

# Startup recognition and tax exemptions in India

**Startup India, Department of Industrial Policy & Promotion(DIPP), Ministry of Commerce, Government of India**

<https://www.startupindia.gov.in>

Startup India is a flagship initiative of the Government of India, intended to build a strong ecosystem that is conducive for the growth of startup businesses, to drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower startups to grow through innovation and design.

Several programs have been undertaken since the launch of the initiative on 16th of January, 2016, to transform India into a country of job creators instead of job seekers. These programs have catalyzed the startup culture, with startups getting recognized through the Startup India initiative and many entrepreneurs availing the benefits of starting their own business in India.

The 19-Point Startup India Action Plan envisages several incubation centres, easier patent filing, tax exemptions, ease of setting-up of business, a INR 10,000 Crore corpus fund, and a faster exit mechanism, among others.

## Startup recognition

Under the Startup India Action Plan, startups that meet the definition as prescribed under the G.S.R. notification 501 (E) are eligible to apply for recognition under the program. The Startups have to provide support documents, at the time of application.

Eligibility Criteria for Startup Recognition:

- The Startup should be incorporated as a private limited company or registered as a partnership firm or a limited liability partnership
- Turnover should be less than INR 25 Crores in any of the previous financial years
- An entity shall be considered as a startup up to 7 years from the date of its incorporate or 10 years in case of Startups in the Bio Technology sector
- The Startup should be working towards innovation/ improvement of existing products, services and processes and should have the potential to generate employment/ create wealth

## Startup India: 80 IAC Tax exemption

Post getting recognition a Startup may apply for Tax exemption under section 80 IAC of the Income Tax Act. Post getting clearance for Tax exemption, the Startup can avail tax holiday for 3 consecutive financial years out of its first seven years since incorporation.

Eligibility Criteria for applying to Income Tax exemption (80IAC):

- The entity should be a recognized Startup
- Only Private limited or a Limited Liability Partnership is eligible for Tax exemption under Section 80IAC
- The Startup should have been incorporated after 1st April, 2016

## Startup India: Tax Exemption under Section 56 of the Income Tax Act (Angel Tax)

Post getting recognition a Startup may apply for Angel Tax Exemption.

Eligibility Criteria for Tax Exemption under Section 56 of the Income Tax Act:

- The entity should be a DIPP recognized Startup
- Only a private limited company may apply for Tax Exemption under section 56 of the Income Tax Act
- The investor's net worth should be more than INR 2 Crore as on the last date of the preceding financial year or the average income should be more than INR 25 lacs per annum for the preceding three financial years

## Disclaimer

- Department of Industrial Policy and Promotion, Ministry of Commerce and Industry has not appointed any Agency/Representative/ Franchise for DIPP Certificate of Recognition for Startups.
- Application for Startup India Certificate of Recognition should be filed by the Startup on its own, using own details/ mobile No./ email.
- Ministry of Commerce and Industry does not charge any fee for DIPP Certificate of Recognition for Startups.
- Any charging of fees for Recognition for Startups is illegal and will invite appropriate legal action.

# Growing businesses in Malaysia – Certification

## SME Corp. Malaysia

<http://www.smecorp.gov.my>

### How certification benefits us

Reference to certification such as Malaysian Standards brings immense benefits to all stakeholders in achieving:

#### 1) Consumer protection and public welfare

- Standards provide a basis for legislation for controlling quality, protecting consumers and ensuring health and safety
- Standards ensure the fitness for the intended purpose of products and services
- Standards specify the minimum requirements of quality, health and safety including areas involving the environment and occupational safety and health
- Conformance to standards provides an assurance of safety, reliability and quality to consumers
- Standards ensure compatibility, interchangeability and interoperability to benefit consumers
- As consensus documents, standards reflect the requirements at national and international levels

#### 2) Industrial efficiency and development

- Terminology and symbol standards help in better understanding
- Product standards help in ensuring good design and improvement in quality of product
- Product standards encourage economic efficiency through variety rationalization and interchangeability of components, materials and practices
- Process standards provide the means for improving manufacturing processes
- Codes of practice establish good practices in all fields of installation, construction, etc.
- Testing standards set recognized levels of repeatability and reproducibility
- Standards being a rich source of current technologies can act as vehicles for technology transfer
- Standards promote better understanding between the purchaser and seller and provide solutions to recurring problems
- Standards facilitate communications
- Use of standards provide the essential key to organizing industrial development
- Use of standards lead to direct and indirect economic benefits
- Standards help in import substitution and export promotion

The adoption of certification such as Malaysian Standards assures consumers that their safety is taken care of, and ensures that the quality of products and services is worth their money. To industries, it contributes to the reduction of operational costs thereby assuring a rise in profits.

### Product certification scheme

Product Certification Scheme Product Certification is offered to manufacturer who wishes to have its product certified to the requirements of a Malaysian or International Standard. Participation in this scheme is voluntary for most products. However, government regulatory authorities may require mandatory certification for certain products. After successful application, the applicant is given a license to mark the certified product with the “MS” certification mark. However for most regulated products, it is mandatory to affix the SIRIM labels on the products. The presence of the Label attests that the product meets quality requirements of the specified standard or specification. It also provides consumer an assurance of performance, safety and reliability as well as it demonstrates an effective system for production processes.

### Other product certification category

#### Chain-of-Custody

The Chain-of-Custody Certification is an independent third party verification that the wood products purchased are actually derived from forests which have been certified to have met the requirements of an agree forest management standard. The standard used is the PEFC International Chain-of-Custody standard, Annex 4 of the PEFC Council Technical Document: Chain-of-Custody of Forest Based Products – Requirements. A wood product which has been certified under this scheme is eligible to use the MTCC as well as the PEFC logos which are recognized in the member countries of the PEFC.

#### Product Listing Scheme

This scheme is operated along similar lines to the Product Certification Scheme. However it offers a cost-effective in the absence of a national or international standard for the product. In this case, the product can be certified to association or industry standards as well as acceptable customer specifications. Pre Application fee of RM200 is payable upon application to Product Listing Scheme. Acceptance into this scheme has to be approved by SIRIM QAS International’s Certification Panel.

### Modular Coordination Verification Scheme

This is a concept of coordination of dimension and space, in which, buildings and components are dimensioned and positioned in terms of basic unit or module, known as '1M' which is equivalent to 100 mm. It is internationally accepted by the International Organization for Standardization (ISO) and many other countries including Malaysia.

### Batch Certification Scheme

This Scheme provides third party certification of products and is based on the ISO certification system no. 7, where a batch of product is sample tested and a certificate of conformity and/or labels are issued to the batch. The certification is based on a Malaysian Standard, an International Standard, an International Standard or a foreign standard of a national standards organisation.

### IECEE CB Scheme

The electrical and electronic is Malaysian largest export revenue earner netting more than half of total export. As goods and services flow across borders, business partners and government agencies may require assurance that they measure up to standard, regulations and other requirements.

IECEE CB scheme is one of the multilateral recognition agreement schemes that reassure industrial users and consumer that the product they buy conform to the criteria of an IEC international standards and require no further testing or evaluation. SIRIM QAS International Sdn. Bhd. is now an Issuing and Recognizing National Certification Body (NCB) of the CB Scheme. The Product Certification Section is designated as the NCB and the Electrotechnical Testing Section as the Certification Body Testing Laboratory (CBTL).

The aim of the CB Scheme is to provide manufacturers seeking worldwide third party certification marks, the most economic and cost effective procedures within the best certification time frame.

### Fire Listing Scheme

Currently, certification on several passive fire protection products such as fire resistant door sets and roller shutters is being carried out by SIRIM QAS International Sdn. Bhd. These products are certified as a system which includes components such as the door leaves, frames and ironmongeries. Due to this "system" certification, the products certified must be sold with the exact same components or of equivalent or better grade than those used during testing.

### Electromagnetic Compatibility Certification Scheme

Ensuring that electrical and electronic products/equipment are safe and do not interfere with the normal operation of other equipment is the basis of the emc Scheme. With the Scheme, which can be best demonstrated through independent third-party certification, manufacturers will be able to apply the emc-mark.

### Sirim Eco-Labeling Scheme

Eco-labeling is a means of communicating product's environment information to consumers and business. This

information provides consumers and business the associated environmental benefit and enables purchaser to make decision based on environmental attributes. Under SIRIM QAS International Eco-Labeling Scheme, a product will be independently tested and verified against preset criteria before the organisation is allowed to use SIRIM QAS International's Eco-Labeling mark on its product, packaging and promotional materials.

SIRIM QAS International's Eco-Labeling mark is an effective marketing tool which will enable a company to position its product as an environmentally-friendly product. This, in turn, will give the product a competitive edge over other similar products in a consumer market that is increasingly becoming more environmentally conscious.

## Product certification process

### 1. Enquiry

- The applicant should complete the Questionnaire in the Application Package and submit to SIRIM Qas International Sdn. Bhd. Based on the Questionnaire, a question will be prepared and sent to applicant for consideration. The quotation should provide an estimate of the total cost for certification.

### 2. Application

- Upon agreeing to the quotation, the applicant is required to submit the application form (PCS/FOR/01-2), Declaration for Approval from Relevant Authority (for Malaysian manufacturers only), Declaration for Approval for Trade Mark Registration/ Brand Name (PCS/FOR/01-3-1), accompanying product information + fees + test report (if available)

### 3. Document evaluation

- SIRIM QAS International will conduct standard/product design Evaluation

### 4. Factory audit

- Inspection conducted to examine Quality Control plan adequacy, test equipment and calibration and record keeping system.

### 5. Sample selection & testing

- Sample of product will be randomly selected and sent to accredited testing laboratory for testing

### 6. Recommendation and approval process

- The Certification Panel reviews and approves the recommendation for certification under the authority of the Certification Advisory Committee

### 7. Surveillance

- Planned inspection and re-tests conducted to monitor continuing compliance. Samples selected from production or open market will be retested.

### 8. Renewal

- Approval for renewal on satisfactory inspection reports and payment of fees.