

# LAWS FOR STARTUPS

## Basics of accounting and tax related laws

Understanding your local and country GST tax code is critical, as it could mean a lot of trouble if not followed to the T. Your government needs you to file monthly, and save all invoices and transactions while entering them via the online GST web portal. You need to register for the GSTN number and align your Aadhar, PAN and other details to the portal to maintain compliance

# LAWS FOR STARTUPS

## Choosing the type of venture

Choosing the type of company needed is also important. For example, small/startup companies should register as a LLP, Pvt. Ltd., or Corporation according to what their needs are and what the suppliers and vendors need to fulfil orders. You can also register as an OPC (One Person Company) which needs only one director to start off, while all rules of the Pvt. Ltd. variety are applicable. There are various steps to ensure that all that is needful is done, and you need to follow these regulations appropriately. Ensure that your legal status is as per the business you're a participant in.

# LAWS FOR STARTUPS

## Service Agreement and Documentation

- There is a strong need for agreements and bonds that help in any future legal proceedings if things go awry. You need an SLA with every vendor, customer, client, etc. and must ensure that all the laws of India are followed when crafting these agreements. Every agreement and document must state all rules of engagement and guidelines for the duration of the service agreed upon.

# LAWS FOR STARTUPS

- **IT and Cyber Laws**

Your startup must be compliant with all cyber and IT laws including digital signatures, storing customer data, cloud management, and data privacy. IT and cyber laws are applicable to all businesses that operate in India and startups in the tech space should be especially cognizant of these regulations

# LAWS FOR STARTUPS

- **Intellectual Property Rules (IP)**

There is a misconception in India that the courts don't protect IP for companies in the country. In fact, just last year, Delhi Courts have made landmark rulings in protection of Intellectual Property, and there have been many startups emerging to support this growing industry of IP Law.

# LAWS FOR STARTUPS

## Industry-specific laws

There are industry-specific regulations within each industry that you are a player in. Pharma laws will differ slightly from e-commerce payments laws, but following them is the key to maintaining your legal status. For example, a law that could apply to your company is that of accepting cash for gamification. Accepting direct cash as a means of buying a lottery may be treated and taxed appropriately via a gambling law as applicable in the country. This, and many other laws, can be applicable on your startup, and it's your job to conduct thorough research.

# LAWS FOR STARTUPS

## Residency

Indian laws mandate that at least one director on the board be a resident of India, i.e., have lived for a minimum of 182 days in India in the previous financial year. This is to ensure that a point of contact and a legal rights holder to the business is available in the country of operation.

# LAWS FOR STARTUPS

## Labour Laws

- Each startup will eventually have to hire new people. Even if you plan to outsource or employ independent consultants, every such employee-employer relationship will be directed by labour legislations.
- Breaching these will not only harm you financially but also spreads a negative review about the startup even before you initiate it.
- Productivity of employees and ultimate success of the startup are dependent upon how happy your employees are to work for you.



# LAWS FOR STARTUPS

- **Contract laws and dispute resolution**

A business survives on contracts. Nevertheless, disputes may be one of the unavoidable consequences of few contracts sometimes. Therefore, fundamental knowledge regarding contracts, arbitration, mediation, conciliation can smoothen the progress of a successful business.



Incorporation



Dealing with  
Licenses



Taxes



Security Laws



IP Laws



Setting Disputes



Contract Law



Protecting investors



Business finance



Trading Laws



Labour Laws



IT Laws



Property Law



Closing Business

# SPECIAL ECONOMIC ZONE (SEZ) PRESENTATION



# WHAT IS SEZ

- A special economic zone (SEZ) is a geographical region that is designed to export goods and provide employment.
- SEZs are exempt from federal laws regarding taxes, quotas, FDI-bans, labour laws and other restrictive laws in order to make the goods manufactured in the SEZ at a globally competitive price.

# DEFINITION OF SEZ

- A special economic zone, in short SEZ is a geographically bound zone where the economic laws in matters related to export and import are more broadminded and liberal when compared to rest of the country.
- SEZs are protected as duty-free areas for the purpose of trade, operations, duty, and tariffs. SEZ units are self-contained and integrated having their own infrastructure and support services.

# SALIENT FEATURES/PROVISIONS OF SEZ RULES

- Different minimum land requirement for different classes of SEZs.
- Every SEZ is divided into a processing area where the SEZ units alone would come up and a non-processing area where the supporting infrastructure is to be created.
- Single-window clearance for setting up of an SEZ.
- Single-window clearance for matters relating to central as well as state government.
- Simplified compliance procedures and documentation with an emphasis on self-certification.

# WHAT SEZ INCLUDES

- Free trade zones (FTZ)
- Export processing zones (EPZ)
- Free zones (FZ)
- Industrial parks or industrial estates (IE)
- Free ports
- Free economic zones
- Urban enterprise zones





# SEZ AND EXPORT PROMOTION

- The SEZ and export promotion facilitated the growth of the Indian SEZs, as per the web site of maps of india.com, where the provisions of Indian export policy is detailed. The main factor for the underperformance of these SEZs were poor export policy of India, which was loaded with huge taxes and duties. the government of India eased the export policy of India to facilitate easy growth of SEZ and export promotion of Indian goods across international destinations.



- The provisions of Indian export policy, which facilitated the growth of SEZ and export promotion of Indian goods, are as follows :
- Exemption of duties on Indian capital goods, and inputs are offered as per the requirements of the approved business activity.
- Taxes are either exempted or waived and even reimbursed in case they are paid in advance to the concerned authority.
- Duty-free imports of spares, raw materials, capital goods, and consumable are offered as per there requirement of the approved business activity.

# SEZS SET UP BY THE CENTRAL GOVERNMENT

- SEEPZ special economic zone  
Mumbai, Maharashtra  
electronics and Gems and  
jewellery
- Noida special economic zone  
Uttar Pradesh multi product
- MEPZ special economic zone  
Chennai, Tamil Nadu multi  
product
- Cochin special economic zone  
cochin, Kerala multi product
- Falta special economic zone  
falta, West Bengal multi product



# THE NEED FOR SEZ AND GOVERNMENT'S POLICY

- SEZ policy introduced on 1/4/2000 in India
- To increase exports
- SEZ can be set up by private, public, joint sector or by the state government
- Convert EPZ to SEZ

# PROVISIONS UNDER SEZ

- 100% FDI for manufacturing sector
- No caps on foreign investments for SSI reserved items
- Income tax benefit
- Duty free import of domestic goods
- Exemption from CST
- Exemption from Income tax on investments
- Enhanced limit of 2.4 crore for managerial remuneration
- Applicability of labor laws

# EVALUATION OF SEZ

- Determine how resources are used
- Whether Employment opportunities are created
- Cost outweighs the benefit of SEZ



Special Economic  
**Zones in India**

Ministry of  
Commerce & Industry  
Department of Commerce

# SEZ CONTROVERSY

- In spite of the strong objectives of the Indian government, the SEZ policy has the following controversies :
- Generation of a little new activity as there may be relocation of industries to take advantage of tax concessions.
- Revenue loss.
- Large-scale land acquisition by the developers may lead to displacement of farmers with a meager compensation.
- Acquisition of prime agricultural land, having serious implications for food security.

# ADVANTAGES OF SEZ

- Growth and development
- Attracts FDI
- Exposure to technology and global markets
- Increase in GDP and economic model
- Employment opportunities are created

# DISADVANTAGES OF SEZ

- Exploitation of laborers
- Women exposed to sexual harassment
- Loss of revenue for Government
- Fertile lands being used for establishing industrial units



# CONCLUSION

- SEZ can become a dangerous tool
- A well defined strategy required for SEZs to be successful
- SEZs appeal to most developed countries

# Export promotion schemes

- Software Technology Parks (STPs)
- Special Economic Zones (SEZ) Scheme

# BENEFITS UNDER STP SCHEMES:-

- Customs Duty Exemption in full on imports.
- Central Excise Duty Exemption in full on indigenous procurement.
- All relevant equipment / goods including second hand equipment can be imported (except prohibited items).
- Equipment can also be imported on loan basis/lease.
- 100% FDI is permitted through automatic route.
- Sales in the DTA up to 50% of the FOB value of exports permissible.
- Use of computer imported for training permissible subject to certain conditions.
- Depreciation on computers at accelerated rates up to 100% over 5 years is permissible.

# BENEFITS UNDER SEZ SCHEMES:-

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units
- 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
- Exemption from Central Sales Tax, Exemption from Service Tax and Exemption from State sales tax. These have now subsumed into GST and supplies to SEZs are zero rated under IGST Act, 2017.
- Other levies as imposed by the respective State Governments
- Single window clearance for Central and State level approvals.
- This scheme has a significant impact on future exports & employment. About 230 IT-ITeS specific SEZs have been notified by the DOC.