

“STARTUP”

The Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, vide its Notification G.S.R. 501 (E) dated 17th February, 2016 has come out with a revised definition of ‘**STARTUP**’. This initiative of the Government has been taken to encourage and promote the innovation, development or improvement of Products or Processes or Services and Scalable Business Model having high potential of employment generation or wealth creation. The moment when the entity is considered by the Government as Startup, it becomes eligible to obtain various immunities and exemptions under the various Laws, which as usually may become the hurdles thereto. However, the Government has also decided the criteria in terms of Turnover or Period of Existence, which may be considered to decide the entity being out of the purview of **STARTUP**.

(A) Entities **ELIGIBLE to be recognised as Startup**

- Private Limited Company, registered under the ‘Companies Act, 2013’.
- Registered Partnership Firm, registered under the ‘Partnership Act, 1932’.
- Limited Liability Partnership registered under the ‘Limited Liability Partnership Act, 2008’.

(B) Maximum **TIME FRAME upto which the entity shall remain as Startup**

- Not more than TEN (10) years has elapsed from the date of its incorporation/registration, in the **BIOTECHNOLOGY SECTOR**.
- Not more than SEVEN (7) years has elapsed from the date of its incorporation/registration in any **OTHER SECTORS**.

(C) **TURNOVER upto which the entity shall remain as Startup**

- Entity having Turnover not exceeding Rs. Twenty Five (25) Crores, as defined under the Companies Act, 2013, in any of the previous financial year since its incorporation/registration.

(D) **CONDITIONS for which the entity to become Startup**

- Entity engaged into any of the followings:
 - (a) **Innovation or development or improvement of PRODUCTS, or**
 - (b) **Innovation or development or improvement of SERVICES, or**
 - (c) **Innovation or development or improvement of PROCESSES, or**
 - (d) **Scalable Business Model with a high potential of employment generation, or**
 - (e) **Scalable Business Model with a high potential of wealth creation.**

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The moment the entity qualifies any one of the conditions stated in each headings i.e. A, B, C and D, shall be considered as Startup and certificate shall be issued by the concerned department, subject to the condition that the entity shall not be formed by way of splitting up or reconstruction of an business already in existence. However certificate of STARTUP issued by the department shall stand cancelled without any prior notice, if it is found that the same has been obtained without uploading the relevant documents or in such a grounds as the it deem fit.

Eligibility to claim the tax benefits:

1. The entity must be incorporated as Private Limited Company or Limited Liability Partnership on or after 1st April, 2016 but before the 1st April, 2019, that means registered partnership firm is not qualified to claim the tax benefits, and
2. It must be working towards the innovation, development or improvement of products or processes or services, or be a scalable business model with a high potential of employment, generation or wealth creation, and
3. Has obtained a certificate of an eligible business from the Inter-Ministerial Board of Certification as constituted by Department of Industrial Policy and Promotion from time to time.

The moment an entity full fills the above said conditions, including the conditions mentioned in clause A to D, herein above, shall eligible to claim the tax benefits, subject to the below clarifications.

CLARIFICATIONS: In recognising the need to encourage innovation in India, innovativeness shall be considered from a domestic standpoint, provided that the mere act of developing the products or services or processes not having potential for commercialization, or undifferentiated products or services or processes, or products or services or processes with no or limited incremental value for customers or workflow would not make a Startup eligible for tax benefits.

Process how to be recognised by an entity as Startup:

1. Make an online application through the designated mobile app or at the portal established by DIPP.
2. Submit the online application alongwith the certificate of incorporation/registration and other required documents as required and necessary for the registration purpose.
3. Submit a write-up about the nature of business highlighting how is it working towards innovation, development or improvement of products or processes or services, or its scalability in terms of employment generation or wealth creation.

The designated Board of the DIPP shall scrutinise the application and issue the certificate, or ask for the clarification or information required thereto or cancel the application, as it deem fit.

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