

#startupindia

Startup India : Status and Reality

Prepared by

RAJAT KHANEJA

Knovalt Corporate Advisors Private Limited
"KNOVALT"

EXECUTIVE SUMMARY

- Govt. of India **came up with a Startup India Action Plan in January, 2016 to bolster startup ecosystem of India.**
- In this presentation, we have tried to cover the overall performance of the Action Plan as of now, procedure and status of the plan.
- As of November, 2018, **14036** startups have been granted recognition under the plan and **91** startups have been granted certificate of eligibility for tax exemption.
- The procedure for getting recognition has been simplified over the years. Earlier the pace of startup recognition was very slow due to requirement of letter of recommendation from incubator/VC etc. The same has been done away with. Now a startup can fill a form and get the recognition easily.
- Should you have queries regarding the information contained in this presentation, please feel free to contact us. Our contact details are given at the end of this presentation.

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Introduction

INTRODUCTION

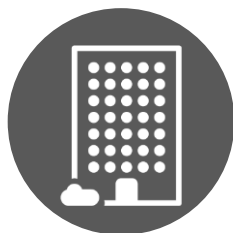
Criteria for being classified as a Startup



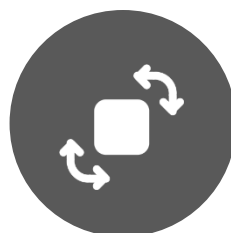
Registered not prior to

10 years

Age of Startup should not be more than 10 years



Registered as either
a **Private Limited Company**
or
a **Registered Partnership Firm**
or
a **Limited Liability Partnership (LLP)**



Annual turnover not exceeding

Rs. 100 crore

for any of the financial years since incorporation/registration



Entity **should not** have been formed by **splitting up** or **reconstruction** a business already in existence



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

INTRODUCTION

Changes in Criteria

✓ Age of Startup

THEN



Registered not prior to
5 years

*Age of Startup should not be
more than 5 years*

*Extended to 7 years
w.e.f.
23rd May, 2017*

NOW



Registered not prior to

10 years

*Age of Startup should not be more
than 10 years*

INTRODUCTION

Changes in Criteria

✓ Turnover

THEN

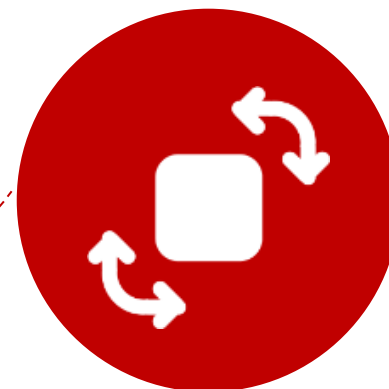


*Annual turnover
not exceeding*

Rs. 25 crore

*for any of the
financial years
since
incorporation/
registration*

NOW



Annual turnover not exceeding

Rs. 100 crore

*for any of the financial years since
incorporation/registration*

w.e.f

19th February, 2019

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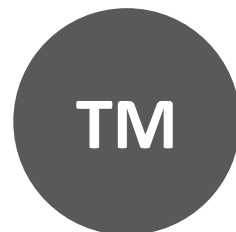
Benefits

BENEFITS



Self Certification

Relaxation under **9** environmental & labour laws



Patents, Trademark & Copyright Protection (IPR)

Fast track and **rebate** in filing application for IPR



Tax Exemption to startups

Income Tax exemption for a period of **3 consecutive years** and **exemptions on capital gains & investments above Fair Market Value**



Easier Public Procurement Norms

Exemption on **Earnest Money Deposit (EMD)** and **qualifying criteria**



Easy Closure

Winding up of **business within 90 days** under insolvency and Bankruptcy code, 2016



SIDBI Fund of Funds

Funds for investment into Startup through Alternate Investment Funds

BENEFITS



Self Certification

Relaxation under 9 environmental & labour laws

The startups may self-certify compliance in respect of following Labour Laws:

The Payment of Gratuity Act, 1972

The Inter-State Migrant Workmen
(Regulation of Employment & Conditions
of Service) Act, 1979

Other Constructions Workers' (Regulation
of Employment & Conditions of Service)
Act, 1996

The Contract Labour (Regulation and
Abolition) Act, 1970

The Employees' Provident Funds and
Miscellaneous Provisions Act, 1952

The Employees' State Insurance Act, 1948

- No inspections will be conducted for a **period of 5 years**. (in case of labour laws)
- Startups **may be** inspected on receipt of credible and verifiable complaint of violation, filed in writing and approved by at least one level senior to the inspecting officer.
- Formats for self-certification are available on website: <https://shramsuvridha.gov.in>

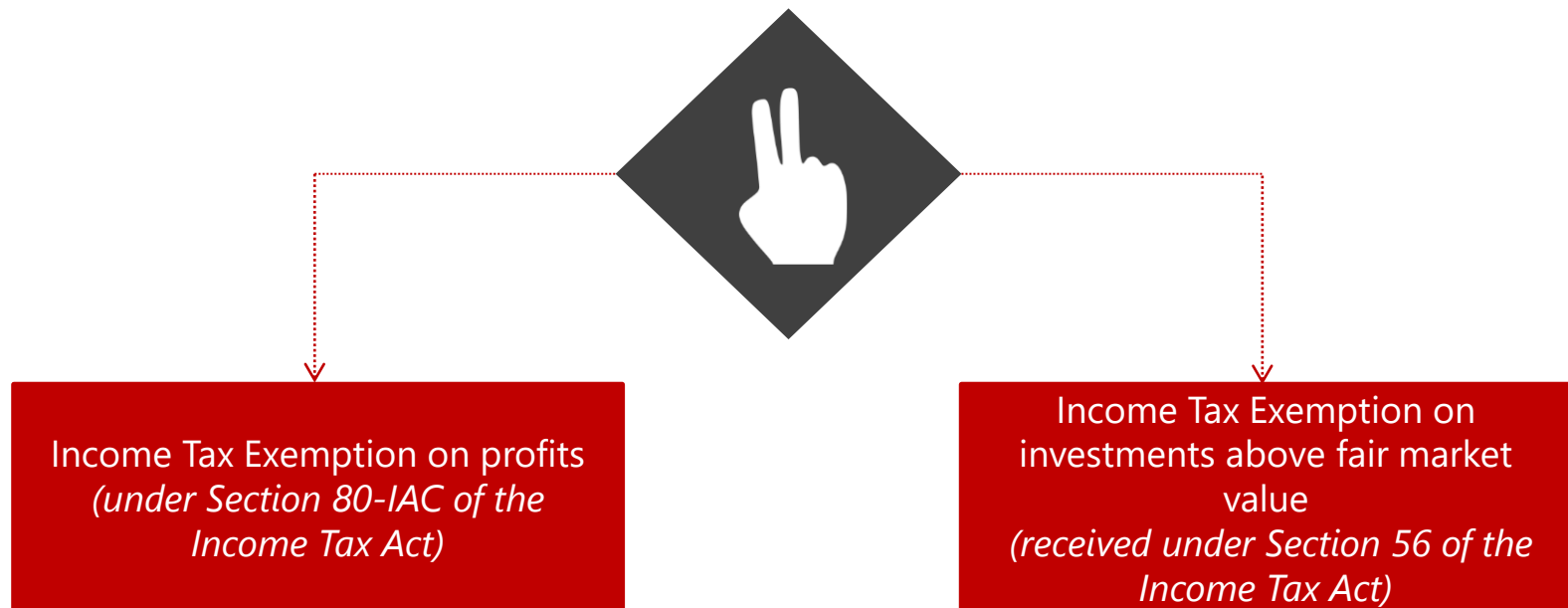
BENEFITS



Tax Exemption to startups

*Income Tax exemption for a period of **3 consecutive years** and **exemptions on capital gains & investments above Fair Market Value***

TWO MAIN TAX EXEMPTIONS TO STARTUPS UNDER THE PLAN



BENEFITS

1 Income Tax Exemption on profits (*under Section 80-IAC of Income Tax Act*)

Meaning:

- Eligible Startup to get tax exemptions on profits for any 3 consecutive years out of 7 years from the year of incorporation of startup.

Criteria for getting tax exemption under section 80-IAC:

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Recognised as Startup
under Startup India Action
Plan



A private limited
company or a limited
liability partnership,



Incorporated on or
after **1st April 2016** but
before **1st April 2021**,



Products or services or processes
are undifferentiated, have
potential for commercialization
and have significant incremental
value for customers or workflow

Opinion:

- Not all startups recognised under the plan get tax exemption under section 80-IAC
- Separate application has to be filed for applying for tax exemption
- As of November 2018, 91 startups have been given the tax exemption
- Product/service should be innovative and have significant incremental value for customers or workflow

BENEFITS

2

Income Tax Exemption on investments above fair market value
(received under Section 56 of Income Tax Act)

Meaning:

- Exemption under clause (ii) of the proviso to clause (viib) of sub-section (2) of section 56 of the Act
- Amount received above the Fair market value of shares by the company shall not be treated as income for taxation purpose

Criteria for getting tax exemption under section 56:

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Recognised as
Startup under
Startup India
Action Plan



A Private Limited
Company
Or
A Limited Liability
Partnership



Paid up Share Capital
and premium
Less than
Rs. 25 Crore
after issue/proposed
issue



No investment in
certain class of
Assets

BENEFITS

2

Income Tax Exemption on investments above fair market value
(received under Section 56 of Income Tax Act)



Paid up Share Capital
and premium
Less than
Rs. 25 Crore
after issue/proposed
issue

AGGREGATE AMOUNT OF PAID UP SHARE CAPITAL AND SHARE PREMIUM OF THE STARTUP

AFTER ISSUE OR PROPOSED ISSUE OF SHARE

DOES NOT EXCEED

RS. 25 CRORE

Amounts ***not included*** while
computing paid up share
capital and share premium

**More than 300 startups already
got the exemption**



Amount invested by a Non-resident



Amount invested by a venture capital company



Amount invested by a specified company

**Residents
also
included
w.e.f
05.03.2019**

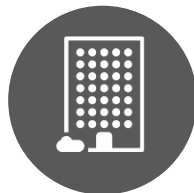
BENEFITS

2

Income Tax Exemption on investments above fair market value
(received under Section 56 of Income Tax Act)



No investment in
certain class of
Assets
*Before and after
investment*



Land or building
*other than that used by the
Startup for the purposes of
renting or held by it as stock-
in-trade, in the ordinary
course of business*



Loans & Advances
*other than loans or advances
extended in the ordinary
course of business by the
Startup where the lending of
money is substantial part of its
business*



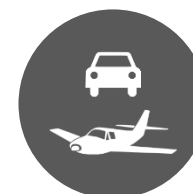
**CAPITAL
CONTRIBUTION**
made to any entity



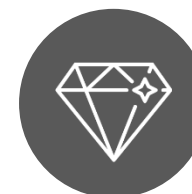
*Any asset, whether in the
nature of capital asset or
otherwise, of the nature
specified in sub-clauses (iv) to
(ix) of clause (d) of Explanation
to clause (vii) of sub-section (2)
of section 56 of the Act*



Shares & Securities



**MOTOR VEHICLE, AIRCRAFT,
YACHT OR ANY OTHER MODE
OF TRANSPORT**
*the actual cost of which exceeds
Rs. 10 Lakhs,
other than that held by the Startup
for the purpose of plying, hiring,
leasing or as stock-in-trade, in the
ordinary course of business*



Jewellery
*other than that held by
the Startup as stock-in-
trade in the ordinary
course of business;*

*Startup shall not invest in the mentioned
assets for seven years from the end of the
latest financial year in which shares are
issued at premium*

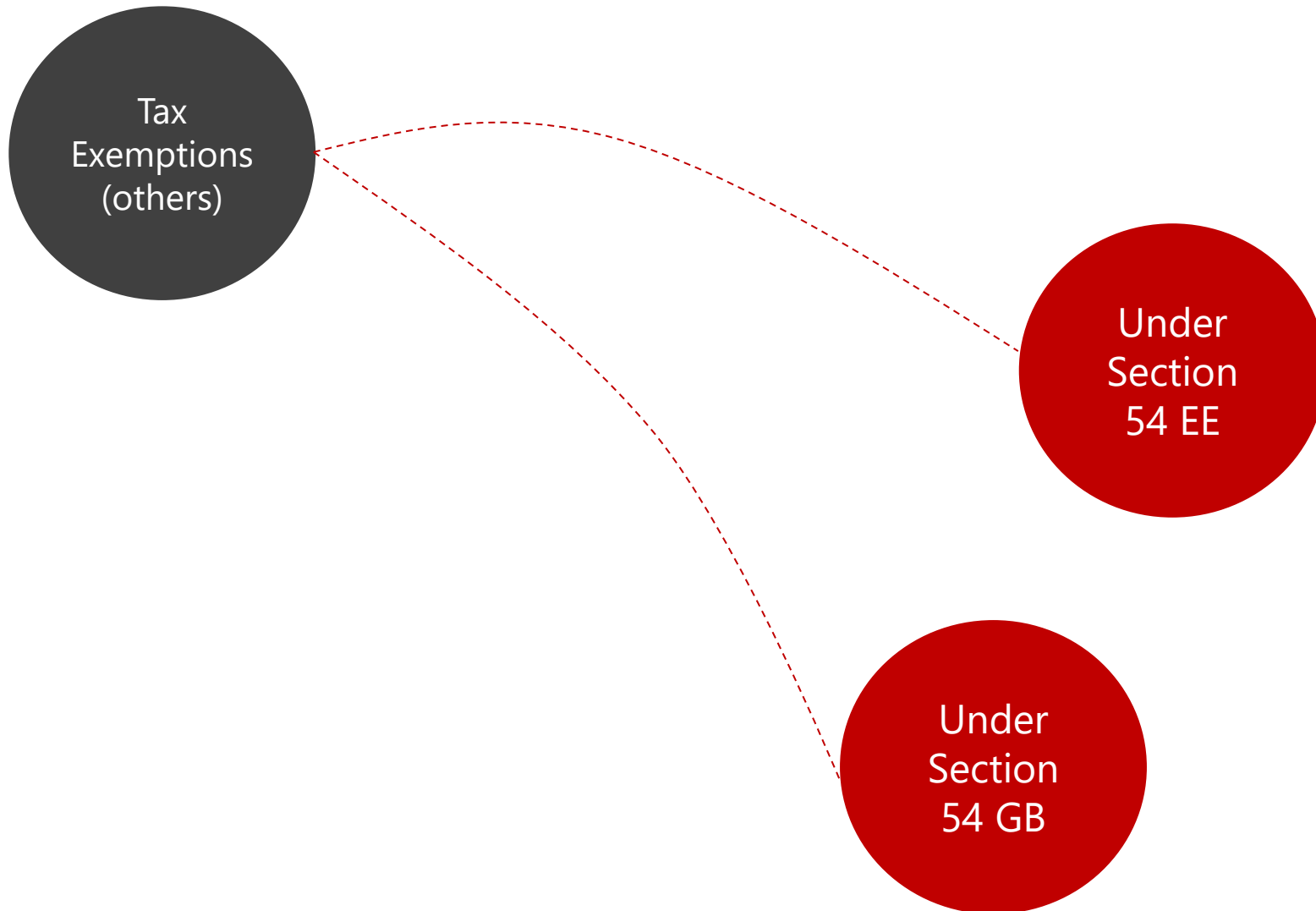
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KNOWALT
Yes!!

Startup

**Tax
Exemptions
(others)**

TAX EXEMPTIONS (OTHERS)



TAX EXEMPTIONS (OTHERS)

Under
Section
54 EE

- *A new section 54 EE has been inserted in the Income Tax Act for the eligible startups*
- *Exemption of tax on a long-term capital gain*
- *If such a long-term capital gain or a part thereof is invested in a fund notified by Central Government within a period of six months from the date of transfer of the asset*



Maximum
Amount of
investment
**Rs. 50
Lakhs**



Lock-in-period
3 years



*If withdrawn
before 3 years*
**then
exemption
will be
revoked**

TAX EXEMPTIONS (OTHERS)

Under Section 54 GB

- Provisions u/s 54GB allowed the exemption from tax on long-term capital gains on the sale of a residential property if such gains are invested in the small or medium enterprises as defined under the Micro, Small and Medium Enterprises Act, 2006.
- Section amended to include exemption on capital gains invested in eligible start-ups also.
- If an individual or HUF sells a residential property and invests the capital gains to equity shares of the eligible startups, then tax on long term capital will be exempted.



Investment in
Equity Shares
of a startup

**50% or more
shareholding**



Lock-in-period

5 years

From the date
of acquisition



Lock-in-period
for startups

Use funds for
purchase of assets
and no transfer
allowed till 5
years

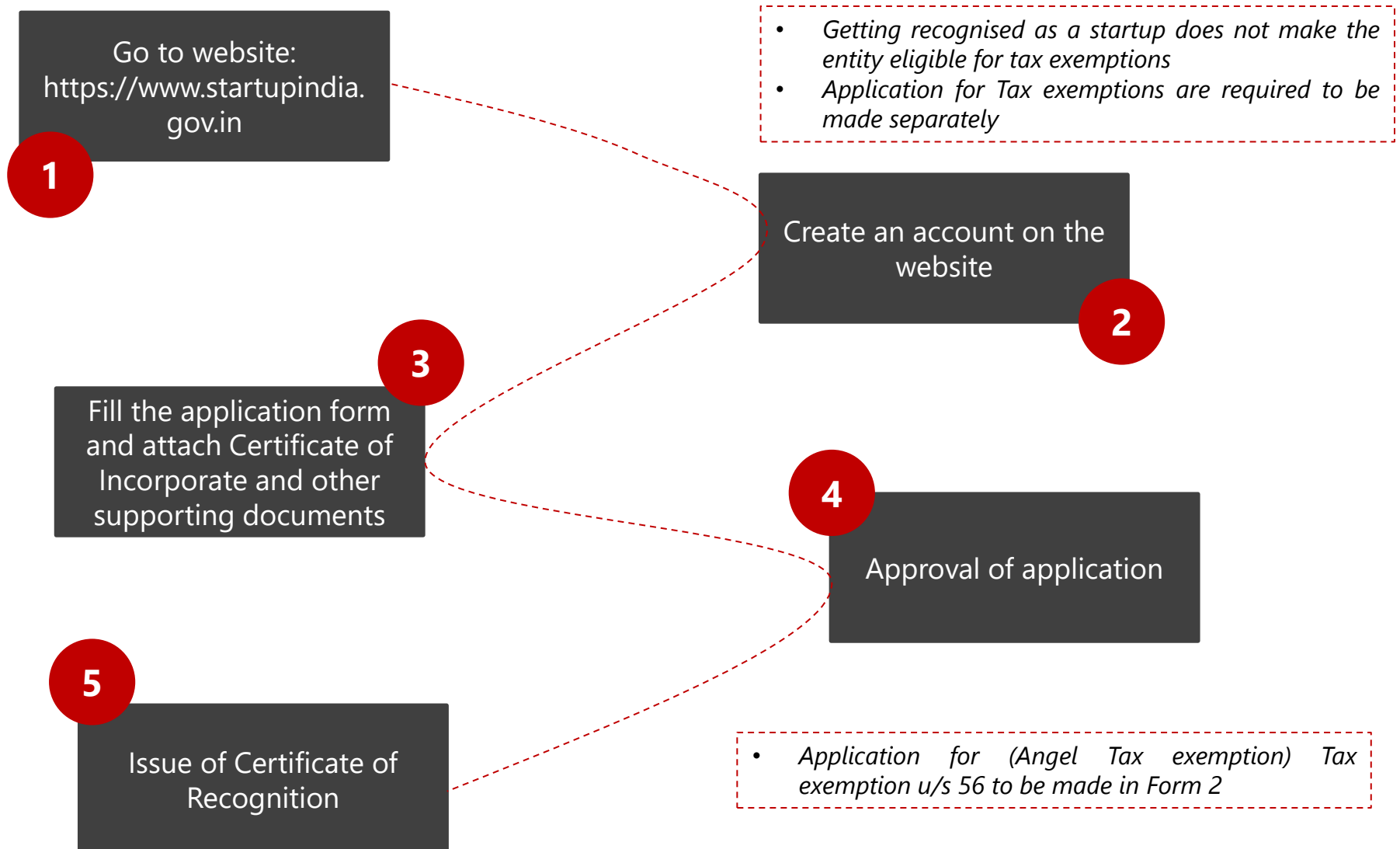
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**Startup
Recognition**

STARTUP RECOGNITION



INTRODUCTION

Knovalt Corporate Advisors Private Limited
("Knovalt")

*is a multi-dimensional corporate consultancy
company with focus on:*

Knowledge Enhancement

Value Creation

&

Trust Building

Over the years, our team has developed capability and expertise in specialised areas encompassing corporate laws, security laws, finance and taxation.

We always ensure that the business objectives of our clients are met in the most creative and expeditious manner.

We believe in providing the most cost effective business solutions to the clients since we see our growth in our clients' growth.

SERVICES

KN^oVALT



Legal & Secretarial



Merchant Banking



Consultancy



Accounting & Finance



Taxation



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THANK YOU

KNOVALT CORPORATE ADVISORS PRIVATE LIMITED

310, 3rd Floor, Bhanot Corner, Pamposh Enclave, Greater Kailash -1, New Delhi - 110048|

Tel: +91 9871 555 311| W: www.knovalt.com | E: info@knovalt.com |

Corporate & Securities Laws | Merchant Banking | Consulting | Taxation | Accounting & Finance