

## Startup India & DPIIT (Department for Promotion of Industry and Internal Trade)

### **Support to Start-up Ecosystem**

**Startup India** is the flagship initiative of the Government of India (launched January 2016), with the intent of building a strong eco-system for nurturing innovation and Startups in the country which will in turn drive sustainable economic growth and generate large scale employment opportunities.

The government announced the **Startup India Action Plan** to address all aspects of the Startup ecosystem with the hope of accelerating spreading of this movement. It is segmented in the following parts:

- Simplification and Handholding
- Funding Support and Incentives
- Industry-Academia Partnership and Incubation

#### **1) Simplification and Handholding**

- Startup India Hub
- Rolling out of Mobile App and Portal
- Legal Support and Fast-tracking Patent Examination at Lower Costs
- Relaxed Norms of Public Procurement for Startups
- Faster Exit Options for Startups

#### **2) Funding support and incentives**

- Providing Funding Support through a Fund of Funds with a Corpus of Rs 10,000 Cr
- Credit Guarantee Fund for Startups
- Tax Exemption on Capital Gains
- Tax Exemption to Startups for 3 years
- Tax Exemption on Investments above Fair Market Value
- Organizing Startup Fests for Showcasing Innovation and Providing a Collaboration Platform

#### **3) Industry-Academia partnership and Incubation**

- Harnessing Private Sector Expertise for Incubator Setup
- Building Innovation Centres at National Institutes
- Promoting Startups in the Biotechnology Sector
- Launching of Innovation Focused Programs for Students
- Annual Incubator Grand Challenge

## **An entity shall be recognised as a Startup by DPIIT if it fulfils all of the following criteria**

1. Period of existence and operations should not exceed 10 years from the Date of Incorporation,
2. It is incorporated as a Private Limited Company, Registered Partnership Firm or a Limited Liability partnership (entity should not have been formed by splitting up or reconstruction of an already existing business),
3. Annual Turnover for any of the financial years has not exceeded Rs 100 Cr and
4. It is working towards innovation, development, deployment or commercialization of new products, processes or services or it is scalable business model with a high potential of employment generation or wealth creation.

## **Eligibility Criteria for Tax Exemption under Section 56(2)(viib) of the Income Tax Act**

- The entity should be a DPIIT recognized Startup
- Consideration of shares received is exempt up to aggregate amount of paid up share capital and share premium of the Startup after the proposed issue of shares (if any) does not exceed Rs 25 Cr.
- Investment into eligible Startups by Accredited Investors, non-residents, AIFs (Category I) & listed companies with a net worth of more than Rs 100 Cr or turnover more than Rs 250 Cr shall be exempt.

## **Startup India: 80- IAC Tax exemption**

Post getting DPIIT recognition, a Startup may apply for Tax exemption under section 80 IAC of the Income Tax Act. Post getting clearance for Tax exemption, the Startup can avail tax holiday for 3 consecutive financial years out of its first ten years since incorporation.

### Eligibility Criteria for applying to Income Tax exemption (80IAC)

- The entity should be a recognized Startup
- Only Private limited or a Limited Liability Partnership is eligible for Tax exemption under Section 80IAC
- The Startup should have been incorporated after 1st April, 2016

## Filing of Patents

- Fast tracking of patent application.
- Panel of facilitators to assist in filing of IP applications.
- 100% of the fee of facilitator for filing applications for Patent/ Trademark/ Design shall be borne by Central Govt. However, statutory fee has to be paid by the Startup.
- 80% rebate in patent filing fee to the Startup.

## Easier Public Procurement Norms

- Easier registration on government e-Marketplace (GeM) - an online procurement platform and largest marketplace for govt. departments to procure products & services.
- Exemption to Startups in the manufacturing sector from the criteria of “prior experience/turnover” without any compromise on quality standards or technical parameters.
- Startups are exempted from submitting Earnest Money Deposit (EMD) or Bid Security while filling governments tender.

## Easy winding up of Company

As per IBC code 2016, after meeting certain criteria, Startup companies can be wound up within 90 days of filing an application for insolvency.

Read the complete policy: [Startup India](#) , [DPIIT](#)

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