

MEERA SIVA

Start-ups: At full throttle



The Budget continues the Government's efforts to promote start-ups by allocating ₹1,100 crore to the Start Up and Stand Up India scheme, announced in January 2016. The Budget initiatives fall under four broad categories — ease of doing business, credit access, tax sops and targeted measures.

Continuing the simplification process for start-ups announced last month, the Budget proposes to ensure registration of companies in one day. Also, the Companies Act, 2013 will be amended in the ongoing Budget Session to improve ease of doing business and create an enabling environment for start-ups.

Access to credit

Small enterprises can look forward to improved loan access through Mudra bank. A credit target of ₹1.8 lakh crore is set for 2016-17, against the actual dispersal of ₹1 lakh crore in 2015-16 (till early February). An equity capital of ₹2,400 crore has been allocated to Mudra and Credit Guarantee Fund under the Pradhan Mantri Mudra Yojana.

Tax benefits

The three-year tax holiday proposed in January has now been bettered. Start-ups launching during April 2016 to March 2019 can enjoy full deduction of profits for three out of five years of registration. Capital gains are also tax-exempt if invested in regulated/notified Fund of Funds, and when invested by individuals in the notified start-ups in which they hold a majority share.

Corporate income tax rate for small enterprises with turnover below ₹5 crore is reduced to 29 per cent (plus surcharge and cess). The turnover limit has been doubled to

₹2 crore for the Presumptive taxation scheme under section 44AD. The holding period for unlisted companies seeking long-term capital gains has been proposed to be reduced from three to two years. However, this falls short of the one-year holding period (similar to listed companies). Also, the much-anticipated 'angel tax' waiver is missing.

Specific push

Start-ups in the manufacturing sector and those founded by Scheduled Caste and Scheduled Tribe (SC/ST) are given additional benefits.

Manufacturing companies incorporated on or after March 1, 2016 can opt to be taxed at 25 per cent (plus surcharge and cess), if they do not claim other deductions or enjoy other benefits.

The Stand Up India Scheme has been allocated ₹500 crore to promote entrepreneurship among SC/ST and women. At least two projects — one for each category of entrepreneur — will be facilitated at each bank branch under the scheme; the goal is to benefit 2.5 lakh entrepreneurs. A National Scheduled Caste and Scheduled Tribe Hub will be formed in the MSME Ministry in partnership with industry associations to help SC/ST entrepreneurs meet obligations under the procurement policy 2012 and adopt global best practices.

Amendments in the Motor Vehicles Act could spur new business opportunities in the passenger road transport sector.