



A note for Start Ups

Introduction



Today, India has approx. 53000 start ups out of which only 28000 are registered with the Ministry.

Indian Start-Ups received a total funding of \$ 8 billion (Rs.60,000 Crs) in 2019.

Projections indicate that by 2025, India may well have 100,000+ startups, employ 3.25+ million people and produce 100+ unicorns, with a total market value of approx \$ 500 billion. (Rs. 37,50,000 Crs)

Definition



An entity shall be considered as a Startup:

- Up to a period of ten years from the date of incorporation/registration, if it is a private limited company/partnership firm/LLP, in India.
- Turnover of the entity for any of the financial years since inception has not exceeded Rs. 100 Crs.
- Entity is working towards innovation, development or improvement of products or processes or services/it is a scalable business model with a high potential of employment generation or wealth creation.

Note : *An entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Startup'.*

Ministry & Registration



Start Ups come under the Department of Promotion of Industry & Internal Trade (Formerly DIPP) under the Ministry of Commerce & Industry. (Union Minister - CA. Piyush Goyal)

Take-Off Strategies



- Have the ideal Constitution
- Make a Business Plan
- Define Functional Responsibilities
- Ensure Financial Discipline
- Have regular meetings and reporting protocols

How to register ??

Step 1 : Register in www.startupindia.gov.in

Step 2 : Documents to submitted

- Brief Note on Business
- Incorporation Certificate

Benefits



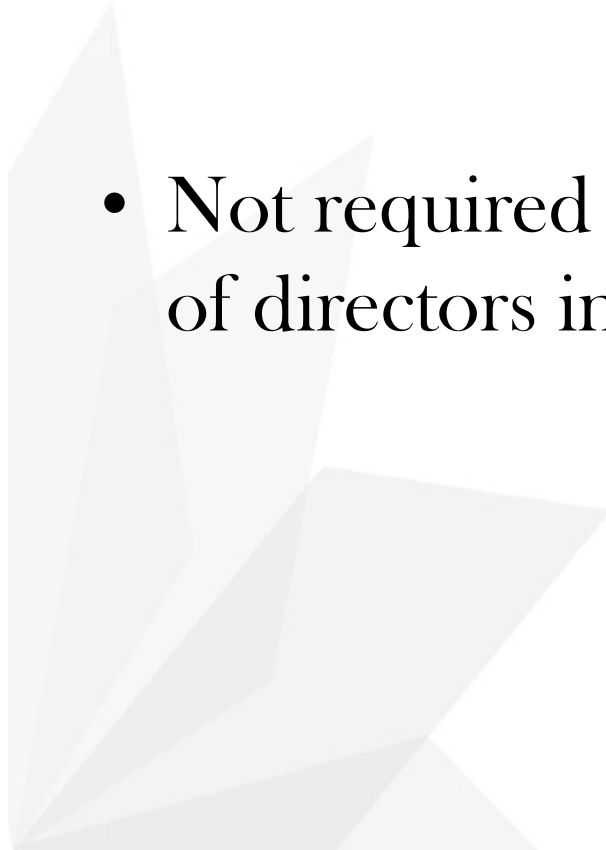
Income Tax

- Deduction of 100% of the profits under section 80 IAC of The Income Tax Act for three consecutive Assessment Years (AY) out ten AYs since inception.
- ESOPs/Sweat Equity is taxed only on/after Sale of Shares/Leaving Employment/4 AYs. (Section -192 (1C))
- Angel Tax is not attracted on Securities Premium in the hands of the Start Up if declaration is filed in Form 56 and approval obtained.

Company Law



- Start Up company is exempted from preparing Cash Flow Statements, annually.
- Not required to hold minimum of four meeting of board of directors in a year



FEMA



- Start Up company can borrow up to USD 3 Million per financial year for a minimum maturity of 3 years
- Foreign Venture Capital investors are allowed to invest in start ups irrespective of any sector without approval of RBI



New Loan Scheme of Kerala Financial Corporation

- Start Ups will get Loans to the extent of 90% of the Order Value (as a working capital facility) against orders from Government/Semi-Govt. entities and reputed corporates.
- Interest rate - 10%
- Repayment through Escrow Account

Other Benefits



- 80% Rebate for the Cost of filing patents.
- 10,000 crore rupees fund is set-up by government to provide funds to the startups as venture capital.
- Exempted from the “prior experience/turnover” criteria applicable for normal companies answering to government tenders.

Other Benefits

- 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.
- 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 under IBC Code 2016.

Other Benefits

Fund of Funds for Startups

- The Government has set aside a corpus fund of INR 10,000 crores managed by SIDBI. The Government participates in the capital of SEBI registered Venture Funds, who invest twice the amount in Startups



Thank
You