

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

**UNSTARRED QUESTION NO. 424.  
TO BE ANSWERED ON TUESDAY, THE 04<sup>TH</sup> FEBRUARY, 2025.**

**INITIATIVES TO ENCOURAGE STARTUPS**

**424. SHRI MOHITE PATIL DHAIRYASHEEL RAJSINH:  
DR. AMOL RAMSING KOLHE:  
SHRI BHASKAR MURLIDHAR BHAGARE:  
SHRI SANJAY DINA PATIL:  
SMT. SUPRIYA SULE:  
SHRI BAJRANG MANOHAR SONWANE:  
SHRI AMAR SHARADRAO KALE:  
SHRI NILESH DNYANDEV LANKE:  
PROF. VARSHA EKNATH GAIKWAD:**

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

**वाणिज्य एवं उद्योग मंत्री**

- (a) whether the Government has undertaken specific initiatives to encourage startups founded by Indian abroad to return to India, if so, the details of these initiatives and their outcomes;
- (b) the details of the challenges faced by Startups returning to India such as regulatory hurdles, tax structures, or funding gaps and the details of steps taken by the Government to address these challenges;
- (c) the estimated number of startups and entrepreneurs who have relocated to India especially in Maharashtra during the last five years and the current year;
- (d) the details of sectors in which these startups are primarily engaged;
- (e) whether the investment has been brought into the country by startups that have returned to India during the last five years and the current year;
- (f) the extent to which their return has contributed to India's startup ecosystem and overall economy; and
- (g) the other steps taken by the Government to make India a more attractive destination for startups, compared to other startup hubs globally?

**ANSWER**

**वाणिज्य एवं उद्योग मंत्रालय में राज्य मंत्री (श्री जितिन प्रसाद)  
THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY  
(SHRI JITIN PRASADA)**

- (a) & (b):** Conduciveness of doing business, ability to attract funding, and other business specific factors play important role for startups to domicile in their home country. Since the launch of the Startup India initiative in 2016, the Government has taken various measures to enhance ease of doing business, raising capital, and reducing compliance burden to simplify the regulatory environment and create a conducive business environment.

Specifically for re-domiciling (reverse flipping) of emerging companies, such measures include recent announcement of abolishment of the Angel Tax for all classes of investors. The Government has also introduced harmonization of long- term capital gains (LTCG) tax across various securities, to simplify the tax regime.

Further, amendment has been made in Rule 25A of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, to simplify the in-bound cross- border merger process and make the process of merger of a holding company incorporated outside the country with its wholly owned Indian subsidiary faster.

Also, with respect to onshoring (bringing back) of Indian startups, the Government has notified the International Financial Services Centres Authority (IFSCA) to develop and regulate financial services, financial institutions and financial products in the International Financial Services Centre (IFSC). The GIFT IFSC has been developed as a distinct international financial jurisdiction within the country to onshore the offshore international financial services business and act as a gateway for global capital inflows into and out of the country. Through such measures, the IFSCA is actively engaged in promoting onshoring of Indian innovation i.e., re- domiciling Indian startups currently domiciled abroad to the GIFT City.

The Ministry of Corporate Affairs has undertaken specific measures for startups to start and do business in the country. A list of such specific key reforms undertaken is placed as **Annexure-I**.

**(c) to (f):** The Government, with an intent to build a strong ecosystem for nurturing innovation, startups and encouraging private investments in startup ecosystem of the country launched Startup India initiative on 16th January 2016. As per eligibility conditions prescribed under G.S.R. notification 127 (E) dated 19th February 2019, entities are recognized as 'startups' under the Startup India initiative by the Department for Promotion of Industry and Internal Trade (DPIIT).

As on 31<sup>st</sup> December 2024, 1,57,706 entities have been recognised as startups across more than 55 industries by the Department for Promotion of Industry and Internal Trade (DPIIT). Of these, more than 1.3 lakh entities have been recognised as startups in the last five years viz. 2020, 2021, 2022, 2023, and 2024. Specifically for the State of Maharashtra, 22,837 entities have been recognised as startups in the last five years viz. 2020, 2021, 2022, 2023, and 2024.

Specifically, information with respect to number of startups and entrepreneurs who have relocated to India and investments brought in by these startups is not centrally maintained by the Government.

**(g):** Under Startup India initiative, the Government constantly undertakes various efforts for the development and growth of startup ecosystem across sectors. The flagship Schemes namely, Fund of Funds for Startups (FFS), Startup India Seed Fund Scheme (SISFS) and Credit Guarantee Scheme for Startups (CGSS) support startups at various stages of their business cycle. The Government also implements periodic exercises and programs including States' Startup Ranking, National Startup Awards, and Innovation Week which play an important role in the holistic development of the startup ecosystem. Government also encourages and support ecosystem led initiatives as Startup

Mahakumbh which serve as a vibrant platform for stakeholders to network and collaborate. Initiatives to improve market access and enable public procurement support startups in growing and scaling up their businesses have also been undertaken. Digital platforms such as the Startup India portal and BHASKAR enable easy access to resources and startup ecosystem collaboration. These measures are complemented by regulatory reforms and other ecosystem development events and programs. Such measures are increasing the attractiveness of India as a destination for startups.

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**ANNEXURE REFERRED TO IN REPLY TO PARTS (a) & (b) OF THE LOK SABHA UNSTARRED QUESTION 424 FOR ANSWER ON 04.02.2025.**

List of key reforms undertaken by the Ministry of Corporate Affairs:

- i. **Differential voting Rights (DVRs):** Startups being private limited companies are free to issue equity shares with DVRs to raise capital without any restrictions contained in rule 4 of Companies (Share Capital and Debentures) Rules, 2014 as Private limited companies are exempted from application of section 43 and 47 of the Companies Act, 2013 (vide notification no. 464(E) dated 05.06.2015).
- ii. **Deposits:** Companies may ordinarily accept or renew any deposits from its members not exceeding 35% of the paid-up share capital, free reserves and securities premium account of the company. But a startup may accept deposits without any limit from its members for the period of ten years from the date of incorporation (Second proviso to sub-rule (3) of rule 3 of Companies (Acceptance of Deposits) Rules, 2014).
- iii. **Convertible Note:** Startups can receive an amount of Rs 25 lakh or more by way of a convertible note (convertible into equity shares or repayable within a period not exceeding ten years from the date of issue) in a single tranche, from a person, and such transactions are not considered deposit under Deposit Rules. (Rule 2(1)(c)(xvii) of the Companies (Acceptance of Deposits) Rules, 2014).
- iv. **Sweat Equity:** Unlisted companies may issue sweat equity shares to the extent of 25% of the paid up capital at any time, with other restrictions. But a startup company may issue sweat equity shares not exceeding 50% of the paid up capital upto ten years from the date of its incorporation or registration (Second Proviso to sub-rule(4) of rule 8 of Companies (Share Capital and Debenture) Rules, 2014).
- v. **Employees' Stock Options (ESOPs):** In general, Employee Stock Options (ESOPs) are not given to the employee who is a promoter or a person belonging to the promoter group and a director who either himself or through his relative or through anybody corporate, directly or indirectly, holds more than 10% of the equity of the company. But in case of a startup such condition shall not apply upto ten years from the date of incorporation (Rule12(1)(c) of Companies (Share Capital and Debenture) Rules, 2014).
- vi. **Cash Flow Statement:** A private company which is a startup/small companies are not required to include cash flow statement with financial statements which otherwise is a mandatory requirement under section 2(40) of Companies Act, 2013.
- vii. **Signing of annual return:** In case of startup companies/small companies, the annual return shall be signed by the company secretary or where there is no company secretary, by the director of the company. (Notification no. 583(E) dated 13.06.2017).

- viii. **Number of Board Meetings:** Under Companies Act, 2013, Board of Directors of a company are required to meet at least once in 120 days, 4 board meetings in a year. However, in case of startup companies/small companies one board meeting in each half of a calendar year with a gap between two meetings of not less than 90 days is sufficient to comply with the requirement of section 173(5) of the Companies Act. (Notification no. 583(E) dated 13.06.2017).

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