

Measures envisaged in the Budget 2021-22 will boost the Start-ups in the country : Secretary DPIIT

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Department for Promotion of Industry and Internal Trade (DPIIT) Secretary, Ministry of Commerce and Industry, Dr. Guruprasad Mohapatra today said that the measures envisaged in the Budget for 2021-22 will further boost the Start-ups in the country.

In a press briefing held here, Dr. Mahapatra said that measures such as Incentivizing incorporation of One Person Companies (OPCs) directly benefits Startups and Innovators in the country. The budget incentivizes the incorporation of One Person Companies (OPCs) by amending the Companies (Incorporation) Rules to allow OPCs to grow without any restrictions on paid up capital and turnover, allowing their conversion into any other type of company at any time, reducing the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days and also allow Non-Resident Indians (NRIs) to incorporate OPCs in India.

He said that these amendments will be effective from 01 April 2021. Previously NRIs were not allowed to incorporate OPCs. Now any natural person, who is an Indian citizen, whether resident in India or otherwise, would be allowed to form an OPC. The amendments also reduce the residency period to 120 days from 182 days for NRIs, for being considered as a resident in India. This would help a number of overseas Indians establish businesses in India.

DPIIT Secretary said that the provisions permit conversion of One Person Company into a Public company or a Private company anytime, removing the compulsory wait period of two years. It will substantially help startups to grow and enhance their ease of doing business. Similarly, the limitation of Paid up capital and turnover presently applicable for OPCs (paid up share capital of fifty lakhs rupees and average annual turnover of two crore rupees) has been done away with so that there are no restrictions on the growth of OPCs.

Speaking about the Tax Benefits for Startups, he said that the existing provisions of section 80-IAC of the Income Act provide for exemption of all profits and gains of a startup for three years out of ten years. Presently, only those startups incorporated between 1st April, 2016 and 1st April 2021 are eligible. The Budget extends the eligibility for start-ups by one more year till 31st March, 2022.

He said that the exemption of capital gains arising from transfer of long-term capital assets under section 54GB, available only up to 31st March, 2021, has now been extended to 31 March, 2022 in this budget.

He reiterated that these provisions will help India's startups and support growth of startups in the country. Young women and men form the bulk of Indian Startups. In addition to the metro cities, the Startups are emerging in Tier II and III cities of India. They would immensely benefit from the above announcements

Mentioning about the Credit Guarantee Fund for Startups (CGFFS), he said that Implementation of Credit Guarantee Scheme for Startups is under consideration of the government and the objective of the Credit Guarantee Fund for Startups is to provide guarantee up to a specified limit against credit instruments extended by Member Lending Institutions to finance eligible startups. Credit guarantee fund for start-ups is to be established with a corpus of Rs 2000 crore. The scheme will provide guarantee to Banks, FIs, NBFCs and AIFs for collateral free loans to DPIIT recognized Startups upto Rs. 10 crore. The National Credit Guarantee Trustee Company Ltd. (NCGTC) shall manage the day to day operations of the CGSS as the Trustee. It would target coverage of guarantees for approximately Rs. 15,000 crores with 3,000 units with an average loan size of Rs.5 crores to eligible borrower, he added.

f The secretary said that establishment of Credit Guarantee Fund for providing portfolio guarantees under CGSS is expected to provide an incentive to financial intermediaries to lend to Startups, thus resulting in increased availability of funding for Startups. This would go a long way in encouraging innovation and entrepreneurship, apart from fulfilling the country's agenda for development and inclusive goals in the long run.

in While addressing the meeting Dr. Mahapatra said that Central Government has approved the 'Startup India Seed Fund Scheme (SISFS)' to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization. SISFS shall provide financial assistance to startups with a corpus of Rs. 945 Crore that will be disbursed through selected incubators across India in the next four years starting with FY2021-22. The scheme is sector-agnostic and will support startups across all sectors and it shall have a central common application form on Startup India portal for startups and incubators on an ongoing basis.

Online Applications will be invited from incubators across India to participate in the scheme. A Grant of up to Rs. 5 (five) crore would be provided to a selected incubator in milestone-based three or more instalments.

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

- i. 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 instalments. These milestones can be related to development of prototype, product testing, building a product ready for market launch, etc.
- ii. Up to Rs. 50 Lakhs of investment for market entry, commercialization, or scaling up through convertible debentures or debt or debt-linked instruments.

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