

## NOTE ON START UP

A start up 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 start up offers a new product or service that is not being given elsewhere in the same way. The keyword is innovation. The business either develops a new product/ service or redevelops a current product/service into something better.

### Qualifications to be a Start Up:

An entity shall be considered as a Start-up:

- If it is incorporated as a private limited company or registered as a partnership firm or a limited liability partnership in India
- Up to seven years from the date of its incorporation/registration; however, in the case of start-ups in the biotechnology sector, the period shall be up to ten years from the date of its incorporation/registration
- If its turnover for any of the financial years since incorporation/registration has not exceeded INR 25 Crores
- If it 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

**Note:** An entity formed by splitting up or reconstruction of a business already in existence shall not be considered a 'Start up'.

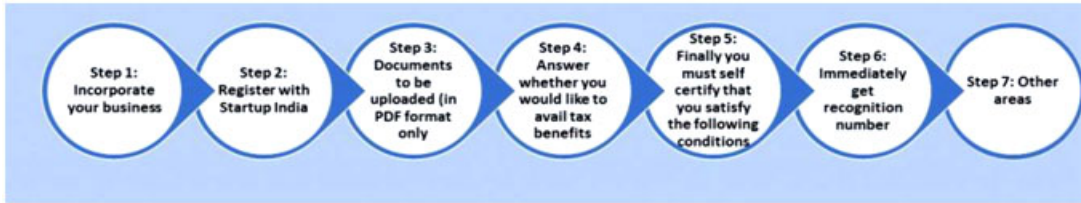
### Benefits under the start-up scheme:

For availing various benefits under the Start-up India scheme, an entity would be required to be recognized by DIPP as a start up

The benefits provided to recognized start-ups under the Start-up India initiative are:

- Self-Certification: Self-certify and comply under 3 Environmental & 6 Labour Laws
- Tax Exemption: Income Tax exemption for a period of 3 consecutive years and exemption on capital and investments above Fair Market Value
- Easy Winding of Company: In 90 days under Insolvency & Bankruptcy Code, 2016
- Start up Patent Application & IPR Protection: Fast track patent application with up to 80% rebate in filling patents
- Easier Public Procurement Norms: Exemption from requirement of earnest money deposit, prior turnover and experience requirements in government tenders
- SIDBI Fund of Funds: Funds for investment into start-ups through Alternate Investment Funds

### Steps for registration of Start ups:



### Step 1: Incorporate your business

First incorporate the business as a Private Limited Company or a Partnership firm or a Limited Liability Partnership.

All the normal procedures for registration of any business like obtaining the certificate of Incorporation/Partnership registration, PAN, and other required compliances should be complied.

### Step 2: Register with Start-up India

Then the business must be registered as a start-up. The entire process is online and requires the applicant to fill up the form with details of the business and upload certain documents.

### Step 3: Documents to be uploaded (in PDF format only)

- A letter of recommendation/support
  - (i) A letter of recommendation must be submitted along with the registration form. Any of the following will be valid-
    - (ii) A recommendation (regarding innovative nature of business) from an Incubator established in a post-graduate college in India, in a format specified by the Department of Industrial Policy and Promotion (DIPP); OR
    - (iii) A letter of support by an incubator, which is funded (in relation to the project) by Government of India as part of any specified scheme to promote innovation; OR
    - (iv) A letter of recommendation (regarding innovative nature of business), from an Incubator, recognized by the Government of India in DIPP specified format; OR
    - (v) A letter of funding of not less than 20% in equity, by any Incubation Fund/Angel Fund/Private Equity Fund/Accelerator/Angel Network, duly registered with SEBI that endorses innovative nature of the business; OR
    - (vi) A letter of funding by Government of India or any State Government as part of any specified scheme to promote innovation; OR
    - (vii) A patent filed and published in the Journal by the Indian Patent Office in areas affiliated with the nature of the business being promoted.
- Incorporation/Registration Certificate
- Description of your business in brief

### Step 4: Answer whether you would like to avail tax benefits

Start-ups are exempted from income tax for 3 years. But to avail these benefits, they must be certified by the Inter-Ministerial Board (IMB). Start-ups recognized by DIPP; Govt. of India can now directly avail IPR related benefits without requiring any additional certification from IMB

### Step 5: Self Certification and declaration

#### Step 6: Immediately get recognition number

On applying, the applicant will immediately get a recognition number for your start up. The certificate of recognition will be issued after the examination of all 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 the applicant shall be liable to a fine of 50% of the paid-up capital of the start up with a minimum fine of Rs. 25,000.

### Other areas

#### 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.

### Funding

One of the key challenges faced by many start-ups 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 start-ups, 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 Start-ups, but shall participate in the capital of SEBI registered Venture Funds.

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For those seeking more information, please feel free to connect with us on [info@kdpaccountants.com](mailto:info@kdpaccountants.com)

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