



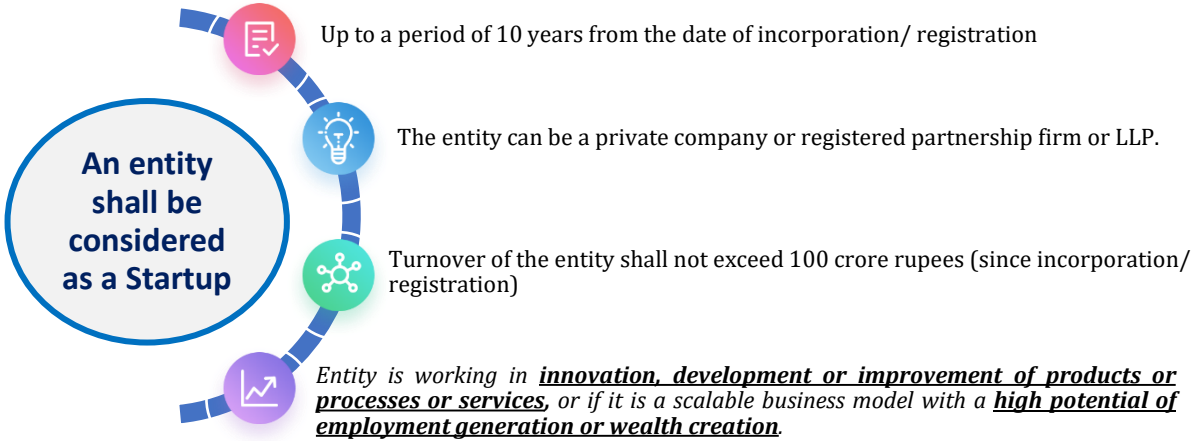
# Newsletter

## August 2021

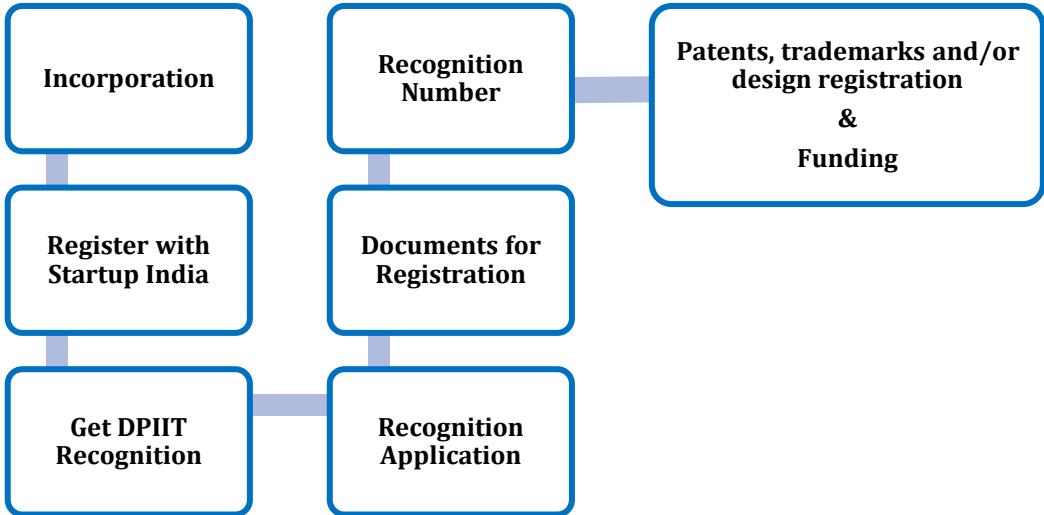
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# Start up



## Start-up Registration Process



## Benefits of registration - Self certification

Description	Brief details
<b>Objective</b>	<ul style="list-style-type: none"> <li>To reduce the regulatory burden, thereby allowing them to focus on their core business &amp; keep compliance costs low.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>Allowed self-certify compliance for 6 Labour Laws and 3 Environmental Laws through a simple online procedure.</li> <li>In the case of labour laws, no inspections will be conducted for a period of 5 years.</li> <li>In the case of environment laws, startups which fall under the 'white category' (as defined by the Central Pollution Control Board (CPCB)) would be able to self-certify compliance and only random checks would be carried out in such cases</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>DPIIT recognized startups that are within 5 years of incorporation</li> </ul>

### Benefits of registration - Patent and IPR application

Description	Brief details
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Fast-tracking of Startup Patent Applications</li> <li>• Panel of facilitators to assist in filing of IP applications</li> <li>• Government to bear facilitation cost.</li> <li>• Rebate on filing of application</li> </ul>
<b>Eligibility</b>	DPIIT recognized startups that are within 5 years of incorporation

### Benefits of registration - Tax exemption

Description	Brief details
<b>Benefits</b>	Eligible startups can be exempted from paying income tax for 3 consecutive financial years out of their first ten years since incorporation
<b>Eligibility</b>	<p>The entity should be a DPIIT recognized startup Startup needs to be registered and recognized by <a href="#">Inter-Ministerial Board</a> Only Private Limited Companies or Limited Liability Partnerships are eligible for tax exemption under Section 80IAC</p> <p>The startup should have been incorporated after 1st April, 2016</p>

### Benefits of registration - Section 56 exemption

Description	Brief details
<b>Objective</b>	<p>Exemption under Section 56(2) (VIIB) of Income Tax Act Investments into eligible startups By a venture capital undertaking from a venture capital company or a venture capital fund Consideration of shares received by eligible startups shall be exempt upto an aggregate limit of INR 25 Crore (including premium).</p>
<b>Eligibility</b>	<p>Should be a private limited company Should be a DPIIT recognized startup. Not Investing in specified asset classes Startup should not be investing in immovable property, transport vehicles above INR 10 Lakh, Loans and advances, capital contribution to other entities, except in the ordinary course of business</p>

### Easy winding up

Description	Brief details
<b>Objective</b>	<ul style="list-style-type: none"> <li>• To make it easier for Startups to shut down or wind-up operations, with the objective of allowing entrepreneurs to reallocate capital and resources to more productive avenues faster.</li> <li>• To encourage entrepreneurs to experiment with new and innovative ideas, without having to face complex and long-drawn exit processes where their capital becomes interminably stuck in the event of business failure.</li> </ul>

<b>Benefits</b>	<ul style="list-style-type: none"> <li>As per the Insolvency and Bankruptcy Code, 2016, startups with simple debt structures, can be wound up within 90 days of filing an application for insolvency.</li> <li>An insolvency professional shall be appointed for the Startup, who shall thereafter be in charge of the company including liquidation of its assets and paying its creditors within six months of such appointment.</li> <li>Upon appointment of the insolvency professional, the liquidator shall be responsible for the swift closure of the business, sale of assets and repayment of creditors in accordance with the distribution waterfall set out in the IBC.</li> </ul>
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### Other Benefits - from Telangana Government

Act	Description	Brief details
<b>SGST</b>	Benefit	<ul style="list-style-type: none"> <li>The Startup can pay SGST to the relevant department and avail reimbursement on a yearly basis for a maximum total turnover of Rs. 1 cr per annum for the first three years of operation.</li> </ul>
	Eligibility Criteria	<ul style="list-style-type: none"> <li>The startup should have annual turnover of less than Rs. 1 cr. per annum.</li> </ul>
<b>Marketing cost</b>	Benefit	<ul style="list-style-type: none"> <li>The Government shall reimburse 30% of the actual costs including travel incurred in international marketing through trade shows, with a maximum limit of Rs. 5 lakh per year per company.</li> </ul>
	Eligibility Criteria	<ul style="list-style-type: none"> <li>The trade show/event should be listed in the calendar of events issued by the ITE&amp;C Department in a separate memo.</li> </ul>
<b>Patent Cost</b>	Benefit Details	<ul style="list-style-type: none"> <li>The cost of filing and prosecution of patent application will be reimbursed to the incubated startup companies subject to a limit of Rs. 2 lakh (0.2 million) per Indian patent awarded. For awarded foreign patents on a single subject matter, up to Rs. 10 lakhs (1 million) would be reimbursed. The reimbursement will be done in 2 stages, i.e., 50% after the patent is filed and the balance 50% after the patent is granted.</li> </ul>
	Eligibility Criteria	<ul style="list-style-type: none"> <li>The company should be incorporated in Telangana</li> </ul>
<b>Man power</b>	Benefit	To promote idea stage companies, the government shall offer recruitment assistance of Rs. 10,000 per employee for the first year.
	Eligibility Criteria	The startup should be in its first year of operation in Telangana. 50% of the employees should be of Telangana origin. The employees for whom recruitment assistance is availed for should work for the company for a minimum period of 8 months from the date of appointment.
<b>Performance grant</b>	Benefit	Startups that record a year-on-year growth rate of 15%, as per audited accounts, shall be eligible to get a grant of 5% on Turnover, subject to a limit of Rs.10lacs within a period of three years from the date of incorporation.
	Eligibility Criteria	Startup must be incorporated in Telangana.

## Stages of a Start-up funding

### Self Funding

- An entrepreneur should ascertain how much amount he/she can contribute from his/her own pockets. Assess all of your investments and savings kept in multiple accounts, and approach your friends and family.

### Pre Seed or Seed-capital

- Seed-capital is an investment made at the preliminary stage of the startup. This helps the business in identifying and creating a perfect direction for their startup.

### Venture Capital

- When the company's final products or services reach the market, venture capital funding comes into the picture.

### Series A/B/C

- Once a business has developed a track record (an established user base, consistent revenue figures, or some other key performance indicator), that company may opt for [Series A/B/C funding](#) in order to further optimize its user base and product offerings. Opportunities may be taken to scale the product across different markets. In this round, it's important to have a plan for developing a business model that will generate long-term profit

### IPO

- When a startup decides to raise funds from the public including institutional investors as well as individuals, by selling its shares, it is known as an IPO (Initial Public Offering). IPO is commonly related to 'going public' as the general public now wants to invest in your company by buying shares.

## Certain issues:

### Merger/Demerger

- Resultant entities will not be recognised as start up
- **Exception : Two or more start up companies or one start up company with one small company**

### Conversion

- From an LLP to Company and vice versa shall be allowed
- LLP/Company to partnership firm shall not be allowed

### Holding /Subsidiary/JV (including foreign)

- Holding/ subsidiary/JV will not be permitted for recognition.
- Any start up becoming a holding or subsidiary after recognition will be de-recognised
- Entities recognised outside India will be ineligible for recognition
- Indian promoters Shareholding shall be at least 51%

### Name Change

- Change of name permitted.
- The benefits will be applicable starting from the original date of incorporation/registration or commencement of business by the original entity, whichever is earlier.

### Incorporating additional entities

- having similar address with same production line/services and at least one common director/ designated partner/partner will not be recognized as startup.

## Certain Terms:

- ✚ **"Board"** means the Inter-Ministerial Board of Certification comprising of the following members:
  - Joint Secretary, Department of Promotion of Industry and Internal Trade, Convener
  - Representative of Department of Biotechnology, Member
  - Representative of Department of Science & Technology, Member
- ✚ **"DPIIT"** means Department for Promotion of Industry and Internal Trade.

## Start-up - Present Status

- 41,000 startups recognized by DPIIT
- Startups are spread across 590 districts
- All States and UTs in India have at least one startup
- 45% of the recognized startups are from Tier-2 and Tier-3 cities
- 44% of the recognized startups have at least one woman director
- 4.6 lakh jobs reported by recognized startups
- An average of 12 jobs created by each recognized startup
- Rs. 4,509.16 CRORES has been injected to boost over 384 startups under Fund of Funds for Startups Scheme

## Loss making start up and IPO - Zomato

Regular listing under Sebi's issue of ICDR permits only profit-making company to list on stock market

This essentially cuts out all or most of the tech startups in India for IPO listing but there's a second rule to listing

Investor	%
QIB	50
HNI	15
Retail Investors	35

Basically 25% of retail portion goes to QIBs

This is done because SEBI wants to protect the retail investors from loss making companies

Also, promoters of the company going public must necessarily lock in 20% of their post IPO holding for a period of 3 years after listing

FY	Revenue	Loss
2018	487cr	104cr
2019	1398cr	1012cr
2020	2743cr	2363cr

They must show a pretax profit of at least Rs. 15 Cr a year in 3/5 yr

For a normal profit-making company, when IPO is issued, the allocation reservations to various investor classes are

Investor	%
QIB	75
HNI	15
Retail Investors	10

## START UP – EXEMPTIONS/RELAXATIONS UNDER THE COMPANIES ACT, 2013

Provisions	Generally, for Companies	For Start-up Companies
<b>Section 2(40) of the Act</b> – requirement of Cash Flow Statement in Financial Statement	<ul style="list-style-type: none"> <li>• Applicable</li> </ul>	<ul style="list-style-type: none"> <li>• Not Applicable</li> </ul>
<b>Section 73 of the Act</b> – Deposits from Members	<ul style="list-style-type: none"> <li>• Accepting deposits from its members are required to issue circular to its members,</li> <li>• File said circular with ROC,</li> <li>• Maintain deposit repayment reserve account</li> </ul>	<ul style="list-style-type: none"> <li>• Not Applicable</li> </ul>
<b>Rule 2 of Companies (Acceptance of Deposits) Rules, 2014</b> – Issue of convertible note	<ul style="list-style-type: none"> <li>• Accepting money by way of convertible notes has not been expressly provided under the Act, unlike debentures.</li> </ul>	<p>For a <u>Start-up Company</u>* the following will not be considered as a deposit:</p> <ul style="list-style-type: none"> <li>• An amount of <b>INR 25.00 Lakhs or more</b> received by way of a convertible note (convertible into equity shares or repayable within a period not exceeding 10 years from the date of issue) in a single tranche, from a person.</li> </ul>
<b>Rule 3 of Companies (Acceptance of Deposits) Rules, 2014</b> – Limit on accepting deposits from Members	Accepting or renewing deposits from its members are permitted to do so upto 35% of the aggregate of the Net-worth.	Such limit of 35%, shall not apply to a <u>Start-up Company</u> * for 10 years from the date of its incorporation. Therefore, it can be any amount.
<b>Rule 8 of the Companies (Share Capital and Debentures) Rules, 2014</b> – Limit on sweat equity shares	<p>Companies issuing Sweat Equity Shares shall ensure:</p> <ul style="list-style-type: none"> <li>- issue sweat equity shares is not more than 15% of the existing paid-up equity share capital <u>in a year</u> or shares of the issue value of Rs. 5 Crore, whichever is higher, and</li> <li>- The issuance of sweat equity shares in the Company shall not exceed 25% of the paid-up equity capital of the Company at any time.</li> </ul>	A <u>Start-up Company</u> * may issue Sweat equity shares upto 50% of the paid-up capital upto 10 years from the date of its incorporation or registration, as against the limit of 25% for other companies.
<b>Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014</b> – Eligible Employee for ESOPs	<p>Following persons/ employees are ineligible for the purpose of ESOPs:</p> <ol style="list-style-type: none"> <li>a promoter or a person belonging to the promoter group; and</li> <li>a director who either himself or through his relative or through anybody corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of the company</li> </ol>	For a <u>Start-up Company</u> * the persons/ employee mentioned in (i) and (ii), will be considered as eligible for ESOPs, upto 10 years from the date of its incorporation or registration.
<b>Section 92 of the Act</b> – Signing of Annual Return (Form MGT-7/7A)	Annual Return shall be signed by a director and the company secretary, or where there is no company secretary, by a company secretary in practice.	For a <u>Start-up Company</u> * the annual return shall be signed by the company secretary, or where there is no company secretary, by the director of the company
<b>Section 173 of the Act</b> – Number of Board Meeting a Year	Companies shall hold at least 4 Board Meetings in each Calendar Year with a maximum interval of 120 days between any two consecutive Meetings.	For a <u>Start-up Company</u> * if it holds <u>only two Meetings in a year</u> , then the gap between the two such Meetings should be minimum 90 days.
<b>Section 446B of the Act</b> – Lesser Penalties	Generally, the company, the officer who is in default, or any other person, shall be liable to pay penalty (entire) as prescribed in relevant provisions for any non-compliance or default of said provisions.	In case of a <u>Start-up Company</u> *, If penalty is payable for non-compliance of any of the provisions of this Act, shall be liable to a penalty which shall <b>not be more than one-half</b> of the penalty specified in such provisions <b>subject to a maximum of INR 2 lakh in case of a company &amp; INR 1 lakh in case of an officer who is in default or any other person</b> , as the case may be.

## Compliance Calendar

INCOME TAX				
Compliance details	Applicability	Reporting period	Due Date	Form
Deposit of Tax Deducted	Non-government deductors	July, 2021	7th August, 2021	Challan 281
Issue of TDS certificate u/s 194IA, 194IB and 194M	All deductors	June, 2021	14th August, 2021	Form 16B & 16C
Issue of TDS Certificates	TDS deductors	April to June, 2021	15th August, 2021	Form 16A
Challan-cum-statement for TDS u/s 194IA, 194IB and 194M	All deductors	July, 2021	30th August, 2021	Form 26QB & 26QC
Payment of tax under the Direct Tax Vivad se Vishwas Act, 2020 without additional charge	taxpayers who have filed appeals for resolving disputed tax, interest or penalty matters with the Income-tax Appellate Tribunal, the Commissioner (Appeals), High Court or Supreme Court as on the 31st day of January 2020		31st August, 2021	
Monthly Return for Profession Tax more than 50,000/-	Entities registered with PT Authorities	July, 2021	31st August, 2021	Through State-Wise PT Portal

GST				
Compliance details	Applicability	Reporting period	Due Date	Form
Return of outward supplies of taxable goods and/or services QRMP scheme"	"GST Taxpayers who have not opted for	July, 2021	11th August, 2021	GSTR 1
Return of outward supplies of taxable goods and/or services QRMP scheme - Optional"	"GST Taxpayers who opted for	July, 2021	20th August, 2021	GSTR 3/3B
Summary Return of Outward and Inward Supplies along with payment of Tax QRMP scheme"	"GST Taxpayers who have not opted for	July, 2021	10th August, 2021	GSTR 8
GST Challan Payment if no sufficient ITC for July QRMP scheme "	"GST Taxpayers who opted for	July, 2021	13th August, 2021	GSTR 6
Return for Details of Supplies and the amount of tax collector	E-commerce Operator	July, 2021	28th August, 2021	GSTR-11
Return for TDS under GST	Government Authorities	July 2017 to April 2021	31st August, 2021	Respective GST returns

Companies Act, LLP and FEMA				
Compliance details	Applicability	Reporting period	Due Date	Form
Return of Deposit or Particulars of transactions by a company not considered as deposit	Every Company accepted Deposit and /or Every Company other than Government, Banking, NBFC, Housing Finance Companies and company as notified under section 73(1).	F.Y. 2020-21	30th June, 2021	E-Form DPT-3
Claiming immunity from being prosecuted in respect of Forms filed under the Companies Fresh Start Scheme 2020 (CFSS-2020) from 01/04/2020 to 31/12/2020	Every Company, filing form with delay during the given period	NA	30th June, 2021	E-Form CFSS -2020
Filing of Forms (57 forms) under MCA's General Circular No. 11/2021 and 12/2021 read with 06/2021 and 07/2021, without additional fees	All forms whose due date for filing was between 01/04/2021 to 31/07/2021	—	between 01/04/2021 to 31/07/2021	List of Forms specified by MCA - Link
Reporting of actual transactions of External Commercial Borrowings (ECB) through AD Bank under FEMA	all categories of ECB	July, 2021	7th August, 2021	ECB-2 Return

SEBI (LODR) Regulations				
Compliance details	Applicability	Reporting period	Due Date	Form
Regulation 33 relating to Financial Results (Quarterly)	Listed Entity, other than those listed in SME Exchange	Apr-June Quarter	14th August, 2021	Financial Results as per Standards and Formats provided
Regulation 32(1) - Statement of deviation or variation in use of funds (SEBI circular No. CIR/CFD/CMD1/162/2019)	Listed Entity, till such time the issue proceeds have been fully utilized or the purpose for which these proceeds were raised has been achieved	Along with the Financial Results	14th August, 2021	As per the format provided in Circular