

Government of Gujarat
Science & Technology Department
Resolution No. ITS/10/2015/5284/IT
Sachivalaya, Gandhinagar
Dated: 06th June, 2016

Preamble

Investment in Science, Technology and Innovation (STI) is essential for economic development and social progress. STI serves as a crucial driver of rising prosperity, improved national competitiveness, sustainable and inclusive growth. Since innovation is central to translating scientific knowledge and technological know-how into useful products, services and employment, Governments world over have been fostering closer linkages between universities and industry through government funded University–Industry Partnership programmes. There is an important relationship between economic growth and research & development.

Recognizing the importance of R&D and Innovation, India has declared 2010-20 as the "**Decade of Innovation**". The Government of India has stressed upon the need to synergize science, technology and innovation and enunciated Science, Technology and Innovation Policy, 2013 to this end. Science, Technology and Innovation have emerged as the major drivers of national development globally. As India aspires for faster, sustainable and inclusive growth, the Indian STI system, with the advantages of a large demographic dividend and a huge talent pool, will need to play a defining role in achieving these national goals. This can happen by creating an ecosystem which nurtures entrepreneurial spirit of youth in India. In that context, the Government of India has notified its start-up policy and the policy needs to be leveraged to create added opportunities for the youth of Gujarat.

India is poised to become the world's youngest country by 2020, with an average age of 29 years, accounting for around 28% of the world's workforce. A young population would mean a young workforce, which implies a more innovative and entrepreneurial mind set. Traditionally, Gujarat is known for the entrepreneurial spirit of its people and to hone this skill amongst the youth, the State needs to explore scientific and technology ecosystems through Start-ups and incubators to further empower the youth.

Over the last two decades, technologies have revolutionized the ways in which businesses are created and run. Today's top businesses in the world, including top notch places to work, Fortune 500 companies, etc. predominantly comprise of businesses which are built upon technology at its core. Google, Yahoo, Amazon, Facebook, WhatsApp, eBay, Alibaba, Tesla, Flipkart, Snap deal, Linked In, etc. are few examples which exemplify what technology, as a product or as a process, can do in creating multibillion USD businesses. The exponential growth, in both revenue and employment generation make it an attractive public policy opportunity – for facilitation, incubation, handholding, growth – to lay a foundation for a promising future.

There are around 5,000 'start-up incubators' world over, of which 2000 are in United States and 1000 are in China. India has only 65 such facilities and the Government of India is trying to enhance the number to 1,000. Out of these 65, Gujarat accounts for just about 13 of them, which are primarily established in and around Ahmedabad by academic institutions such as IIM Ahmedabad, Gujarat Technology University, MICA, NIRMA University, Ahmedabad University, DAIICT, etc. However, start-ups need to come up in thousands to create enough business and employment opportunities for the youth in India.

Globally accepted norms put start-up failure rates at 90%. However the venture capitalists, investors, entrepreneurs still go with their business idea and launch their start-up for the home run potential of the one's that survive. In the process, value creation through new opportunities created, new technology sectors opened-up brings windfall possibilities for the general economy. Recognizing these opportunities, countries and state governments create strong support mechanism to facilitate business incubation and roll up of start-

ups. Implicit is the understanding that after about two years, when the product or the idea is tested, prototype is proved, the start-up needs to be facilitated to scale up as a business in the form of a new unit.

The Government of India, considering the need to give an impetus to the startup ecosystem through appropriate policy framework and creation of institutional mechanism, announced 'Startup India' as a flagship initiative of the Government of India. The startup India, inter-alia envisages building a strong ecosystem for nurturing innovation and startups to drive sustainable economic growth and generate large scale employment opportunities. Accordingly, the Government of India has announced an action plan to accelerate spreading the startup movement:

- From digital/ technology sector to a wide array of sectors including agriculture, manufacturing, social sector, healthcare, education, etc.; and
- From existing tier 1 cities to tier 2 and tier 3 cities including semi-urban and rural areas.

In the recent times, Electronics and Information and Communication Technology (ICT) are at the core of innovation and value creation. Innovation in any field or area is being driven by the use of IT or Electronics in some form or the other today, and this trend is going to continue in future. The Government of Gujarat has recently notified the Policies for Electronics and IT/ITeS Industry to provide much needed impetus to the sector which addresses the needs of an already established organization with product or service line. However, there is a need to support the early stages of innovation to take ideas to fruition. Government of Gujarat, acknowledging the need for additional support and nurturing for Electronics & IT/ITeS start-ups and keeping this at the centre of its strategy as recognized by the Government of India, through 'Startup India initiatives and to supplement efforts in that direction has decided to come up with a focused policy for Start-ups in Electronics & IT/ITeS sector as under:

I. VISION

To create a vibrant start-up culture where in ideas materialize into products, entrepreneurs are mentored, businesses are incubated and product or process innovation is facilitated to become a

business of global scale to contribute to economic prosperity of the state and to generation of employment.

II. OBJECTIVES: - The key objectives of this policy during its operative period are:

1. Facilitate at least 2000 start-ups
2. Establish at least 50 incubators in Gujarat
3. Develop 1 million sq.ft of incubation space
4. Facilitate investment of USD 1 billion to start-ups

III. DEFINITIONS

1. **‘Eligible Start-up’** An entity shall be considered a start-up if it meets the definition of start up as decided by the Government of India from time to time. To begin with, an entity shall be considered as a ‘Startup’ –

- (i) Up to five years from the date of its incorporation/registration,
- (ii) If its turnover for any of the financial years has not exceeded Rupees 25 crore, and
- (iii) It is working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property; Provided that any such entity formed by splitting up or reconstruction of a business already in existence shall not be considered a ‘startup’; Provided further that in order to obtain tax benefits a startup so identified under the above definition shall be required to obtain a certificate of an eligible business from the Inter-Ministerial Board of Certification consisting of:

- (a) Joint Secretary, Department of Industrial Policy and Promotion,
- (b) Representative of Department of Science and Technology, and

- (c) Representative of Department of Biotechnology.
- (iv) Entity means a private limited company (as defined in the Companies Act, 2013), or a registered partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2002).
- (v) An entity shall cease to be a startup on completion of five years from the date of its incorporation/registration or if its turnover for any previous year exceeds Rupees 25 crore.
- (vi) Turnover is as defined under the Companies Act, 2013. 4.
- (vii) An entity is considered to be working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property if it aims to develop and commercialize:
 - (a) A new product or service or process, or
 - (b) A significantly improved existing product or service or process that will create or add value for customers or workflow.

Provided that the mere act of developing:

- a. products or services or processes which do not have potential for commercialization, or
- b. undifferentiated products or services or processes, or
- c. products or services or processes with no or limited incremental value for customers or workflow would not be covered under this definition.

would not be covered under this definition.

2. **‘Eligible Incubator’** for the purposes of this policy means an organisation registered as an incubator, engaged in accelerating the growth of start-ups through host of support services and resources such as space, funding support, mentoring, market linkages and business

management services, which incubates minimum 10 incubatees at a time and out of which more than 50% are from Electronics or IT/ITeS sector or from Bio-informatics.

3. **'IT/ITeS'**: reference to IT/ITeS units under this scheme shall have meaning assigned to IT/ITES under the IT/ITeS Policy of the State Government.
4. **'Electronics'**: reference to Electronics or ESDM under this scheme shall have meaning assigned to ESDM sector under the Electronics Policy of the State Government.
5. **'Gross Fixed Capital Investment'** (GFCI) means the investment made in required building, furnishing, hardware and other related fixed assets. Investment made in land will be excluded from computation of Gross Fixed Capital Investment.

IV. INCENTIVES:

A. Incentives for Incubators

1. An incubator shall have the option of choosing incentives either under the Start-up Policy of Industries and Mines Department or under this policy of the State Government, subject to fulfillment of requirements as indicated in definition of an 'Eligible Incubator'. In addition to any other incentives that they might be entitled to under the Government of India schemes, the State Government will provide following incentives to the eligible incubators:

1.1 **Capital Assistance:** Eligible Incubators will be provided one-time capital assistance at the rate of 50% of Gross Fixed Capital Investment (GFCI), excluding cost of land, for setting up an incubator, subject to a ceiling of Rs. 50 lakhs.

1.2 **Mentoring Assistance:** Eligible Incubators will be entitled to a mentoring assistance of Rs. 5 lakh per annum.

- 1.3 **Operating Assistance:** Eligible Incubators will be entitled to a matching grant of 25% of funds mobilized by them from non-governmental sources, subject to a ceiling of Rs. One crore per annum for meeting their operational expenses.
- 1.4 **Assistance for Procurement of Software:** Government will support the procurement of key software required for development and testing purpose at the incubator attached or associated with educational institution or universities as a shared facility at the rate of 50% of software cost subject to a ceiling of Rs. one crore.
- 1.5 **Stamp Duty & Registration Fee Reimbursement:** Eligible Incubators will be entitled to 100% reimbursement of Stamp Duty and Registration Fee paid on sale/lease/transfer of land and Office Space for the first transaction.
- 1.6 **Incentive on Power Tariff and Electricity Duty:**
- (a) Eligible Incubators will be given power tariff subsidy at the rate of Re. 1 per unit in the billed amount of the utility as promotional incentive on reimbursement basis for a period of five years with effect from the date, beginning any time during the operative period of policy, as selected by the Incubator.
 - (b) Eligible Incubators will be given 100 % reimbursement for electricity duty paid for a period of five years on coterminous basis with power tariff subsidy.
 - (c) Above assistance will be available to Eligible Incubators on power purchased from the State electricity distribution companies or power distribution licensees. Eligible Incubators either generating power from its captive power plant or getting electricity through open access will not be eligible for the incentive.

B. Incentives for Start-ups

1. The Start-ups require enhanced level of support during early stages. Once they have a product, start acquiring customers, they get the needed visibility and marketing linkages etc. to scale up.

However, it is equally true that a majority of start-ups fail for many reasons, including due to lack of entrepreneurial skills, lack of objective assessment of market, ambiguity on product, competition, lack of ability to mobilise funding support or scaling up, etc. Nonetheless, to ensure entrepreneurial spirit is nurtured, mentored and supported, enhanced incentives are prescribed during early stages in the life of a business/venture. Accordingly, it is proposed that for a period of first two years the venture/business will be provided with enhanced support, with expectations that either the business model will prove itself and scale up to avail benefits under regular investment promotion policies of the Government such as IT/ITeS Policy, Electronics Policy, etc. or will realise the lack of potential in the business plan to move on to alternative options.

2. The Eligible Start-ups will have the option of availing assistance either under the start-up policy of Industries and Mines Department or under this policy. In addition to any incentives under any scheme of the Government of India, the eligible start-ups will be entitled to following incentives:

- 2.1 **Stamp Duty & Registration Fee Reimbursement:** Eligible start-ups will be entitled to 100% reimbursement of Stamp Duty and Registration Fee paid on sale/lease/transfer of land and Office Space for the first transaction.

- 2.2 **Lease Rental Subsidy:** Eligible start-ups taking space on lease for their operations will be provided lease rental subsidy, at the scale of 50 sqft per employee, for two years on reimbursement basis at the rate of Rs.15 per sqft per month.

- 2.3 **Interest Subsidy:** Eligible start-ups will be provided interest subsidy at the rate of 9% per annum subject to a ceiling of Rs. 2 lakhs per year. Such interest subsidy shall be eligible for a maximum duration of two years. Eligible start-ups will be entitled to interest

subsidy assistance from the date of making application or when actual interest repayment to the lending financial institutions, after moratorium, if any, begins based on their choice. However, the start-up will be entitled for interest assistance only if the interest repayment has begun during the operative period of this policy.

2.4 Patent Assistance:

- a) Eligible start-ups will be provided assistance at the rate of 75% of cost of obtaining patent subject to ceiling of Rs. 2 lakhs per patent for domestic patent and Rs. 5 lakhs per patent for international patent.
- b) Total quantum of assistance for obtaining such patents shall be limited to Rs. 10 lakh for international and Rs. 4 lakhs for domestic patents per start-up.
- c) Fees paid to patent attorney and patent service centre will also be considered eligible expenditure towards cost for computing assistance.
- d) The assistance will be in the nature of reimbursement.

2.5 Bandwidth Subsidy: Eligible start-ups will be provided bandwidth subsidy at the rate of 70% of annual bandwidth charges subject to a ceiling of Rs. 20000 for 2 years.

2.6 Skill Certification Grant: Eligible start-ups will be provided skill certification grant at the rate of Rs.5000 per skill certification per person subject to overall ceiling of Rs. 1 lakh per annum per start-up for two years.

2.7 Marketing & Product Development Assistance: A onetime assistance of Rs. 1 lakh will be provided to eligible start-ups for prototype/product development and additional assistance of Rs. 1 lakh will be provided for marketing.

2.8 Matching Equity Support: An eligible start-up which has raised equity capital from registered venture capital funds will be entitled to, at its option, avail additional 25% of such capital from Gujarat Venture Finance Limited (GVFL), without additional scrutiny,

on same terms at which the capital was raised within 6 months of such raising subject to a ceiling of Rs. 5 crores.

2.9 Start-ups face two significant challenges after having decided their product. The first challenge is financial support which, the incentives provided for in the policy will take care of. The second challenge is in getting the business and market visibility due to competition from larger players, who have access to resource, and due to lack of a credible contract record. To support startups in the IT / ITeS and electronics domain in getting early business opportunities, a provision for mandatory outsourcing or giving part job work to the startups by the solution provider or the system integrator will be made. Accordingly, the startups will be entitled to early business support as per the following mechanism :

(a) In e-Governance project undertaken by Government Departments or its Boards, Corporations or parastatal bodies getting grants from the Government, the chosen solution provider or system integrator will pass on job work or will outsource part of the work of a value ranging between 5 to 10 per cent of the contract value to eligible startups and to students of shortlisted Technical Colleges in Gujarat. In such arrangements, the responsibility of meeting SLAs (Service Level Agreements) will continue to belong to the solution provider or the system integrator. The Government departments or its Boards, Corporations, parastatal bodies getting funding support from Government of Gujarat, shall, while drafting tenders/RFPs/RFQs/EOI incorporate a clause to meet above obligations.

3. Progression to other incentive policies of the State Government:

- 3.1 Eligible Start-ups will be entitled to benefits under this policy for a period of two years or till they cross any of the following milestones, whichever is earlier:
- a) Number of employees – direct or indirect crosses 20
 - b) Turnover exceeds Rs. 25 crore per annum
- 3.2 An eligible start-up, on completion of its entitlement for benefits under this policy as in para 3.1 above shall be entitled to avail benefits under the IT/ITeS or Electronics policy of the day, if so exist, as a new unit, notwithstanding its continuing operations at the end of two years. Investment made during the benefit period under Start-up Policy and scale up investment made within a period of 18 months once the benefits under this policy cease, will be taken as 'New Investment' for computing Gross Fixed Capital Investment (GFCI) under the then applicable, if so, Electronics or IT/ITeS Policy of the State Government. The unit will be entitled to benefits under Electronics & IT/ITeS Policy as a new unit for full period of eligibility. Period of assistance as well as amount of assistance under start-up policy will be ignored while computing assistance and period of assistance under Electronics & IT/ITeS Policy.

V. POLICY IMPLEMENTATION:

1. The office of Director (IT) will act as a 'Single Window Clearance Mechanism' and will implement this policy in consultation with the Department of Science and Technology (DST).
2. The State Government will constitute Empowered Committee(s) for evaluating proposals and granting approvals for eligible assistance to applicants under this policy.
3. To act as a single point interface, the State Government will appoint Competent Authority(s) for receiving and processing applications for Government.

4. Any eligible incubator or a start-up will have the option of availing incentive either under this Policy or the Industrial Policy of Government of Gujarat. However, incubator or a start-up will be entitled to avail incentives under only one Policy out of the two and not out of both policies for individual items.
5. Any issue of interpretation of this policy will be dealt by the DST and the decision of such shall be final.

VI. POLICY IMPLEMENTATION GUIDELINES: The Department of Science and Technology will issue a scheme containing detailed implementation guidelines in order to achieve the goals and objectives of this Policy.

VII. OPERATIVE PERIOD OF POLICY: This Policy shall come into force with effect from the date of notification of Policy and shall remain in force for a period of five years or till the declaration of a new or revised Policy, whichever is earlier.

This policy is issued with the concurrence of Finance Department vide its note dated 27/05/2016 on the department's file of even number. By order and in the name of the Governor of Gujarat,

Sd/-

(Dhananjay Dwivedi)

Secretary to the Government of Gujarat,
Department of Science and Technology

To

1. ***Principal Secretary to Hon'ble Governorshri, Raj Bhavan, Gandhinagar.**
2. **Chief Principal Secretary to Hon'ble Chief Minister.**
3. **Principal Secretary to Hon'ble Chief Minister.**
4. **Secretary to Hon'ble Chief Minister.**

5. **Personal Secretary to Hon'ble Ministers, Government of Gujarat.**
6. ***Personal Secretary to the Leader of Opposition Party in Gujarat Legislative Assembly, Gandhinagar.**
7. ***Deputy Secretary to Chief Secretary, Government of Gujarat.**
8. ***Registrar, Hon'ble Gujarat High Court, Ahmedabad.**
9. ***Secretary, Gujarat Vigilance Commission, Gandhinagar.**
10. ***Secretary, Gujarat Public Service Commission, Ahmedabad.**
11. ***Secretary, Gujarat Legislature Secretariat, Gandhinagar.**
12. ***Secretary, Gujarat Civil Service Tribunal, Gandhinagar.**
13. **All Administrative Departments**
14. **VC and MD, GIDC, Udyog Bhavan**
15. **Industries Commissioner, Government of Gujarat**
16. **All Heads of the Departments**
17. **All Collectors.**
18. **Managing Director, Gujarat Informatics Limited**
19. **Director, Information Technology**
20. **DDG and SIO, NIC, Gujarat**
21. **Account General (A&E) Gujarat, Post Box No. 2201, Rajkot.**
22. **Account General (A&E) Gujarat, Ahmedabad Branch, Ahmedabad.**
23. **Account General (Audit-1) Gujarat, MS Building, Ahmedabad.**
24. **Director, Account & Treasuries, Gujarat State, Gandhinagar**
25. **Pay & Account Offices, Ahmedabad/Gandhinagar**
26. **All District Treasury Offices**
27. **Resident Audit Officer, Ahmedabad/Gandhinagar.**
28. **Select File.**

***By Letter**

(Copy of this Resolution can be downloaded from URL: <http://dst.gujarat.gov.in>)