Departments are directed to relax conditions of prior turnover and prior experience in public procurement for all Startups subject to meeting quality and technical specifications. Further, Government e-Marketplace (GeM) Startup Runway; a dedicated corner for startups to sell products & services directly to the Government.
- vi. **Self-Certification under Labour and Environmental laws**: Startups are allowed to self-certify their compliance under 6 Labour and 3 Environment laws for a period of 3 to 5 years from the date of incorporation.
- vii. **Income Tax Exemption for 3 years**: Startups incorporated on or after 1st April 2016 can apply for income tax exemption. The recognised startups that are granted an Inter-Ministerial Board Certificate are exempted from income-tax for a period of 3 consecutive years out of 10 years since incorporation.

- viii. **Exemption for the Purpose Of Clause (VII)(b) of Sub-section (2) of Section 56 of the Act:** A DPIIT recognized startup is eligible for exemption from the provisions of section 56(2)(viib) of the Income Tax Act.
- ix. **Startup India Hub:** The Government launched a Startup India Online Hub on 19th June 2017 which is one of its kind online platform for all stakeholders of the entrepreneurial ecosystem in India to discover, connect and engage with each other. The Online Hub hosts Startups, Investors, Funds, Mentors, Academic Institutions, Incubators, Accelerators, Corporates, Government Bodies and more.
- x. **National Startup Awards:** National Startup Awards is an initiative to recognize and reward outstanding startups and ecosystem enablers that are building innovative products or solutions and scalable enterprises, with high potential of employment generation or wealth creation, demonstrating measurable social impact.
- xi. **International Access to Indian Startups:** One of the key objectives under the Startup India initiative is to help connect Indian startup ecosystem to global startup ecosystems through various engagement models. This has been done through international Government to Government partnerships, participation in international forums and hosting of global events. Startup India has launched bridges with over 13 countries (Brazil, Sweden, Russia, Portugal, UK, Finland, Netherlands, Singapore, Israel, Japan, South Korea, Canada, Croatia) that provides a soft-landing platform for startups from the partner nations and aid in promoting cross collaboration.
- xii. **Support for Intellectual Property Protection:** Startups are eligible for fast-tracked patent application examination and disposal. The Government launched Start-ups Intellectual Property Protection (SIPP) which facilitates the startups to file applications for patents, designs and trademarks through registered facilitators in appropriate IP offices by paying only the statutory fees. Facilitators under this Scheme are responsible for providing general advisory on different IPRs, and information on protecting and promoting IPRs in other countries. The Government bears the entire fees of the facilitators for any number of patents, trademark or designs, and startups only bear the cost of the statutory fees payable. Startups are provided with an 80% rebate in filing of patents and 50% rebate in filling of trademark vis-a-vis other companies.
- xiii. **Faster Exit for Startups:** 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.

Further, Startups in the North Eastern States can also avail benefits of the North East Industrial Development Scheme (NEIDS), notified on 12.04.2018 for a period of 5 years, upto 2022
