

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

RAJYA SABHA

**UNSTARRED QUESTION NO. 2419.
TO BE ANSWERED ON WEDNESDAY, THE 7TH DECEMBER, 2016.**

APPLICATIONS RECEIVED UNDER STARTUPS

2419. SHRI SHANTARAM NAIK:

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

- (a) what is the present status of Startup policy;
- (b) the number of applications received so far and what is the category of these applications;
- (c) what are the documents required for making a proposal under Startup policy;
- (d) the number of applicants given tax exemption;
- (e) whether any proposal has been received under Startup policy in Goa; and
- (f) if so, the details thereof and the production targets these applicants are aiming at and the number of applicants given tax exemptions?

ANSWER

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

- (a):** With the intention to build a strong eco-system for nurturing innovation and Startups in the country, the Hon'ble Prime Minister launched the Startup India Action Plan on January 16, 2016 in New Delhi. The Action Plan consists of 19 action items spanning across areas such as "Simplification and handholding", "Funding support and incentives" and "Industry-academia partnership and incubation". The present status on the initiatives taken under start-up India Action Plan is annexed.
- (b):** The total Number of applications received for recognition as startup is 1303 as on 30th November 2016. The prescribed application for recognition of startup does not seek information on category of applicant.

(c): The process of recognition as a 'startup' is through mobile app/portal of the Department of Industrial Policy and Promotion. Startups are required to submit a simple application with following documents:

- 1) Incorporation Certificate and
- 2) Any one of the certificate mentioned below:
 - i. 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 postgraduate college in India; or
 - ii. 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
 - iii. 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
 - iv. 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
 - v. Letter of funding by Government of India or any State Government as part of any specified scheme to promote innovation; or
 - vi. Patent filed and published in the Journal by the Indian Patent Office in areas affiliated with the nature of business being promoted.
- 3) Brief note about innovative Product/Services.

(d): As on 08.11.2016 eight (8) Startups have been approved for availing tax exemption under Section 80-IAC of the Finance Act, 2016.

(e) & (f): As per available data, 5 applications were received from the State of Goa requesting for recognition as startup and grant of tax exemption. Out of these, 3 startups have been granted recognition and no startup has been issued certificate of eligibility for tax exemption. The prescribed application for recognition of startup does not seek information on production targets.

The details of applications received from Goa are as follows:

S. No.	Entity name	Application for grant of recognition	Application for grant of certificate of eligibility for tax exemption
1	WINNER IMPLANT SYSTEMS PRIVATE LIMITED	Approved	Rejected
2	NELLIKURU INNOVATIONS PRIVATE LIMITED	Approved	Rejected
3	GOAN PHARMA PRIVATE LIMITED	Approved	Rejected
4	ASSOCIATED GREEN FUELS INDIA LIMITED	Rejected	Rejected
5	ANEMOS ENERGIES PRIVATE LIMITED	Rejected	Rejected

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PART (a) OF RAJYA SABHA UNSTARRED QUESTION NO. 2419 FOR ANSWER ON 7TH DECEMBER 2016.

The Startup India Action Plan consists of 19 action items spanning across areas such as “Simplification and handholding”, “Funding support and incentives” and “Industry-academia partnership and incubation”. Since the launch of the program, a number of forward looking strategic amendments to the existing policy ecology have been introduced, like:

1. Fund of Funds

For providing fund support for Startups, Government has created a ‘Fund of Funds for Startups (FFS)’ at Small Industries Development Bank of India (SIDBI) with a corpus of Rs. 10,000 crore. The FFS shall contribute to the corpus of Alternate Investment funds (AIFs) for investing in equity and equity linked instruments of various Startups. The FFS is managed by Small Industries Bank of India (SIDBI) for which operational guidelines have been issued. In 2015-16, Rs. 500 crores was released towards the FFS corpus.

2. Relaxed Norms in Public Procurement for Startups

Provision has been introduced in the procurement policy of Ministry of Micro, Small and Medium Enterprises (Policy Circular No. 1(2) (1)/2016-MA dated March 10, 2016) to relax norms pertaining to prior experience / turnover for Micro and Small Enterprises. Department of Expenditure has issued a notification for relaxing public procurement norms in respect of medium enterprises by all central Ministries/Departments.

3. Tax Incentives:

- **3 Year Tax Exemption**

The Finance Act, 2016 (Section 80- IAC) has provision for Startups (Companies and LLPs) to get income tax exemption for 3 years in a block of 5 years, if they are incorporated between 1st April 2016 and 31st March 2019. To avail these benefits, a Startup must get a Certificate of Eligibility from the Inter-Ministerial Board.

- **Removal of Angel Tax**

Tax exemption on investments made in excess of face value in the shares of a Startup company has been introduced on 14 June 2016.

- **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 invested in a fund notified by Central Government.

Section 54GB of Income Tax Act, 1961 has been amended to provide for 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 eligible Startups.

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

A scheme for Startups IPR Protection (SIPP) for facilitating fast track filing of Patents, Trademarks and Designs by Startups has been introduced. The scheme provides for expedited examination of patents filed by Startups. This will reduce the time taken in getting patents. The fee for filing of patents for Startups has also been reduced up to 80%.

Panels of facilitators for Patents and Trademark applications have been formed to facilitate the process of patent filing and acquisition. The facilitators would provide legal guidance and handholding through the entire patent acquisition process free of cost.

5. Self-Certification based Compliance Regime

Compliance norms relating to Environmental and Labour laws have been eased in order to reduce the regulatory burden on Startups thereby allowing them to focus on their core business and keep compliance costs low.

Ministry of Environment and Forests (MoEF) has published a list of 36 white category industries. Startups falling under the “White category” would be able to self-certify compliance in respect of 3 Environment Acts –

- The Water (Prevention & Control of Pollution) Act, 1974;
- The Water (Prevention & Control of Pollution) Cess (Amendment) Act, 2003
- The Air (Prevention & Control of Pollution) Act, 1981

Further, Ministry of Labour and Employment (MoLE) has issued guidelines to State Governments whereby Startups shall be allowed to self-certify compliance in respect of 6 Labour laws. These shall be effective after concurrence of States/UTs. The Acts are:

- The Building and Other Constructions Workers’ (Regulation of Employment & Conditions of Service) Act, 1996
- The Inter- State Migrant Workmen (Regulation of Employment & Conditions of Service) Act, 1979
- The Payment of Gratuity Act, 1972
- The Contract Labour (Regulation and Abolition) Act, 1970

- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- The Employees' State Insurance Act, 1948

So far 9 States have confirmed compliance to the advisory issued by Ministry of Labour and Employment (MoLE):

- Rajasthan
- Uttarakhand
- Madhya Pradesh
- Chhattisgarh
- Delhi
- Jharkhand
- Gujarat
- Chandigarh
- Daman & Diu

6. Setting up Incubators

- Under Atal Innovation Mission of Niti Ayog, a grant-in-aid of Rs. 10 crore would be provided to an incubator for a maximum of 5 years to cover the capital and operational costs in running the center. NITI Aayog has received 232 applications for providing scale up support for established incubation centers.
- Under the Mission, Niti Ayog will set up Atal Incubation Centers (AICs) in public and private sector. NITI Aayog has received 3658 applications (1719 from academic institutions and 1939 from non-academic institution) for setting up Atal Incubation Centers (AICs) from both Public and Private sector organizations.

7. Setting up of Startup Centers and Technology Business Incubators (TBIs)

14 Startup Centres and 15 Technology Business Incubators are to be setup collaboratively by Ministry of Human Resource Development (MHRD) and the Department of Science and Technology (DST). Out of the 14 Startup Centers, 10 have been approved. Once MHRD releases its share of Rs. 25 lakhs each for the Startup centers, the Startup centers would be supported by DST by December, 2016.

The target of sanctioning 15 TBIs is expected to be achieved by December 2016.

8. Research Parks

7 Research Parks will be set up as per the Startup India Action Plan. Out of these 7, IIT Kharagpur already has a functional Research Park. Further, DST will establish 1 Research Park at IIT Gandhinagar and the remaining 5 shall be set up by Ministry of Human Resource Development (MHRD) at IIT Guwahati, IIT Hyderabad, IIT Kanpur, IIT Delhi and IISc Bangalore.
