

CAB Training Cards

MSME Startups in India¹

Startup India Programme:

It is a flagship initiative of the Government of India (GoI). The scheme was launched in January 2016, to catalyse the startup culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India.

- An entity may be considered as a startup if it is working towards innovating something new or significantly upgrading the existing technology, 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
- The department for the promotion of industry and internal trade (DPIIT), which comes under the ministry of industry and commerce, has recognised over 27,137 startups, and generated employment to 3,37,335 people².

Startups eligibility:

An entity can remain as startup up to 10 years from the date of incorporation/ registration, if it is incorporated as a private limited company or as a partnership firm or a Limited Liability Partnership (LLP) provided the turnover for any of the financial years does not exceed ₹ 100 crore.

Startups registration process:

The process of registration of startups in India involves the incorporation of the business, followed by) registration with the Startup India portal and then approval from the DPIIT.

Benefits to Startups:

- Startups are allowed to self-certify compliance for 6 labour laws and 3 environmental laws through a simple online procedure.
- Patent and trademark applications filed by startups shall be fast-tracked for examination and provided an 80% rebate in filing of patents vis-à-vis other companies. The government will bear all facilitator fees and the startups will bear only the statutory fees.

¹Compiled by Shri M Sundaramoorthy, AGM & MoF, CAB, RBI, Pune. The material is for academic and information purposes only. Please be guided by the relevant laws, circulars, instructions etc. in this regard. Usual disclaimer shall apply.

² Commerce and Industry Minister Piyush Goyal said in a written reply in the Lok Sabha on March 11, 2020.

- Startups, incorporated as a Private Limited Companies or LLPs are exempted from paying income tax for 3 consecutive financial years out of their first ten years since incorporation.
- Startups can register on the Government e Market place (GeM) portal as sellers and sell their products and services directly to Government entities.
- Startups are exempted from submitting Earnest Money Deposit (EMD) or bid security or prior experience/turnover” criteria applicable for normal companies while filling for government tenders.
- In case of failure, startups can be wound up within 90 days of filing an application for insolvency under IBC.

Funding opportunities for Startups:

- Startups can get low-cost collateral-free loans under MUDRA up to ₹ 10 lakh; up to ₹ 2 crore guaranteed by CGTMSE; up to ₹ 1 crore under stand-up India scheme from banks.
- Gol, through SIDBI, has created following dedicated funds to fund startups. SIDBI contributes to the corpus of various Alternative Investment Funds (AIFs) registered with SEBI, which in turn will invest, twice of SIDBI’s contribution, in equity and equity-linked instruments of various startups.
 - Fund of Funds for Startups (FFS) with a corpus of ₹ 10,000. Ten percent of the FFS has been reserved for women-led startups.
 - ASPIRE Fund with a corpus of ₹ 310 crore to support various MSME / startup businesses, including rural and agro space.
 - India Aspiration Fund with a corpus of ₹ 2000 crore to promote and accelerate equity and equity-linked investments in Start-ups and MSMEs.
