

**GOVERNMENT OF INDIA  
MINISTRY OF COMMERCE & INDUSTRY  
DEPARTMENT OF INDUSTRIAL POLICY & PROMOTION**

**LOK SABHA**

**UNSTARRED QUESTION NO. 2923.  
TO BE ANSWERED ON MONDAY, THE 20<sup>TH</sup> MARCH, 2017.**

**STARTUP INDIA PROGRAMME**

**2923. SHRI JAI PRAKASH NARAYAN YADAV:  
SHRI V. PANNEERSELVAM:  
DR. KIRIT SOMAIYA:  
SHRI A. ARUNMOZHITHEVAN:  
SHRI C.S. PUTTA RAJU:  
SHRI KIRTI AZAD:  
SHRI ANANTKUMAR HEGDE:**

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

**वाणिज्य एवं उद्योग मंत्री**

- (a) whether the Government has launched Startup India Programme to promote new entrepreneurs in the country;
- (b) if so, the details thereof including the funds allocated/utilised for the purpose and the number of startups set up so far in the country;
- (c) whether certain startups have been closed down in the country and if so, the details thereof and the reasons therefor; and
- (d) the corrective steps taken by the Government to promote startups in the country?

**ANSWER**

**वाणिज्य एवं उद्योग राज्यमंत्री (स्वतंत्र प्रभार)(श्रीमती निर्मला सीतारमण)**

**THE MINISTER OF STATE (INDEPENDENT CHARGE)  
OF THE MINISTRY OF COMMERCE & INDUSTRY  
(SHRIMATI NIRMALA SITHARAMAN)**

- (a): Yes, Madam. Government has launched the Startup India Action Plan on 16<sup>th</sup> January, 2016 with an objective of building a strong eco-system for nurturing innovation and startups in the country.
- (b): The Startup India Action Plan consists of 19 action items spanning across areas such as "Simplification and handholding", "Funding support and incentives" and "Industry-academia partnership and incubation". For providing fund support to Startups, Government has created a 'Fund of Funds for Startups (FFS)', which is being managed by Small Industries Bank of India (SIDBI) with a corpus of Rs. 10,000 crore. The FFS shall contribute to the corpus of Alternative Investment funds (AIFs) for investing in equity and equity linked instruments of various Startups. Rs. 500 crores was released towards the FFS corpus in FY 2015-16 and Rs. 100 crores has been released in FY 2016-17. As on 10.03.2017, 713 startups have been recognized by Department of Industrial Policy and Promotion under startup India programme.
- (c): No data is available regarding the number of Startups which have been closed down in the country.
- (d): The details of steps taken by the Government to promote startups in the country is given in the Annexure.

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**ANNEXURE REFERRED TO IN REPLY TO IN PART (d) OF THE LOK SABHA UNSTARRED QUESTION NO. 2923 FOR ANSWER ON 20<sup>TH</sup> MARCH 2017.**

**Steps Undertaken**

**1. Recognition**

- 1835 applications have been received for recognition, out of which 713 had the required documents and have been recognised as Startups by DIPP.
- 146 applications could be considered for tax benefits, out of which, 10 Startups have been approved by IMB for availing tax benefit.

**2. 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; 12 states have confirmed compliance to the advisory issued on 12.01.2016 by Ministry of Labour and Employment (MoLE)

**3. Startup India Hub**

- 37,195 queries have been handled by the Startup India Hub
- 267 Startups have been mentored for incubation and funding support

**4. Rolling out of Mobile App and Portal**

- Startup India portal has been developed to provide access to the following:
  - Startup recognition
  - Incubator recognition
  - Advertising space for Startups
  - Learning & development module
- 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 services such as Startup recognition, Incubator recognition, etc. as well as, notifications and information to its users on-the-go

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

- Panel of over 409 facilitators for Patent and Design and 475 facilitators for Trademark applications has been constituted
- 104 applications have received rebate of up to 80% on patent fees and have also received legal assistance free of cost
- 25 Startups have made request for expedited examination (Form 18(A)) whereas, Trademark facilitation has been extended to 47 Startups

**6. 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
- States have been issued an advisory to comply with the same

**7. Faster Exit for Startups**

- Under the Insolvency and Bankruptcy Code 2016, firms which are recognised as fast track firms by MCA will be able to wind up their business in 90 days as compared to the 180 day period for other firms
- Liquidation provisions under the code have been notified on 9<sup>th</sup> December 2016

- MCA is in the process of notifying Startups as ‘fast track firms’

#### **8. Providing Funding Support through Fund of Funds (FFS) with a Corpus of INR 10,000 crore**

- The fund of INR 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
- Rs. 129 crore has been sanctioned, out of which, Rs. 114 crore has been released by SIDBI to 5 Venture Funds for the FY2016-17

#### **9. 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 INR 50 lakhs 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.

#### **10. Tax Exemption to Startups for 3 Years**

- In the Union Budget 2017-18, the Government has announced that a Startup would be able to avail income tax exemption for three consecutive assessment years out of a block of seven years, which was earlier five years.

#### **11. Tax Exemption on Investments above Fair Market Value**

##### **• Removal of Angel Tax**

Under the Income Tax Act, 1961, where a Startup (company) receives 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. Tax exemption has been introduced on 14th June 2016 for investments made in Startups above Fair Market Value.

#### **12. Launch of Atal Innovation Mission (AIM)**

- 500 Tinkering Labs are to be established in schools under the Atal Innovation Mission, of which 257 Tinkering Labs have been approved. Each school shall receive an amount of INR 20 lakhs over the next four years
- Rs. 12 Lakh each to 220 tinkering labs for the current financial year has been disbursed
- 6 existing Incubators have been sanctioned for scale-up grant by NITI Aayog

#### **13. Building Innovation Centres at National Institutes**

- 9 TBIs (Technology Business Incubators) have been funded by DST
- An amount of Rs. 37.50 lakhs (Rs. 3.75 lakh each for 10 Startup Centres) has been released as 1<sup>st</sup> instalment of the grant to the Startup Centres

#### **14. Promoting Startups in the Biotechnology Sectors**

- DBT has sanctioned INR 1 crore under Biotech Equity fund to be given to each bio-incubator. The initiative has already assisted 3 Bio-incubators that have been selected as recipients of the above mentioned Equity Fund.
- 20 bio-incubators have been supported by DBT. The impact has been multi-fold as 290 start-ups have received benefits from these bio-incubators under various programmes like Biotechnology Ignition Grant, Industry Innovation Programme on Medical Electronics(IIPME), Sparsh, Grand Challenges, BioNEST, etc.

#### **15. Key regulatory issues which have been addressed are as follows:**

- 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 fifty lakhs to twenty five lakhs.
  - 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.

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