

Draft: Chandigarh Startup Policy 2022

1. INTRODUCTION

This Startup Policy shall act as a catalyst in creating an enabling environment for innovators and startups to flourish and to grow. The policy aims to encourage and enable startups to grow through innovation & design and create a technology and venture ecosystem for the youth to pursue their entrepreneurial dreams in the region.

2. VISION

- 2.1. Chandigarh startup innovation and knowledge aims at serving as a platform to develop and nurture a vibrant ecosystem to promote knowledge sharing, innovation, entrepreneurship, and investment in Chandigarh.

3. OBJECTIVES

- 3.1. To make Chandigarh an aspirational geographical and human resources base for high value startups
- 3.2. To invite the best entrepreneurial minds to make Chandigarh their professional base, and thereby build a robust startup ecosystem in Chandigarh
- 3.3. To foster collaboration among research and education institutes, Government and corporates
- 3.4. To galvanize the startup ecosystem and to provide national and international visibility to the startup ecosystem of India
- 3.5. To foster a culture of innovation in the field of Science and Technology amongst students
- 3.6. To reduce the regulatory burden on startups thereby allowing them to focus on their core business and keep compliance cost low

4. SCOPE

- 4.1. The Chandigarh Startup Policy provides for incentives in accordance with the Startup India Action Plan of the Government of India. In case the same benefit is enlisted in another policy of the UT Administration, the said benefit may be availed under only one policy.

5. POLICY PERIOD

- 5.1. The Chandigarh Startup Policy shall be effective from the date of its notification until modified.

6. DEFINITIONS

6.1. Accelerator

An accelerator is an organisation or a program that enables rapid growth of new startups by providing specific services like mentoring, training, resources, and networking to help startups increase their customer base, generate more revenue, prepare for funding, and professionalize their organisation.

6.2. Co-working Space

A Co-working space is a business services provision model that involves individuals and startups working independently or collaboratively in a shared office space. It usually provides plug and play workstations, shared office equipment, high speed wireless internet connection, meeting rooms, and other services that are characteristic of a typical workplace.

6.3. DPIIT

The Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce & Industry, Government of India is responsible for the 'Startup India' initiative, and for formulating promotional measures for growth the industrial sector in line with national priorities and socio-economic objectives.

6.4. Eligible Entity

A Private Limited Company or One Person Company (as per the Companies Act, 2013), a Registered Partnership Firm (under the Partnership Act, 1932), or a Limited Liability Partnership (under the Limited Liability Partnership Act, 2008).

6.5. Incubator

An organisation designed to support startup companies during the early stages to help them develop a scalable business model through business support resources and services such as physical space, capital, mentoring, common services such as corporate & legal services, and networking opportunities. The incubator must be a registered entity falling under any one of the following categories:

6.5.1. Society (under The Societies Registration Act, 1860)

6.5.2. Section 8 Company (under The Companies Act, 2013)

6.5.3. Private Limited Company (under The Companies Act, 2013)

6.5.4. Public Company (under The Companies Act, 2013)

6.5.5. Limited Liability Partnership (under The Limited Liability Partnership Act, 2008)

6.6. Startup

An entity shall be eligible to be recognised as a 'Startup' under the Chandigarh Startup Policy if it is recognised under the Startup India initiative by the Central Government. Additionally, It should be incorporated or registered in Chandigarh or registered with the GST Commissionerate in Chandigarh.

6.7. University & Higher Education Institution (HEI)

A university established or incorporated by or under a Central Act or State Act and includes any such institutions as may be recognised by the University Grant Commission (UGC).

An HEI is any institution recognised by the UGC or equivalent body as notified by the Central Government. A Government HEI refers to any HEI established or incorporated under a Central Act or a State Act.

7. FISCAL SUPPORT

7.1 CHANDIGARH SEED FUND SCHEME

The Chandigarh Administration will look to set up a dedicated startup fund for Chandigarh ecosystem. The primary objective of the fund should be to promote the incubation centers, seed and scale-up funding for startups and other fiscal support to the startup units.

To plug in the gap for early-stage startup financing in the UT, the Chandigarh Administration will set up a Seed Fund. This will be a grant-in-aid-based seed fund with an initial corpus of INR 10 crore and a total corpus of INR 50 crore over a period of five years. The guidelines for this seed fund will be released as a separate notification.

7.2 FUND OF FUNDS FOR STARTUPS (DETAILS ON FLAG A)

To provide equity funding support for development and growth of innovation driven enterprises, the government has set aside a corpus fund of INR 10,000 Cr managed by SIDBI. The fund is in the nature of Fund of Funds, which means that the government participates in the capital of SEBI registered Venture Funds, who invest twice the amount in startups.

The flow of funds is Government > SIDBI > Venture Capitals > Startups

8. ECOSYSTEM MOBILIZATION ACTIVITIES

8.1 Incubation Support (DETAILS ON FLAG B)

The Chandigarh Administration will partner with HEIs to setup state-of-the-art incubators or upgrade existing incubators in the UT. This will be in line with GOI Startup India Action plan.

Chandigarh Administration aims to encourage incubators which identify industries to be promoted, considering the strengths and limitations of Chandigarh, on lines of SPIC.

The said incubators will be encouraged to partner with leading corporate organisations to run Annual Incubator Challenges for local innovators and startups.

All the incubators receiving the Chandigarh Administration's support will be part of the Chandigarh Incubator Network which will provide registered startups with incentives such as free or subsidized incubation as per GOI policies.

8.1.1. Building Co-working spaces

The Chandigarh Administration aims identify and encourage co-working facilities offering seats on rent for startups and innovators on a pay per use basis. The startups at co-working spaces would be able to access facilities such as high-speed internet, power backup secured access, 24X7 security with CCTV surveillance, etc. DPIIT-registered startups (process is available in Start Up India Kit) will be eligible to receive access to co-working spaces supported by the Administration free of cost or at subsidized rental rates for a period of 3 years or limited period.

8.1.2. Startup workshops

The Chandigarh Administration in collaboration with HEIs will host 'Startup Workshop' from time to time consisting of Entrepreneurship Boot camps and Pitching Sessions for aspiring entrepreneurs to pitch their ideas to leading Incubators and Investors.

8.1.3. Facilitation of Startup Exchanges

Apart from financial support, the Chandigarh Administration will encourage capacity building for incubators in the network. This will be done through regular training sessions for incubator managers and employees along with support for exposure visits to leading incubation facilities in India and abroad for knowledge exchange on best practices.

The Chandigarh Administration will partner with relevant ecosystem players for conducting Soft Landing/Exchange Programs for high-potential startups. The selected startups for the programs shall be funded for travel and showcase opportunities via the Marketing budget of the UT's Startup Policy.

The Government shall provide financial support to selected startups in the form of travel and lodging expenditure to take part in key national and international events dedicated to startups to provide relevant exposure and knowledge exchange opportunities.

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

To promote awareness and adoption of IPRs by Startups and facilitate them in protecting and commercializing the IPRs by providing access to high quality Intellectual Property services and resources, including fast-track examination of patent applications and rebate in fees.

9. MARKET ACCESS

9.1. Relaxed Norms of Public Procurement for Startups

Easier norms for procurement by public entities from startups will be made, including exempting startups from the criteria of prior turnover, and prior experience, without any relaxation in technical specifications or quality standards. Startups will also have to demonstrate requisite capability to execute the project as per the requirements and should have their own manufacturing facility in India.

9.2. Programs to Promote Procurement from Startups

The Chandigarh Administration will host programs to promote procurement from UT-registered startups. These will include but not be limited to workshops for registration on the Government e-Marketplace (GeM), Buyer-Seller Meets, Demo or Showcase Days, Grand Challenges, Corporate Innovation Programs, and National or International Programs.

9.3. Commercialisation Support

The Chandigarh Administration will provide commercialisation support to market ready knowledge and research breakthroughs residing in Government research laboratories, institutions, and individual innovators. It will create meaningful linkages across the innovation ecosystem to strengthen existing innovation programs

9.4. Self-Certification Compliance Incentives

DPIIT recognised Start-ups operating in the Chandigarh shall be exempted from inspections under the following Acts and the Rules frame there under, barring inspections arising out of specific complaints. Start-ups will be permitted to file self-certifications, in the prescribed formats under various acts:-

1. Factories Act, 1948
2. Maternity Benefit Act, 1961
3. The Contract Labour/Regulations and Abolition Act, 1970
4. The Payment of Wages Act, 1936
5. The Minimum Wages Act, 1948
6. The Employment Exchange Act, 1959.

10. MENTORSHIP (to be arranged through incubators)

10.1. The Chandigarh Administration will empanel a number of startup mentors with expertise in domains such as fund raising, scaling, recruitment and product interface, business model development, funding strategies, company registration, accounting & taxation, legal, and digital marketing. The mentor profiles will be hosted on the Startup Portal which will also contain a pathway for startups to reach out to these mentors free of cost. These mentors will also provide support to aspiring entrepreneurs especially students through organization of ideation workshops.

11. ACADEMIC INTERVENTIONS

11.1. The Chandigarh Administration will focus on bringing about a targeted transformation in the education system, by ensuring that certain skills

(such as Do-it Yourself, coding, interface design, etc.) can be imparted to students studying at primary and secondary school levels.

11.1.1. Annual Student Startup Festival

The Administration will also organise Startup Fests for showcasing innovation and provide a collaboration platform for launching innovation focused programs for students.

Successful entrepreneurs from leading education institutions, corporates, venture capital firms, etc., will be invited to support student innovations at the festival.

11.1.2. Establishing Entrepreneurship Cells

The Chandigarh Administration will encourage the establishment of Entrepreneurship Cells (E-Cells) in all colleges as student-driven initiatives at the college levels. E-Cells will conduct Startup & Innovation Festivals, showcase local success stories, engage Alumni, host Leadership Talks and develop Women Entrepreneurship ecosystem.

11.1.3. Startup Internship

Startup internships provide a great learning experience for students looking to pursue entrepreneurship or work in a dynamic environment. HEIs in the UT shall tie up with startups, incubators, accelerator, etc. across the country to facilitate students in obtaining internship projects with various ecosystem players. The stakeholders will benefit by hiring young resources for executing their vision.

11.1.4. Faculty Exchanges

The Chandigarh administration will facilitate faculty exchanges wherever admissible with leading Indian institutions of higher learning to upgrade entrepreneurship training skills of the faculty of regional colleges and increase their exposure to new ideas and teaching techniques.

12. NON-FISCAL SUPPORT

- 12.1** The Chandigarh Administration can also look into reimbursing startups registered and operating out of the Chandigarh UT region on Mobile App/interactive website development reimbursement, subsidised incubation, patent cost.
- 12.2** The Chandigarh Administration also aims to encourage participation in domestic fairs and exhibitions by providing free stall space in Chandikrit and IITF pavilion. Reimbursement of expenses covering logistics, manpower, display units for participation in such exhibitions.
- 12.3** Special incentives (like tax exemptions or reimbursements) for bakery startups (will contribute to ODOP and PMFME)
- 12.4** NSE's SME platform "EMERGE", offers emerging businesses a new and viable option for raising equity capital from a diversified set of investors in an efficient manner. These companies have the potential to unlock value and emerge on a bigger stage. EMERGE can play the critical role of significantly improving access to risk capital for emerging companies. At the same time, this platform will provide investors with exciting opportunities to invest in promising SME's / technology Startups.

13. SUPPORT TO WOMEN-LED STARTUPS

- 13.1.** The Chandigarh Administration will facilitate various initiatives to make the startup ecosystem inclusive for women entrepreneurs. For purposes of the incentives listed below, a woman-led startup will be defined as a startup with a woman as Founder or Co-Founder or CXO.

A minimum of 33% of the Chandigarh Seed Fund Interest Free Loans proposed in this policy will be dedicated to women-led startups meeting the eligibility criteria for availing the same.

POLICY GOVERNANCE

13.2. Executive Council

The Chandigarh Startup Policy shall enable proper implementation and smooth functioning of all the provisions to facilitate startups. The policy shall be governed by the Executive Council with members from Punjab Engineering College, Punjab University, CSIO, PGI, IIT (Ropar) as members.

The Executive Council shall perform the following functions:

- 13.2.1.** Framing of operational guidelines within 3 – 6 months from the date of notification of the policy.
- 13.2.2.** The Council may engage professionals/agencies for the following functions, who would provide services to the start-ups on a shared services model, at notified rates; Management, Human Resources, Technical, Legal, Finance
- 13.2.3.** As part of the Chandigarh Administration endeavor to promote EoDB in the state, the Council will set-up an internet based single-window portal exclusively for start-ups.
- 13.2.4.** Approval and monitoring of Nodal Agency
- 13.2.5.** Select startups for receiving seed fund and support for incubation and co-working spaces
- 13.2.6.** Evaluation of incubators, commercial entities for partnership for setting up of new or upgrading existing incubators and creating co-working spaces
- 13.2.7.** Periodic review of policy document to suggest relevant modifications

13.3. Nodal Agency

The Nodal Agency will be housed in the District Industries Center and will be responsible for the day-to-day activities associated with implementing the Chandigarh Startup Policy. It will comprise of a dedicated team led by the appointed Nodal Officer and will be notified separately, it will perform the following functions:

13.3.1. Creation of Startup Portal

13.3.2. Grievance redressal for startups

13.3.3. Operationalisation of incentives and engagement activities as listed in the Startup Policy

13.3.4. Creation of Specific Performance Indicators (SPIs) for monitoring policy objectives and reporting progress to the Executive Council

14. GENERAL TERMS AND CONDITIONS

14.1. This policy shall remain in operation from the date of notification until modified.

14.2. In case of any doubt/ambiguity/lack of clarity regarding the meaning or interpretation of the any of the provisions of the policy stated above, which may arise during the implementation of the policy, the same shall be clarified in terms of the contents of the Preamble, Vision and Objectives stated above.

14.3. In case of any disagreement regarding meaning/implementation of any of the provisions of the policy, the same shall be decided by the Chandigarh Administration and the decision of the Chandigarh Administration in this regard shall be final and binding on all parties.

14.4. No right or claim of any incentive under this policy shall be deemed to have been conferred merely on the ground of provision in this policy, Implementation of various provisions covering the incentives, concessions etc. is subjected to the issue of detailed guidelines/statutory notifications, wherever necessary in respect of each item by the concerned Administrative Department.

14.5. The Chandigarh Administration may at any time amend any provision of this policy.

Additional points to be incorporated

1. FASTER EXIT FOR STARTUPS

Startups with simple debt structures or those meeting such criteria as may be specified may be wound up within a period of 90 days from making of an application for winding up on a fast track basis.

2. CREDIT GUARANTEE FUND FOR STARTUPS

Debt funding is a high risk area and to encourage Banks and other Lenders to provide Venture Debts to Startups, Credit guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/ SIDBI is being envisaged with a budgetary Corpus of INR 500 crore per year for the next four years.

3. TAX EXEMPTION ON CAPITAL GAINS

Exemption shall be given to persons who have capital gains during the year, if they have invested such capital gains in the Fund of Funds recognized by the Government.

4. TAX EXEMPTION TO STARTUPS FOR THREE YEARS

The exemption shall be available subject to non-distribution of dividend by the Startup.

5. TAX EXEMPTION ON INVESTMENTS ABOVE FAIR MARKET VALUE (to encourage seed-capital investment)

Under The Income Tax Act, 1961, where a Startup (company) receives any consideration for issue of shares which exceeds the Fair Market Value (FMV) of such shares, such excess consideration is taxable in the hands of recipient as Income from Other Sources.

6. ATAL INNOVATION MISSION (AIM)

AIM intends to support the establishment of new greenfield incubation centres called Atal Incubation Centres (AICs) that would nurture innovative start-ups. Brownfield established incubator centres, who needs to be supported to augment, enhance and upgrade their incubation capacity

SELF EMPLOYMENT AND TALENT UTILISATION (SETU)

An amount of INR 1,000 crore is being set up initially in NITI Aayog for SETU for setting up of incubation centres and enhance skill development to facilitate the startup ecosystem in the country while improving the ease of doing business.

7. HARNESSING PRIVATE SECTOR EXPERTISE FOR INCUBATOR SETUP

To ensure professional management of Government sponsored / funded incubators, Government will create a policy and framework for setting-up of incubators across the country in public private partnership

8. LAUNCHING OF INNOVATION FOCUSED PROGRAMS FOR STUDENTS

To foster a culture of innovation in the field of Science and Technology amongst students