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Start-ups seek new definition in a note to the government

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Summary:

A firm should be regarded as a startup if it is under 10 years old and is neither a subsidiary nor the result of a merger or spin-off, according to IVCA. The message from IVCA was addressed to a number of government stakeholders, including officials from the finance ministry. Any company sponsored by an Alternative Investment Fund (AIF) or a foreign venture capital fund (FCF) should be recognized as a startup from a tax viewpoint. If a local startup is permitted to list overseas, the government has explored whether it should return after a set number of years and list its firm locally. A group of international investors has also urged that the government enable Indian firms to list directly on foreign exchanges. The move will also lead to curbing migration of startups outside India, or flipping.

Fact and figures:

- Currently, the amended provisions by the Department for Promotion of Industry and Internal Trade (DPIIT) say a company will be recognised as a startup till 10 years from its date of incorporation, with a revenue threshold of Rs 100 crore,"
- In August last year, heads of 22 top startups and venture capital firms had jointly written to the prime minister, urging him to allow homegrown companies to directly list abroad.
- In September 2020 the government showed its intent to allow direct overseas listing of Indian companies by amending the Companies Act, 2013.

Opinion:

The existing inability of unlisted firms to raise financing on international markets is a barrier to growth, and most Indian entrepreneurs do not compete on an equal footing with their global competitors," these founders and investors said in the memo at the time. The measure will also limit startup relocation or flipping outside of India.