

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF INDUSTRIAL POLICY & PROMOTION**

RAJYA SABHA

**UNSTARRED QUESTION NO. 1159.
TO BE ANSWERED ON WEDNESDAY, THE 4TH MAY, 2016.**

INCENTIVES FOR START-UPS

1159. SHRI MOHD. ALI KHAN:

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

- (a) whether start-ups should be defined as any business within the first three years of its existence, employing 50 people or less and having a revenue of ₹ 5 crores or less and such start-up should be given the benefits of simpler labour laws and lower tax rates, if so, the details thereof and steps taken/being taken in this direction so far; and
- (b) whether it is also a fact that start-ups promoting technology upgradation, skill development and women or rural entrepreneurship should be given additional incentives, grants and soft loans, if so, the details thereof?

ANSWER

**THE MINISTER OF STATE (INDEPENDENT CHARGE)
OF THE MINISTRY OF COMMERCE & INDUSTRY
(SHRIMATI NIRMALA SITHARAMAN)**

- (a):** As per the definition Notified in the Gazette of India vide G.S.R. 180(E) dated 17th February, 2016, an entity shall be considered as a 'startup'-
- a) Up to five years from the date of its incorporation/registration,
 - b) If its turnover for any of the financial years has not exceeded Rupees 25 crore, and
 - c) It is working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property;

Provided that any such entity formed by splitting up or reconstruction of a business already in existence shall not be considered a 'startup';

Provided further that in order to obtain tax benefits a startup so identified under the above definition shall be required to obtain a certificate of an eligible business from the Inter-Ministerial Board of Certification. A copy of the said Notification is annexed.

Startups shall be allowed to self-certify compliance with 9 labour and environment laws. Profits of startups as defined are exempted from income-tax for a period of 3 years with a view to facilitate growth of business and availability of working capital during the initial years of operation. The exemption shall be available subject to non-distribution of dividend by the startup.

- (b):** The 'Startup India' initiative aims at promoting technology driven business. However, there is no sector specific or women oriented incentives built under the initiative.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PART (a) OF THE RAJYA SABHA UNSTARRED QUESTION NO. 1159 TO BE ANSWERD ON 04.05.2016.

[To be published in the Gazette of India, PART II, Section 3, Sub Section (ii)]

MINISTRY OF COMMERCE AND INDUSTRY (Department of Industrial Policy and Promotion)

NOTIFICATION

New Delhi, the 17th February, 2016

G.S.R. 180(E). - The Government of India has announced 'Startup India' initiative for creating a conducive environment for startups in India. The various Ministries of the Government of India have initiated a number of activities for the purpose. To bring uniformity in the identified enterprises, an entity shall be considered as a 'startup'-

- a) Up to five years from the date of its incorporation/registration,
- b) If its turnover for any of the financial years has not exceeded Rs. 25 crore, and
- c) It is working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

Provided that any such entity formed by splitting up or reconstruction of a business already in existence shall not be considered a 'startup';

Provided further that in order to obtain tax benefits a startup so identified under the above definition shall be required to obtain a certificate of an eligible business from the Inter-Ministerial Board of Certification consisting of:

- a) Joint Secretary, Department of Industrial Policy & Promotion,
- b) Representative of Department of Science & Technology, and
- c) Representative of Department of Biotechnology.

Explanation:

1. An entity shall cease to be a startup on completion of five years from the date of its incorporation/registration or if its turnover for any previous year exceeds Rs. 25 crore.
2. Entity means a private limited company (as defined in the Companies Act, 2013), or a registered partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2002).
3. Turnover is as defined under the Companies Act, 2013.
4. An entity is considered to be working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property if it aims to develop and commercialize:

- a. A new product or service or process, or
- b. A significantly improved existing product or service or process, that will create or add value for customers or workflow.

Provided that the mere act of developing:

- a. products or services or processes which do not have potential for commercialization, or
 - b. undifferentiated products or services or processes, or
 - c. products or services or processes with no or limited incremental value for customers or workflow would not be covered under this definition
5. The process of recognition as a 'startup' shall be through mobile app/portal of the Department of Industrial Policy and Promotion. Startups will be required to submit a simple application with any of following documents:
- a) a recommendation (with regard to innovative nature of business), in a format specified by Department of Industrial Policy and Promotion, from any Incubator established in a post-graduate college in India; or
 - b) a letter of support by any incubator which is funded (in relation to the project) from Government of India or any State Government as part of any specified scheme to promote innovation; or
 - c) a recommendation (with regard to innovative nature of business), in a format specified by Department of Industrial Policy and Promotion, from any Incubator recognized by Government of India; or
 - d) a letter of funding of not less than 20 per cent in equity by any Incubation Fund/Angel Fund/Private Equity Fund/Accelerator/Angel Network duly registered with Securities and Exchange Board of India that endorses innovative nature of the business. Department of Industrial Policy and Promotion may include any such fund in a negative list for such reasons as it may deem fit; or
 - e) a letter of funding by Government of India or any State Government as part of any specified scheme to promote innovation; or
 - f) a patent filed and published in the Journal by the Indian Patent Office in areas affiliated with the nature of business being promoted.

Department of Industrial Policy and Promotion may, until such mobile app/portal is launched make alternative arrangement of recognizing a 'startup'. Once such application with relevant document is uploaded a real-time recognition number will be issued to the startup. If on subsequent verification, such recognition is found to be obtained without uploading the document or uploading any other document or a forged document, the concerned applicant shall be liable to a fine which shall be fifty percent of paid up capital of the startup but shall not be less than Rupees 25,000.

This notification shall come into force on the date of its publication in the Official Gazette.

[F. No. 9(51)/2015-BE.I]
RAVNEET KAUR, Jt. Secy.