



The Institute of Chartered
Accountants of India

COMMITTEE ON
MSME AND STARTUP



#startupindia

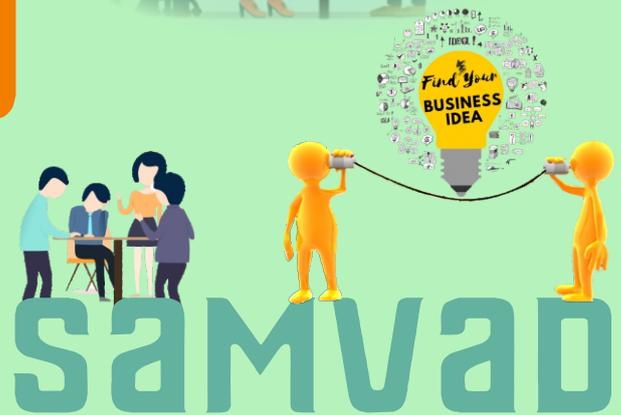


ICAI Startup SAMVAD



JANUARY

2023



STARTUPS IN INDIA *at a Glance*

Published by:

Committee on MSME & Startup, ICAI

For More Details Please Visit us at <https://startup.icai.org/>

Introduction

India is set to overtake the UK to become the world's fifth largest economy this year and projected to surpass Japan to feature at the second position in the Asia-Pacific region by 2025. From one perspective, business is booming. However, with increasing globalisation and shrinking markets, are Indian Startups equipped with a Tax and Regulatory landscape to take on this challenge?

India is also seeing a sharp rise in entrepreneurship and foreign interest in domestic businesses. USD 33.62 billion has already invested in the ecosystem from 2014, and India is projected to have 50,000 new start-up and running by 2024.

Developments like E-Commerce, Blockchain, Artificial Intelligence (AI) and Robotic Process Automation (RPA) have not just changed how businesses operate, but have also given birth to digital business models and methodologies, as well as disruption, volatility and uncertainty for established organisations thereby creating a new market and value network and displacing established firms and products.

This Information Booklet is our effort to consolidate the various Tax and Regulatory benefits extended to Eligible Startups in India and how Startups can go about availing these benefits.

Defining "Eligible Startups"

A Startup is an "Entity" fulfilling the conditions as laid down in the Notification¹ issued by Department for Promotion of Industry and Internal Trade (DPIIT) as under

		
INCORPORATION CRITERIA	TURNOVER CRITERIA	INNOVATION, EMPLOYMENT & WEALTH CREATION
Not older than 10 years from the date of incorporation / registration	Turnover of the startup for any of the financial years since incorporation / registration not exceeded INR 100 crore	Startup working towards innovation, development or improvement of products / processes / services, or a scalable business model

Entity is incorporated as a Private Limited Company or Limited Liability Partnership (LLP) or Registered as a Partnership Firm in India and satisfies following 3 conditions:

- 1 Less than ten years from the date of its incorporation/ registration
- 2 Turnover² of the Entity for any of the financial years since incorporation/ registration has not exceeded one hundred crore rupees (INR 100 Crore).
- 3 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.

Note: A startup ceases to be an Eligible Startup if does not fulfill the above the criteria or the startup is an entity formed by splitting up or reconstruction of a business already in existence.

Process for Registration as an "Eligible Startup"

- 1 Register on www.startupindia.gov.in
- 2 Apply for recognition as an "Eligible Startup"
- 3 Submit a write up about the nature of business
- 4 Submit the online application along with details required
- 5 Receive DIPP Recognition Certificate

1. Notification No. G.S.R. 127 (E) dated 19.02.2019 issued by Department for Promotion of Industry and Internal Trade (DPIIT)

2. "Turnover" shall have the meaning as assigned to it in clause (91) Section 2 of the Companies Act, 2013;

- Register on www.startupindia.gov.in as “Startup”
- Submit a write up 3 about the nature of business highlighting how it is working towards innovation, development or improvement of products or services or scalability in terms of employment generation or wealth creation.
- Receive DIPP Recognition Certificate over the registered e-mail ID
- Initiate an application for recognition as an “Eligible Startup” on the portal
- Submit the online application along with Certificate of Incorporation and with other relevant details as required in the application

Tax, Regulatory and other benefits for ‘Eligible Startups’

01	02	03	04	05	06
					
Income Tax	SEBI	Companies Act 2013	Labour Laws	Foreign Exchange Management act	IP and Environment Laws
Angel Tax, Capital Gains, Set off and Carry Forward of losses	Differential Voting Rights and Listing Platform	ESOP's, Sweat Equity, Convertible Notes, Board Meetings	Self Certification of Labour Laws	Convertible Notes, ECB's, Foreign Accounts	Reduced IPR Registration Costs

Financial Support Under Startup India Seed Fund Scheme

1. Up to Rs. 20 Lakhs as grant for validation of Proof of Concept, or prototype development, or product trials.
2. Up to Rs. 50 Lakhs of investment for market entry, commercialization, or scaling up through convertible debentures or debt or debt-linked instruments.

Other Support-Central Government

- Startups shall be allowed to be self-certify compliance for 6 Labour Laws and 3 Environmental Laws through a simple online procedure.
- Fast-tracking of Startup Patent Applications: Patent applications filed by startups shall be fast-tracked for examination so that their value can be realised sooner.
- Rebate on filing of application: Startups shall be provided an 80% rebate in filing of patents vis-a-vis other companies. This will help them pare costs in the crucial formative years
- Eligible startups can be exempted from paying income tax for 3 consecutive financial years out of their first ten years since incorporation.
- Investments into eligible startups by listed companies with a net worth of more than INR 100 Crore or turnover more than INR 250 Crore shall be exempt under Section 56 (2) VIII of Income Tax Act
- As per the Insolvency and Bankruptcy Code, 2016, startups with simple debt structures, or those meeting certain income specified criteria* can be wound up within 90 days of filing an application for insolvency.
- Opportunity to list your product on Government e-Marketplace
- EMD Exemption: DPIIT recognised startups have been exempted from submitting Earnest Money Deposit (EMD) or bid security while filling government tenders.

Requirements in Application for Eligible Startup

1. Is your offering a product/service
2. Is your product Innovative/an Improvement of an existing process
3. Is your offering resulting in Employment Generation/Wealth Creation
4. Please submit a brief note supporting the options chosen above for innovation/ improvement - 250 words maximum
5. Mobile Number and e-mail ID of ALL directors
6. Certificate of Incorporation of the Company
7. Please mention any awards/recognition received by the entity (If applicable – 100 words maximum)
8. What is the problem the startup is solving? (100 words maximum)
9. How does your startup propose to solve this problem? (100 words maximum)
10. What is the uniqueness of your solution? (100 words maximum)
11. How does your startup generate revenue? (100 words maximum)
12. Updated Pitch Deck
13. Videos (if any)

State Specific Startup Ecosystem

Sr. No.	State	Nodal Agency	Website Reference
1.	Andaman and Nicobar Islands	Industries Department, Middle Point, Port Blair	http://ls1.and.nic.in/startup india/
2.	Andhra Pradesh	Department of Information Technology, Electronics & Communication	secy_itc@ap.gov.in
3.	Assam	Department of Industries & Commerce	-
4.	Bihar	Department of Industries	http://www.startup.bihar.gov.in/
5.	Chhattisgarh	Chhattisgarh InfoTech Promotion Society (CHIPS)	https://industries.cg.gov.in/startupcg/Home/Index
6.	Goa	Department of Information Technology	dir-dit.goa@nic.in
7.	Gujarat	Industries Commissionerate, Government of Gujarat	http://www.startupgujarat.in
8.	Haryana	Haryana State Electronics Development Corporation Limited	mdhartron-hry@gov.in
9.	Himachal Pradesh	Department of Industries	https://startuphimachal.hp.gov.in/
10.	Jammu & Kashmir	The Jammu and Kashmir Entrepreneurship Development Institute (JKEDI)	https://www.startupjk.com/
11.	Jharkhand	Department of Information Technology and E-Governance	https://abvil.jharkhand.gov.in/index.php
12.	Karnataka	Department of Information Technology, Biotechnology and Science & Technology, Government of Karnataka	https://startup.karnataka.gov.in/
13.	Kerala	Kerala Startup Mission	https://startupmission.kerala.gov.in/
14.	Madhya Pradesh	Department of MSME	sicell.msme@mp.gov.in
15.	Maharashtra	Department of Industries & Commerce, Maharashtra State Innovation Society (MSInS); Department of Skill Development and Entrepreneurship	-
16.	Manipur	Planning Department, Govt. of Manipur	https://www.startupmanipur.in/
17.	Nagaland	Department of Industries & Commerce, Government of Nagaland	https://startup.nagaland.gov.in/
18.	Odisha	Department of Micro, Small & Medium Enterprises	https://startupodisha.gov.in/
19.	Punjab	Department of Micro, Small & Medium Enterprises	https://pbindustries.gov.in/static/policy_framework;Key= Startup_and_Entrepreneur ship
20.	Rajasthan	Department of Information Technology & Communication (DoIT & C)	https://istart.rajasthan.gov.in/
21.	Tamil Nadu	Entrepreneurship Development and Innovation Institute	https://www.editn.in/
22.	Telangana	Information Technology, Electronics and Communications Department	https://it.telangana.gov.in/
23.	Uttar Pradesh	-	http://itpolicyup.gov.in/
24.	Uttarakhand	-	https://startuputtarakhand.com/start-up-uttarakhand/ home
25.	West Bengal	Department of Micro, Small & Medium Enterprises & Textiles, Government of West Bengal	https://www.startupbengal.in/



CA. (Dr.) Debashis Mitra
President, ICAI



CA. Aniket Sunil Talati
Vice President, ICAI



CA. Dheeraj Kumar Khandelwal
Chairman
Committee on MSME and Start Up



CA. (Dr.) Raj Chawla
Vice Chairman
Committee on MSME and Start Up

For more details:

Dr. Sambit Kumar Mishra, *Secretary*

Committee on MSME and Startup

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

ICAI Bhawan, A-29, Sector-62, NOIDA-201309 (U.P.) ★ Tel.: +91-120-3045994, E-mail: startup@icai.in