

**Credit guarantee fund for Startups**

2402. SHRIMATI RAJANI PATIL :

DR. PRADEEP KUMAR BALMUCHU:

SHRI DARSHAN SINGH YADAV:

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) the details of incentives and encouragements, financial and otherwise provided for Startups;

(b) whether Government is planning to set up a Credit Guarantee Fund for encouraging Startup companies in the country;

(c) if so, the details thereof including the number of companies which have availed the facilities under the scheme so far; and

(d) the other steps taken to promote the Startup companies especially in their early formulation?

THE MINISTER OF STATE OF THE MINISTRY OF COMMERCE AND INDUSTRY (SHRIMATI NIRMALA SITHARAMAN): (a) to (d) The Startup India initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive to growth of Startups.

Since the launch of the Startup India program, a number of initiatives have been taken to promote Startups. Details are given in Statement. (*See below*)

(b) Yes, Sir. The Government is formulating a Credit Guarantee Scheme for Startups (CGSS) with a view to encourage banks and other lenders to provide loans to Startups.

(c) Under the proposed scheme, a Credit Guarantee Fund for Startups (CGFS) shall be set up for providing credit guarantee cover (up to a specified limit) to eligible Member Lending Institutions (MLIs) against default in repayment of a loan extended to a Startup. Since the scheme is yet to be operationalized, no institution has availed facilities under the same.

***Statement******Details of initiatives taken to promote Start ups***

The Startup India Action Plan consists of 19 action items spanning across areas such as "Simplification and handholding", "Funding support and incentives" and

"Industry-academia partnership and incubation". Since the launch of the program, a number of forward looking strategic amendments to the existing policy ecology have been introduced, like:

**1. Fund of Funds**

For providing fund support for Startups, Government has created a 'Fund of Funds for Startups (FFS)' at Small Industries Development Bank of India (SIDBI) with a corpus of ₹ 10,000 crore. The FFS shall contribute to the corpus of Alternate Investment funds (AIFs) for investing in equity and equity linked instruments of various Startups. The FFS is managed by Small Industries Bank of India (SIDBI) for which operational guidelines have been issued. In 2015-16, ₹ 500 crores was released towards the FFS corpus.

**2. Relaxed Norms in Public Procurement for Startups**

Provision has been introduced in the procurement policy of Ministry of Micro, Small and Medium Enterprises (Policy Circular No. 1(2) (1)/2016-MA dated March 10, 2016) to relax norms pertaining to prior experience / turnover for Micro and Small Enterprises. Department of Expenditure has issued a notification for relaxing public procurement norms in respect of medium enterprises by all central Ministries/Departments.

**3. Tax Incentives**

- 3 Year tax exemption:

The Finance Act, 2016 (Section 80- IAC) has provision for Startups (Companies and LLPs) to get income tax exemption for 3 years in a block of 5 years, if they are incorporated between 1st April, 2016 and 31st March, 2019. To avail these benefits, a Startup must get a Certificate of Eligibility from the Inter-Ministerial Board.

- Removal of Angel Tax:

Tax exemption on investments made in excess of face value in the shares of a Startup company has been introduced on 14 June, 2016.

- Tax Exemption on capital gains:

Section 54 EE has been introduced under the Finance Act, 2016 which provides for exemption of capital gain arising out of transfer of long term capital asset invested in a fund notified by Central Government.

Section 54GB of Income Tax Act, 1961 has been amended to provide for exemption from tax on capital gains arising out of sale of residential house

or a residential plot of land if the amount of net consideration is invested in equity shares of eligible Startups.

#### **4. Legal Support and Fast-tracking Patent Examination at Lower Costs**

A scheme for Startups IPR Protection (SIPP) for facilitating fast track filing of Patents, Trademarks and Designs by Startups has been introduced. The scheme provides for expedited examination of patents filed by Startups. This will reduce the time taken in getting patents. The fee for filing of patents for Startups has also been reduced up to 80%.

Panels of facilitators for Patents and Trademark applications have been formed to facilitate the process of patent filing and acquisition. The facilitators would provide legal guidance and handholding through the entire patent acquisition process free of cost.

#### **5. Self-Certification based Compliance Regime**

Compliance norms relating to Environmental and Labour laws have been eased in order to reduce the regulatory burden on Startups thereby allowing them to focus on their core business and keep compliance costs low.

Ministry of Environment and Forests (MoEF) has published a list of 36 white category industries. Startups falling under the "White category" would be able to self-certify compliance in respect of 3 Environment Acts -

- The Water (Prevention & Control of Pollution) Act, 1974
- The Water (Prevention & Control of Pollution) Cess (Amendment) Act, 2003
- The Air (Prevention & Control of Pollution) Act, 1981

Further, Ministry of Labour and Employment (MoLE) has issued guidelines to State Governments whereby Startups shall be allowed to self-certify compliance in respect of 6 Labour laws. These shall be effective after concurrence of States/UTs. The Acts are:—

- The Building and Other Constructions Workers' (Regulation of Employment & Conditions of Service) Act, 1996
- The Inter- State Migrant Workmen (Regulation of Employment & Conditions of Service) Act, 1979
- The Payment of Gratuity Act, 1972

- The Contract Labour (Regulation and Abolition) Act, 1970
- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- The Employees' State Insurance Act, 1948

So far 9 States have confirmed compliance to the advisory issued by Ministry of Labour and Employment (MoLE):—

- Rajasthan
- Uttarakhand
- Madhya Pradesh
- Chhattisgarh
- Delhi
- Jharkhand
- Gujarat
- Chandigarh
- Daman and Diu

#### 6. **Setting up Incubators**

- Under Atal Innovation Mission, Niti Ayog will set up Atal Incubation Centers (AICs) in public and private sector. NITI Aayog has received 3658 applications (1719 from academic institutions and 1939 from non-academic institution) for setting up Atal Incubation Centers (AICs) from both Public and Private sector organizations.
- Under the Mission, a grant-in-aid of ₹ 10 crore would be provided to scale up an existing incubator for a maximum of 5 years to cover the capital and operational costs in running the center. NITI Aayog has received 232 applications for providing scale up support for established incubation centers.

#### 7. **Setting up of Startup Centers and Technology Business Incubators (TBIs)**

14 Startup Centres and 15 Technology Business Incubators are to be setup collaboratively by Ministry of Human Resource Development (MHRD) and the Department of Science and Technology (DST). Out of the 14 Startup Centers, 10 have been approved. Once MHRD releases its share of ₹ 25 lakhs each for the Startup centers, the Startup centers would be supported by DST by December, 2016.

The target of sanctioning 15 TBIs is expected to be achieved by December, 2016.

**8. Research Parks**

7 Research Parks will be set up as per the Startup India Action Plan. Out of these 7, IIT Kharagpur already has a functional Research Park. Further, DST will establish 1 Research Park at IIT Gandhinagar and the remaining 5 shall be set up by Ministry of Human Resource Development (MHRD) at IIT Guwahati, IIT Hyderabad, IIT Kanpur, IIT Delhi and HSc Bangalore.

**Contraction in industrial production**

2403. SHRI DARSHAN SINGH YADAV:

SHRIMATI RAJANI PATIL:

SHRI P. BHATTACHARYA:

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether it is a fact that in September, 2016 the industrial production has grown only by 0.1 per cent confirming fears of crippling economy;

(b) if so, what steps Government proposes to take to increase the industrial output in future;

(c) what incentives Government proposes to give to entrepreneurs to raise their production; and

(d) whether Government proposes to cut interest rates to help the industries?

THE MINISTER OF STATE OF THE MINISTRY OF COMMERCE AND INDUSTRY (SHRIMATI NIRMALA SITHARAMAN): (a) No, Sir. The industrial production is measured in terms of Index of Industrial Production (IIP) released by Central Statistics Office (CSO) at the base of year 2004-05. The IIP registered a growth of 0.7% in September, 2016 over the index of September, 2015.

(b) and (c) Government has been taking steps to boost industrial development, production of goods and services and employment generation in the country. Besides Make in India, these, *inter-alia*, include 'Startup India' initiative and 'Ease of Doing Business'. Steps taken to improve ease of doing business include simplification and rationalisation of existing rules and introduction of information technology, setting up of an Investor Facilitation Cell, launch of e-biz Portal and liberalising policy for industrial licensing. Foreign Direct Investment (FDI) policy and procedures have been simplified and liberalised progressively. Government has taken up a programme of building pentagon of industrial corridors across the country with an objective to provide developed land and quality infrastructure for development of industrial townships.