

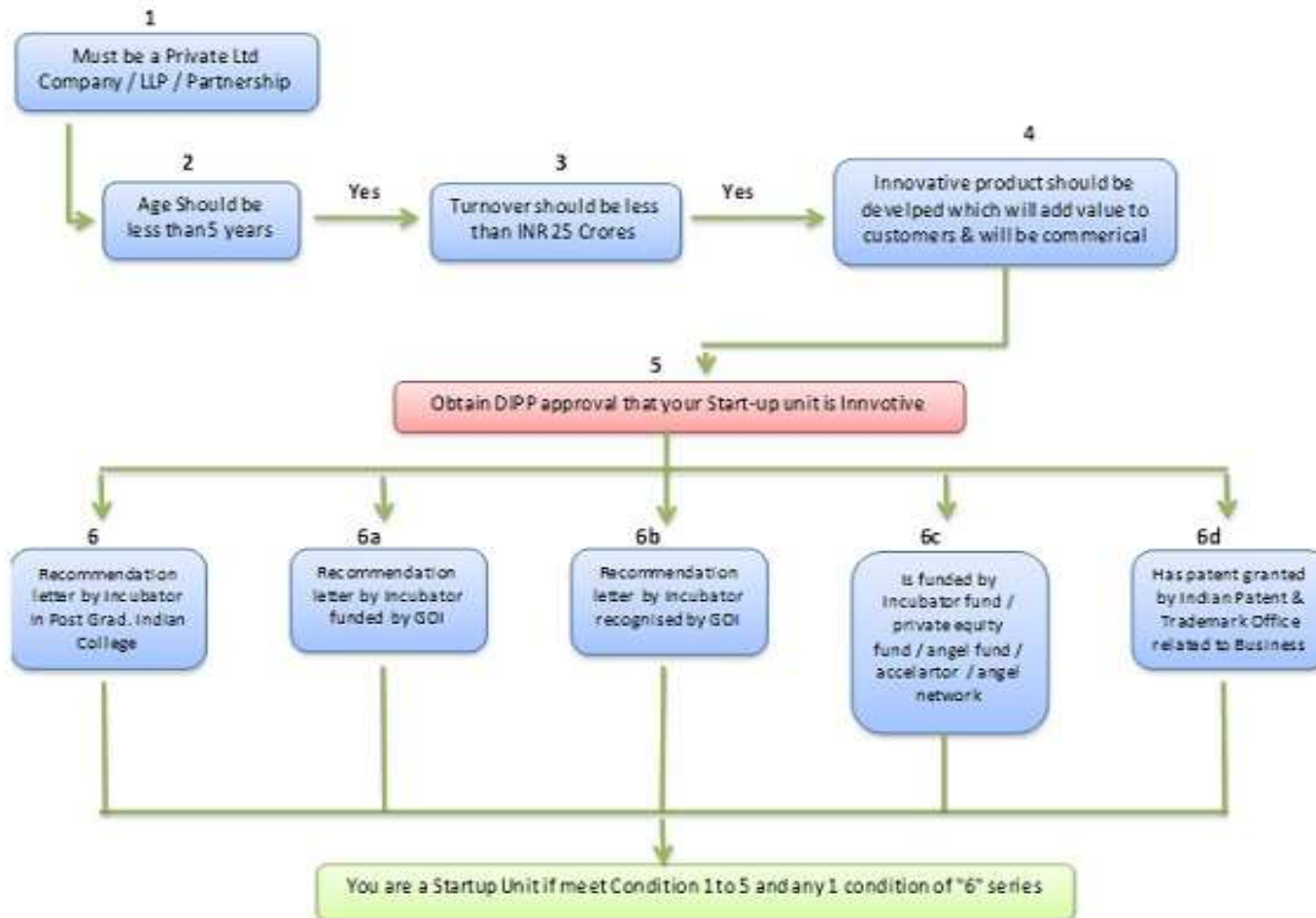
# STARTUP

## Unit 3

# WHAT IS A STARTUP?

- If it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm .(registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India;
- Up to seven years from the date of its incorporation/ registration; however, in the case of Startups in the biotechnology sector, the period shall be up to ten years from the date of its incorporation/ registration;
- If its turnover for any of the financial years since incorporation/ registration has not exceeded Rupees 25 crores;
- If it 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.

# WHAT IS A STARTUP?



# Startup India Benefits

## • IPR Benefits

To promote awareness and adoption of IPRs by Startups and facilitate them in protecting and commercializing the IPRs, Startup India provides access to high quality Intellectual Property services and resources.

### **Fast-tracking of Startup patent applications:**

The patent application of Startups is fast-tracked for examination and disposal

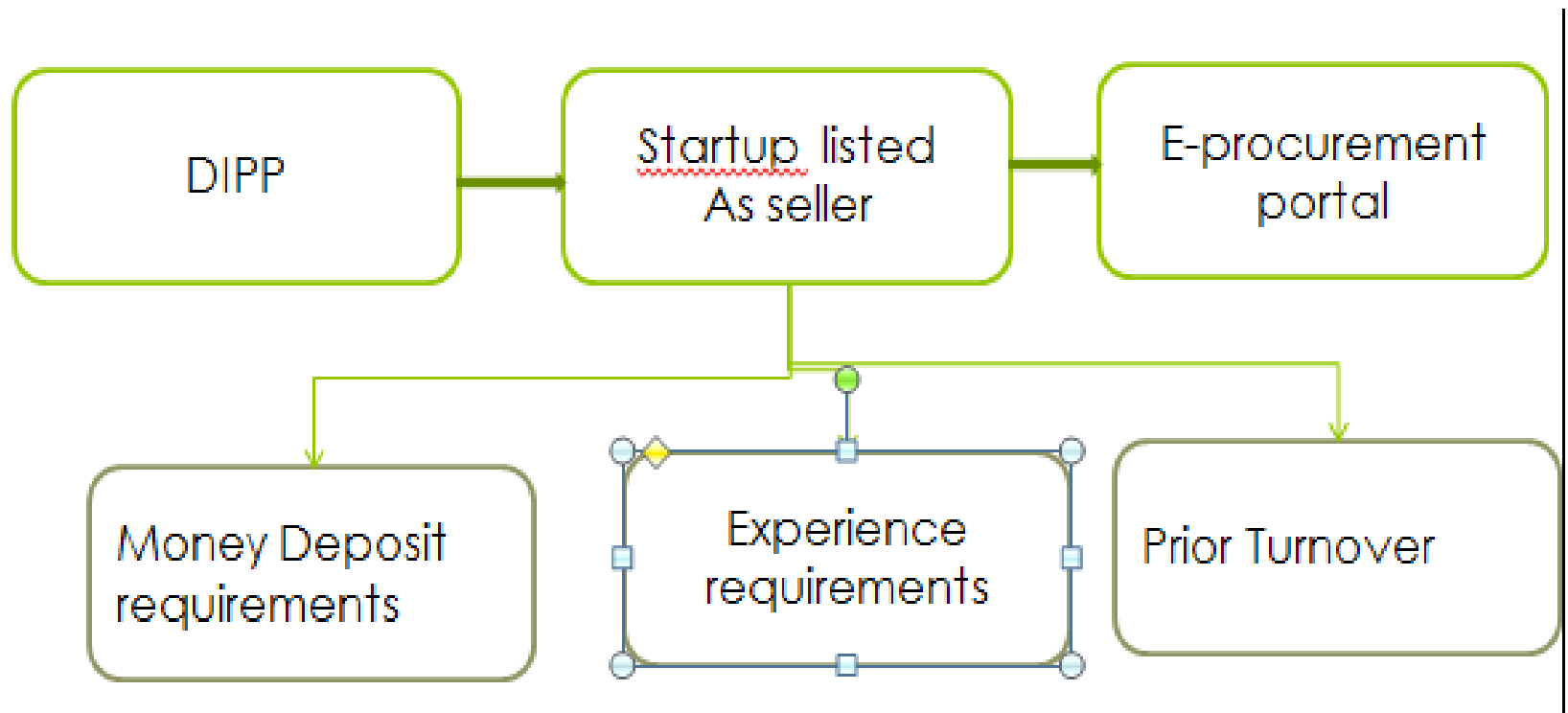
### **Panel of facilitators to assist in filing of IP applications:**

A panel of Facilitators is responsible for providing general advisory on different IPRs as also information on protecting and promoting IPRs in other countries.

**Government to bear facilitation cost:** Central Government bears the entire fees of the facilitators for any number of patents, trademarks or designs that a Startup may file, & Startups only bear the cost of the statutory fees payable.

**Rebate on filing of application:** Startups are provided an 80% rebate in filing of patents vis-à-vis other companies. This helps them pare costs in the crucial formative years. 50% rebate is also provided in filing of Trademarks vis-à-vis other companies.

- Relaxation in Public Procurement Norms



- **Relaxation in Public Procurement Norms**

DIPP recognised Startups can now get listed as Sellers on the Government of India's largest e-procurement portal. Government e-Marketplace! They are entitled to avail exemption on:

- Prior Turnover and Experience requirements
- Earnest Money Deposit requirements

# Self-Certification under Labour and Environment Laws

- **To reduce the regulatory burden** on Startups thereby allowing them to **focus on their core business** and keep compliance cost low, Startups are allowed to self-certify their compliance under 6 Labour and 3 Environment laws for a period of 5 years from the date of incorporation.

# Fund of Funds for Startups

- **To provide equity funding support for development and growth** of innovation driven enterprises, the government has set aside a corpus fund of 10,000 crores managed by SIDBI.
- The Fund is in the nature of Fund of Funds, which means that the Government participates in the capital of SEBI registered Venture Funds, who further invest in Startups.



# Faster Exit for Startups

- MCA has notified Startups as ‘fast track firms’ enabling them to **wind up** operations **within 90 days vis-a-vis 180 days** for other companies. An insolvency professional shall be appointed for the Startup, who shall be in charge of the company for liquidating its assets and paying its creditors within six months of filing an application in this regard.

# Tax Exemption

- **IMB Certified**

The Inter-Ministerial Board validates the innovative nature of the business for granting tax related benefits and is constituted by representatives from DIPP, DBT, DST and MEITY. Startups incorporated on or after 1st April 2016 can apply for tax benefits and such innovative applications are then moderated by the Inter Ministerial Board before granting the certificate of eligibility.

- **Tax Exemption for 3 years**

The profits of recognised Startups that are granted an Inter-Ministerial Board Certificate are exempted from income-tax for a period of 3 years (out of a block of 7 years). This fiscal exemption is aimed at facilitating growth of business and meeting the working capital requirements during the initial years of operations

- **Tax Exemption on Investment above Fair Market Value**

If a Startup, having certificate from the Inter-Ministerial Board Certificate, receives any consideration for issue of shares that exceeds the face value of such shares, then the aggregate consideration received for such shares as exceeds the fair market value of the shares is exempted from tax.

# RESOURCES FOR STARTUPS

- **Learning and Development Program**



# RESOURCES FOR STARTUPS

- **Learning and Development Program**

The website hosts a variety of courses which broadens the vision of budding entrepreneurs and guides them through the journey of their Startup venture. The program covers lessons on key areas of starting up by 40+ top founders of India in an extensive 4-week program. Not just that, upon completion of the course, the apprentice receives a certificate acknowledging their effort and certifying their learnings in the program.

- **Government Schemes**

Many government departments are working to promote entrepreneurship in India. Startup India has collated various schemes from various ministerial bodies at one place to facilitate and save your time from jumping between websites!

- **State Government Policies**

Startup India presents to you a list of 17 state government policies who offer benefits to Startups! Startups and entrepreneurs across these states can access the policy documents, website links and contact details of the respective nodal agencies.

- **Pro-Bono Services**

In our endeavour to make starting up easy for startups, we bring you the best of some relevant services out there in the market free of cost, only for you. We have collaborated with leading corporates, the likes of Amazon Web Services, Zoho, Vakil search and others to bring you these services. Whether you want to build an app, use cloud credits or get cloud telephony services, everything here is free of cost for you.

- **Knowledge Bank**

Registering a company is not a cake walk if you do not know the legalities. Startup India provides a knowledge bank detailing the requirements for starting a business in India; be it registering a company, filing IPRs, complying to tax policies or understanding the investor landscape in India! Startup India has got you covered and you do not need to spend time surfing the internet or gain information from disintegrated sources!

- **Market Research Reports**

We understand the depth of knowledge you would require about your industry to scale new heights. We bring to you the latest market research reports by leading publishers such as Tracxn, Inc42 and NASSCOM.

- **Networking And Discussion**

All members of the startup ecosystem – Startups, investors, mentors, incubators, accelerators and government bodies can connect with each other on this platform. The platform provides the eco system stakeholders with the opportunity to discuss – express and opine on the forum through discussion threads – blogs and one to one messaging.



# 10000 Startups

- 10,000 Startups aims at building a cross-collaborative platform to enable startups to grow to the next level by leveraging our network of investors, mentors, industry experts, and enterprises.
- **FAME MODEL**(Funding, Acceleration, Mentoring, and Enterprise connects)

The 10,000 Startups FAME model is designed to facilitate the ideal connection between startups and Funders, Accelerators, Mentors, and Enterprises with complementary requirements, so that they may mutually benefit from each other

# 10000 NASSCOM

- **Funding:** The NASSCOM 10,000 Startups programme helps shortlisted startups raise money from a wide range of investors-angels, micro VCs, VCs, and Government funds.
- **Acceleration:** Once shortlisted for the programme, startups can work with the top accelerators. The NASSCOM 10,000 Startups programme presents unprecedented opportunities and a fast track into the top accelerators for shortlisted startups.
- **Mentoring:** Focused group workshops are held for the shortlisted companies on Product Management, Go-to-Market Strategy, Pitching and Industry Insights from the experts.
- **Enterprise connect:** Shortlisted startups get opportunities to showcase their product to top executives across industries and explore strategic partnerships, alliances, M&As , etc., and

# PROGRAMS AND EVENTS

Apart from the FAME framework, we also offer a number of programs and events that are designed to help deserving startups through various stages of their growth

- **Warehouse Program :-**

The Warehouse Program is the **perfect package to provide** fledgling companies with **everything they'll need for the initial stages** of their startup journey, **from a physical workspace and furniture, to expert guidance and networking opportunities.**

**Eligibility Criteria**

Only startups with a minimum viable technology product are eligible to apply for this program. It is strongly suggested that the product be beyond its ideation phase.

- **Virtual program :-**

Our Virtual Program is **designed to help growth-stage startups that have their own workspaces take their business to new heights.** The program creates the optimal environment for such startups to scale up by providing support in the form of a startup kit, and connecting the company with our widespread network of evaluators and mentors, who are also investors, accelerators, and industry veterans.

**Eligibility Criteria :-**

Startups in the growth stage that have a reasonable amount of traction with a product already out in the market may apply for the Virtual Program.

# NASSCOM Industry Partnership Program

NASSCOM is India's largest industry-backed corporate innovation program.

The NASSCOM Industry Partnership Program (NIPP) seeks to foster sustained engagement between large corporations and innovative technology ventures in India.

## BENEFITS:-

- Direct fast access to senior executives
- Branding / PR evangelism
- Access to executive mentoring, early technology, and deep expertise
- Access to strategic investments and grants
- Faster access to global markets and JV/OEM/partnership options
- Participate in customer showcases, events, speaking opportunities, and delegations

# NIPP Partners



- **Rockstar program:-**

The Rockstar Program is designed with the intent of making India a tech-innovation hub in the global arena. It will bring to the limelight innovations with disruptive potential, helping them gain worldwide recognition and trust.

**RECOMMENDED CRITERIA :-**

- An IT product company incorporated in India whose product development is carried out in India or outside
- An IP-backed company involved in technology product or technology platform, with the focus being on SaaS, IoT/robotics, blockchain, AI/ML/deep learning, and AR/VR
- A company that has a commercialised product with paying customers
- A company that stands out in emerging technologies with the domain focus being health, finance, retail, education, and enterprise

- **Nasscom Gaming Forum**

NASSCOM<sup>®</sup> is India's premier trade body and chamber of commerce for the IT industry, and the NASSCOM Gaming Forum (NGF) was set up ten years ago to provide a common platform to share best practices and knowledge to developers and businesses within the Indian gaming industry, especially the burgeoning indie game dev community.

**NASSCOM Game Developer Conference (NGDC)**

The NASSCOM Game Developer Conference (NGDC) is India's primary platform for creators and enthusiasts of computer, mobile, console, web, and social games to showcase, inspire, learn, and interact.

# Nasscom Gaming Forum

- **NASSCOM Game Developer Conference (NGDC)**
- **NGF Awards:-**
  1. Student game of the year
  2. Indie game of the year
  3. Studio Game of the Year
  4. Upcoming Game of the year
- **BYOG**
- **Incubation services**
- **Game Jam Titans**





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**Launched by  
Shri Narendra Modi**  
Hon'ble Prime Minister of India  
16<sup>th</sup> January 2016

“Startup India Hub will be a single point of contact for the entire ecosystem and enable knowledge exchange and access to funding”

- Startup India Action Plan , Jan 2016

CONSOLIDATE THE CURRENT ECOSYSTEM	➤ Bring all stakeholders to a common platform
	➤ Value proposition for all stakeholders
GROW THE ECOSYSTEM	➤ Connect with global ecosystem
	➤ Stimulate others to join the ecosystem
FACILITATE STAKEHOLDERS	➤ Access to information and knowledge
	➤ Handholding support

# How to Define a startup?

## Government of India Definition

### AGE



7 years from  
date of  
incorporation  
(10 yrs for  
biotech)

### ENTITY TYPE



Pvt. Ltd.  
Company or  
LLP or  
Partnership Firm

### TURNOVER



Must not exceed  
INR 25 Cr. in in  
any fiscal year

### NATURE OF INNOVATION



Developing new  
or improving  
existing  
product/service  
offering

# Recognition Procedure

Government of India Recognition



**15 - 20 minutes**

Submit details on  
[Startupindia.gov.in](http://Startupindia.gov.in)

- Founder & Team Details
- Entity Details
- Business model
- IP details

**24 - 48 hrs**

Startup India Team evaluates  
proposal and takes action within  
24 - 48 hrs of

- If suitable, then application approved,
- If answers are not suitable, then second chance given to startups to reapply

# Startup India

Starting a startup revolution

11,634

Startups Recognized with the  
Government of India

448

Districts

29

States

6

Union Territories

56%

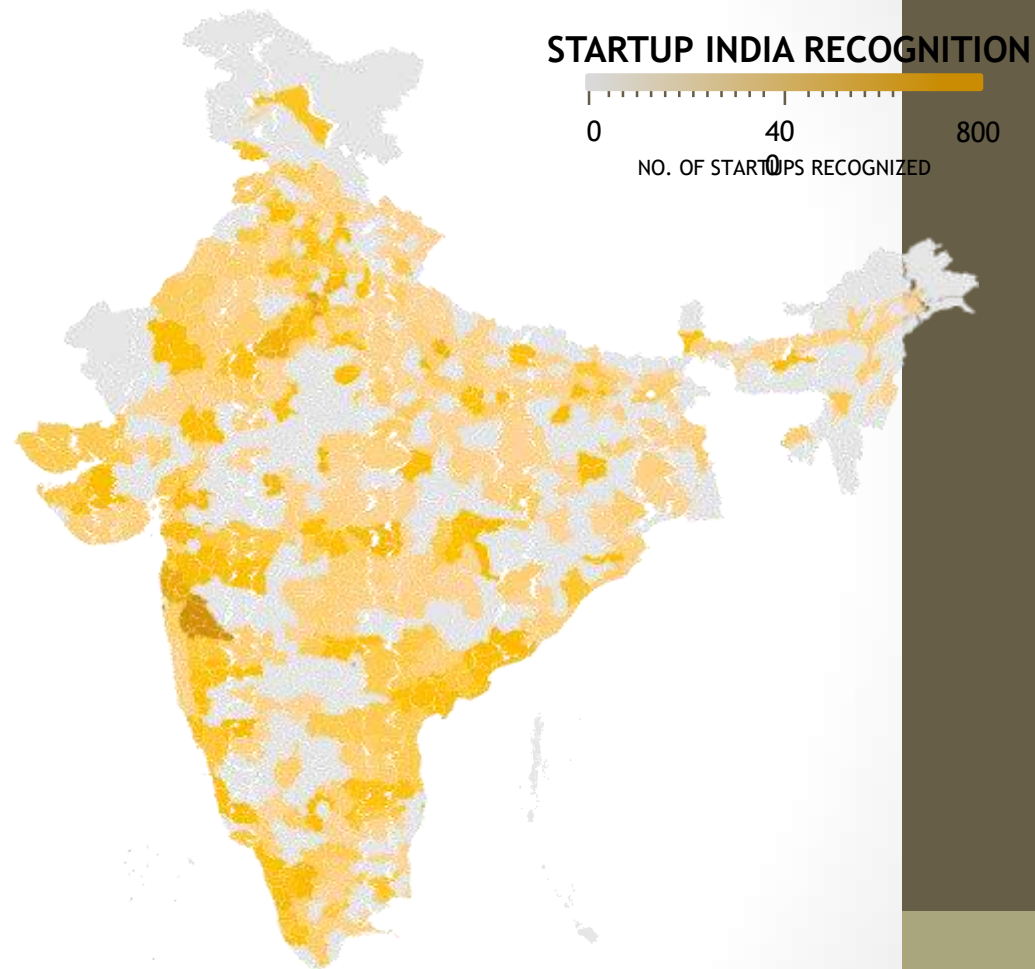
Tier 1 Cities

27%

Tier 2 Cities

17%

Tier 3 Cities



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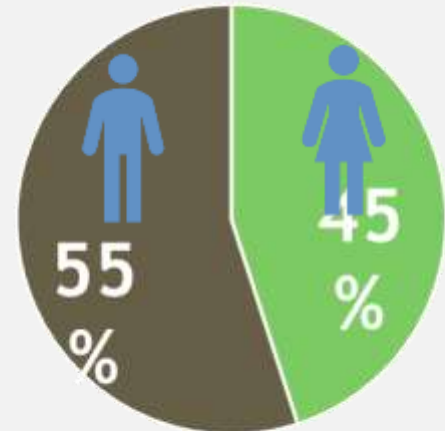
# Nation of Job Creators

Shaping a New India



**12 Jobs**  
per startup\*

\*1,06,618 JOBS REPORTED BY 9,091  
STARTUP INDIA RECOGNISED STARTUPS



DISTRIBUTION OF STARTUPS WITH ATLEAST 1 OR  
MORE WOMEN DIRECTOR (S)



# Process simplification

Encouraging startups



Government  
Procurement



Patent  
Granted



Tax  
Benefit



Compliance  
Regime



Faster  
Exit

2018

Exempted

Fast Track  
Examination

Income Tax  
Exemption

Self  
Certification

90 Days

2014

Experience,  
Turnover, EMD  
required

Time  
Consuming  
Process

Nil

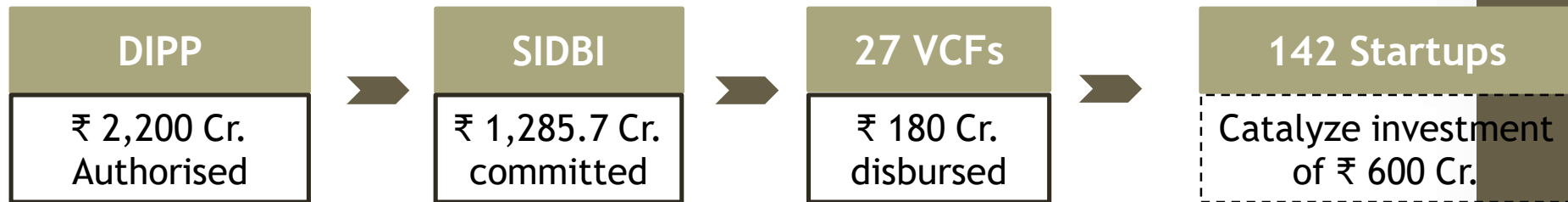
Physical Inspection

> 4 years

# Funding Innovation

## Fund of Funds

**₹ 10,000 Cr. corpus to be provided by Mar'25**



### Government Contribution Catalysing 10X Funds for Startups





# Startup India

## Benefits for startups

### Relaxation of Public Procurement Norms



- ❖ Relaxation of turnover, experience, & EMD condition for startups
- ❖ All Central Public Sector Undertakings to follow procedures and give preferential treatment to startups
- ❖ DIPP Recognised startups can directly register and sell on Government-e-marketplace (GeM) with no requirement of turnover & experience criteria

# Startup India

## Benefits for startups

### Patent & Trademark Benefits



- ❖ 80% rebate in patent filing fees
- ❖ 50% rebate in trademark filing fees
- ❖ Empanelled 1,019 facilitators for free of cost filing & facilitation
- ❖ Government to reimburse facilitators' cost
- ✓ 801 applications have received 80% patent rebate
- ✓ 1,226 applications have received 50% trademark rebate

# Startup India

## Benefits for startups

### Facilitation & Handholding



- ❖ Dedicated facilitation support team at Invest India to handhold startups
- ❖ 48 hr response time for any startup enquiry made via email, twitter, or call centre
- ✓ 1,05,230 enquiries have been successfully resolved so far
- ✓ 547 startups mentored and facilitated by team (such as business advisory, financial advisory, tax & legal support, stakeholder introduction etc.)

# Startup India

## Benefits for startups

### Easier Compliances



- ❖ Inspections against 6 labour & 3 environmental laws relaxed for startups
- ❖ Startups now allowed to self certify against laws; easing compliances for startups
- ❖ Insolvency & Bankruptcy board constituted for fast track exit
- ❖ 90 day period for winding up operations as opposed to 4 yrs earlier

# Startup India



## Benefits for startups

### Tax Exemptions

Tax exemption on investment from investor against issue of share capital and on profits and gains from income for 3 years

✓ Startups can apply to avail exemption under Section 56 and Section 80 IAC of the Income Tax Act, 1961

✓ Operating Guidelines Formulated

Evaluation Criteria	Inter Ministerial Board
 <ul style="list-style-type: none"><li>1. Innovation &amp; Uniqueness</li><li>2. Share Capital details</li><li>3. Merchant banker report</li><li>4. Details of Issue of Shares</li><li>5. Investor Details</li></ul>	 <ul style="list-style-type: none"><li>1. DIP P</li><li>2. DBT</li><li>3. DST</li><li>4. Ministry</li><li>5. CBD T</li><li>6. SEBI</li><li>7. RBI</li><li>8. MCA</li></ul>

# Funding Innovation

## Building Capacities



### INNOVATORS

#### Atal Tinkering Labs ₹ 488 cr.

Scheme run by NITI Aayog to set up tinkering labs in schools across India where young minds can give shape to their ideas through hands-on, do-it-yourself learning

- ✓ 2441 schools across India have been selected to setup tinkering labs
- ✓ Grant-in-aid of INR 20 Lakhs per lab over a period of 5 years

# Funding Innovation

## Building Capacities



### INNOVATORS

**MANAK ₹ 30 cr.**

Scheme run by Dept. of Science & Technology to strengthen science and technology system, increase R&D human resource base by inviting students from all government and private schools to send their original and creative technological ideas/innovations.

✓ 30,678 students received a grant of INR 10,000 each

# Funding Innovation

## Building Capacities



### INNOVATORS

#### **Uchhattar Avishkar Yojana ₹ 258 cr.**

Scheme run by Min. of Human Resource Development to jointly fund research projects, along with private entities, undertaken by IIT students

- ✓ Funding support provided to 85 research projects at various IITs, for product development & commercialization



# Funding Innovation

## Building Capacities



### INFRASTRUCTURE

#### Incubation Centres ₹ 244 cr.

Supporting creating of world class incubation facilities across India that will enable entrepreneurs by mentoring and cultivating their ideas into successful ventures

- ✓ NITI AAYOG
- ✓ Dept. of Science & Technology
- ✓ Dept. of Biotechnology

# Funding Innovation

## Building Capacities



### INFRASTRUCTURE

#### Research Parks ₹ 665 cr.

Scheme run by Min. of Human Resource Development to setting up research facilities for incubation and joint Research and Development (R&D) efforts between academia and industry

- ✓ Establishment of R&D facilities across 7 IITs & IISc Bangalore ( i.e. academia-industry collaboration)

# Funding Innovation

## Building Capacities



### INFRASTRUCTURE

#### **Bio Clusters & Regional Centres ₹ 412 cr.**

Spearheaded by Dept. of Biotechnology to promote innovation among Biotech companies and support commercialization of research

- ✓ 4 bio-clusters at Kalyani, Bangalore, Faridabad & Pune
- ✓ 3 BIRAC Regional Centres at Hyderabad, Bangalore & Pune

# Startup India Online Hub

## India's Largest Virtual Incubation Platform

[www.startupindiahub.org.in](http://www.startupindiahub.org.in)

Discover, Connect, &  
Engage with Ecosystem  
Stakeholders



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Government of India

Information  
Discovery

Curated Learning  
Programs

Networking &  
Engagement

Tools &  
Templates

Applications  
to enablers

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# Startup India Learning Program

4 weeks long || Free of Cost || English & Hindi



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Startup  
India  
Learning  
Program



## Course Content

Idea Assessment

Building a Legal Foundation

Finance Basics

Business Planning

Fundraising & Valuation



Business Plan



## Additional Resources

- ✓ Discussion forums
- ✓ Online workshops
- ✓ Templates/ Resources

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# Building International Bridges

## Market Entry for Indian Startups

### Objectives

- ✓ International bridges for cross border exchange of startups
- ✓ Market entry support for Indian startups looking to expand to other countries
- ✓ Connecting Indian startups with local stakeholders for successful expansion

### Successful Examples of Startup India International Partnerships



Portugal



Israel



Sweden



Singapore





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# State Startup Initiatives





# 18 States with Startup Policies

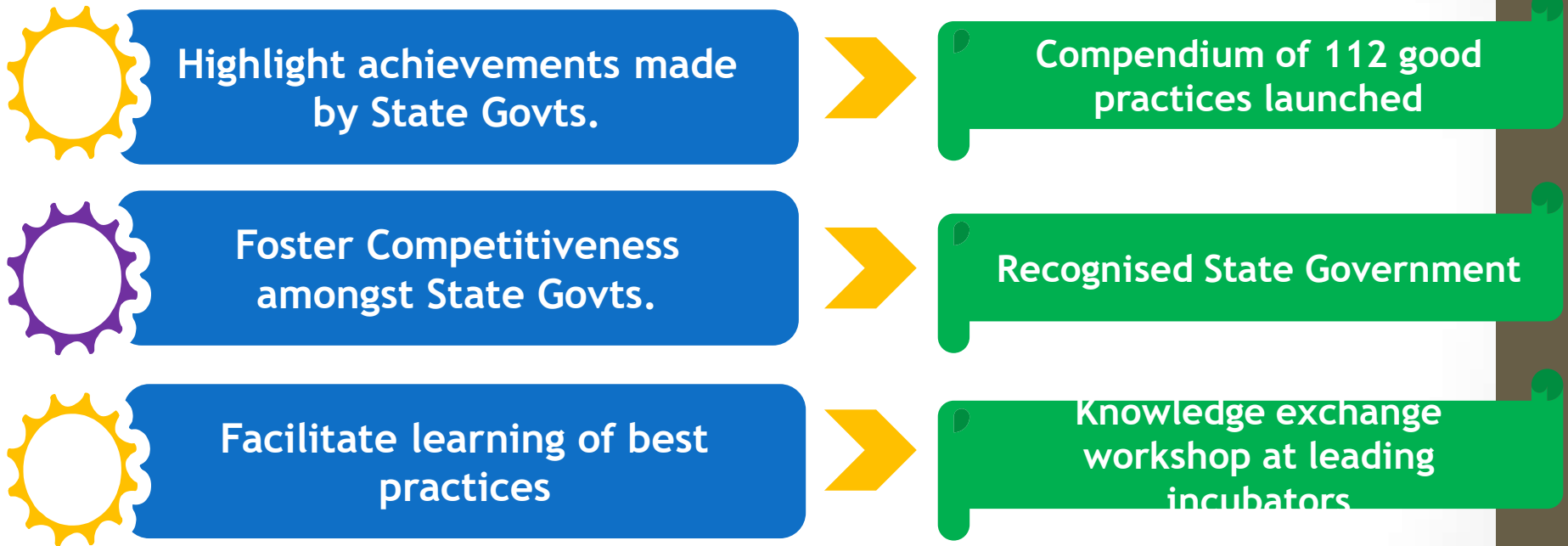
## 14 Launched After Startup India





# State Startup Ranking Framework

## Objectives

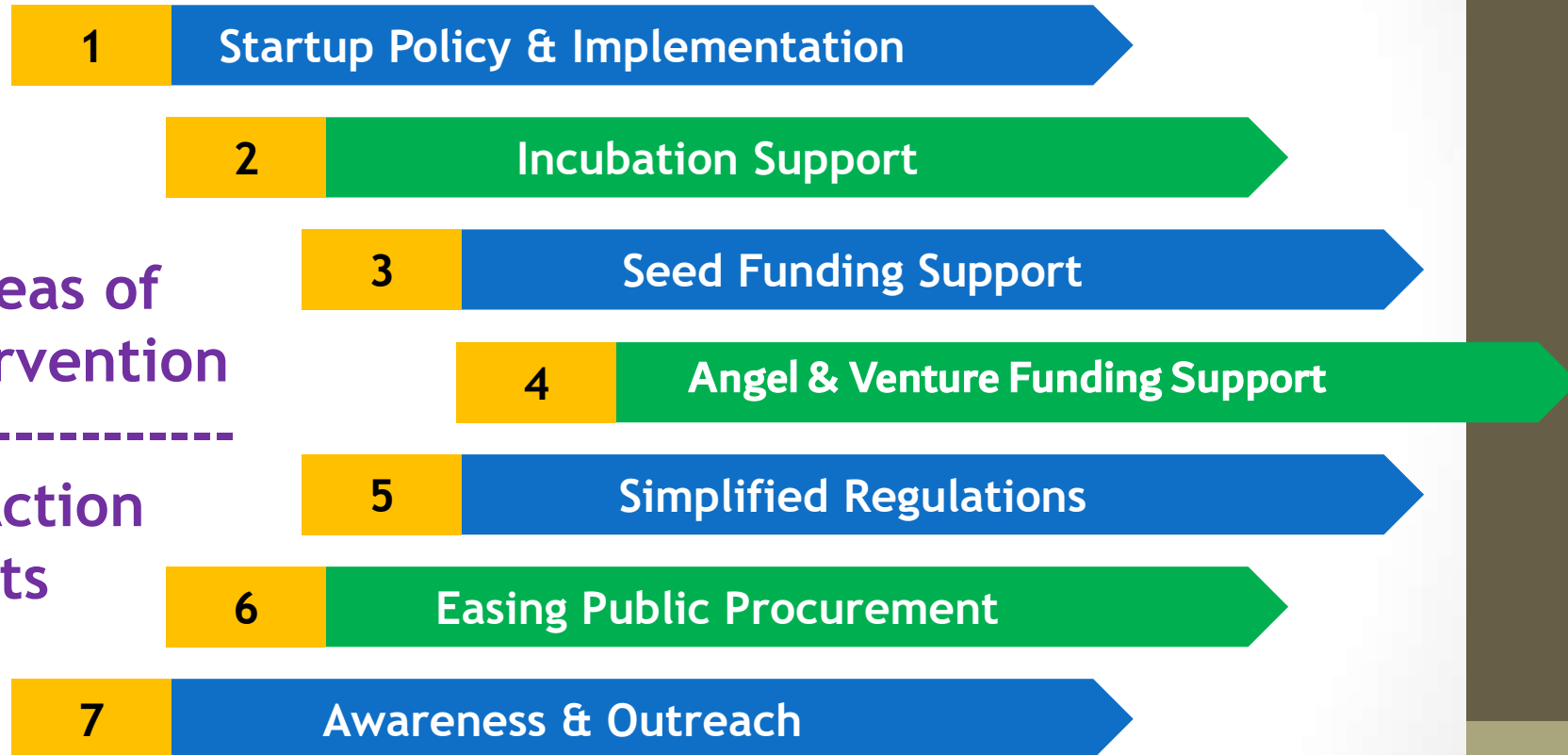


# State Startup Ranking Framework

## Overview of Framework

7 Areas of  
Intervention

-----  
38 Action  
Points



# Best Practices

## Compendium of 112 Practices Across 38 Action Points

### Pillars of Implementations

- Online platform to self certify compliance under Labour Laws (Rajasthan)
- Roundtable with major e-pharmacy startups, state govts. & DGCI (GOI)

### Incubation Support

- Launched T-Hub; 70,000 sq. ft. Incubation area (Telangana)
- iCreate; 40 acre campus to promote startups (Gujarat)

### Seed Funding

- Seed Capital Fund Scheme providing funding of up to INR 7.5 lakhs (Jammu & Kashmir)
- Grant of upto INR 10 lakhs as an interest free loan for 10 yrs. (Bihar)

### Angel & VC Funding

- Facilitate set up of Angel Investor Network (Odisha)
- INR 500 Cr. Fund of Funds set up (Kerala)

# Best Practices

## Compendium of 112 Practices Across 38 Action Points

### Simplified Regulations

- Innovation Society (Andhra Pradesh)
- Startup Council under Hon'ble CM (Karnataka)

### Public Procurement

- Credential Development Assistance up to 10% (Madhya Pradesh)
- Special provision of 20% total procurement from Startups (Odisha)

### Awareness & Outreach

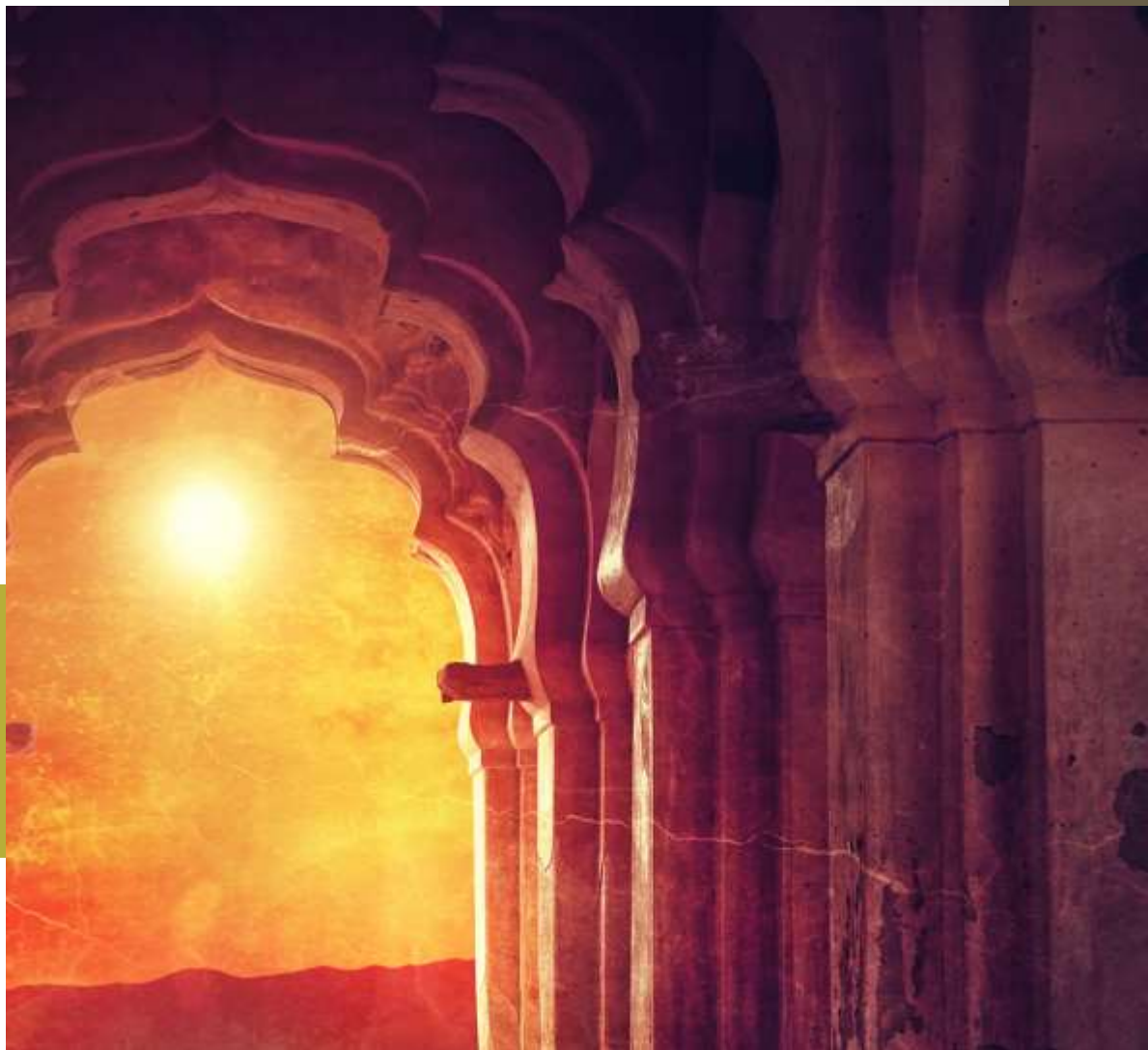
- Startup India Yatra series in search of entrepreneurial talent from tier 2 & 3 cities (GOI)
- Bootcamps across all 27 districts; 3,858 ideas (Chhattisgarh)



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# Startup India Yatra



# Startup India Yatra

## Creating Entrepreneurs in Tier 2/3 Cities of India

Offline initiative to promote & support grassroots innovation coming from tier 2 & 3 cities

- Conducted across local colleges & universities
- Day long mentorship workshops taken by experts
- Idea submission at each session

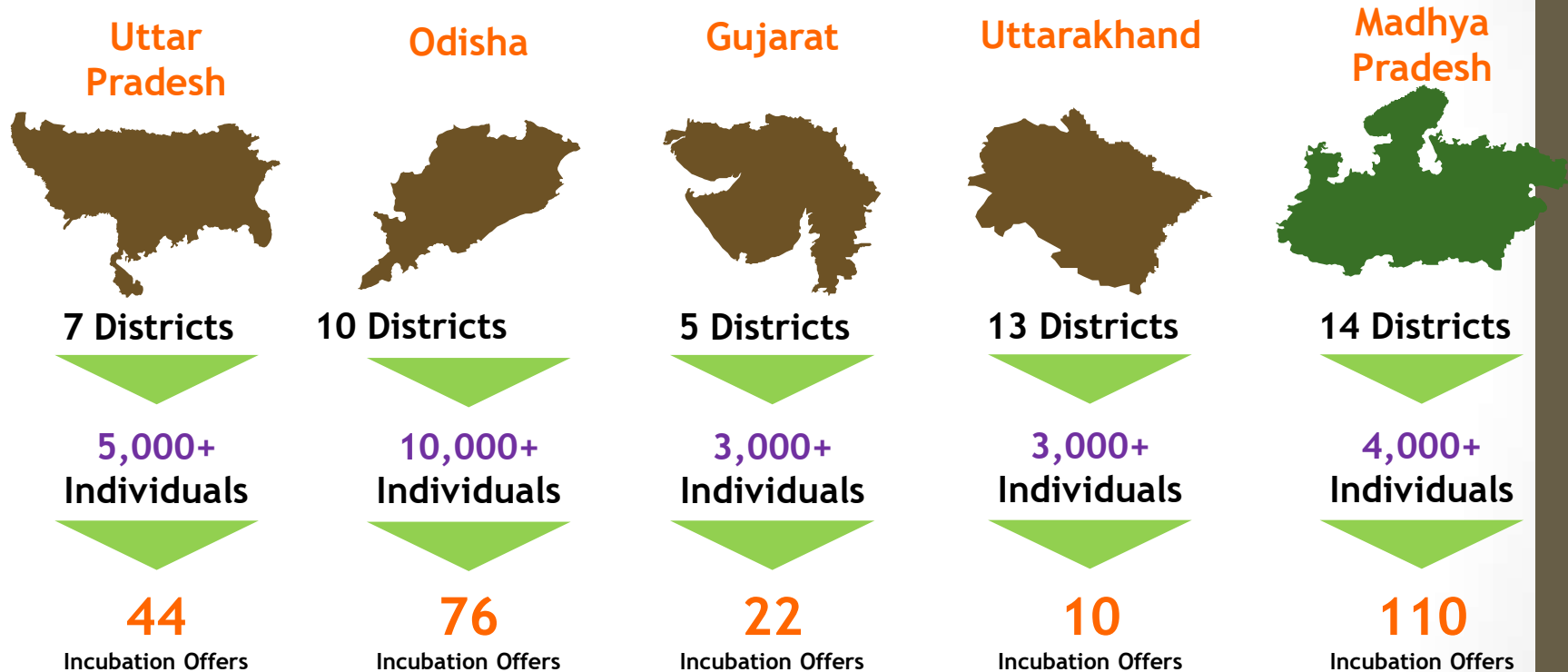
### Outcomes

- Grand Finale for incubation opportunity at India's leading centres
- Potential cash prize funded by State Government



# Startup India Yatra

Outcomes so far...





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## Connect With Us

[www.startupindia.gov.in](http://www.startupindia.gov.in)



1800-11-5565



[dipp-startups@nic.in](mailto:dipp-startups@nic.in)



[@startupindia](https://twitter.com/startupindia)



Startup India

## Key Officials

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# BANK LOANS FOR START-UPS IN INDIA

UNIT - 3

# BANK LOANS FOR STARTUPS-

Broadly, there are three loan categories that you could borrow into. These loans are specific to what your business currently needs.

## 1. **Working Capital Loan:**

Working capital is the money you need to meet your day-to-day business expenses like your monthly electricity bills. All your operational costs come under working capital and some loans are crafted to suit your working capital needs alone. **The loans are offered typically for a 12-month tenure and have an interest rate of 12% to 16%. These can be either secured or unsecured.**

## 2. Corporate Term Loan:

Term loans are used to start a venture or expand a business. Therefore, if you are starting up, you may want to look at term loans/funding. These are large sums of money borrowed from banks or financial institutions that are expected to be repaid over a longer period of time. **These loans are secured (company assets) and have a longer tenure and the interest rate is negotiable. They can be converted into equity options and also have tax benefits.**

## 3. Term Loan:

These loans are used to buy fixed assets. If you want to put up an office, you could consider borrowing a term loan. **Typically, these loans are secured with a tenure of 1-10 years and a floating interest rate between 10 and 20%.**

# 1. The Credit Guarantee Fund Scheme (CGS) for Micro and Small Enterprises

- This scheme is run by the government of India in collaboration with SIDBI (Small Industries Development Bank of India) to give unsecured loans to businesses.
- You can borrow up to Rs.100 Lakh in term loans or working capital loans as per your eligibility and feasibility.
- The corpus of CGTMSE is being contributed by the GoI and SIDBI in the ratio of 4:1 respectively and has contributed Rs. 2477.78 crore to the corpus of the Trust up to May 31, 2016.

## 2. The MUDRA Loan Scheme

- MUDRA stands for Micro Units Development and Refinance Agency Ltd.
- It is an agency launched by the government of India to facilitate corporate term loans to entrepreneurs.
- It was launched in 2015.

SNO	Stages	Maximum Amount	Details
1	Shishu	RS 50 Thousand	This stage would cater to entrepreneurs who are either in their primitive stage or require lesser funds in order to get their businesses started. Under this stage the applicant would be eligible to get up to Rs 50,000 credit.
2	Kishor	Rs 5 Lakhs	This stage would cater to entrepreneurs who have requirement of funds in the range of Rs 50,000 and Rs 5 lakh. This section of entrepreneurs would belong to either those who have already started their business and want additional funds to mobile the business or those who simply require this much of money to start up their businesses.
3	Tarun	Rs 10 Lakhs	If an entrepreneur meets the required eligibility conditions, he/she could apply for a loan up to Rs 10 lakh. This would be the highest level of amount that an entrepreneur could apply for a start up loan.

# 3. Stand Up India Scheme

- The Stand Up India scheme is a special scheme started by the government of India to financially empower SC/ST and women entrepreneurs.
- You can borrow between Rs. 10 lakh and Rs. 1 CR to start a manufacturing, trading or service unit, which is to be repaid in 7 years.

## 4. SIDBI Revolving Fund for Technology Innovation

- It provides financial assistance to MSMEs towards development, up scaling, demonstration and commercialization of innovative technology based projects.
- The assistance is given in the form of early stage “debt” funding on softer terms for development, demonstration and commercialization of new innovations in emerging technological areas, un-proven technologies, new products, process, etc. which have not been successfully commercialized so far.
- Maximum assistance is generally not more than Rs. 1 crore per project. Interest rate would be as approved by the Project Approval Committee (PAC) (not be more than 5% p.a.).



# 5. Growth Capital and Equity Assistance

- Who is it for-

Existing Small and Medium Businesses in need of Capital for Growth.

- It provides assistance in form of Mezzanine/ Convertible Instruments, Subordinated debt and Equity (in deserving cases).

# 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 fulfill 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

# 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](http://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

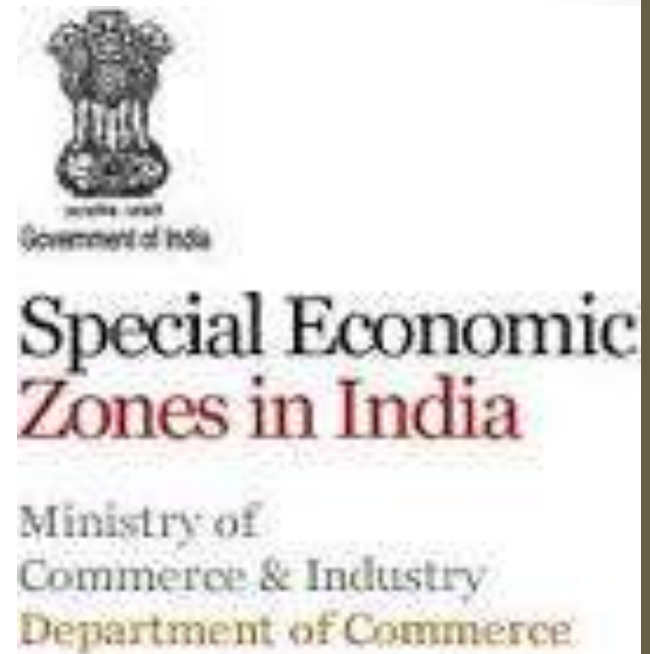
- SEZ policy introduced on 1/4/2000 in India
- To increase exports
- SEZ can be set up by private, public, joint sector or by the state government
- Convert EPZ to SEZ

# 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



# 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.