

DIPP notification for Start-ups

- In the case of start-ups in the biotechnology sector, the period shall be up to ten years from the date of its incorporation/ registration, it added. The notification also said that the turnover of the entity for any of the financial years since incorporation/ registration should not exceed ₹25 crore.
- The definition also said that the entity should be 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. However, an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'start-up'.
- “An entity shall cease to be a start-up on completion of seven years from the date of its incorporation/ registration or if its turnover for any previous year exceeds ₹ 25 crore. In respect of start-ups in the biotechnology sector, an entity shall cease to be a start-up on completion of ten years from the date of its incorporation/ registration or if its turnover for any previous year exceeds ₹ 25 crore ,” it added.
- A start-up shall make an online application over the mobile app or portal set up by the Department of Industrial Policy and Promotion for recognition, it added. The notification also said that a start-up being a private limited company or a limited liability partnership incorporated on or after 1st day of April 2016 but before 1st day of April 2021, can claim 100% tax exemption on profits for three out of seven years, as per the prescribed norms.
- The notification also provided tax relief for issue of shares by start-ups over the fair market value, with certain conditions. For availing the tax relief for issue of shares over the fair market value, the aggregate amount of paid-up

share capital and share premium of the start-up after the proposed issue of shares should not exceed ₹ 10 crore.

- Further, the investor/ proposed investor, who proposed to subscribe to the issue of shares , should either have an average returned income of ₹ 25 lakh or more for the preceding three financial years or net worth of ₹2 crore or more as on the last date of the preceding financial year. The start-up had to obtain a report from a merchant banker specifying the fair market value of shares in accordance with rules.