

QUICKER CLEARANCES

PM unveils liberal start-up ecos

Announces fund of Rs. 10,000 cr. to be provided over four years

NATIONAL BUREAU

NEW DELHI: Prime Minister Narendra Modi sought to infuse more energy into India's start-up ecosystem with a bouquet of initiatives such as making tax-free the profits of these fledgling units for three years, Rs. 10,000 crore of government funding over four years, no visits by labour inspectors for three years, and quicker and subsidised patent clearances.

The "Start-up India, Stand-up India" action plan, unveiled by Mr. Modi on Saturday, promises a new mobile app to enable start-ups to register themselves within a day and apply for clearances online, and easier exits for failed ventures with a provision for winding them up within 90 days under a proposed bank-

A BLUEPRINT TO BACK NEW IDEAS

PM Narendra Modi has unveiled a slew of incentives to promote and nurse entrepreneurship

• **Start-up profits** to be tax-free for 3 years

• Compliance regime based on **self-certification**. No labour inspections for 3 years

• **Mobile app** from April 1 to register start-ups in a day

• **Fast-track mechanism** for start-up patent applications, with 80% cost rebate

• Public-procurement norms of **minimum turnover/experience** to be relaxed



• Sector-specific incubators, **500 tinkering labs**, pre-incubation and seed funds under the Atal Innovation Mission

• **PPP model** for 35 new incubators; 31 innovation centres at national institutes, 7 new research parks, **5 new bio-clusters**

• **Exits for start-ups** within 90 days

• **Fund of funds** with Rs. 2,500 crore a year for four years

• **Credit guarantee fund**

• **Tax exemption** to be provided on capital gains

ruptcy and insolvency law.

Using the opportunity to take a jibe at the Opposition parties for holding up Parliament, Mr. Modi said: "We have introduced the bankruptcy and insolvency Bill in 2015. The rest of the problem, you know ... Maybe, if youth like you send a message via social media for Parliament, where work is stuck ... maybe, some people will understand it [better] now."

Committing to ease the red tape that makes it difficult to do business, he said: "For nearly 70 years, government has done a lot and where did we reach? If we decide not to do some things, then these youth will reach great heights in the next decade. The government shouldn't come in between..."

The statement drew loud applause from the crowd of over 1,500 delegates, includ-

ing Silicon Valley heavyweights such as Softbank founder Masayoshi Son and Uber founder Travis Kalanick. Stressing that it was important for start-ups to have ideas and an ability to take risks, Mr. Modi pointed to Uber's solution for a commuting problem and said, "Uber has become 'Kuber' [the god of wealth]."

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Liberal start-up ecosystem unveiled

Promising easier access to more finance for budding entrepreneurs through a Rs. 2,500-crore fund of funds annually over the next four years, Mr. Modi said Finance Minister Arun Jaitley would address the taxation issues that plagued start-ups, including the tax on investments in start-ups by domestic angel and venture capital funds in the upcoming Budget. "There will be tax incentives for government-recognised funds and they would be exempted from capital gains. The issue of fair market valuation and tax on investments would also be resolved," Mr. Modi said.

A tax is currently levied on all funding provided by domestic angel and venture capital funds to start-ups, with income tax authorities having the power to determine the

valuation at which such investments are made on the basis of a "fair market value".

Industry had sought a review of this provision as it could lead to several tax disputes as start-up valuations are often subjective and linked to the power of an idea, rather than traditional valuation methods based on cash flows. These taxes are not levied on foreign financiers who account for over 90 per cent of funding for Indian start-ups. "If someone invests the gains from the sale of property into their own business, it will be exempt from capital gains tax," Mr. Modi said.

He announced a moratorium on income tax payments on start-up profits and labour law inspections for the first three years of operations, and

said compliance with nine environment and labour laws would be allowed on the basis of self-certification.

Calling upon youth to attempt solving some of India's unique problems — such as making health care easily affordable or improving farm supply chains so that fruits and crops do not rot —, the Prime Minister said that India had millions of problems, but over a billion minds that could solve them. "Intellectual property is the main asset of new ventures, but sometimes it takes months to process a patent application. We need to merge our Youth Property with IP, so we will fast-track such patents and give start-ups an 80 per cent rebate on the fees, while bearing the entire cost for facilitating quicker clearances," Mr. Modi said.