

Government Incentives and Schemes for Start-Ups

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Policy & Regulation

- Mobile app for self-registration of the startup and for reaching out to other stakeholders.
- Central Government shall bear the entire fees of the facilitators for any number of patents, trademarks or designs that a Startup may file for a period of one year. The Startups shall bear the cost of only the statutory fees payable.
- For public procurement, the government shall exempt startups (in the manufacturing sector) from the criteria of “prior experience/ turnover” without any relaxation in quality standards or technical parameters.
- Applications for winding up in cases of startups with a simple debt structure will be fast tracked allowing the startups to wind up within a period of 90 days.

Financing

- Government will set up a fund of funds with a total corpus of INR 10,000 crore over 4 years . The fund will participate the capital of SEBI registered Venture Funds.
- Credit guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/ SIDBI is being envisaged with a budgetary Corpus of INR 500 crore per year for the next four years.
- A tax exemption on capital gains for startups (New section 54EE of the Income-tax Act 1961)
- Startup initiatives are exempted from income-tax on profits for a period of 3 years (Proposed new Section 80-IAC of the Income-tax Act, 1961)
- Startups receiving 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 are exempted to pay tax on the same (Amendment in Section 56 of the Income-tax Act 1961)
- Long term capital gains arising on account of transfer of a residential property shall not be charged to tax if such a capital gains are invested in subscription of shares of a company which qualifies to be an eligible start-up (Amendment in Section 54GB of the Income-tax Act 1961)

Building StartUp Ecosystem

- Startup fests would be held at the national and international level for startups in India to showcase their ideas and connect with investors, mentors and other startups.
- Through the Atal Innovation Mission, Innovators would be mentored to become successful entrepreneurs and a platform would be provided for generation of ideas.
- 35 new incubators would be set up in existing institutions with financial support from the central government (40%), state government (40%) and private sector (20%). The incubators would be run by the private sector.
- 35 new private sector incubators in existing institutions with 50% of the financial support being provided by the Central Government.
- 13 Startup centres would be set up with an annual funding support of INR 50 lakhs (shared 50:50 by DST and MHRD) for three years to encourage student driven startups at various institutes across the country.
- Setting and scaling up of 18 Technology Business Incubators (TBIs) at NITs/IITs/IIMs etc. The TBIs would have a smooth approval process from the HRD ministry for setting up space at these institutes.

(Source: DIPP, KPMG and Start-up India action plan)