



# Startups and DPIIT recognition





# Purpose of this document

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**The purpose of this document is to discuss everything about the Startup India Scheme – its features, recognition criteria, underlying benefits and application procedure.**

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# Abbreviations



**CPCB** – Central Pollution Control Board

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**DPIIT** – Department for Promotion of Industry and Internal Trade

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**HUF** – Hindu Undivided Family

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**IP** – Intellectual Property

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**IPR** – Intellectual Property Rights

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**VC** – Venture capital/ capitalist

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# What Is The Startup India Scheme?

- Launched in 2016, the Startup India Scheme is an initiative taken by the Government of India. The main objective of the scheme is to promote the startup ecosystem, generate employment, and create wealth. Further to this, an Action Plan for Startup India was unveiled comprising of 19 action items spanning across areas such as “Simplification and handholding”, “Funding support and incentives” and “Industry-academia partnership and incubation”.
- This scheme has initiated several programs for building a strong ecosystem and transforming India into a startup hub. These programs are controlled by the Department for Promotion of Industry and Internal Trade (DPIIT).
- The Startup India scheme has come up with several benefits such as ease of work, financial support, government tender, networking opportunities, income tax benefits, etc.



# Benefits Available To DPIIT-Recognized Startups

## TAX BENEFITS

### ▪ Angel Tax Exemption

This exemption is particularly beneficial at the stage of an angel/VC round, where the angel or VC invests at the excess of the fair market value.

### ▪ Tax Holiday

To provide impetus to new entrepreneurial ventures, business profits earned by eligible startups carrying on eligible business are entitled to claim tax holiday of any 3 block years out of first 10 years of the startup.

### ▪ Capital Gain Exemption

To boost the investment in eligible start-ups, an exemption is available to taxpayers (individual and HUF only) from long-term capital gains arising from the transfer of residential property.

For detailed information on Tax Implications in India on Startups & Investors, please [click here](#)

## SEED FUNDING SCHEME

- In order to support the startup ecosystem in India, DPIIT has launched Startup India Seed Fund Scheme (SISFS) – by earmarking INR 945 as part of its disbursement plan in next five years (2021 to 2025).
- The scheme aims to provide financial assistance to startups for various milestones such as proof of concept, prototype development, product trials, market entry and commercialization.
- This would enable these startups to graduate to a level where they will be able to raise investments from angel investors or venture capitalists or seek loans from commercial banks or financial institutions.
- The Seed Fund will be disbursed to eligible startups through eligible incubators across India.

For detailed information on the Startup India Seed Fund Scheme, please [click here](#)



# Benefits Available To DPIIT-Recognized Startups

## SELF-CERTIFICATION UNDER LABOUR AND ENVIRONMENT LAWS

We all are aware of the numerous compliances that any business entity is required to comply with in India. Recognizing the time and efforts involved therein, and encouraging startups to focus on their business operations, a DPIIT-recognized startup is allowed to self-certify their compliance under six labour laws and three environment laws.

### Labor laws compliance exempted under this scheme:

- The Building and Other Construction Workers' (Regulation and Employment and Conditions of Service Act, 1996);
- The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1996;
- The Payment of Gratuity Act, 1972;
- The Contract Labour (Regulation and Abolition) Act, 1970;
- The Employees Provident Funds and Miscellaneous Act, 1952; and
- The Employees State Insurance Act, 1948,

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.

### Environment laws compliance exempted under this scheme:

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

***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***



# Benefits Available To DPIIT-Recognized Startups

## INTELLECTUAL PROPERTY RIGHTS (IPR)

IPRs form a critical part of any startup, particularly tech-based startups. Hence, it becomes important to streamline the current timelines and fee structure to apply for patents and/or trademarks.

### ▪ Rebate in filing fees

Although the patent/trademark registration fee depends on the class under which the IPR falls but, currently, the minimum costs of anyone to get their IPR registered starts from INR 8000. However, DPIIT-recognized startups can avail a rebate of 50-80% depending on the IPR being registered. This gives the startups a great impetus as it is important to get the IPRs registered at the initial stage when the startups have scarcity of funds and with this benefit, the cost of registering an IPR has been considerably reduced.

### ▪ Panel of facilitators to assist in IP applications

Facilitators are responsible for providing general advisory on different information on protecting and promoting IPRs in other countries. Central Government bears the entire fees of the facilitators for any number of patents, trademark or designs, and startups only bear the cost of the statutory fees payable

### ▪ Fast-track disposal of applications


It usually takes more than a year for disposal of IPR applications. However, DPIIT-recognized startups have the benefit of fast-track examination and disposal of application.

## RELAXATION IN PUBLIC PROCUREMENT NORMS

Public procurement refers to the process by which governments and state-owned enterprises purchase goods and services from the private sector. Government contracts are usually marked by high eligibility requirements and therefore, often only established entities may participate in the bidding process.

To allow startups to participate in public procurement, the eligibility conditions of prior turnover and/or demonstration of experience and security cover for projects have been exempted depending on the goods or services. DPIIT-recognized startups can list themselves as sellers on the Government of India's largest e-procurement portal: [Government e-Marketplace](#).





# Benefits Available To DPIIT-Recognized Startups



A DPIIT-registered startup may bid for government contracts with fewer eligibility requirements. This can even work on a trial basis.

The present categories that are listed in this regard are, for example, computers, automobiles, and office supplies.

## REVAMPED INCORPORATION PROCESS

Government of India has revamped the incorporation process in February 2020 wherein the number of procedures to incorporate a company in India has reduced to 3 as against 10 earlier. The time taken to incorporate a company has also been reduced to 4 days as against 18 days earlier for starting a Business in India.

## FAST-TRACK EXITS

The Ministry of Corporate Affairs has notified Startups as 'fast track firms', enabling them to wind up operations within 90 days vis-a-vis 180 days for other companies.



# Eligibility Criteria For Getting Registered Under The Startup India Scheme

## **An entity shall be considered as a 'start-up' if it fulfils the following conditions:**

- Incorporated as a private limited company or registered as a partnership firm or an LLP in India.
- Turnover of the entity for any of the financial years since incorporation/registration does not exceed INR 100 Crore.
- Entity 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.

***It is provided that an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Startup'.***

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## **An entity shall cease to be a start-up on achieving either of the following:**

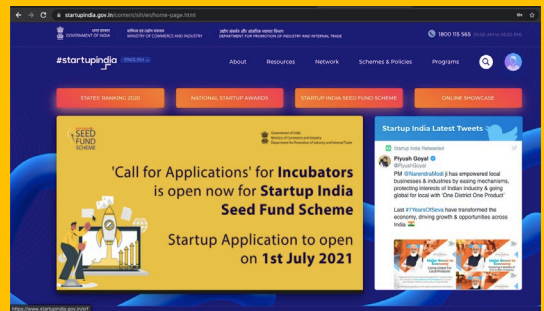
- Completion of 10 years from the date of its incorporation/ registration or
- If its turnover for any previous year exceeds INR 100 Crore



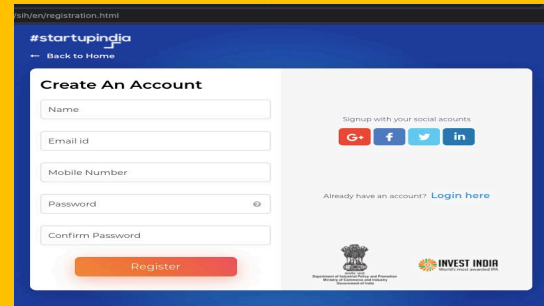
# How To Apply For DPIIT Recognition

- A startup shall make an online application over the mobile app or portal set up by the DPIIT.
- Application to be accompanied by –
  - **Copy of certificate of incorporation/registration**
  - **Write-up about the nature of business highlighting how it is working towards innovation, development or improvement of products or processes or services, or its scalability in terms of employment generation or wealth creation.**
- Application process

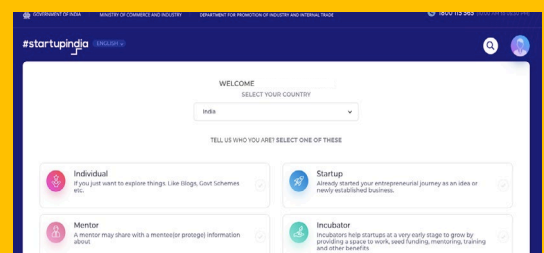
**STEP 1:** Visit <https://www.startupindia.gov.in>



**STEP 2:** Click on 'Register' and provide details OR Simply register using any of social media accounts, if not already registered, or login using credentials if already registered and jump to step 4.



**STEP 3:** Provide OTP and other details like, startup as type of user, name and stage of the startup, etc.

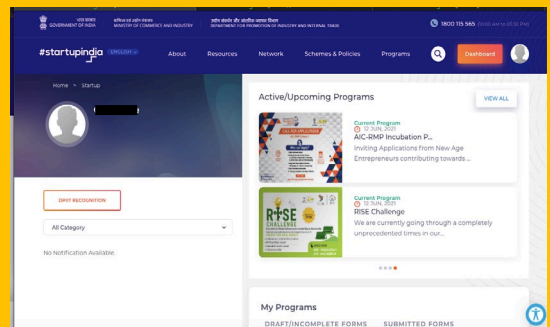




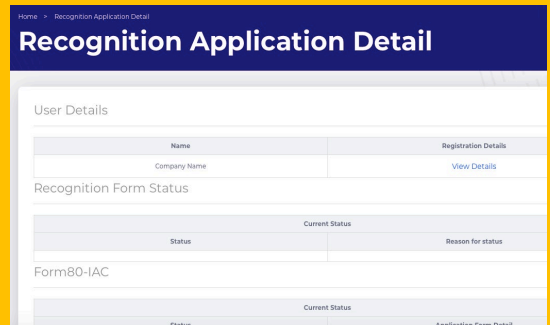
# How To Apply For DPIIT Recognition

## Application process (...contd.)

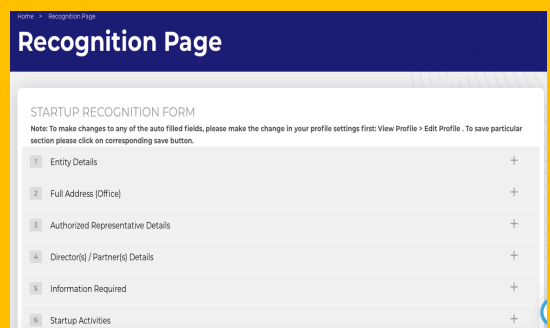
**STEP 4:** Go to 'Get Recognized' directly (new users) OR Dashboard > DPIIT Recognition (existing users)



**STEP 5:** On the 'Recognition Application Detail' page, click on 'View Details' under the Registration Details section



**STEP 6:** Fill up the 'Startup Recognition Form' and click on 'Submit'





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