

# Startup Ecosystem of India

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# Startup Ecosystem

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Educational  
Institutes

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Co-working

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Incubation Centres

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Acceleration  
Programmes

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Govt. Challenges

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Startup  
Entrepreneurs

7

Angel Investors

# Budget 2019 for Startups

India to have 50,000  
startups by 2024

- President Kovind





# Role and Opportunity for CA in beginning of any Startup





- LLP vs Company
- PAN/TAN Application
- GST Registration
- Labour Law
- Registrations
- Loan Syndication
- Startup Recognition



Startup  
Service

Recognition



# Revised Definition of Startup w.e.f 19.02.2019

An entity shall be considered as a Startup:

- If it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India
- 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 INR 100 Crore.
- 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.

CERTIFICATE NO:

DIPP65135



Government of India  
Ministry of Commerce & Industry  
Department for Promotion of Industry and Internal Trade

#startupindia

## CERTIFICATE OF RECOGNITION

*This is to certify that **TASKATICS TECHNOLOGIES LLP** incorporated as a **Limited Liability Partnership** on **15-06-2020**, is recognized as a startup by the Department for Promotion of Industry and Internal Trade. The startup is working in 'Enterprise Software' industry and 'Cloud' sector as self-certified by them.*

*This certificate shall only be valid for the Entity up to **Ten** years from the date of its incorporation only if its turnover for any of the financial years has not exceeded **₹100 Cr.***

12-06-2020

DATE OF ISSUE

14-06-2030

VALID UPTO



# General Benefits



## Self certification

compliance under 9  
environmental & labour laws



## Startup patent application

fast track & up to 80% rebate in  
filling patents



## Public procurement

fast track under the criteria of  
"prior experience/turnover" for  
startups in all Central Government  
ministries/ departments



## Winding up company

in 90 days under insolvency &  
Bankruptcy code 2016

# General Benefits



Inr 2,000 crore  
credit

guarantee fund for startups  
through National Credit  
Guarantee Trust Company /  
SIDBI over 4 years



Inr 10,000 crore fund

of funds for investment into  
startups through Alternate  
Investment Funds

# Compliance Benefits



1. In Start up companies, where there is no company secretary, the annual return may be signed by the director of the company.



2. Start up companies are required to hold only 2 meetings of the Board in an year instead of 4 board meetings



3. A Start up private company is not required to include the cash flow statement in the financial statements.

52,732+



No. of Startups registered in DPIIT as on 24.07.2021



# STARTUP INDIA SEED FUND SCHEME



# Brief background on Startup India Seed Fund Scheme (SISFS)

- 1 Minister of Railways, Commerce & Industry, Consumer Affairs and Food & Public Distribution Shri Piyush Goyal launched the Startup India Seed Fund Scheme (SISFS).
- 2 The Fund aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry, and commercialization.
- 3 DPIIT has created Startup India Seed Fund Scheme (SISFS) with an outlay of INR 945 Crore to provide financial assistance to startups for Proof of Concept, prototype development, product trials, market entry, and commercialization. It will support an estimated 3,600 entrepreneurs through 300 incubators in the next 4 years.



Seed Funding – 20  
lakhs for Prototype  
and 50 Lakhs for Go  
to market



# Seed Fund to an eligible startup by the incubator shall be disbursed as follows:

- 1 Up to Rs. 20 Lakhs as grant for validation of Proof of Concept, or prototype development, or product trials. The grant shall be disbursed in milestone-based installments. These milestones can be related to development of prototype, product testing, building a product ready for market launch, etc.
- 2 Up to Rs. 50 Lakhs of investment for market entry, commercialization, or scaling up through convertible debentures or debt or debt-linked instruments.
- 3 A startup applicant can avail seed support in the form of grant and debt/convertible debentures each once as per the guidelines of the scheme





# Download E-Book on Startup India Seed Fund Scheme

[Click here for E-book](#)





# 1. GriInvest

Grip is an investment marketplace that provides investors with options to co-invest and have partial ownership in physical assets that earn lease income

<https://www.griinvest.in/how-to-invest/?reporting=27696>



## 2. ICONSCOUT

“Curated SVGs, Vector Icons, Illustrations, 3D graphics, and Lottie Animations. Over 3000+ assets added every day. Integrated plugins, tools, editors, and more.

<https://iconscout.com/>



### 3. MeraOffice

MERA OFFICE as Start Up Entrepreneur have come up with a SAAS based product for office management for Professionals to manage their office workflow. The main Modules are:

- 1.Task Management
2. Invoicing and
3. Receivables management and other allied features.

<https://meraoffice.in/>

## 4. ITATOrders

ITAT Orders is India's only income tax case laws research tool with Free subscription giving access to repository of more than 3 lakhs income tax tribunal judgments.



<https://www.itatorders.in/>



Never dream of  
becoming  
something.  
If you dream,  
dream of  
doing  
something!

-Shri Narendra Modi





# Virtual CFO



# Brief about Virtual CFO and its services

1

In the present scenario, many challenges are being faced by the organizations in terms of growth, financial aspects, accounting as well as management. For this a designated position is required to be appointed who can be primarily entrusted with managing the financial risks, company valuation and reviewing the various KPIs relevant to the Startup or SMEs.

2

Virtual CFO shall be there to meet the challenges effectively by providing the financial and professional advice, analysis and support to the management.

3

Virtual CFO services are provided to the businesses who have not appointed an inhouse CFO (Chief Financial Officer).





# Introduction of Angel tax

Section 56(2)(viib)

Where a closely held company issues shares to a resident, for amount received in excess of the fair market value of the shares, it will be deemed to be the income of the company under the head "income from other sources."





### The Problem:

The Rule 11UA(2) provides two methods of valuation, i.e., Net Asset Value Method and the fair market value determined by the merchant banker as per the Discounted Free Cash Flow method. Earlier, the Chartered Accountant was also allowed to determine the FMV using the Discounted Free Cash Flow method. However, after the amendment by the Income-tax (Sixth Amendment) Rules, 2018, w.e.f. 24-5-2018, only merchant banker can determine the FMV.

# Impact on Startup Eco-system

-Since this section did not provide any basis or means of distinguishing the bonafide from the malafide, a contra-effect was observed by the start-ups, which, even as on date, places an excessive reliance on the funding received from liquidating the share capital.

-With the introduction and applicability of Sec.56(2)(viib), many start-ups started receiving income tax notices, with the authorities vouching to verify the veracity of capital infused by them. Essentially, the capital introduced in these start-ups demanded a huge premium, which was on account of the ideas, innovation or prospects, and their proposed execution by these entities.



# Restriction on utilization of Investment

The new notification restricts the start-up claiming exemption from angel tax, from investing in any of the following assets:

- Land or building, being a residential house, other than that used for the purposes of renting
- Land or building, not being a residential house, other than that occupied by start-up for its business or renting
- Loans and advances, if start-up isn't engaged in ordinary business of lending of money
- Capital contributions made to any other entity
- Shares and securities
- Motor vehicle, aircraft, yacht or any other mode of transport, if the cost of such an asset exceeds Rs. 10 lakhs.
- Jewellery (other than trading in ordinary course of business)

Archaeological collections, drawings, paintings, sculptures, any work of art or bullion



# Download E-Book on The Perils of Angel Tax

[Click here for e-book](#)





# Tax exemption u/s 80IAC

An application to Inter-ministerial Board is to be made.



# Income Tax benefit – 80IAC

1

LLPs/ Companies incorporated after 1.4.2016 but before 31.03.2022

2

A deduction of 100 per cent of the profits and gains derived by an eligible startup from a qualified business is allowed for any consecutive three assessment years among the seven years beginning from the particular year in which the eligible startup is incorporated once certificate of eligibility is obtained from IMB

# TAX EXEMPTIONS



-On income tax 3 year tax holiday  
in a block of ten years



Tax Benefit shall be available only to  
-Limited Liability Partnership  
-Private Limited Company  
*Subject to Approval From IBM*

## PLEASE NOTE THAT THE MERE ACT OF DEVELOPING

- Products or services or processes which do not have 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.*



# TAX EXEMPTIONS

Certificate No: DIPP2061/IMB



Department of Industrial Policy & Promotion  
Ministry of Commerce & Industry,  
Government of India

## Inter-Ministerial Board CERTIFICATE OF ELIGIBLE BUSINESS

The Inter Ministerial Board hereby certifies that ***CEREBROZ EDUTREE LLP*** incorporated/ registered as a ***Limited Liability Partnership*** on ***31-03-2017***, is eligible to avail Tax benefits as a Startup.

Date of Issue: 17-08-2017

Place of Issue: New Delhi

The entity shall cease to be a 'Startup'

- On completion of seven years from the date of its incorporation; or
- At the end of financial year in which its turnover exceeds Rupees 25 crores.

Note:

- Authorities accepting this Certificate may check its validity on the Startup India portal([www.startupindia.gov.in](http://www.startupindia.gov.in))
- This is a system generated certificate and hence does not require physical signature
- This certification is subject to applicable laws/regulations of the country.
- If such recognition is found to have been obtained without uploading the relevant documents or on the basis of false information, DIPP reserves the right to revoke the recognition certificate and certificate of an eligible business for tax benefits immediately without any prior notice or reason.

387 

No. of Startups given 80IAC benefits as on 24.07.2021



# Opportunities Legal Compliances

in



# 9 OUT OF 10 STARTUPS FAIL

There are 2 different **mindset types**:  
*Which one are you?*



"**10% chance to succeed?** I'll fail  
**10 times to 100x my lifestyle.**  
Bring it on, I'll rock this game!"



"**90% chance to fail?** Hell no!  
I'll keep my 9-5, play it safe and  
**die with all my regrets."**

# Shareholder's Agreement

1

A shareholder agreement is an arrangement that defines the relationship between shareholders and the company.

2

The agreement safeguards the rights and obligations of the majority and minority shareholders, and it ensures all shareholders are treated fairly.

3

Various types of provisions can be used in shareholder's Agreement to protect the interest of the Shareholders and company both such as:

- Drag Along Right
- Tag Along Right
- Right of first refusal
- Anti-dilution clause

# Drag Along Right

1

A drag along right allows a majority shareholder (i.e. usually a shareholder holding more than 50% of shares in a company that have voting rights attached) of a company to force the remaining minority shareholders (i.e. usually a shareholder holding less than 50% of shares in a company that have voting rights attached) to accept an offer from a third party to purchase the whole company.

2

The majority shareholder who is 'dragging' the other shareholders must offer the minority shareholders the same price, terms and conditions that the majority shareholder has been offered.

3

The aim of drag along rights is to provide liquidity, flexibility and an easy exit route for a majority shareholder.

## Example of Drag Along Right Clause

“Notwithstanding anything contained under Articles of Association, if shareholders holding in aggregate at least 75% of the equity shares of the company on a fully diluted basis (“Substantial shareholders”) are desirous of transferring to any party (“Transferee”) all of their securities held in the company, the Substantial shareholders shall have the right (“Drag Along right”) to require the remaining shareholders in the company including Initial shareholders (if applicable) (collectively, the “Remaining shareholders”) by serving upon the Remaining shareholders a written notice of 7 days, to transfer along with Substantial shareholders all the securities held by the Remaining shareholders to such transferee on the same terms and conditions including the price at which substantial shareholders are transferring their securities to the transferee and simultaneously to the Substantial shareholders transferring their securities to the transferee.”

# Tag Along Right

1

When a majority shareholder sells their shares, a tag along right will entitle the minority shareholder to participate in the sale at the same time for the same price for the shares.

2

The minority shareholder then 'tags along' with the majority shareholder's sale. Tag along rights are usually worded to state that if the tag along procedures aren't followed then any attempt to buy shares in the company is invalid and won't be registered.

3

Tag along rights are also known as 'co-sale rights' are the inverse of drag along rights.



## Example of Tag Along Right Clause

“If one or more Founders do not elect to purchase all of the Shares offered by exercising right of first refusal, if any Shareholder, or group of Shareholders acting together, owning 15% or more of the outstanding Shares held by all Shareholders (for the purposes of this Section, the “Selling Shareholders”) desires to transfer all or any portion of their Shares to a bona fide third-party purchaser, then the Selling Shareholders shall furnish the Founders (who are not Selling Shareholders, if any) (for the purposes of this Section, the “Tag-Along Founders”) written notice of such intent to transfer its Shares. Tag Along Founders shall have the right, but not the obligation, to require, as a condition to the sale by the Selling Shareholders of its Shares to such third-party purchaser.”



# Startup Valuation



1. A startup is like a box. A very special box.



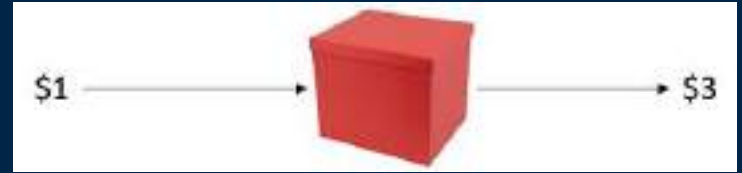
This is a Startup

2. The box has a value. The more things you put in the box, the more its value increases. Add a patent in the box, the value increases. Add a kick-ass management team in the box, the value increases. Easy, right?



Your startup is now worth 2.  
Yay!

3. The box is also magic. When you put \$1 inside, it will return you \$2, \$3 or even \$10! Amazing!



4. Problem is, building a box can be very expensive. So you need to go and see people with money — let's call them investors — and offer them a deal that sounds a bit like this:

“Give me \$1M to build a box, and you get X% of everything that comes out of it”

But how much should “X” be?

It depends on the Valuation of the Startup, e.g. the value of the box at the moment of the investment. But calculating the Valuation is the most important task.



## Methods of Valuation

- Discounted Free Cash Flow Method
- Comparable Transaction Method



THANKS!

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