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Info Capsule

'START-UP INDIA' SCHEME¹

As on December 1, 2017, a total of 5350 Startups have been recognized by Department of Industrial Policy and Promotion (DIPP) for availing benefits under Startup India initiative. The details of structure of the Startup India initiative started by Government in the country is provided at **Table-I**. The State/UT-wise list of start-ups may be seen at **Table-II**.

The status of the financial assistance provided through Fund of Funds for Startups (FFS) under the Startup India initiative is as follows:

INR 500 crore has been released to SIDBI in Financial Year 2015-16 and INR 100 crore in Financial Year 2016-17,

Total commitments under FFS by SIDBI are at INR 605.7 crore to 17 Alternative Investment Funds (AIFs), AIFs have drawn INR 90.62 crore from the FFS and have invested a total of INR 337.02 crore in 75 Startups.

The actual status of implementation of the Startup India initiative is provided at **Table- III**.

TABLE – I

Structure of the Startup India Action Plan

S. No.	Action Point	Objective
1	Compliance Regime based on Self-Certification	To reduce the regulatory burden on Startups thereby allowing them to focus on their core business and keep compliance cost low

¹ Available at: <http://pib.nic.in/PressReleaseDetail.aspx?PRID=1514249>

S. No.	Action Point	Objective
2	Startup India Hub	To create a single point of contact for the entire Startup ecosystem and enable knowledge exchange and access to funding
3	Rolling out of Mobile App and Portal	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
4	Legal Support and Fast-tracking Patent Examination at Lower Costs	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.
5	Relaxed Norms of Public Procurement for Startups	To provide an equal platform to Startups across sectors vis-à-vis the experienced entrepreneurs/ companies in public procurement
6	Faster Exit for Startups	To make it easier for Startups to wind up operations
7	Providing Funding Support through Fund of Funds with a Corpus of INR 10,000 crore	To provide funding support for development and growth of innovation driven enterprises
8	Credit Guarantee fund for Startups	To catalyze entrepreneurship by providing credit to innovators across all sections of society
9	Tax Exemptions on Capital Gains	To promote investments into Startups by mobilizing the capital gains arising from sale of capital assets
10	Tax Exemptions to startups for 3 Years	To promote the growth of Startups and address working capital requirements
11	Tax Exemption on Investments above Fair Market Value	To encourage seed-capital investment in Startups

S. No.	Action Point	Objective
12	Organizing Startup Fests for Showcasing Innovation and Providing a Collaboration Platform	To galvanize the Startup ecosystem and to provide national and international visibility to the Startup ecosystem in India
13	Launch of Atal Innovation Mission (AIM)	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
14	Harnessing Private Sector Expertise for Incubator Setup	To ensure professional management of Government sponsored / funded incubators.
15	Building Innovation Centers at National Institutes	To propel successful innovation through augmentation of incubation and R&D efforts
16	Setting up of New Research Parks Modeled on the Research Park Setup at IIT Madras	To propel successful innovation through incubation and joint R&D efforts between academia and Industry
17	Promoting Startups in the Biotechnology Sector	To foster and facilitate bio-entrepreneurship
18	Launching of Innovation Focused Programs for Students	To foster a culture of innovation in the field of Science and Technology amongst students
19	Annual Incubator Grand Challenge	To support creation of successful world class incubators in India

TABLE-II

State wise distribution of recognised Startups (as on 1st December, 2017)

State	Number
Andaman and Nicobar Islands	1

Andhra Pradesh	91
Arunachal Pradesh	2
Assam	46
Bihar	41
Chandigarh	29
Chhattisgarh	66
Dadra and Nagar Haveli	3
Daman and Diu	1
Delhi	748
Goa	19
Gujarat	289
Haryana	268
Himachal Pradesh	9
Jammu and Kashmir	16
Jharkhand	35
Karnataka	853
Kerala	182
Madhya Pradesh	101
Maharashtra	1079

Manipur	3
Nagaland	5
Orissa	105
Pondicherry	3
Punjab	31
Rajasthan	139
Tamil Nadu	301
Telangana	296
Uttar Pradesh	383
Uttarakhand	42
West Bengal	163
Total recognitions	5350

TABLE-III

**Status of implementation under the Startup India initiative
Simplification and Handholding**

1. Compliance Regime based on Self-Certification

- List of 36 industries in “white” category has been published on CPCB’s website. CPCB has exempted such industries from all the applicable self-certifications under 3 Environment related Acts listed in the Startup India Action Plan
- Ministry of Skill Development and Entrepreneurship (MSDE) has issued advisory to states to allow Startups to self-certify compliance with the Apprenticeship Rules, 1992 of Apprenticeship Act, 1961
- Startups have been allowed to self-certify compliance in respect of 6 Labour laws; 26 states have confirmed compliance to the advisory issued on 12.01.2016 and new advisory issued on 6.4.2017 by Ministry of Labour and Employment (MoLE)

2. Rolling out of Mobile App and Portal

- Startup India portal has been developed to provide access to the following:
 - o Startup recognition – 5350 Startups have been recognised till 1st December 2017
 - o Advertising space for Startups
 - o Learning & development module – over 1,89,000 registrations achieved
- The portal acts as a one stop solution for all queries related to the Startup India initiative
- Startup India mobile app has been developed to provide on the go services and information to users. The mobile app has been downloaded by more than 1,00,000 users.

3. Startup India Hub

- 75,000+ queries have been handled by the Startup India Hub
- 450+ Startups have been mentored for incubation and funding support
- Startup India online hub was launched on 19.6.2017 to serve as a platform where all the stakeholders of the Startup ecosystem can collaborate and synergise their efforts. It will facilitate location-wise and sectoral mapping. 15,000+ registrations have been achieved on the Hub as of November, 2017.

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

- 423 facilitators for Patent and Design and 596 facilitators for Trademark applications have been empanelled to assist Startups in filing of patents and trademarks
- 415 applications have received rebate of up to 80% on patent fees and have also received legal assistance
- Patent filing has been made faster for Startups and accordingly 87 Startups have been facilitated
- Trademark facilitation has been extended to 473 Startups

5. Relaxed Norms of Public Procurement for Startups

- Relaxed norms for public procurement for micro, small and other enterprises have been provisioned in the Procurement Policy by the Ministry of Micro, Small and Medium Enterprise
- All Central Ministries / Departments /Department of Public Enterprises/ Central Public Sector Undertakings have been authorised to relax conditions of prior experience and prior turnover with respect to MSEs in all public procurements subject to meeting quality and technical specifications
- Further, Rule 173(i) has been incorporated in GFR, 2017 which provides for relaxation of conditions of prior turnover and prior experience for Startups, and

Rule 170(i) of GFR 2017 has been amended on 25th July 2017 allowing all Startups as recognized by DIPP exemption from submission of Earnest Money Deposit/Bid Security in public procurement tenders

6. Faster Exit for Startups

- Insolvency and Bankruptcy Board has been constituted
- MCA has notified the relevant sections 55 to 58 of Insolvency and Bankruptcy Code, 2016 pertaining to the Fast Track process on 16.6.2017 and also notified that the process shall apply to Startup (other than the partnership firm) as defined by DIPP. For Startups, Insolvency Resolution process to be completed within 90 days as against 180 days for other entities.

Funding Support and Incentives

7. Providing Funding Support through Fund of Funds (FFS) with a Corpus of INR 10,000 crore

- Fund of Funds for Startups of INR 10,000 crore shall be released over two Finance Commission cycles, that is, by the year 2025
- INR 500 crore has been released to SIDBI in FY16 and INR 100 crore in FY 17
- Total commitments under FFS stand at INR 605.7 crore to 17 Alternative Investment Funds (AIFs) while drawdown by AIFs is INR 90.62 crore
- 75 Startups have received funding under FFS with catalysed investment of INR 337.02 crore

8. Tax Exemption on Capital Gains

- Section 54 EE has been introduced under the Finance Act, 2016 which provides for exemption of capital gain arising out of transfer of long term capital asset (not exceeding INR 50 lakh in a financial year) invested in a fund notified by Central Government
- Section 54 GB of Income-tax Act, 1961 has been amended to provide 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 equity shares of an eligible Startup for utilizing the same to purchase specified asset.

9. Tax Exemption to Startups for 3 Years

- Provision has been made in the Finance Act, 2016 Section 80-IAC for Startups (Companies and LLPs) to avail income tax exemption for 3 years in a block of 5 years, if they are incorporated between 1st April 2016 and 31st March 2019.

In the Union Budget 2017-18, the Government has increased this period of profit-linked deductions available to eligible Startups to 7 years. Startup is eligible to avail income tax exemption for three consecutive assessment years out of a block of seven years, which was earlier five years.

75 Startups have been approved for availing tax benefits

10. Tax Exemption on Investments above Fair Market Value

Removal of Angel Tax

Tax exemption on investment above Fair Market Value has been introduced on 14th June 2016.

Industry-Academia Partnership and Incubation

11. Launch of Atal Innovation Mission (AIM)

941 schools selected for establishing tinkering labs and INR 12 Lakh each has been disbursed to 374 tinkering labs

12. Harnessing Private Sector Expertise for Incubator Setup

6 existing Incubators have been sanctioned scale-up grant of INR 2.5 crore each by NITI Aayog

13 New Incubators approved for funding support by NITI Aayog

13. Building Innovation Centres at National Institutes

· 15 Startup Centres are being jointly set up by Department of Science and Technology (DST) and Ministry of Human Resource Development (MHRD), and approval for all 15 is in place

· Amount of INR 37.50 lakh (INR 3.75 lakh each for 10 Startup Centres) has been released as 1st instalment of the grant for 10 Startup Centres by MHRD

· 11 TBIs (Technology Business Incubators) have been approved and INR 42 crore have been sanctioned and INR 17 crore disbursed to TBIs

14. Setting up of 7 New Research Parks modelled on the Research Park Setup at IIT Madras

· IIT Kharagpur at a cost of INR 100 crore is under construction and INR 74.83 Cr. released to IIT Kharagpur

· IIT Mumbai at a cost of INR 100 crore is under construction and INR 34 Cr. released to IIT Bombay

· The Research Park at IIT Gandhinagar has been sanctioned by DST at a total cost of INR 90 crore and the Department has already disbursed instalment of INR 40 crore

· 5 more Research Parks at IIT Kanpur, IIT Delhi, IIT Guwahati, IIT Hyderabad and IISc to be supported by MHRD approved with a budget of INR 375 Crore for a period of 3 years.

15. Promoting Startups in the Biotechnology Sectors

- Department of Biotechnology (DBT) has sanctioned INR 1 crore under Biotech Equity fund to be given to each bio-incubator. The initiative has already helped 3 Bio-incubators that have been selected as recipients of the above mentioned Equity Fund.
- 30 bio-incubators have been supported through funding support with INR 185 crore sanctioned and INR 119 crore disbursed. The impact has been multi-fold as a total of 290 start-ups have received benefits from these bio-incubators under various programmes like Biotechnology Ignition Grant, IIPME, Sparsh, Grand Challenges, BioNEST, etc.
- In respect of Bengaluru-Boston Biotech Gateway to India: 4 entrepreneurs have joined and 1 is in the process of joining the Harvard University, USA to share ideas and receive mentorship

16. Launching of Innovation Focused Programs for Students

- (a) Innovation Core program with an outreach to 10 lakh innovations from 5 lakh schools
- 4 regional workshops organized & revamped MANAK (Million Minds Augmenting National Aspiration and Knowledge) approved
 - Over 1 lakh INSPIRE (Innovation in Science Pursuit for Inspired Research) Awardees competed at District & State Level
 - 588 were selected to participate in the 6th National Level Exhibition and Project Competition, Delhi
 - Top 60 projects were showcased at the Annual Festival of Innovations in Rashtrapati Bhavan from 4th-10th March 2017
- (b) NIDHI (National Initiative for Developing and Harnessing Innovation)– Grand challenge program
- 19 new TBIs established
 - 9 TBIs supported for Seed Support System (SSS)
 - 10 NIDHI-PRAYAS (PRomoting and Accelerating Young and ASpiring technology entrepreneurs) and 10 NIDHI-EIR (Entrepreneurs-in- Residence) sanctioned
 - 6 new centres of excellence (COEs) have been recommended to receive funds for COEs in FY2017-18
- (c) Uchhattar Avishkar Yojana (UAY)
- INR 475 crore for 2016-18 has been earmarked for 3 years
 - INR 75 crore has been disbursed for research proposals from IITs under 6 domains
 - 92 projects have been recommended for approval

17. Other incentives:

- External Commercial Borrowing (ECB) guidelines for Startups: Startups can borrow up to \$3 million or equivalent per financial year, either in rupees, or any convertible foreign currency or a combination of both, for a minimum average maturity period of three years
- Foreign venture capital investors (FVCI) are now allowed to invest in Startups irrespective of any sector without Reserve Bank of India's approval
- SEBI (Foreign Portfolio Investors) Regulations, 2014 have been amended to permit FPIs to invest in unlisted Non-Convertible debentures and securitised debt instruments

·The SEBI Board has approved five key amendments to SEBI (Alternative Investment Funds) Regulations, 2012 with respect to 'Angel Funds':

- o The upper limit for number of angel investors in a scheme has been increased from forty nine to two hundred
- o Angel Funds will be allowed to invest in start-ups incorporated within five years, which was earlier 3 years.
- o The requirement of minimum investment amount by an Angel Fund in any venture capital undertaking has been reduced from INR 50 lakh to INR 25 lakh.
- o The lock-in requirements of investment made by Angel Funds in a venture capital undertaking has been reduced from three years to one year.
- o Angel Funds are allowed to invest in overseas venture capital undertakings upto 25% of their investible corpus in line with other AIFs.

The Minister of State for Commerce and Industry Shri C.R.Chaudhary gave this information in a written reply to a question in Rajya Sabha.

Team ICSI

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