

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE
RAJYA SABHA**

**UNSTARRED QUESTION NO. 1117.
TO BE ANSWERED ON WEDNESDAY, THE 13TH FEBRUARY, 2019.**

INCOME TAX EXEMPTION TO STARTUPS

1117. KUMARI SELJA:

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

- (a) the details of funds sanctioned, allocated and spent under 'Startup India' scheme, State-wise and sector-wise, including the State of Haryana;
- (b) whether it is a fact that only 4 per cent of the startups were certified for grant of exemption from income-tax;
- (c) if so, the reasons therefor; and
- (d) the steps being taken and planned to reduce the problems faced by the startups in the country?

ANSWER

**THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY
(SHRI C.R. CHAUDHARY)**

- (a) to (d):** Startup India initiative has no scheme for direct funding for Startups. However, Government of India has taken number of steps to assist startup ecosystem in the country including steps to reduce the problems faced by the startups. The details regarding this are listed at Annexure.

Section 80 IAC of Income Tax Act, 1961 provides for Income tax exemption to recognized startups for any 3 consecutive years out of a block of 7 years (10 years for startups from Bio-Technology Sector) from the date of its incorporation/registration. Certificate for exemption under section 80 IAC of Income Tax is granted by Inter-Ministerial Board (IMB) constituted by DPIIT. The applications received for exemption are technically evaluated by National Research and Development Corporation (NRDC). Based on the recommendations of technical evaluation agency, the IMB grants approval for exemption for section 80 IAC of Income Tax. A total of 4,648 of complete applications have been received for exemption under Section 80 IAC. Out of these, 2,743 applications have been considered by IMB and 94 cases have been certified for grant of exemption for Income Tax.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PARTS (a) & (b) OF THE RAJYA SABHA UNSTARRED QUESTION NO. 1117 FOR ANSWER ON 13.02.2019.

Steps taken to strengthen startup ecosystem at local level in the country

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; 27 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:
 - Startup recognition – 15,798 Startups have been recognised till 7th February 2019
 - Learning & development module – over 2,30,000 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.

3. Startup India Hub

- 1,23,000+ queries have been handled by the Startup India Hub
- 660+ Startups have been mentored for incubation and funding support
- 2,90,000+ registrations have been achieved on the Hub as of February, 2019.

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

- 427 facilitators for Patent and Design and 670 facilitators for Trademark applications have been empanelled to assist Startups in filing of patents and trademarks
- 801 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 176 Startups have been facilitated
- Trademark facilitation has been extended to 1226 Startups as of October, 2018

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 Rs. 10,000 crore

- Fund of Funds for Startups of Rs. 10,000 crore shall be released over two Finance Commission cycles, that is, by the year 2025

- Rs. 500 crore has been released to SIDBI in FY16 and Rs. 100 crore in FY 17
- Total commitments under FFS stand at Rs. 1,750.70 Cr. crore to 35 Alternative Investment Funds (AIFs) while drawdown by AIFs is Rs. 279.98 crore
- 182 Startups have received funding under FFS with catalysed investment of Rs. 1004.82 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 Rs. 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 for Startups (Companies and LLPs) to avail income tax exemption for 3 years in a block of 7 years, if they are incorporated between 1st April 2016 and 31st March 2019.
- 94 Startups have been approved for availing tax benefits as of February 2019

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. Also, on 11th April 2018, DIPP modified the process of recognition and tax exemptions. Eligible Startups are now allowed to apply for exemptions under Section 56 (2) (viib) through Startup India portal. Further, Revised norms for Angel Tax exemption under section 56 of Income Act have been notified on 16th January 2019.

Industry-Academia Partnership and Incubation

11. Launch of Atal Innovation Mission (AIM)

- 5441 schools selected for establishing tinkering labs and Rs. 12 Lakh each has been disbursed to 2071 tinkering labs.

12. Harnessing Private Sector Expertise for Incubator Setup

- 8 existing Incubators have been sanctioned a total scale-up grant of Rs. 34 crore by NITI Aayog
- 22 New Incubators approved and provided funding support of Rs. 54 crore by NITI Aayog

13. Building Incubation Centres at National Institutes

- 11 TBIs (Technology Business Incubators) have been approved and Rs. 42 crore have been sanctioned and Rs. 18.7 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 Rs. 100 crore is under construction and Rs. 74.83 Cr. released to IIT Kharagpur
- IIT Mumbai at a cost of Rs. 100 crore is under construction and Rs. 34 Cr. released to IIT Bombay
- The Research Park at IIT Gandhinagar has been sanctioned by DST at a total cost of Rs. 90 crore and the Department has already disbursed instalment of Rs. 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 Rs. 375 Crore for a period of 3 years.

15. Promoting Startups in the Biotechnology Sectors

- Department of Biotechnology (DBT) has launched Biotech Equity fund and seed fund to support bio-incubator. The initiative has already helped 11 Bio-incubators that have been selected as recipients of the above mentioned seed fund. Also, Rs. 82 crore has been sanctioned under equity fund.
- 31 bio-incubators have been supported through funding support with Rs. 142 crore sanctioned and Rs. 73.87 crore disbursed since January, 2016. The impact has been multi-fold as a total of 300 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 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 RashtrapatiBhavan 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) UchhattarAvishkarYojana (UAY)

- Rs. 475 crore for 2016-18 has been earmarked for 3 years
- Rs. 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’:
 - The upper limit for number of angel investors in a scheme has been increased from forty nine to two hundred
 - Angel Funds will be allowed to invest in start-ups incorporated within five years, which was earlier 3 years.
 - The requirement of minimum investment amount by an Angel Fund in any venture capital undertaking has been reduced from Rs. 50 lakh to Rs. 25 lakh.
 - The lock-in requirements of investment made by Angel Funds in a venture capital undertaking has been reduced from three years to one year.
 - Angel Funds are allowed to invest in overseas venture capital undertakings upto 25% of their investible corpus in line with other AIFs.
