

Sebi to soon announce measures for start-ups

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Mumbai, March 4: After getting an extension of one year, UK Sinha, chairman of the Securities & Exchange Board of India (Sebi), is ready to unleash a number of announcements for start-ups.

Though the board meeting, which is scheduled next week, will take decisions on tax incentives for alternative investment funds (AIFs) and introduction of the securities transaction tax (STT) for private equity and venture capital investments, the biggest announcement could be new initiatives to promote listing of start-ups.

In June 2015, the markets regulator had announced the framework for listing of start-ups. The guidelines provided

start-ups significant relaxations in terms of disclosure requirements, lock-in period for promoters and other pre-listing investors of six months against three years for other companies.

“There are still numerous concerns about the regulations including pre-issue capital requirements and corporate governance norms. We are unlikely to see any start-up listing on the bourses until these concerns are fully addressed,” a tax consultant at one of the international consulting firms said on condition of anonymity.

As per Sebi’s alternate capital raising regulations, institutional investors need to hold at least 25% of pre-issue capital in technology start-ups while institutions need to hold at least 50% of pre-issue capital in case



Sebi will also decide on tax incentives for AIFs and introduction of the securities transaction tax for private equity and venture capital investments

of non-technology firms.

Start-ups will be listed on the institutional trading platform (ITP) of the stock exchanges. Institutional in-

vestors, family trusts, systematically important NBFCs (non-banking finance companies) and intermediaries registered with Sebi having net

worth of more than Rs 500 crore can trade on the ITP. The minimum size of investment in start-ups was fixed at Rs 10 lakh.

“Investors are apprehensive about the minimum lot size of Rs 10 lakh as it might create liquidity issues. It should be lowered to say Rs 1 lakh so that exit from the stocks becomes easier,” the tax consultant said.

Apart from proposals regarding start-ups, the board meeting is expected to take up various issues including provision of tax benefits to AIFs and introduction of STT for private equity and venture capital investments. The Narayana Murthy panel, constituted by Sebi, has already submitted its recommendations on easing the tax regime for AIFs.