

**TiE CHENNAI**

**PRESENTS**

**TiE ESSENTIALS**

**SESSION -6 and 7**

**REGISTRATION WITH STARTUP INDIA**

**Coverage:**

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## **Startup India Scheme:**

- Startup India Scheme is an initiative by the Government of India for generation of employment and wealth creation.
- Under the Startup India initiative, eligible companies can get recognized as startups by DPIIT, in order to access tax benefits, easier compliance, IPR fast-tracking & more.
- To apply for Recognition by DPIIT, the application can be processed through the Startup India profile.

## **Eligibility for DPIIT Recognition:**

A company must meet the following criteria to be considered eligible for DPIIT startup recognition.

**Company Age:** Period of existence and operations should not be exceeding 10 years from the date of incorporation.

**Company Type:** Incorporated as a Private Limited Company, a Registered Partnership Firm or a Limited Liability Partnership

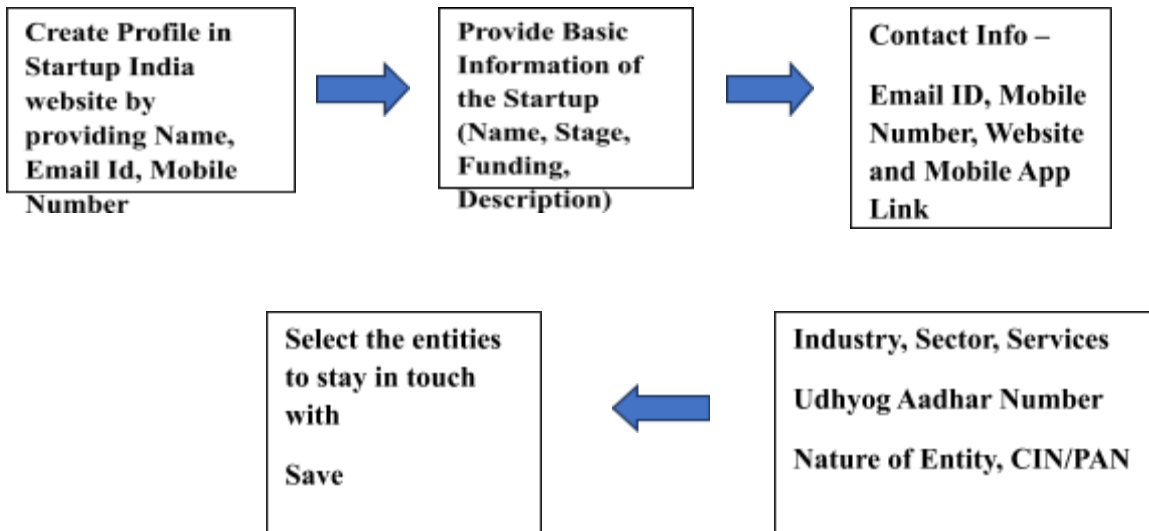
**Annual Turnover:** Should have an annual turnover not exceeding Rs. 100 crores for any of the financial years since its incorporation.

**Original Entity:** Entity should not have been formed by splitting up or reconstructing an already existing business.

**Innovative & Scalable:** Should work towards development or improvement of a product, process or service and/or have scalable business model with high potential for creation of wealth & employment.

## **Register with Startup India:**

Registering with Startup India is the first step for getting DPIIT recognition. The process has been summarized below:



1. **Registration**: Register on Startup India website by providing Name, Email, Mobile Number and a Password. After the registration is complete, login to the account using Email id and Password.
2. **About Startup**: Provide Basic Information like
  - i. Confirmation that the logo belongs to your company/institution
  - ii. Upload the Company/Entity Logo
  - iii. Select the Stage of the Startup
    - Ideation: There exists an idea for the product or the service the startup will deal in
    - Validation: A Minimum Value Product (MVP) has been developed for the market

- Early Traction: The startup has acquired customers and started generating revenue
  - Scaling- The startup has stabilized and has begun to generate profits.
- iv. Name of the Startup
  - v. Funding for the company
    - Funded- Invested by an external investor
    - Bootstrapped- Funded using the Founder/Director's investment
  - vi. A brief description of the startup- its products, services, mission, vision, etc. This can be entered as text or inserted as a link

3. **Contact Info:**

- i. Email Id & Mobile Number
- ii. State, City
- iii. Link for company website (Optional)
- iv. Link for Mobile App (Optional)

4. **Category:**

- i. Industry, Sector, Services
- ii. Udyog Aadhaar (Optional)
- iii. Nature of the Entity (Private Limited Company, Limited Liability Partnership or Registered Partnership)
- iv. Provide Corporate Identity Number (CIN)/PAN for Company/Partnership respectively.

5. **Interest:** The company can select the entities it wants to get in touch with, from the following –

- Accelerators
- Investors
- Incubators
- Mentors

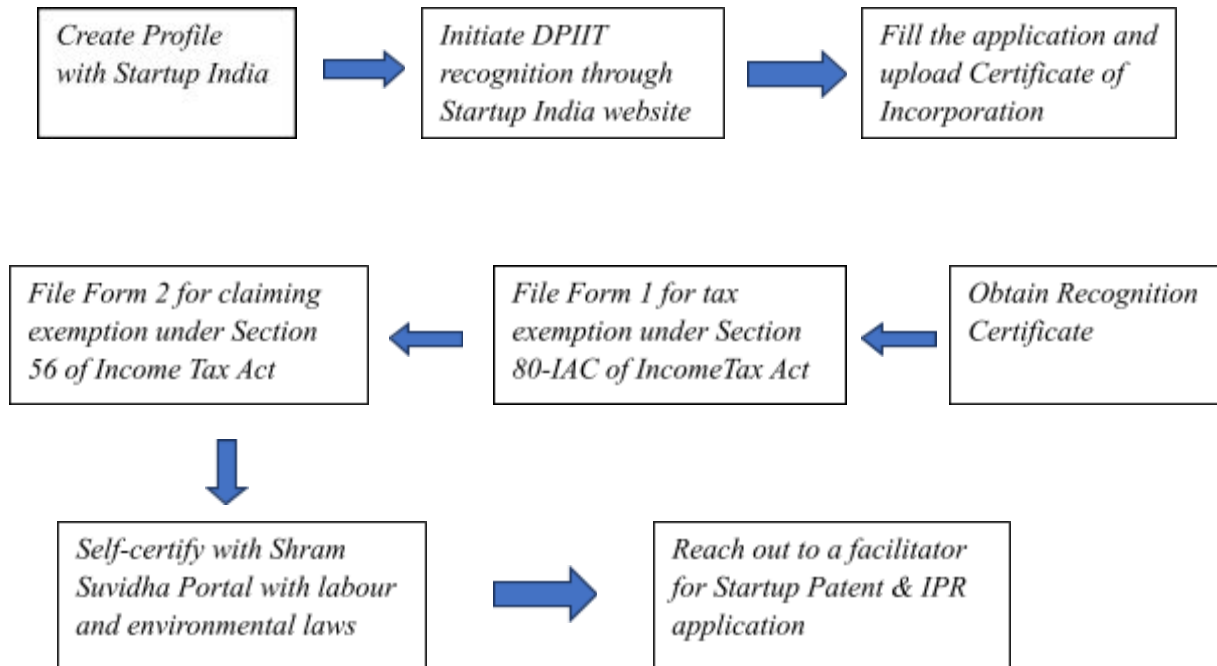
- Other Startups
- All

6. **Save**: The details can be saved after agreeing to the Terms & Conditions.

The profile will be saved within 24 hours.

# Application for Startup recognition:

Follow these steps for registering a startup with DPIIT:



The following are the detailed steps to be followed in order to be DPIIT recognized startup.

1. First the company needs to create a Startup India profile (This process has been elaborated at the top)
2. The application for recognition can be initiated through the Startup India website after creating the profile.
3. **Entity Details**: Enter details for Nature of Entity, Industry, Sector, Categories etc.
4. **Office Address**: Enter the details regarding Address City/Village, State/Union, Territory, Pin Code, District, Sub-District.



5. **Authorized Representative**: Enter the following details of Authorized Representative: Name, Designation, Mobile No, Email ID.
6. **Details of Directors & Partners**:The following details of Directors and Partners: Number of Partners, Name, Gender, Mobile Number, Postal Address and Email ID of the Director/Partner.
7. **Other Information**: The following information need to be provided:
  - Current number of employees (including founders)
  - Has the startup applied for Intellectual Property Right?
  - Is the startup creating an innovative product, service or process or improving an existing one?
  - Is the startup creating a scalable business model for high potential of employment generation or wealth generation?
  - Has the startup received any funding?
  - Has the company received any awards and the details of awards?
8. **Startup activities**:
  - What is the problem the startup is solving?
  - How does your startup propose to solve the problem?
  - What is the uniqueness of the solution?
  - How does the startup generate revenue?
9. **Self-Certification**: Upload Incorporation/Registration Certificate issued by Ministry of Corporate Affairs (MCA). (The file should be less than 5MB in PDF, JPG or PNG format). Click Continue and Submit.
10. The application will be examined along with the documents submitted. If found satisfactory, the Certificate of Recognition will be issued to the startup.

If any of the following recommendation letters are available, it would help in getting the registration easily.

- i. Any patent filed and published in patent journals available online or offline;
- ii. Recommendation letter from Incubators which are established in post-graduation colleges in India;
- iii. Support letter from any one of the Startups which is funded through Central or State Government authorities or any incubator which is duly recognized by the Government of India;
- iv. Letter of funding in an equity which should not be less than 20% by angel or incubation fund;
- v. Letter of recommendation (regarding innovative nature of business), from an Incubator, recognized by the Government of India in DIPP specified format.
- vi. Letter of funding by Government of India or any State Government as part of any specified scheme to promote innovation

(Note: Documents needs to upload in a PDF format only)

## **Benefits of registering with DPIIT:**

### **1. Income Tax exemption under Section 80-IAC:**

#### **Eligibility:**

After obtaining DPIIT approval, a startup shall be eligible to apply in Form – 1 to the Inter-Ministerial Board for full deduction on the profits and Gains of Business & Profession. The Board shall validate startups for exemption under Section 80-IAC of the Income Tax Act. Post getting clearance for Tax exemption, the startup can avail tax holiday for 3 consecutive financial years out of its first 7 years beginning from the year in which the startup is incorporated. *(With effect from 01.04.2021, 7 years is to be replaced by 10 years)*

For the purpose of this Section, "eligible start-up" means a company or a limited liability partnership engaged in eligible business which fulfils the following conditions, namely

- a) it is incorporated on or after the 1.4.2016 but before the 1.4.2021;
- b) the total turnover of its business does not exceed twenty-five crore rupees in the previous year relevant to the assessment year for which deduction is claimed *(With effect from 01.04.2021, 25 crores is to be replaced by 100 crores).*

#### **Requirement for Section 80-IAC:**

1. Memorandum of association (for Pvt Ltd) or LLP Deed (for LLP)  
[SPICe MOA should not be uploaded as is, but is to be printed, scanned and uploaded]
2. Board Resolution (if any)
3. Annual Accounts & Income Tax returns of the startup for the last three financial years or from the year of incorporation [The Balance Sheet and the Profit and Loss Statement must be CA Certified]
4. Startup Video Link should be provided.

Video Guidelines:

- The video should ideally be 2-3 minutes and be no longer than 5 minutes.
- Showcase the working of the product/prototype/proof-of-concept developed by the startup.
- If it is a product or software-based startup, then showcasing a demonstration/prototype/walk-through of the product/software products developed by the startup is compulsory.
- If the startup provides software or technology services such as website development, application development, developing white-label software products for clients, then the video must showcase a demonstration/prototype/walk-through of the products developed for key clients.

- Market traction that the product/service has generated till now, either online customer reviews, client testimonials, other similar appreciation/feedback if the product/service has already been launched in the market.

*(Note: The video should be hosted on a third-party video hosting platform such as YouTube or Vimeo. In case it is being uploaded on Google Drive, it should ensure that it is NOT access restricted).*

## 5. Upload Pitch Deck.

### Pitch Deck Guidelines:

- Information about the product/service offering of your startup
- Brief about how is your startup innovative and/or scalable (Uniqueness/USP of the startup that differentiates from its competitors in the market)
- Director details and their educational qualification, professional experience, and formal role in the startup/current designation (if any)
- Shareholding pattern as on the date of filling this application
- Directors and Shareholders' citizenship details
- Team details – current role, education, and professional experience
- Details about adherence to the specific government approvals required by the startups such as FSSAI registration, guidelines set by Bureau of Indian Standards
- Revenue model i.e. details of how the startup generates revenue

- Funding received from private investors or Angel/VC funds (Yes/No); if yes, please add names and details of the investors
- If any support (monetary/non-monetary) is received from Central or State Government Ministries/Departments/PSUs/Incubators
- Details of any public or private sector awards won by the startup
- Number of people directly employed with your startup
- Number of customers/clients – Paying customers/users with a copy of at least one Contract/Work-Order/MoU or the number PlayStore/Apple Store downloads in case of mobile applications along with a screenshot of the app listing on these platforms
- Link to your startup's website
- Screenshots/images of your product/website

*(Note: Pitch Deck uploaded must be in a PDF format)*

## **2. Exemption from Section 56 of the Income Tax Act, 1961**

After obtaining recognition from DPIIT, a startup may apply for Angel Tax Exemption under Section 56 of the Income Tax Act, 1961.

### **What is Angel Tax?**

Angel tax is a term used to refer to the income tax payable on capital raised by unlisted companies via issue of shares where the share price is seen in excess of the fair market value of the shares sold. The excess realization is treated as income and taxed accordingly.

### **Eligibility Criteria for Tax Exemption under Section 56(2)(viib) of the Income Tax Act:**

1. The entity should be a DPIIT recognized Startup
2. Aggregate amount of paid up share capital and share premium of the Startup after the proposed issue of share, if any, does not exceed INR 25 Crore.

In computing the aggregate amount of paid up share capital, the amount of paid up share capital and share premium of 25 crore rupees in respect of shares issued to any of the following persons shall not be included

- a. non-resident; or
- b. venture capital company or a venture capital fund;

The considerations received by such startup for shares issued or proposed to be issued to a specified company shall also be exempt and shall not be included in computing the aggregate amount of paid up share capital and share premium of 25 crore rupees.

Specified company means a company whose shares are frequently traded within the meaning of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and whose

- net worth on the last date of financial year preceding the year in which shares are issued exceeds one hundred crore rupees or
- turnover for the financial year preceding the year in which shares are issued exceeds two hundred fifty crore rupees.

The Startup shall not invest in any of the following assets for a period of seven years from the end of the latest financial year in which shares are issued at premium.

- a) building or land appurtenant thereto, being a residential house, other than that used by the Startup for the purposes of renting or held by it as stock-in-trade, in the ordinary course of business;
- b) land or building, or both, not being a residential house, other than that occupied by the startup for its business or used by it for purposes of renting or held by it as stock-in trade, in the ordinary course of business;



- c) loans and advances, other than loans or advances extended in the ordinary course of business by the Startup where the lending of money is substantial part of its business;
- d) capital contribution made to any other entity
- e) shares and securities;
- f) a motor vehicle, aircraft, yacht or any other mode of transport, the actual cost of which exceeds ten lakh rupees, other than that held by the startup for the purpose of plying, hiring, leasing or as stock-in-trade, in the ordinary course of business;
- g) jewelry other than that held by the Startup as stock-in-trade in the ordinary course of business;
- h) any other asset, whether in the nature of capital asset or otherwise, of the nature specified in sub-clauses (iv) to (ix) of clause (d) of Explanation to clause (vii) of sub-section (2) of section 56 of the Act namely,
  - archaeological collections
  - drawings;
  - paintings;
  - sculptures;
  - any work of art; or
  - bullion

**Important points to be noted:**

- A declaration in Form – 2 is to be filed by the startup for the exemption under Section 56(2)(viib) of Income Tax Act, 1961.
- The declaration should be in PDF format when uploaded and needs to be provided in the company's letterhead.
- The declaration needs to be digitally signed by a person who is authorized to verify the return of income under the Income Tax Act.

### 3. Self – Certification:

***Objective:*** To reduce the regulatory burden on startups, thereby allowing them to focus on their core business and keep compliance costs low.

***Eligibility:*** DPIIT recognized startups that are within 5 years of incorporation.

***Benefits:*** Startups shall be allowed to be self-certify compliance for 6 Labour Laws and 3 Environmental Laws through a simple online procedure.

#### Labour Laws:

In the case of labour laws, no inspections will be conducted for a period of 5 years. Startups may be inspected only on receipt of credible and verifiable complaint of violation, filed in writing and approved by at least one level senior to the inspecting officer.

- The Building and Other Constructions Workers' (Regulation of Employment & Conditions of Service) Act, 1996
- The Inter-State Migrant Workmen (Regulation of Employment & Conditions of Service) Act, 1979
- The Payment of Gratuity Act, 1972
- The Contract Labour (Regulation and Abolition) Act, 1970

- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- The Employees' State Insurance Act, 1948

#### Environment Laws:

In the case of environment laws, startups which fall under the 'white category' (as defined by the Central Pollution Control Board (CPCB)) would be able to self-certify compliance and only random checks would be carried out in such cases

- The Water (Prevention & Control of Pollution) Act, 1974
- The Water (Prevention & Control of Pollution) Cess (Amendment) Act, 2003
- The Air (Prevention & Control of Pollution) Act, 1981

#### Registration:

- The startup can register at the Shram Suvidha Portal of the Ministry of Labour and Employment
- Login to the portal
- Click link "Is Any of your Establishment a Startup?"
- Follow the instructions given

## 4.Startup Patent & IPR Application

**Eligibility:** DPIIT recognized startup.

**Objective:** The objective is to reduce the cost and time taken for a startup to acquire a patent, making it financially viable for them to protect their innovations and encouraging them to innovate further.

**Benefits:**

- Patent applications filed by startups shall be fast-tracked for examination so that their value can be realized sooner.
- For effective implementation of the scheme, a panel of “facilitators” shall be empaneled by the Controller General of Patents, Designs and Trademarks (CGPDTM), who shall also regulate their conduct and functions. Facilitators will be responsible for providing general advisory on different intellectually property as well as information on protecting and promoting intellectual property in other countries.
- Under this scheme, the Central Government shall bear the entire fees of the facilitators for any number of patents, trademarks or designs that a Startup may file, and the Startups shall bear the cost of only the statutory fees payable.
- 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.

***Registration:*** The startup should reach out to an appropriate Facilitator - depending on its desired sector and the jurisdiction of the facilitators for up-to-date information about the process and required documents for a patent or trademark application.

# **Form – 1:**

**The format for Form-1 (Application for certificate for the purposes of section 80-IAC of the Income-tax Act, 1961) is given below:**

1. Name of the Startup - .....
2. Date of incorporation/ registration of Startup - .....
3. Incorporation No./ registration No. ....
4. Address and business location- .....
5. Nature of business .....
6. Contact details of Startup (Phone No. and Email)- .....
7. Permanent Account No. ....
8. Existing/ proposed activities - .....

(Enclose copy of Memorandum of Association, LLP/partnership Deed, Board Resolution etc.)

## **Declaration**

I/ We hereby certify that the above information furnished by me is true and no relevant information has been concealed.

For (Name of the Startup)

(Name of the authorized signatory) Designation

Place: \_\_\_\_\_

Date: \_\_\_\_\_

This form shall be accompanied by the following documents (if applicable)-

1. Annual Accounts of the startup for the last three financial years
2. Copies of income-tax returns for the last three financial years

## **Form - 2**

### **The format of declaration (Form – 2) is provided below:**

Declaration by a Startup for exemption under Section 56(2)(viib) of the Income Tax Act, 1961

<To be issued on Company Letterhead>

I, \_\_\_\_\_ Son/ Daughter of \_\_\_\_\_ having Permanent Account Number (PAN) \_\_\_\_\_ in my capacity as \_\_\_\_\_ of \_\_\_\_\_ (Company's Name) \_\_\_\_\_ having DPIIT recognition number \_\_\_\_\_ and Permanent Account Number (PAN) \_\_\_\_\_ hereby certify and declare that the said company has not invested and shall not invest for a period of seven years from the end of the latest financial year in which shares are issued at premium by the said company in any of the assets specified in para 4(iii) of the notification number G.S.R. 127(E) dated 19th February 2019 issued by Department for Promotion of Industry and Internal Trade, Ministry of Commerce & Industry.

2. I understand that failure to comply with the above declaration will result in revocation of exemption with retrospective effect.

Place: \_\_\_\_\_

Date: \_\_\_\_\_

\*Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

\*This declaration is to be signed by a person who is authorized to verify the return of income under section 140 of the Act.



