

No.DPE/7(4)/2017-Fin.
Government of India
Ministry of Heavy Industries & Public Enterprises
Department of Public Enterprises

Public Enterprises Bhawan
Block No.14, CGO Complex
Lodhi Road, New
Delhi-110003

Dated 8th November, 2016

OFFICE MEMORANDUM

Subject: - Relaxation of Norms for Startups Medium Enterprises in Public Procurement Regarding Prior Experience-Prior Turnover criteria-reg.

The undersigned is directed to enclose herewith a copy of the O.M No F.20/2/2014-PPD(pt.) dated 20th September, 2016 along with a copy of OM bearing the same number dated 25th July, 2016 (with enclosure) on the above subject issued by Ministry of Finance, Department of Expenditure (Procurement Policy Division). All Ministries/Departments concerned are advised to direct their CPSEs to follow the directions mentioned therein for implementation.

2. This issues with the approval of Secretary, DPE.

Kalyani Mishra

(Kalyani Mishra)
Director
Tel.24362061

Encl: As above

1. All Secretaries of Administrative Ministries/Departments
2. All CMD of CPSEs
3. Ministry of Finance, Department of Expenditure w.r.t. Letter No. F.20/2/2014-PPD (Pt.) dated 20th September,2016
4. Sr. Director NIC with a request to up load in-office website of DPE

20/

No.F.20/2/2014-PPD(Pt.)
Ministry of Finance
Department of Expenditure
Procurement Policy Division

516, Lok Nayak Bhawan, New Delhi

Dated the 20th September, 2016

OFFICE MEMORANDUM


Subject: Relaxation of Norms for Startups Medium Enterprises in Public Procurement regarding Prior Experience - Prior Turnover criteria.

The undersigned is directed to refer to this Department O.M. of even number dated 25th July, 2016, wherein it was clarified that all Central Ministries/ Departments may relax condition of prior turnover and prior experience in public procurement to all Start-ups [whether Micro & Small Enterprises (MSEs) or otherwise] subject to meeting of quality and technical specifications in accordance with the relevant provisions of GFR, 2005.

2. A doubt has arisen if it makes optional for Central Ministries/ Departments to relax condition of prior experience and prior turnover in public procurement to Startups. In this regard, it is again clarified that normally for all public procurement, the Central Ministries/ Departments have to ensure that criteria of prior turnover and prior experience for all Startups is relaxed subject to their meeting of quality and technical specifications.

3. However, there may be circumstances (like procurement of items related to public safety, health, critical security operations and equipments, etc.) where procuring entities may prefer the vendors to have prior experience rather than giving orders to new entities. For such procurements, wherever adequate justification exists, the procuring entities may not relax the criteria of prior experience/ turnover for the Startups.

4. This issues with the approval of Finance Secretary.


(Vinayak T. Likhari)
Under Secretary (PPD)
Tel/Fax – 24621305
E-mail – vinayak.likhar@nic.in

To

The Secretaries of all Central Government Ministries/ Departments.

Copy to: -

- (i) Financial Advisors of all Central Government Ministries/ Departments.
- (ii) The Secretary, Department of Public Enterprises, Room No.305, Block No.14, CGO Complex, New Delhi-110 003 with a request to issue appropriate instructions to Central Public Sector Undertakings (CPSUs) to implement #5 of "Action Plan for Startup India".

No.F.20/2/2014-PPD(Pt.)
Ministry of Finance
Department of Expenditure
Procurement Policy Division

516, Lok Nayak Bhawan, New Delhi
Dated the 25th July, 2016

OFFICE MEMORANDUM

Subject:- Relaxation of Norms for Startups Medium Enterprises in Public Procurement regarding Prior Experience - Prior Turnover criteria.

The Government of India has announced 'Startup India' initiative for creating a conducive ecosystem for the growth of Startups in India. The Startups are defined in Annexure-A of the "Action Plan for Startups India". The same is available on the website of Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce & Industry.

2. Ministry of Micro, Small & Medium Enterprises (MSMEs) vide Policy Circular No. 1(2)(1)/2016-MA dated 10th March, 2016 has clarified that all Central Ministries / Departments / Central Public Sector Undertakings (CPSUs) may relax condition of prior turnover and prior experience with respect of Micro & Small Enterprises (MSEs) in all public procurements subject to meeting of quality and technical specifications.

3. As per Rule 160(i)(a) of GFR, 2005, there is already a provision that the bidding document should contain criteria for eligibility and qualification to be met by the bidders such as minimum level of experience, past performance, technical capability, manufacturing facilities and financial position etc. In view of above, it is further clarified that all Central Ministries / Departments may relax condition of prior turnover and prior experience in public procurement to all Startups (whether MSEs or otherwise) subject to meeting of quality and technical specifications in accordance with the relevant provisions of GFR, 2005.



(Vinayak T. Likhari)

Under Secretary to the Govt. of India

Tel/Fax - 24621305

E-mail - vinayak.likhar@nic.in

To

The Secretaries of all Central Government Ministries/ Departments.

Copy to: -

Financial Advisors of all Central Government Ministries/ Departments.

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF INDUSTRIAL POLICY & PROMOTION
RAJYA SABHA**

**UNSTARRED QUESTION NO. 2402.
TO BE ANSWERED ON WEDNESDAY, THE 7TH DECEMBER, 2016.**

CREDIT GUARANTEE FUND FOR STARTUPS

**2402. SHRIMATI RAJANI PATIL:
DR. PRADEEP KUMAR BALMUCHU:
SHRI DARSHAN SINGH YADAV:**

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

- (a) the details of incentives and encouragements, financial and otherwise provided for Startups;
- (b) whether Government is planning to set up a Credit Guarantee Fund for encouraging Startup companies in the country;
- (c) if so, the details thereof including the number of companies which have availed the facilities under the scheme so far; and
- (d) the other steps taken to promote the Startup companies especially in their early formulation?

ANSWER

**THE MINISTER OF STATE (INDEPENDENT CHARGE)
OF THE MINISTRY OF COMMERCE & INDUSTRY
(SHRIMATI NIRMALA SITHARAMAN)**

(a) & (d): The Startup India initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive to growth of Startups.

Since the launch of the Startup India program, a number of initiatives have been taken to promote Startups. Details are at Annexure.

(b): Yes, Sir. The Government is formulating a Credit Guarantee Scheme for Startups (CGSS) with a view to encourage banks and other lenders to provide loans to Startups.

(c): Under the proposed scheme, a Credit Guarantee Fund for Startups (CGFS) shall be set up for providing credit guarantee cover (up to a specified limit) to eligible Member Lending Institutions (MLIs) against default in repayment of a loan extended to a Startup. Since the scheme is yet to be operationalized, no institution has availed facilities under the same.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PARTS (a) & (d) OF RAJYA SABHA UNSTARRED QUESTION NO. 2402 FOR ANSWER ON 7TH DECEMBER 2016.

The Startup India Action Plan consists of 19 action items spanning across areas such as “Simplification and handholding”, “Funding support and incentives” and “Industry-academia partnership and incubation”. Since the launch of the program, a number of forward looking strategic amendments to the existing policy ecology have been introduced, like:

1. Fund of Funds

For providing fund support for Startups, Government has created a ‘Fund of Funds for Startups (FFS)’ at Small Industries Development Bank of India (SIDBI) with a corpus of Rs. 10,000 crore. The FFS shall contribute to the corpus of Alternate Investment funds (AIFs) for investing in equity and equity linked instruments of various Startups. The FFS is managed by Small Industries Bank of India (SIDBI) for which operational guidelines have been issued. In 2015-16, Rs. 500 crores was released towards the FFS corpus.

2. Relaxed Norms in Public Procurement for Startups

Provision has been introduced in the procurement policy of Ministry of Micro, Small and Medium Enterprises (Policy Circular No. 1(2) (1)/2016-MA dated March 10, 2016) to relax norms pertaining to prior experience / turnover for Micro and Small Enterprises. Department of Expenditure has issued a notification for relaxing public procurement norms in respect of medium enterprises by all central Ministries/Departments.

3. Tax Incentives:

- **3 Year Tax Exemption**

The Finance Act, 2016 (Section 80- IAC) has provision for Startups (Companies and LLPs) to get income tax exemption for 3 years in a block of 5 years, if they are incorporated between 1st April 2016 and 31st March 2019. To avail these benefits, a Startup must get a Certificate of Eligibility from the Inter-Ministerial Board.

- **Removal of Angel Tax:**

Tax exemption on investments made in excess of face value in the shares of a Startup company has been introduced on 14 June 2016.

- **Tax Exemption on Capital Gains:**

Section 54 EE has been introduced under the Finance Act, 2016 which provides for exemption of capital gain arising out of transfer of long term capital asset invested in a fund notified by Central Government.

Section 54GB of Income Tax Act, 1961 has been amended to provide for exemption from tax on capital gains arising out of sale of residential house or a residential plot of land if the amount of net consideration is invested in equity shares of eligible Startups.

4. Legal Support and Fast-tracking Patent Examination at Lower Costs

A scheme for Startups IPR Protection (SIPP) for facilitating fast track filing of Patents, Trademarks and Designs by Startups has been introduced. The scheme provides for expedited examination of patents filed by Startups. This will reduce the time taken in getting patents. The fee for filing of patents for Startups has also been reduced up to 80%.

Panels of facilitators for Patents and Trademark applications have been formed to facilitate the process of patent filing and acquisition. The facilitators would provide legal guidance and handholding through the entire patent acquisition process free of cost.

5. Self-Certification based Compliance Regime:

Compliance norms relating to Environmental and Labour laws have been eased in order to reduce the regulatory burden on Startups thereby allowing them to focus on their core business and keep compliance costs low.

Ministry of Environment and Forests (MoEF) has published a list of 36 white category industries. Startups falling under the “White category” would be able to self-certify compliance in respect of 3 Environment Acts –

- The Water (Prevention & Control of Pollution) Act, 1974;
- The Water (Prevention & Control of Pollution) Cess (Amendment) Act, 2003
- The Air (Prevention & Control of Pollution) Act, 1981

Further, Ministry of Labour and Employment (MoLE) has issued guidelines to State Governments whereby Startups shall be allowed to self-certify compliance in respect of 6 Labour laws. These shall be effective after concurrence of States/UTs. The Acts are:

- The Building and Other Constructions Workers’ (Regulation of Employment & Conditions of Service) Act, 1996
- The Inter- State Migrant Workmen (Regulation of Employment & Conditions of Service) Act, 1979
- The Payment of Gratuity Act, 1972
- The Contract Labour (Regulation and Abolition) Act, 1970
- The Employees’ Provident Funds and Miscellaneous Provisions Act, 1952
- The Employees’ State Insurance Act, 1948

So far 9 States have confirmed compliance to the advisory issued by Ministry of Labour and Employment (MoLE):

- Rajasthan
- Uttarakhand

- Madhya Pradesh
- Chhattisgarh
- Delhi
- Jharkhand
- Gujarat
- Chandigarh
- Daman & Diu

6. Setting up Incubators

- Under Atal Innovation Mission, Niti Ayog will set up Atal Incubation Centers (AICs) in public and private sector. NITI Aayog has received 3658 applications (1719 from academic institutions and 1939 from non-academic institution) for setting up Atal Incubation Centers (AICs) from both Public and Private sector organizations.
- Under the Mission, a grant-in-aid of Rs. 10 crore would be provided to scale up an existing incubator for a maximum of 5 years to cover the capital and operational costs in running the center. NITI Aayog has received 232 applications for providing scale up support for established incubation centers.

7. Setting up of Startup Centers and Technology Business Incubators (TBIs)

14 Startup Centres and 15 Technology Business Incubators are to be setup collaboratively by Ministry of Human Resource Development (MHRD) and the Department of Science and Technology (DST). Out of the 14 Startup Centers, 10 have been approved. Once MHRD releases its share of Rs. 25 lakhs each for the Startup centers, the Startup centers would be supported by DST by December, 2016.

The target of sanctioning 15 TBIs is expected to be achieved by December 2016.

8. Research Parks

7 Research Parks will be set up as per the Startup India Action Plan. Out of these 7, IIT Kharagpur already has a functional Research Park. Further, DST will establish 1 Research Park at IIT Gandhinagar and the remaining 5 shall be set up by Ministry of Human Resource Development (MHRD) at IIT Guwahati, IIT Hyderabad, IIT Kanpur, IIT Delhi and IISc Bangalore.
