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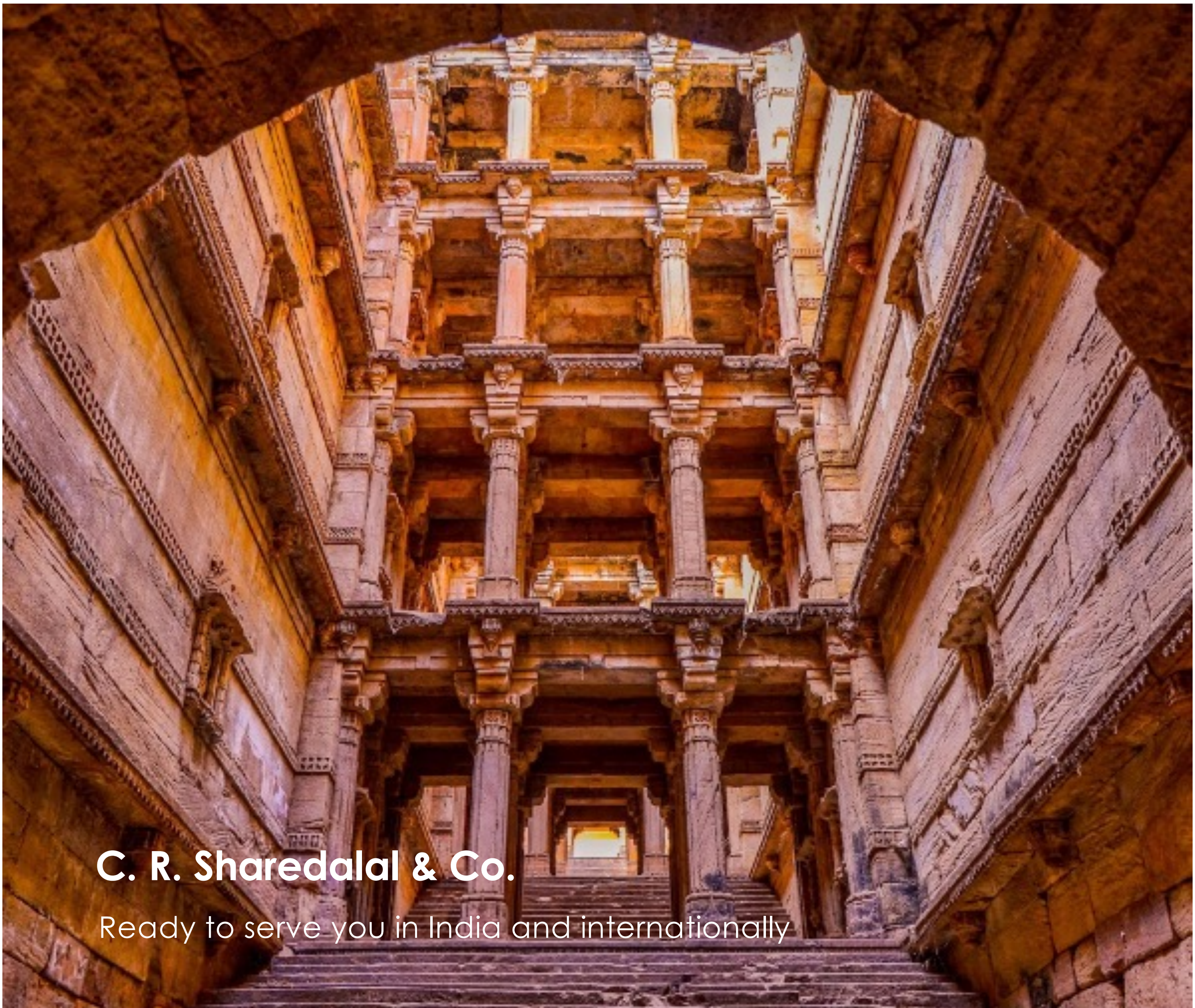

A Guide to Doing Business in India

A member of
mgiworldwide

2024
Applicable for F.Y. 2024-25

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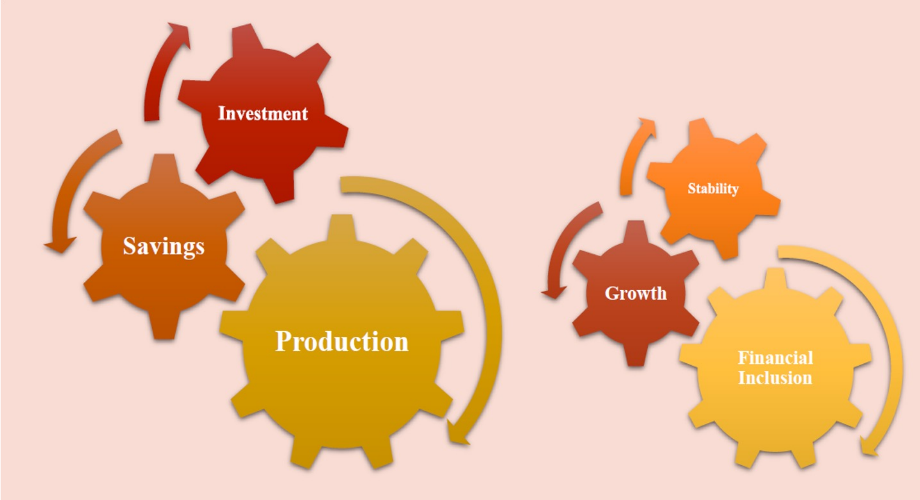


During the WEF Annual Meeting 2023 World Economic Forum's Founder and Executive Chairman Klaus Schwab said, ***"India remains a bright spot amid global geoeconomics and geopolitical crises."***

"This is the best time to invest in India," PM Narendra Modi said in a special address to world leaders at the World Economic Forum's WEF 'Davos Agenda' Summit held in May 2022.

Union Minister for Finance & Corporate Affairs, Smt. Nirmala Sitharaman said that the recently announced **India-Middle East-Europe Economic Corridor** is a strategic and economic game changer for India and others. While presenting the Interim Budget 2024-25 in Parliament, the Minister quoted the Prime Minister, Shri Narendra Modi saying that the corridor ***"will become the basis of world trade for hundreds of years to come, and history will remember that this corridor was initiated on Indian soil."***

In the global context, geopolitically, global affairs are becoming more complex and challenging with wars and conflicts.

Globalization is being redefined with reshoring and friend-shoring, disruption and fragmentation of supply chains, and competition for critical minerals and technologies. A new world order is emerging after the COVID-19 pandemic.

Year 2023 was a landmark in India's status among the global community of nations. India assumed G20 Presidency during very difficult times for the world. The global economy was going through high inflation, high interest rates, low growth, very high public debt, low trade growth, and climate challenges. The pandemic had led to a crisis of food, fertilizer, fuel and finances for the world, while India successfully navigated its way. India showed the way forward and built consensus on solutions for those global problems.

By hosting a G20 Presidency that brought together member countries to agree on issues of key global concern, despite their ongoing differences on geopolitical matters, India marked its arrival as a key consensus builder on the global stage.

This, along with an increasing share of India's GDP in global GDP, reflects the growing importance of the country in the global economic landscape.

India also accomplished a remarkable feat as its Chandrayaan-3 spacecraft became the first in the world to successfully reach the South Pole of the Moon. The country was also able to achieve the fastest deployment of 5G globally. These are just snapshots from a wide array of areas wherein India and her economy have made major strides in the last decade.

Among the chosen 190 countries, India ranked 63rd in Doing Business 2020: World Bank Report. In 2014, the Government of India launched an ambitious program of regulatory reforms aimed at making it easier to do business in India. The program represents a great deal of effort to create a more business-friendly environment. India as one of the top 10 improvers, for the 3rd time in a row, with an improvement of 67 ranks in 3 years.

India has emerged as one of the most attractive destinations not only for investments but also for doing business. India jumps 79 positions from 142nd (2014) to 63rd (2019) in 'World Bank's Ease of Doing Business Ranking 2020'.

"In 10 years, India has moved from the 10th largest economy of the world to the 5th largest economy of the world. In 10 years, India is now seen as a country with immense potential which is backed by impressive performance."

Shri. Narendra Modi
Prime Minister Of India

To further enhance the ease of doing business in the country more than 39,000 compliances have been reduced and more than 3,400 legal provisions have been decriminalized. Positive changes have led to this impressive improvement in India's ranking in the EoDB index. Promoting trust-based governance at all levels, Hon'ble Finance Minister Nirmala Sitharaman introduced the Jan Vishwas Bill to amend 42 Central Acts. An integrated system of unified filing processes at the central and state-level departments will be set up to avoid repeated submission of documents, ensure the authenticity of the same and lead to quicker processing of requests.

Make in India, the flagship program of the Government of India (GoI) that aspires to facilitate investment, foster innovation, enhance skill development, and build best in-class manufacturing infrastructure, completed its 8 years of path-breaking reforms in September 2022. The program is transforming the country into a leading global manufacturing and investment destination.

To strengthen Make in India initiative, several other measures have been taken by the GoI. The reform measures include amendments to laws, liberalization of guidelines and regulations to reduce compliance burden and enhance the ease of doing business in India.

Deep reforms like the launch of PM Gati Shakti in October 2021, a National Master Plan for Multi Modal Connectivity, essentially a digital platform to bring 16 Ministries, including Railways and Roadways, together for integrated planning and coordinated implementation of infrastructure connectivity projects will surely attract foreign investors. Production Linked Incentive (PLI) scheme across 14 key manufacturing sectors, was launched in 2020-21 as a big boost to Make in India initiative.

Development Of Enterprise and Service Hubs (DESH) bill 2022 was introduced by the government to replace the Current Special Economic Zone Act, 2005 to facilitate both export-oriented and domestic investment.

Factors attracting foreign investors in India

1. **Make in India**
   The government has launched Make in India program to drive self- reliance and aid manufacturing in India and strengthen the logistics supply chain.

2. **PM GatiShakti**
   With an INR 200 billion outlay, the initiative is driven by the seven engines- Roads, Railways, Ports, Mass Transport, Waterways and Logistics Infrastructure.

3. **PLI Scheme**
   Incentives of Rs. 1.97 trillion have been announced for 14 sectors. Heavy incentives for foreign companies manufacturing in India.

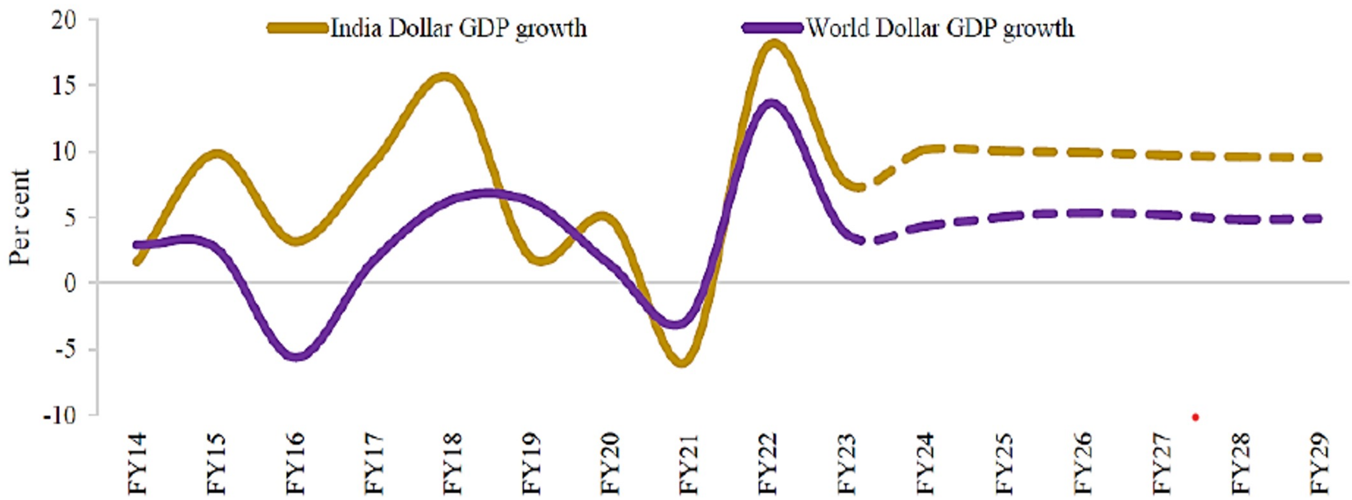
4. **Export Promotion**
   Special Economic Zones Act to be replaced by new legislation to facilitate states to become partner in 'Development of Enterprise and Service Hubs.'

5. **Liberal FDI Norms**
   Several sectors open to 100% FDI under automatic route. 13 FTAs and six preferential trade agreements are signed with several countries.

Economic Highlights 2024:
India Outlook in future years

- As per the Finance Minister's latest monthly economic review Indian economy will grow in the coming years at a rate above 7%
- Growth in the manufacturing is estimated to be significantly higher at 6.5% in FY 24 as compared to 1.3% in FY 23
- Trade , hotels , transport sector is estimated to show a normalizing growth of 6.3% in FY 24
- The Reserve Bank of India projects CPI inflation at 5.4 % in 2023-24 (FY24)

- Fiscal deficit for FY 25 set at 5.1% of GDP with the target of below 4.5% by FY 26
- According to S&P Global, India is on track to become the world's third-largest economy by 2030, overtaking Japan and Germany
- The below chart captures the Indian and World GDP growth over the years



02 Socio-economy

India is a federal union comprising of 28 states and 8 union territories, for a total of 36 entities. India is home to 1.4268 billion people. It has the world's largest youth population. Indian population is equivalent to 17.71% of the total world population.

India has become the fifth-largest economy in the world, ranking just behind US, China, Japan and Germany.

India's renewable energy capacity has increased by 250 per cent in last six years. India has become one of the top five countries in the world in terms of installed renewable energy capacity.

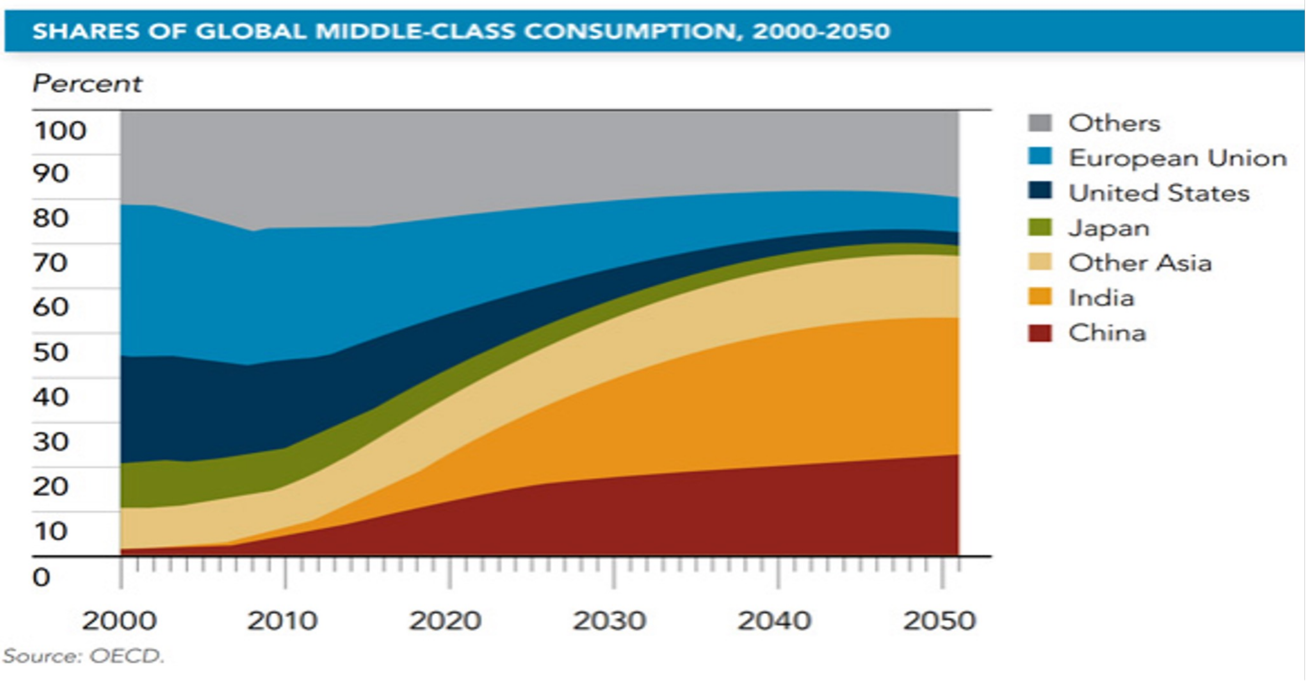
·The country has entered the transition period of advancing in the population age structure which could last until 2055.
The top five attractive factors of India's economy for business are - a skilled workforce, cost competitiveness, dynamism of the economy, high educational level and open and positive attitudes.

Road ahead

- The country's nominal GDP is forecasted to rise to USD 8.4 trillion by 2030, becoming one of the fastest growing economies.
- India has been taking initiatives towards net zero targets to reduce carbon emissions. There are tighter fuel efficiency norms across industries.
- It is targeting to reduce carbon emissions by 33-35 per cent by 2030.

Why is India Important?

- Emergence of a middle class creates a "sweet spot" – rising incomes – increased spending.
- India has a large and healthy middle class, making it an attractive consumer market. Indeed, India is the world's largest market for manufactured goods and services and ranks number 40 out of 141 economies for market size according to the WEF's Global Competitiveness Index. [1]
- The market is only anticipated to grow. The WEF estimates that India's total consumption expenditure will grow to $5.7-6 trillion by 2030. [1]
- India has become a powerhouse in terms of technology innovation.
- India has achieved a high macroeconomic stability ranking (with a score of 90 out of 100 and ranked 40 out of 141 economies) in the World Economic Forum's Global Competitiveness Index. [1]



03 Setting up business in India

India is an emerging market with wide scope and opportunities for both Indian and foreign investors. The Government of India offers entrepreneurial- friendly policies which makes access and growth of businesses in India easier.

Every foreign investor planning to enter India should select an appropriate form of business presence, keeping in mind the business objective of doing business in India. The right selection is likely to go a long way to ensure efficiency (from an operational/legal/regulatory/ tax perspective) and would also ensure that the business can be financed and run efficiently.

Types of Business Entities Permitted in India

1. Company
2. Limited Liability Partnership
3. Partnership Firm
4. Sole Proprietorship

A foreign entity may establish a business presence in India by:

- Opening a liaison office
- Branch office or project office
- Appointing a distributor or franchisee
- Commencing its own operations in India through a business entity registered in India
- Forming a joint venture with an Indian entity
- Acquiring an existing business in India.

Repatriation from an Indian Company

Foreign capital invested in India is generally allowed to be repatriated along with capital appreciation, if any, after payment of taxes due.

The repatriation is allowed, provided the investment was made on a repatriation basis in terms of FDI/FEMA regulations, and is subject to any lock-in conditions that may be applicable under FDI/FEMA regulations.

Typical modes of repatriation in an Indian company:

1. **Dividend:**
   Profits earned by an Indian company can be repatriated as dividend, subject to availability of sufficient free reserves without the RBI's permission. The repatriation is also subject to compliance with other specified conditions.

1. **Buyback:**
   Buy back restricted up to 25% of the share capital and free reserves in a financial year subject to satisfaction of the prescribed conditions.

2. **Capital reduction:**
   National Company Law Tribunal (NCLT) driven process, subject to conditions prescribed under FDI regulations.

8 broad steps to starting a business in India:

1. Get the Certificate of Incorporation and Registration for your business entity.
2. Obtain a Permanent Account Number (PAN)
3. Obtain a Tax Account Number (TAN)
4. Register with the Office of Inspector, Shops and Establishment Act (State/Municipal)
5. Register for GST
6. Register for Profession Tax
7. Register with Employees' Provident Fund Organization (National)
8. Register for Medical Insurance

04

GIFT City in India

1. What is GIFT City?

- Gujarat International Finance Tec-City (GIFT) is a central business district in the Gandhinagar district in Gujarat, India. It is India's first operational greenfield smart city and International Financial Services Centre(IFSC), which the promoted by the Government of Gujarat as a greenfield project.
- It consists of a conducive Multi-Service SEZ and an exclusive Domestic Tariff Area (DTA).

2. Infrastructure facility at GIFT city

- District Cooling System
- Automated Waste Collection System
- Underground Utility Tunnel
- International Exhibition Complex

3. International Stock exchanges

- Dollar denominated products
- No transaction cost (other than brokerage)
- Trading - 22 hours
- Average daily trading value on IFSC Exchanges USD 4.29 Bn
- Derivatives turnover touched a new high of USD 30.30 Bn

4. IFSC Banking units

- External Commercial Borrowing (ECB) Lending
- 21 Banks Licensed, Domestic Banks -15, Foreign Banks – 6
- Total Banking Asset size: USD 31 Bn
- Total Banking Transactions touched approx. USD 135 Bn

5. Income-tax

- 100% tax exemption for 10 consecutive years out of 15 years
- MAT / AMT @ 9% of book profits applies to Company / LLP as a unit in IFSC. MAT not applicable to companies in IFSC opting for new tax regime
- Dividend income given out by a Company in IFSC will be taxed in the hands of shareholders
- Dividend obtained by non-residents from IFSC will be taxed at a concessional rate of 10% + applicable surcharge and cess
- No surcharge or health and education cess applies to certain incomes earned by specific fund in the IFSC
- Interest income paid to non-residents
    - Monies lent to IFSC units not taxable
    - Long Term Bonds & Rupee - Denominated Bonds listed on IFSC exchanges taxable at lower rate of 4%

6. Goods and Services Tax

- No GST on services –
    - received by unit in IFSC
    - provided to IFSC / SEZ units or Offshore clients
- No GST on transactions carried out in IFSC exchanges
- GST is, however, applicable on services provided to Domestic Tariff Area(DTA)

7. Other taxes & duties

- Investors are exempted from STT, CTT, stamp duty in respect of transactions carried out on IFSC exchanges
- State Subsidies include relief on Lease rental, PF contribution, & electricity charges

8. Exemptions under the Companies Act, 2013

- CSR provisions not applicable for 5 years from commencement
- Resident director mandatory after first year of incorporation
- Internal audit applicable only if provided in AOA
- No requirement to set up Audit Committee, Nominations and Remuneration Committee
- Limits on Managerial Remuneration not to apply
- IFSC Company can follow same financial year as holding company – No approval required
- EGM at any place within or outside India subject to all shareholders' approval related to prospectus
- Exemption to foreign companies from offering for subscription in the securities, requirements

9. State Subsidies & Incentives

IT City/Township

- One time support of 25% of CAPEX subject to maximum of INR 500m. Facilitating infrastructure to get Opex (Rentals)
- First two years: 50% of monthly rentals subject to a maximum of INR 10k
- First three years subsequently: 25% of monthly rentals subject to a maximum of INR 5k.

Cloud System for CLS

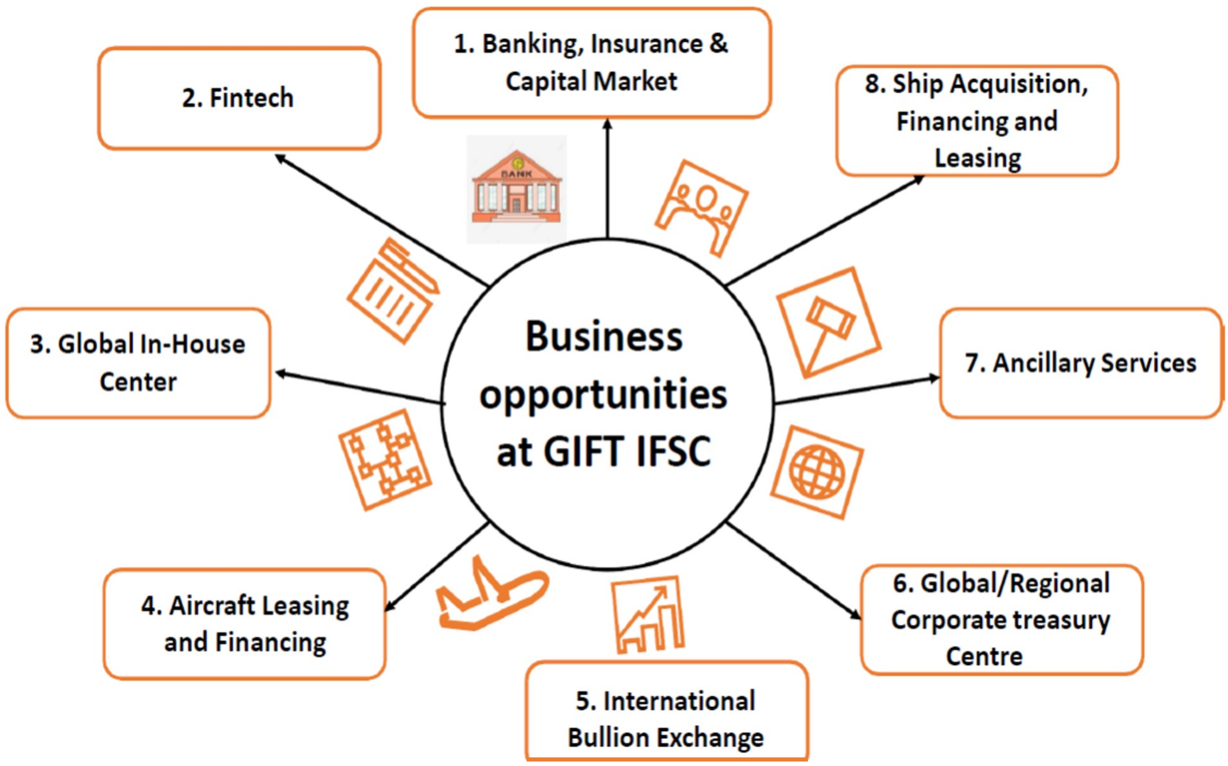
- One-time support of 25% of eligible CAPEX up to INR 200m

Data center projects

- One-time support of 25% of eligible CAPEX up to INR 1.5bn for data centre projects
- Power tariff subsidy of INR 1/ unit (5 years)

Establishing R&D institutes

- One-time support of 60% of machinery cost up to INR 50m



05 Family investment fund

What is FIF?

- Family Investment Fund (FIF) is a self-managed Fund in GIFT City
- To be set up by a single-family office or entities under the family's control
- Can be used as a structure to invest globally.
- First-of-its-kind structure for family offices in India

Regulated by

- International Financial Services Center Authority (IFSCA) (Fund Management) Regulations, 2022

Minimum investment amount

- A minimum corpus of $10 million within three years of its establishment

Investment thresholds

- Individual investors - Up to $250K (subject to LRS limit)
- Entities - Up to 50% of its net worth
- Entity can be sole proprietorship firms, partnership firms, LLPs, trusts, companies, or a body corporate, in which an individual or a group of individuals of a single family holds 'substantial economic interest' (at least 90%)

Benefits of investing in FIF

- Gives access to global diversification
- Can invest in listed, unlisted securities, & tangible assets like real estate, bullion, and art.
- Can make leveraged investments.
- Frees the LRS limit of individuals of the family.

GIFT City advantage

- Lower cost of administration, setting up, and daily operations
- Proximity to major Indian cities
- Access to wealth managers and advisors

Taxation of FIF

- 100% income tax exemption for ten consecutive years within a fifteen-year period, (subject to the nature of investments qualifying as requisite 'business')
- Exemption from GST

06 Foreign Direct Investment

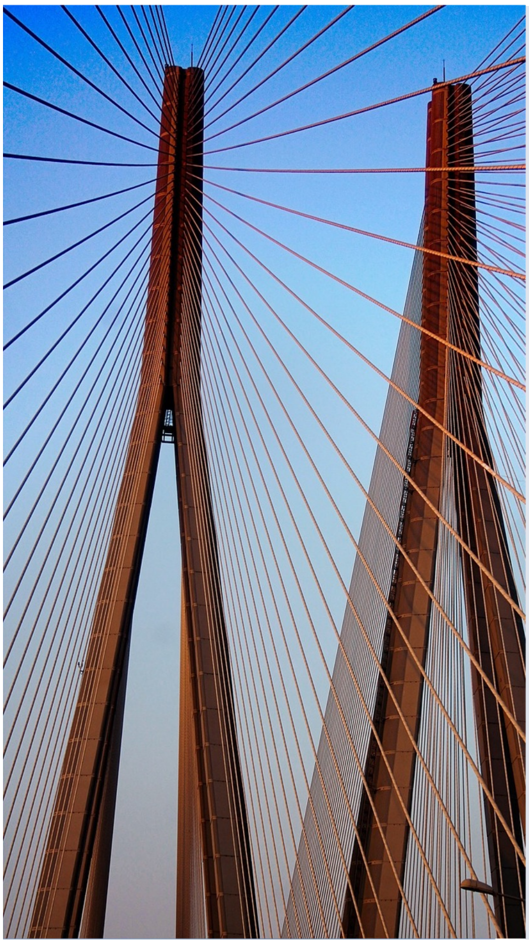
Foreign Direct Investment (FDI), in addition to being a key driver of economic growth, has been a significant non-debt financial resource for India's economic development.

Foreign corporations invest in India to benefit from the country's particular investment privileges such as tax breaks and comparatively lower salaries.

The government has recently made numerous efforts, including easing FDI regulations in various industries, PSUs, oil refineries, telecom and defense.

India emerges as the FDI powerhouse and secures the third-highest foreign investment in 2021-22. India's FDI inflows have increased 20 times from 2000-01 to 2023-24. According to the Department for Promotion of Industry and Internal Trade (DPIIT), India's cumulative FDI inflow stood at US$ 953.14 billion between April 2000-September 2023 [2]

The total FDI inflow into India from April 2023 to September 2023 stood at US$ 15.34 billion and FDI equity inflow for the same period stood at US$9.54 billion



Sectors/Routes for FDI in India

Entry routes

1. **100% FDI through Automatic route:**
   Under the Route, the foreign investor or the Indian company does not require any approval from RBI or Government of India for the investment.

2. **100% FDI through Government route:**
   Under the Route, prior to investment, approval from the Government of India is required. Proposals for foreign direct investment under Government route, are considered by respective Administrative Ministry/ Department.

3. **100% FDI through automatic and Government route.**

Prohibited

Prohibited sectors under FDI

- Gambling and Betting
- Lottery Business
- Activities/Sector not open to private investment e.g. Railway operations, Atomic energy
- Business of Chit-Fund
- Nidhi Company
- Real Estate Business or Construction of farmhouse
- Trading in transferable development rights
- Manufacturing of Tobacco, Cigar, Cheroots, Cigarillos, Cigarettes and other tobacco substitute

07 Legal & Taxation

Primary regulations under Indian laws:

I. **Companies Act, 2013 -** It regulates the formation, functioning and winding up of companies. For companies registered in India after November 2019, having a share capital, it is necessary to obtain a commencement of business certificate before commencing any business or exercising the borrowing powers. The commencement of business certificate must be obtained within 180 days of incorporating a Company. Once registered the company has to meet various Half Yearly, Yearly and event-based compliances under the ROC.

II. **Foreign Exchange Management Act, 1999** defines the procedures, formalities, dealings of all foreign exchange transactions in India.

III. **Customs Duty** - is a kind of indirect tax that is imposed on imported goods and services, and sometimes, on exported goods and services.

IV. **Goods and Service Tax Act –** GST, or Goods and Services Tax, is an indirect tax imposed on the supply of goods and services. It is a multi-stage, destination-oriented tax imposed on every value addition, replacing multiple indirect taxes, Including VAT, excise duty, services, etc. Good and services are included under a single domestic indirect taxation law for the whole of India. In this regime, tax is charged at each point of sale.

V. **Stamp Duty -** Stamp duty is levied and collected by the state government on all documented financial transactions, it varies from state to state.

VI. In addition, an Indian business entity would also be required to obtain common licenses and Registrations under the below laws, as applicable on a case-to-case basis:
   - Indian trademark law & allied Intellectual property laws
   - The Environment Protection Act, 1986
   - RBI Regulations
   - SEBI Act, 1992
   - Professional tax
   - Competition Act,2002 etc.

VI. MSMED Act, 2006
Manufacturing and service industries and wholesale and retail trade are covered and eligible to apply for MSME registration.

The following is the current MSME classification:

Criteria	Micro	Small	Med.
Investment & Turnover	≤ INR 1 Crore& ≤ INR 5 Crore	≤ INR 10 Crore& ≤ INR 50 Crore	≤ INR 50 Crore& ≤ INR 250 Crore

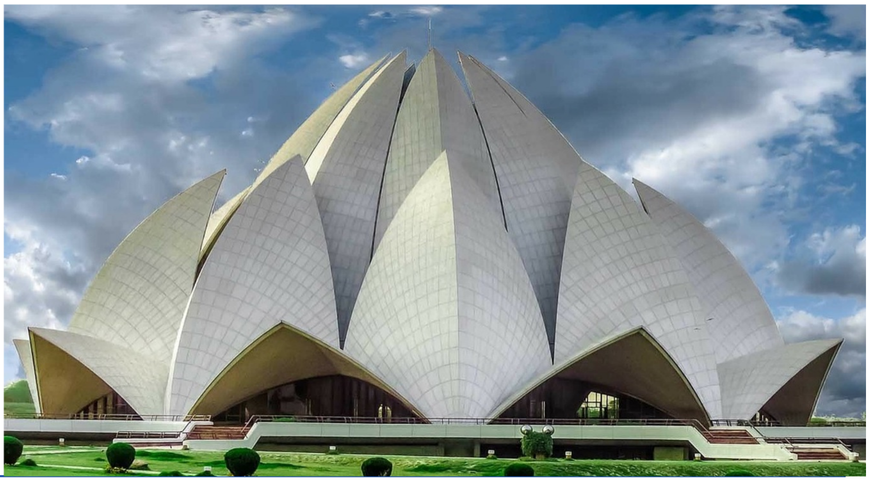
Some of the other added benefits of getting your MSME registered are:

a) Bank Loans (Collateral Free)
b) Subsidy on Patent Registration.
c) Overdraft Interest Rate Exemption.
d) Industrial Promotion Subsidy Eligibility
e) Protection against Payments (Delayed Payments)
f) Fewer Electricity Bills
g) ISO Certification Charges Reimbursement.

VIII. Income Tax Act, 1961: It provides for levy, administration, collection and recovery of Income Tax. The effective income tax rates are tabulated here below:

***The rates mentioned in the tax rate table below are exclusive of surcharge, which is levied on the basis of the quantum of taxable income earned during the year under consideration and education cess levied on the tax amount (inclusive of the surcharge). Surcharge rates range from 7% to 12% for domestic companies and 2% to 5% for foreign enterprises; the education cess rate is constant at 4% for all organizations.*

Type of Entity	Basic tax rate [up to 31st March, 2025]
New Manufacturing Domestic Company	15%
Concessional rate for companies without incentives	22%
Normal rate for companies	If Turnover in F.Y. 2022-23 < 400 crore, rate is 25%
	Otherwise, 30%
Limited Liability Partnerships	30%
Foreign Companies	40%
Individuals	Slab rates as prescribed
Note: New Tax regime becomes the default regime for taxation from A.Y. 2024-25 onwards	



Relevant Compliances Under Income Tax Act, 1961

Income Tax Return

Income Tax Return (ITR) is a form which a person is supposed to submit to the Income Tax Department. It contains information about the person's income and the taxes to be paid on it during the year.

Information filed in ITR should pertain to a particular financial year, i.e., starting on 1st April and ending on 31st March of the next year. The Income Tax Department has prescribed 7 types of ITR forms - ITR-1, ITR-2, ITR-3, ITR-4, ITR-5, ITR-6, ITR-7 and applicability of the form will depend on the nature and amount of income and the type of taxpayer.

TDS

TDS or withholding tax compliances are one of the most important and any non-compliance leads to several detriments (deduction for expenses not given for transactions made along with interest, fees and penalty being levied).

TDS is not applicable on all transactions, but only on specific ones and for amounts exceeding the threshold limits which are mentioned under the Income Tax Act (there are more than 30 specific payments).

TCS

In the case of TCS, the seller must collect an amount in addition to the sale value from the purchaser as tax and deposit the tax so collected with the government.

Like TDS, there are specific transactions to which TCS provisions are applicable which are mentioned under the Income Tax Act.

Equalization Levy

Equalization Levy was introduced in India in 2016, with the intention of taxing the digital transactions i.e., the income accruing to foreign e-commerce companies from India, it is a direct tax which is withheld at the time of payment by the service recipient of specific services for payments made to Non-Resident of an aggregate amount of consideration exceeding Rs 1 lac.

Transfer pricing (TP)

Transfer pricing (TP) provisions in India are in line with the TP guidelines for multinational companies and tax administrators issued by the OECD, Transfer pricing compliance will be required for transactions with any international associate entities or specified domestic transactions. The Indian entity is required to demonstrate that the transactions are at arm’s length price’ for which the Company will have to keep prescribed records and obtain an audit report from a Chartered Accountant.

Foreign Tax Relief

India offers a very competitive tax regime and comprehensive network of Tax Treaties. DTAAs entered into by India with several other countries govern foreign tax relief to avoid double taxation. If there is no such agreement, resident corporations can claim a foreign tax credit for the tax paid by them in other countries subject to fulfillment of certain requirements. The credit amount is the lower of Indian effective rate of tax or the tax rate of the said country on the doubly taxed income.

08 Key Initiatives

Export Promotion

- [Exports is at an all time high with significant trading opportunities].
- Special Economic Zones Act to be replaced with a new legislation to facilitate states to become partners in 'Development of Enterprise and Service Hubs'. (13)
- Foreign Trade Policy (FTP) 2023 seeks to take India's exports to 2 trillion US dollars by 2030. The Key Approach to the FTP is based on these 4 pillars: (i) Incentive to Remission, (ii) Export promotion through collaboration - Exporters, States, Districts, Indian Missions, (iii) Ease of doing business, reduction in transaction cost and e-initiatives and (iv) Emerging Areas – E-Commerce Developing Districts as Export Hubs and streamlining SCOMET policy.
- Revamped regulatory framework to boost export of jewelry through e-commerce.
- Offered several exemptions on exports to incentivise it.

Simplifying the business Ecosystem (4)

- **Introduction of SPICe+ and AGILE PRO** form by Ministry of Corporate Affairs (MCA) saves time and effort required for a nascent Company Incorporation. This form combines various services like PAN/ TAN/ Director Identification Number /GSTN etc.
- **Digitization of land records** has been one of the top priorities to bring efficiency and transparency in property related transactions. It allows citizens to view property transaction records in a digital mode.
- **Online Building Permission System (OBPS)** is an online Single Window for obtaining all building permissions.
- **Introduction of Insolvency and Bankruptcy Code of India (IBC) in 2016** was a game changer in resolving insolvency. The objective of the Code is maximization of value of assets by aiming at reorganization rather than liquidation of the Corporate Debtor. This law is evolving and once a long drawn and painful process, of closure of business is now a faster and more efficient process.

Recent Tax Incentives

- With a view to encourage more start-ups, the corporate concessional tax rate of 15 per cent is extended for a year, till 31 March 2024 (5)
- Several schemes introduced to promote manufacturing in India such as MOOWR, Production Linked Incentive Scheme for several sectors. Further, the Government also introduced RoDTEP scheme to promote exports of goods from India
- Several customs duty related changes have been introduced to motivate domestic manufacturers. The government has introduced a moderate levy, while exemptions for advanced machinery currently not manufactured in India would continue.
- Faceless customs has been fully established. (6)

1. **Information Technology [7] - USD 1Tn digital economy by 2025**
   - Digital communication infrastructure
   - Electronics system design & manufacturing
   - Global data center HUB

2. **Health Care [8] - USD 370Bn by 2025**
   - Super-specialty hospitals
   - Equipment and medical consumables
   - Diagnostic services and facilities

3. **ENR and Mobility - USD223.2 Bn by 2025**
   - Solar power
   - Battery storage
   - Clean energy
   - Renewable

4. **Aviation Sector [9] - USD30 Bn by 2024**
   - Regional connectivity scheme
   - Connectivity to Asian countries
   - Maintenance repair and overhaul
   - Aircraft OEM market

5. **Travel and Hospitality [10] - USD512 Bn by 2028**
   - E-Tourist VISA
   - Medical Tourism
   - Coastal Tourism

6. **Fintech [11] - USD1.3 Tn by 2025**
   - InsureTech
   - Neo banking
   - FintechSaaS

7. **Education [12] - USD 4 Bn by 2025**
   - Vocational training
   - Higher education institutes
   - Coaching institutes
   - EdTech

8. **Infrastructure [13] - USD1.4 Tn construction market by 2025**
   - Smart cities
   - Industrial corridors
   - Mega port
   - Commercial space
   - Railway stations

9. **Agriculture [14] - USD24 Bn Exports by 2025**
   - Digital agriculture
   - Farm mechanisation

09
Startup India

Recognition for Startups (15)

Eligibility Criteria

- It should be incorporate as private limited company, partnership firm or limited liability partnership.
- Annual turnover should not be exceeding Rs.100 crore for any of the financial years since its incorporation.
- An entity shall be considered as a startup up to 10 years from the date of its incorporation.
- It should work towards development or improvement of a product, process or service and/or have scalable business model with high potential for creation of wealth & employment.

Following are not eligible to register as Startup

- Entities formed due to merger/ demerger/acquisition/amalgam ation/absorption/ will not be recognized as Startup. However, merger or amalgamation between any of the following class of companies will be allowed subject to fulfilment of norms:

i. two or more start-up companies; or
ii. one or more start-up company with one or more small company.

- Entities formed due to compromise/ arrangement as provided under the Companies Act, 2013 will not be recognized as Start-up.
- Conversion of an entity from one form to another shall not be a bar for availing recognition subject to the fulfilment of condition provided in sub-section (3) of section 80-IAC of the Income- tax Act, 1961.
- Holding including foreign holding, Subsidiary including foreign subsidiary, Joint Ventures, entities incorporated outside Indian Territory will not be recognized as Startup.
- A sole proprietorship is not eligible to apply for recognition.
- **Shareholding by Indian promoters in the startup should be at least 51%, as per Companies Act, 2013 and SEBI (ICDR) Regulations, 2018.**

Synopsis (16)

1. Startup India initiative was launched on 16th January 2016, by the Hon'ble Prime Minister.
2. One of the world's fastest growing start-up hubs; 75,000+ startups, 100 unicorns.
3. Ranked 3rd largest in terms of number of startups, globally.
4. An INR 1,000 crore start-up India seed fund has been launched in 2021 to aid growth of new start-ups.
5. Revamped 32 regulations for startups, including angel tax and offered over 220 tax incentives and over 250 SIDBI funds of funds.
6. Investors are choosing India for startups due to availability of well-educated entrepreneurs and a fast-developing digital infrastructure.
7. Creation of 5.2 lakhs jobs across the country, with 45% of them having a base in Tier 2- Tier 3 cities.
8. A Rs.10,000 crore "fund of funds" is being managed for growing the domestic venture capital Industry.

10

2024 Budget Highlights

- Union Finance Minister (FM) Nirmala Sitharaman presented her sixth Budget on February 1 2024. This was an interim budget ahead of the general elections later this year. The Interim Budget 2024 was focused on youth and women empowerment, while maintaining fiscal consolidation and continuing capex.
- FM Sitharaman lowered down FY25 fiscal deficit target to 5.1% of the GDP.
- There were no changes made to the direct tax and indirect tax rates.
- Finance Minister Nirmala Sitharaman stressed on 5 'Disha Nirdashak' baatein: Social justice as an effective governance model; Focus on the poor, youth, women, and the Annadata (farmers); Focus on infrastructure; Use of technology to improve productivity and High-power committee for challenges arising from demographic challenges.
- India has had three consecutive years of 7% GDP growth and is the fastest growing economy in G20.
- GDP is Government, Development and Performance. We have delivered on development and have better managed the economy. We are bringing down the fiscal deficit despite very challenging times.
- Capex from the government will continue, it is important to continue it, FM said.
- India, Middle East, European Corridor (IMEC) project to be taken forward despite disturbances in Red Sea.
- The withdrawal of 1.1 crore outstanding small direct tax demands for certain years will cost less than ₹3,500 crore to the exchequer, said Revenue Secretary Sanjay Malhotra.
- No extension of lower tax rate to new manufacturing units coming into place after March 2024, FM clarified.
- Do not have a fixed target for disinvestment in FY25, said DIPAM Secretary Tuhin Kanta Pandey.
- We are not only aligning with the fiscal consolidation path given earlier, but we are also bettering it, Finance Minister Nirmala Sitharaman said in her message to credit rating agencies.
- The relevance of the target to reduce the Centre's debt-to-GDP ratio to 40% was set before COVID-19 period and now has to be examined, Finance Secretary TV Somanathan said.

Revised rates of Tax Collected at Source for certain remittances under Liberalized Remittance Scheme (LRS) and on sale of overseas tour packages w.e.f. 1st October 2023

Nature of Payments	New Rates w.e.f. 1st October 2023
LRS for education financed by a loan	0.5% (in excess of Rs. 7 Lakh in a F.Y.)
LRS for education (other than education financed by a loan or medical treatment	5%(in excess of Rs. 7 Lakh in a F.Y)
LRS for other purposes	Nil up to Rs. 7 lakh in a FY and 20% for excess
Purchase of overseas tour package	5% up to Rs. 7 lakh in a F.Y. and 20% for excess.

The time limit of availing benefits under various exemptions and deductions has been extended to further promote investments into the country:-

- **Section 10(4D)(aa) & 10(4D)(c)(ii)**– Investment division of Offshore Banking Unit (IFSC).
- **Section 10(4F)** – Lease of Aircraft or Ship-IFSC.
- **Section 10(23FE)** – Income in case of investment made in business trust, infrastructure facility etc. as specified.
- **Section 80IAC (Expl)** – Eligible Start up.

Key compliance calendar

Sr. No.	Due date	Nature of Compliance	Compliance Particulars
	Direct Tax		
a.	15th June	Advance tax	First installment for CY
b.	31st July	ITR filing (for non-audit cases)	ITR filing for PY
c.	31st July	TDS return filing	Quarter -1
d.	15th September	Advance tax	Second installment for CY
e.	30th September	Tax audit report (other than transfer pricing)	Tax audit report for PY
f.	31st October	Transfer Pricing Report (undertaken international or specified domestic transactions)	Submission of reports for PY
g.	31st October	TDS return filing	Quarter -2
h.	31st October	ITR filing (for audit cases without transfer pricing)	ITR filing for PY
i.	30th November	ITR filing for transfer pricing cases	ITR filing for PY (if having international or specified domestic transactions)
j.	15th December	Advance tax	Third installment for CY[1]
k.	31st December	Belated return or revised return filing	Belated return or revised return for PY[2]
l.	31st January	TDS return filing	Quarter -3
m.	15th March	Advance tax	1. Fourth installment for CY 2. Single and final installment for taxpayers opting for presumptive taxation scheme for CY
n.	31st May	TDS return filing	Quarter -4
o.	7th of succeeding month	Due date for depositing TDS	

Key compliance calendar

Sr. No.	Due date	Nature of Compliance	Compliance Particulars
	Indirect Tax		
a.	11th of every month	GSTR-1	Opted to file monthly return
b.	13th of every quarter	GSTR-1	Opted to file quarterly return
c.	20th of every month	GSTR-3B	Taxpayers having turnover above INR 50 million in the preceding financial year
d.	22nd of every month	GSTR-3B	Taxpayers having turnover up to INR50 million in the preceding financial year for the specified 'X' category states.
e.	24th of every month	GSTR-3B	Taxpayers having turnover up to INR50 million in the preceding financial year for the specified 'Y' category states/UTs.
f.	30th April	GSTR-4	Annual Return for composite tax payers
g.	20th of every month	GSTR-5	Non-Resident Foreign Taxpayers & NRI OIDAR service provider
h.	13th of every Month	GSTR-6	Input service provider
i.	10th of every month	GSTR-7	TDS deductor
j.	10th of every month	GSTR-8	TCS collector
k.	31st December	GSTR-9	GST Annual return
l.	31st December	GSTR-9/9C	GST Annual return for PY

rrent Year
2. PY - Previous Year

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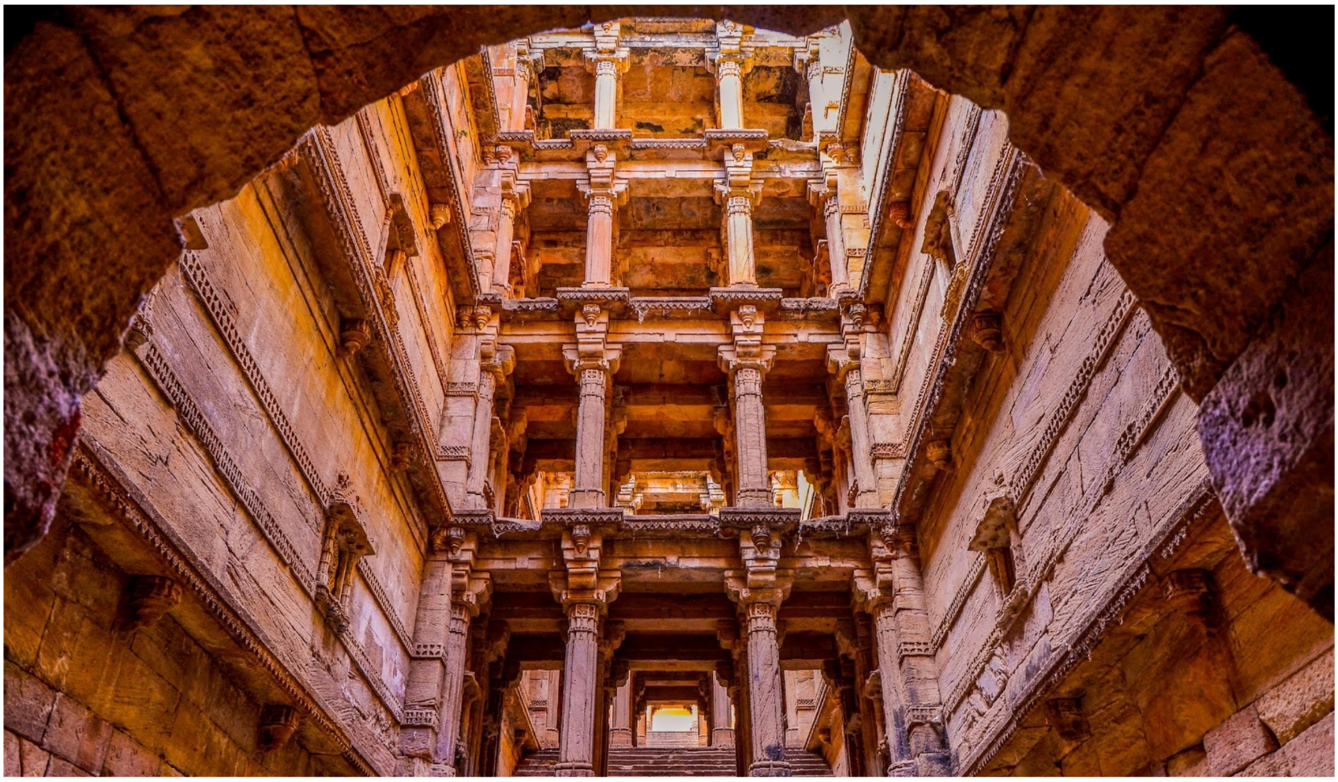

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