

AIMING FOR SMOOTHER RIDE

Efforts on to Make it Easier to Start Up, Do Business

Changes on cards for faster incorporation, reducing time spent on tax compliance

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New Delhi:

A plethora of regulatory changes covering startups is in the works to reduce time spent on tax compliance by them to less than one hour a month along with easier incorporation processes and boosting the availability of global and domestic capital.

The Department for Promotion of Industry and Internal Trade (DPIIT) is in talks with the ministries of finance and corporate affairs, the Securities and Exchange Board of India (Sebi) and the Reserve Bank (RBI) over the new measures.

“We are working on regulatory changes that would aim at easier incorporation of a company, easier compliances, reduction of tax compliance to less than one hour per month,” said DPIIT secretary Guruprasad Mohapatra.

Startups currently need to comply with requirements such as filing returns for goods and services tax (GST) as well as other levies. They also need to ensure that they are observing other laws every month, all of which is time consuming and adds to the cost of innovators that often work on slim budgets.

Patented Technologies

India is at 136 on ‘starting a business’ in the World Bank’s ease of doing business table against an overall rank of 63. Some of the measures in the works are also expected to tackle this.

In the budget for FY20, finance minister Nirmala Sitharaman had addressed a number of tax issues that startups have to contend with, including relief from the so-called angel tax. The emphasis this time is likely to be on GST.

Startups have sought faster processing of tax deducted at source (TDS) and GST refunds besides taxing employee stock ownership plans (Esops) only at the time of sale.

To be sure, they are also offered incentives under the Startup India initiative to overcome initial hurdles. These include self-certification under six labour laws and three environmental ones, relaxations in public procurement norms and faster exits under the Insolvency and Bankruptcy Code (IBC).



They also get exemptions under the Income Tax Act, rebates on patent and trademark filing fees, support from facilitators and expedited examination of patent applications along with finance from the government-backed Fund of Funds. The department is also keen to increase the availability of global and domestic capital for startups through various instruments.

As of November 21, the Small Industrial Development Bank of India (Sidbi) had committed ₹3,123.20 crore to 47 Alternative Investment Funds registered with stock market regulator Sebi. These funds have raised a cumulative ₹25,728 crore.

Commerce and industry minister Piyush Goyal told Parliament this month that Rs 695.94 crore had been drawn from the Fund of Funds for startups and that ₹2,669.83 crore was invested in 279 startups.

On the issue of protecting startups' patented technologies from being acquired by bigger firms, Mohapatra said the purpose of granting patents was to facilitate commercial exploitation under protection of the law.

"However, how best to commercially exploit one's patents depends on the owner," he said.

The Cell for Intellectual Property Rights Promotion and Management undertakes capacity building activities with owners, especially those of small enterprises, to train them on protecting patents.