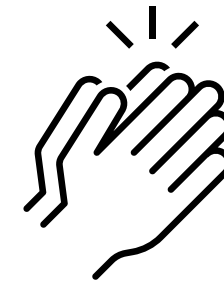


# The Startup India Trilogy.

# What you will learn today.



What is Startup

Startup Definition as per Startup India

How to register under Startup India


Angel Tax

Section 80IAC

Legal Structures

# What is **Startup.**

## Dictionary

**start-up**

*/ˈstɑːtʌp/*

*noun*

noun: **startup**

the action or process of setting something in motion.

"the start-up of marketing in Europe"

- a newly established business.

plural noun: **start-ups**; plural noun: **startups**

"problems facing start-ups and small firms in rural areas"

# Is Uber or Facebook Startups ?

A startup is... focused on **growth.**



A startup is... solving a **Problem.**



A startup is... searching for **PMF.**



A startup is... not successful yet.



Is every small business startup ?

No...



Is every startup eligible for benefits under Income Tax ?

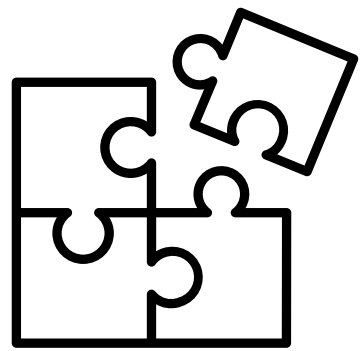
No...

Incorporated as

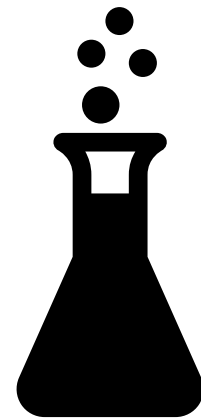
- **Private Limited Company**
- **Partnership Firm**
- **Limited Liability Partnership**

Upto period of 10 years

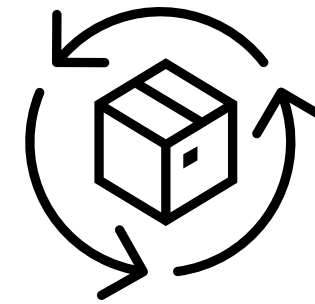
Turnover  INR 100 Cr. in any FY



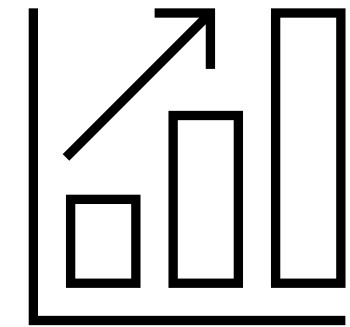
Innovation



Development



Improvement



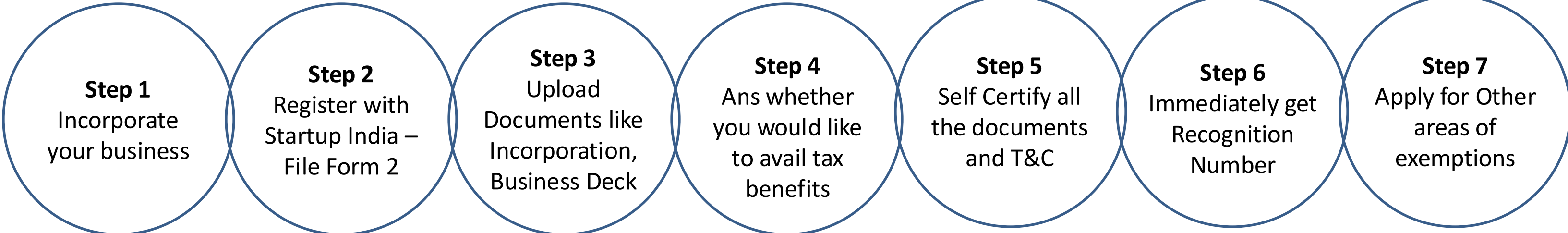
Scalable



Entity formed by **splitting** up or **reconstruction** of an existing business shall not be considered a 'Startup'

Register under **Startup India.**





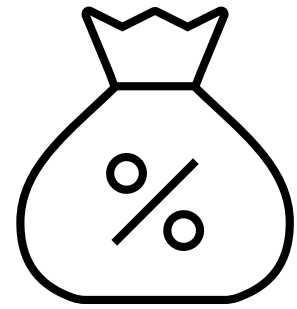
# Tax Rates

Type of Business Entity	Income Tax Rate
Partnership / LLP	30% of Income
Closely Held Company	25% / 30% of Income

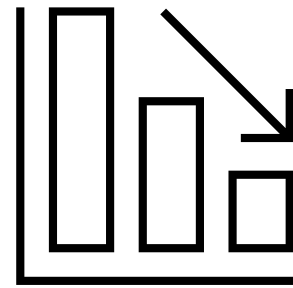


# Relaxation under Startup India.

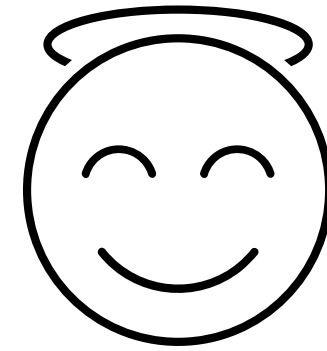




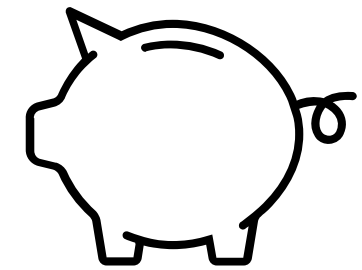
Tax Holiday



CF Losses



Angel Tax



CG Exemption



# Angel Tax



Angel Investor provides funding for startup in exchange for **stake** and management exp, skills and contacts

Income tax is payable on **capital raised** by unlisted companies by resident person via issue of shares where the share price is excess of the FMV of the shares sold.

# Exemption from Angel Tax

- Turnover < 100 Cr in any of 10 FY
- Innovative or scaling up idea
- Paid up capital < 25 Cr
- Registered under Startup India

## Method 1

$$\frac{(A-L) * PV}{PE}$$

A – Book value of the asset in B/S reduced by TDS, TCS, Advance tax

L – Book Value of Liability incl Share Capital

PE – Total amount of paid up share capital

PV – Paid up value of such equity share

## Method 2

Valuation done by Merchant Banker as per DCF Model

Face Value of startup A Ltd- Rs 10

Fair Market Value of share of A Ltd - Rs 50

Issue Price to Mr. X (Investor) - Rs 60

Nos. of Shares purchased – 1000

Income to be included in the hand of A Ltd  $\text{Rs}(60-50)*1000 = \text{Rs } 10,000$

Rs 10,000 to be assessed as “Income from Other Source”

Idea behind angel tax is to curb  
money laundering.



**Section 80-IAC** states that an eligible startup shall be allowed a deduction of **100% of the profits**

## **Eligibility** for 80IAC

- Recognised Startup
- Private Limited or LLP
- Incorporated after 1<sup>st</sup> April 2016
- Turnover < 100 Cr in PY

# Legal Structures

Private Limited Company

Limited Liability  
Partnership

One Person Company

Partnership Firm

Sole Proprietorship

Public Company

Section 8 Company

Producer Company

Foreign Company



# Comparison of Structure

Particulars	Private Limited Company	Limited Liability Partnership (LLP)	One Person Company	Partnership Firm	Sole Proprietorship
<b>Registration</b>	Registration with ROC under 2013 Act	Registration with ROC under 2013 Act	Registration with ROC under 2013 Act	No formal Registration	No formal registration
<b>Legal Status</b>	Separate legal entity from Owners, Capital is a Personal Liability	Separate legal entity from Owners, Capital is a Personal Liability	Separate legal entity from Owners	NO Separate Legal Entity for Owner	NO Separate Legal Entity for Owner
<b>Min v/s Max No of Shareholders</b>	2-200	2-Unlimited	1:1	2:20	1-1
<b>Foreign Member</b>	Allowed. But Govt. approval is needed in some cases	Need's Govt. Approval	Not Allowed	Not Allowed	Not Allowed
<b>Name Approval</b>	Need to be approved with MCA	Need to be approved with MCA	Need to be Approved With MCA	NO name approval required	NO Name approval Required
<b>Annual Compliance Cost</b>	High	High	High	Medium	Low

# Benefits of registration under Startup India.



# Exemption for Angel Tax under section 56(2)(vii)(b).

# Exemption for profits / gains under section 80IAC.



# Exemption of capital gains under section 54(gb).

# Self certification under labour and employment laws.



# Registration under Intellectual Property.



# Relaxation under public procurement norms.





# Q & A



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