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A case for 'startup in India'

Entrepreneurs cheer follow-up action on Startup India promises

OUR BUREAU

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If there was one community that was enthused by Arun Jaitley's third budget it was the entrepreneurial one.

The general reaction was that this was a very "pro startups" budget in a multi-dimensional way – be it the focus on ease of doing business, the taxation benefits, the thrust on Make in India, enabling skill development, or addressing the talent issue. However, there were some disgruntled noises that no clear picture on GST was shared and that service tax had been increased.

Coming to specifics, these were the key takeaways for startups:

Amendment in Companies Act to create a more enabling environment for startups – registration of company in one day;

Lowering of corporate tax for small enterprises (turnover below ₹5 crore) to 29 per cent plus surcharge and cess;

Full tax exemption for first three years for startups launched during April 2016 to March 2019 – however, MAT will apply;

10 per cent tax on income from worldwide exploitation of patents developed and registered in India by a resident;

Complete pass-through of income tax to securitisation trusts, including trusts of asset reconstruction companies – securitisation trusts have to deduct tax at source;

Well-preserved Safe-keeping the small venture AFP

Holding period for long-term capital gain reduced from three to two years in the case of unlisted companies;

New manufacturing companies incorporated on or after March 1, 2016 can be taxed at 25 per cent, plus surcharge and cess, provided they do not claim profit-linked or investment-linked deductions and do not get investment allowance and accelerated depreciation;

₹500 crore allocated for scheduled caste, scheduled tribe and women entrepreneurs under the Stand Up India scheme – 2.5 lakh entrepreneurs expected to benefit;

National hub in the Ministry of Micro Small and Medium Enterprises (MSME) to support SC/ST entrepreneurs;

Government of India to make contribution of 8.33 per cent for all new employees enrolling in EPFO for the first three years of employment.

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Analysing the fine print, however, industry bodies like Nasscom felt that while the three-year tax holiday was great, continuing with MAT (minimum alternate tax) was a dampener. Both Nasscom and Indian Angel Network expressed disappointment that long-term capital gains tax for unlisted companies was not aligned with what was available to listed companies. "Holding period for investment in unlisted companies to qualify for long-terms capital gains tax reduced from three to two years. Our recommendation was for one year, in line with investments in listed shares," said Nasscom President R Chandrashekhar

But some of the measures intended to boost Make in India would benefit manufacturing startups, said Aamir Jariwala, Secretary of Ecommerce Coalition.

"Announcements like 100 per cent FDI for the food processing industry are optimistic signs for the Ecommerce industry," he said.

"The reduction and removal of corporate tax variously on new manufacturing units, small units and new companies will make a positive impact on MSMEs and suppliers to Ecommerce platforms," he added.

Apart from the direct benefits, many felt that proposals like skilling one crore youth would address the talent requirement for startups.