



**29.01.2021**



<b>IN THIS ISSUE</b>	<b>PAGE</b>
➤ <b>What is a Start Up?</b>	<b>2</b>
➤ <b>How to register your business with Start Up India</b>	<b>2</b>
➤ <b>Benefits of Start-up recognition by DPIIT</b>	<b>4</b>
➤ <b>What is section 56(2)(viib) ?</b>	<b>6</b>
➤ <b>What relief to Start-up's are given?</b>	<b>6</b>
➤ <b>Our Partners</b>	<b>9</b>

## WHAT IS A START UP?

A Startup is a newly established business, usually small, started by 1 or a group of individuals. What differentiates it from other new businesses is that a Startup offers a new product or service that is not being given elsewhere in the same way. The primary condition for an entity to be considered as a Startup Entity is that the entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation. The business either develops a new product/ service or redevelops a current product/service into something better.

## HOW TO REGISTER YOUR STARTUP WITH STARTUP INDIA ?

### Step 1: Incorporate your business

You must first incorporate your business as a Private Limited Company or a Partnership firm or a Limited Liability Partnership. You have to follow all the normal procedures for registration of any business like obtaining the certificate of Incorporation/Partnership registration, PAN, and other required compliances.

### Step 2: Register with Startup India

Then the business must be registered as a Startup. The entire process is simple and online. All you need to do is log on to the Startup India website and fill up the form with details of your business. Next, enter the OTP which is sent to your e-mail and other details like, Startup as type of user, name and stage of the Startup, etc. After entering these details, the Startup India profile is created. Once, your profile is created on the website, Startups can apply for various acceleration, incubator/mentorship programmes and other challenges on the website along with getting access to resources like Learning and Development Program, Government Schemes, State Polices for Startups and pro-bono services.

### Step 3: Get DPIIT Recognition

The next step after creating the profile on the Startup India Website is to avail Department for Promotion of Industry and Internal Trade (DPIIT) Recognition. This recognition helps the Startups to avail benefits like access to high quality

intellectual Property services and resources, relaxation in public procurement norms, self-certification under labour and environment laws, easy winding of company, access to Fund of Funds, tax exemption for 3 consecutive years and tax exemption on investment above fair market value.

#### **Step 4: Recognition Application**

The 'Recognition Application Detail' page opens. On this page click on 'View Details' under the Registration Details section. Fill up the 'Startup Recognition Form' and click on 'Submit'.

#### **Step 5: Documents to be uploaded for Registration**

- Incorporation/Registration Certificate of your Startup
- Details of the Directors
- Whether any awards/recognition received by the entity? if yes, need to upload document with respect to award/recognition received.
  - What is the problem the startup is solving? It needs to be explained in maximum 250 words.
  - How does your startup propose to solve above mentioned problem? It needs to be explained in maximum 250 words.
- What is the uniqueness of your solution? It needs to be explained in maximum 250 words.
  - How does your startup generate revenue? It needs to be explained in maximum 250 words.
- Proof of concept like pitch deck/website link/video (in case of a validation/ early traction/scaling stage Startup)
- Patent and trademark details (Optional)
- PAN Number

#### **Step 6: Immediately get recognition number**

On applying you will immediately get a recognition number for your Startup. The certificate of recognition will be issued after the examination of all your documents which is usually done in a few days after submitting the details online. However, be careful while uploading the documents. If on subsequent verification, it is found to be obtained that the required document is not uploaded/wrong document uploaded or a forged document has been uploaded then you shall be liable to a fine of 50% of your paid-up capital of the Startup with a minimum fine of Rs.25,000.

## Other advantages

### a. Patents, trademarks and/or design registration

If you need a patent for your innovation or a trademark for your business, you can easily approach any from the list of facilitators issued by the government. You will need to bear only the statutory fees thus getting an 80% reduction in fees.

### b. Funding

One of the key challenges faced by many Startups has been accessing to finance. Due to lack of experience, security or existing cash flows, entrepreneurs fail to attract investors. Besides, the high-risk nature of Startups, as a significant percentage fail to take-off, puts off many investors. In order to provide funding support, Government has set up a fund with an initial corpus of INR 2,500 crore and a total corpus of INR 10,000 crore over a period 4 years (i.e. INR 2,500 crore per year). The Fund is in the nature of Fund of Funds, which means that it will not invest directly into Startups, but shall participate in the capital of SEBI registered Venture Funds.

## BENEFITS OF STARTUP RECOGNITION BY DPIIT

**a) Various benefits with respect to Intellectual Property Rights (IPR):** Startups are provided following benefits with respect to intellectual property rights:

i) Startups are provided **80% rebate in filing of patent application and 50% rebate in filing of trademark application.**

ii) **Speedy examination & disposal of patent application** is provided in respect of startups.

iii) A **panel of facilitators** are provided to startups to assist in filing of application for intellectual property rights such as patents and trademarks. **Central Government bears the entire fees of the facilitators** for any number of patents, trademarks or designs, and **Startups only bear the cost of the statutory fees payable.**

As per latest data released by government more than 1000 applicants have received fee benefits and more than 4000 IPR facilitators available to assist startups in getting IPRs.

## **b. Relaxation in Public Procurement Norms for Startups**

Generally, when a tender is issued by a government entity or public sector undertaking, it has a requirement of either prior experience or turnover. Generally, startups fail to meet the criteria to participate in the tender.

In order to promote startups in manufacturing sector at par with well experienced entrepreneurs/companies having high turnover government has **exempted startups from the criteria of prior experience or turnover**. However, no relaxation has been granted with respect to quality standards or technical parameters.

## **c. Self-Certification of Compliance with Labour & Environment Laws**

In order to reduce the regulatory burden on Startups, it has been allowed to self-certify compliances with certain labour & environment laws for a period of three years from the date of incorporation.

In respect of labour laws **no inspection** will be carried out unless they receive a credible & verifiable complaint of violation, filed in writing and approved by at least one level senior to the inspecting officer.

Relief from labour laws:

- 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

Relief in following **Environment Laws**:

- 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

## **d. Faster Exit**

Due to innovative nature of Startups, unfortunately a significant percentage of startups fail to succeed.

In the event of a startup failure, it is important to reallocate capital and resources left to more productive options available and therefore, a swift and simple winding up process has been set up for Startups.

This will promote entrepreneurs to experiment with new and innovative ideas, without having the fear of facing a complex and long-drawn exit process where their capital remain needlessly stuck.

### **e. Income Tax Exemption under section 80IAC for 3 years**

With a view to stimulate the development of Startups in India and provide them a competitive platform, tax exemption to recognised startups for 3 years on approval basis has been allowed.

Startups incorporated on or after 1st April 2016 can apply for income tax exemption under **section 80IAC** of the Income Tax Act, 1961.

The Inter-Ministerial Board validates the innovative nature of the business for granting Income Tax Exemption.

The recognized Startups that are granted an Inter-Ministerial Board Certificate are exempted from income-tax for a period of 3 consecutive years out of 7 years since incorporation.

## **F. WHAT IS SECTION 56(2)(VIIB) ?**

Where a company receives any consideration for issue of shares which exceeds the Fair Market Value (FMV) of such shares, such excess consideration is taxable in the hands of recipient as Income from Other Sources.

## **WHAT RELIEF TO STARTUPS ARE GIVEN?**

To encourage capital investment in startups a relief has been provided to startups with respect to section 56(2)(viib).

A DPIIT recognized startup is eligible for exemption from the provisions of **section 56(2)(viib)** of the Income Tax Act.

The Startup has to file a duly signed declaration in Form 2 to DPIIT to claim the exemption from the provisions of Section 56(2)(viib) of the Income Tax Act.

Declaration needs to be digitally signed by a person who is authorized to verify the return of income under Section 140 of the Income tax Act e.g director of the company.

### **g. Fund of Funds for Startups:**

One of key challenges faced by Startups in India has been access to finance. Often Startups, due to lack of collaterals or existing cash flows, fail to justify the loans.

Besides, the high-risk nature of Startups wherein a significant percentage fail to take-off, hampers their investment attractiveness.

To provide equity funding support for development and growth of innovation driven enterprises, the Government has set aside a corpus fund of INR 10,000 crores managed by SIDBI.

The Fund is in the nature of **Fund of Funds**, which means that the Government participates in the capital of SEBI registered Venture Funds, who invest **twice** the amount in Startups.

### **h. Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)**

The Credit Guarantee Fund Scheme for Micro and Small Enterprises was launched by the Government of India (GoI) to make available **collateral-free credit** to the micro and small enterprise sector. Both the existing and the new enterprises are eligible to be covered under the scheme.

**i. Tax Exemptions on Capital Gains** with an objective to promote investments into Startups by mobilizing the capital gains arising from sale of capital assets.

## **OUR SERVICES**

### **Audit & Assurance**

Auditing.  
Certification.

### **Funding**

Tem loan.  
Working Capital Loan.  
Debt Restructuring  
OTS.  
PE Funding.  
Venture Capital Funding.

### **Direct & Indirect Tax**

Transfer pricing.  
Income Tax planning.  
Filing of IT Returns.  
Appeal matters.  
GST - planning and assessment.

### **Company law matters**

Incorp. of Comp. LLP etc.  
Advisory on Company law matters  
Support in Secretarial matters.

### **Other Statutes**

Insolvency & Bankruptcy  
SARFAESI matters  
FEMA & Forex related matters.

### **Other Services**

CFO/Retainership  
Fraud avoidance and detection.  
Accounting.  
Stat.&Reg.Compliances.



## OUR PARTNERS/ASSOCIATES

<b>NCR</b>	
CA Rishi Sharma	<a href="https://www.linkedin.com/in/rishi-sharma-08634453/">https://www.linkedin.com/in/rishi-sharma-08634453/</a>
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