

Bhive

Volume 05 ** March 2018 ** Issue 03

#Innovate Karnataka#

Karnataka Startup Policy goes extra mile to please startups

START
↑
UP



Got a startup idea but no money?

Karnataka is ready to fund your dream!

ZEN STORY

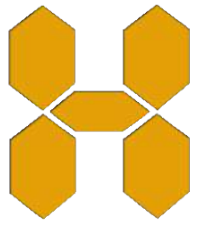
Sometimes a story can teach much more than entire philosophical treatises.

A farmer got so old that he couldn't work the fields anymore. So he would spend the day just sitting on the porch. His son, still working in the farm, would look up from time to time and see his father sitting there. "He's of no use any more," the son thought to himself, "he doesn't do anything!" One day the son got so frustrated by this, that he built a wood coffin, dragged it over to the porch, and told his father to get in. Without saying anything, the father climbed inside. After closing the lid, the son dragged the coffin to the edge of the farm where there was a high cliff.

As he approached the drop, he heard a light tapping on the lid from inside the coffin. He opened it up. Still lying there peacefully, the father looked up at his son. "I know you are going to throw me over the cliff, but before you do, may I suggest something?" "What is it?" replied the son. "Throw me over the cliff, if you like," said the father, "but save this good wood coffin. Your children might need to use it."

#CONTENTS

INNOVATE KARNATAKA	04
KNOWLEDGE HIVE – ONE PERSON COMPANY	07
CASE STUDY HIVE	09
GOODS & SERVICES TAX – SERIES #02	11
BY2 COFFEE	12



TO THE NEXT LEVEL

TAKE YOUR BUSINESS

WE HELP TO

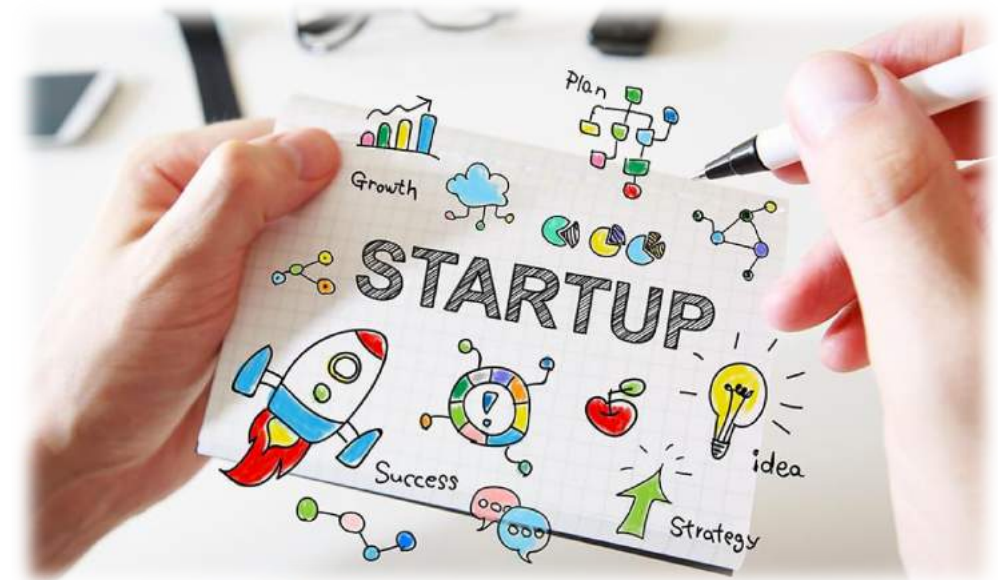
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Entrepreneurs and startups across the country seeking funds can soon look for base in Karnataka. Starting this year, the state government is set to start funding technology startups based across the country by calling them to register in Karnataka.

The Karnataka government launched the startup policy in 2015, and has set up several funds with a corpus of over Rs 300 crore to back startups across different sectors such as biotechnology, tourism and animation.

The Karnataka government was one of the first states to launch a startup policy in 2015 to support startups, under which it created several funds and also programmes such as the New Age Incubation Network, as well as other incentives.



About 5,000 startups have technologies such as registered with the blockchain, robotics, Karnataka government. The artificial intelligence [AI], state had given funds to 250 nanotechnology, or in the 250 firms in 2017. In the five- startup ecosystem of year startup policy plan, the Karnataka. state government had set a vision of boosting 20,000

technology-based startups by 2020 in Karnataka and creating 6 lakh direct and 12 lakh indirect new jobs in the sector

Innovate Karnataka

'Innovate Karnataka' will act as an umbrella brand for all innovation in the state -- whether it's in emerging



The vision of Innovate Karnataka is to see Karnataka as a global first choice of innovation and technology by adopting policies which spur 100% digitization of health, agriculture and other domains and enable inclusive digital growth across geographies and all layers of society.

The programme will be spearheaded by the Department of Information Technology and Biotechnology.

"We want to take our startup policy to the national level this year. We will support startups from across the country provided they pay taxes here"
- Priyanka Kharge





Programmes Launched under Innovate Karnataka

- ❑ Rajiv Gandhi entrepreneurship scheme
- ❑ Incubation centres in Kalburgi at the cost of Rs5 crore
- ❑ Partnership with C-Camp for agritech startups
- ❑ A network of data for patents and products
- ❑ Reskilling women on maternity leave
- ❑ Centre of excellence for AI and Data Sciences in partnership with Nasscom
- ❑ Centre for excellence for animation, visual effects, gaming and comics
- ❑ Centre for Machine Learning and Robotics at IIIT-B.

Incentives

Entrepreneurs can apply to the Karnataka government for following incentives

PATENT INCENTIVES

- For Domestic Patents: The cost of filing and prosecution of patent application will be reimbursed to incubated startup companies upto a limit of Rs.2 lakh per Indian patent awarded.
- For Foreign Patents: On a single subject matter, upto Rs.10 lakh will be reimbursed to incubated startups. The reimbursement will be done in 2 stages - 75% after the patent is filed and the balance 25% after the patent is granted.

TAX INCENTIVES

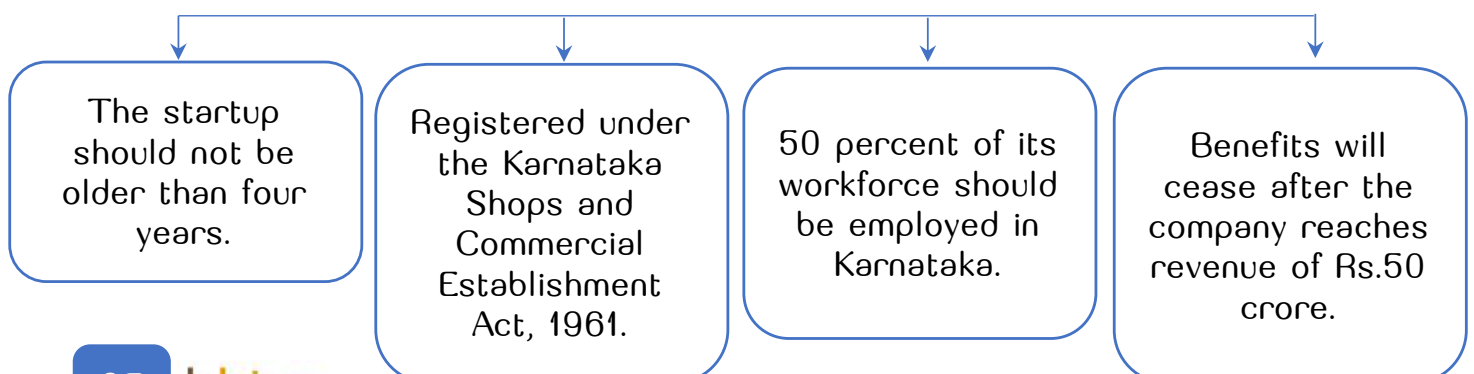
- GST paid by startups incubated in Government of Karnataka supported incubators and CIFs whose annual turnover does not exceed Rs.50 Lakhs for the first three years will be reimbursed.
- GST paid in Karnataka, upto a maximum of Rs.50 Lakhs turnover by incubated startup companies within a period of first three years of being incubated will be reimbursed. GST on goods supplied to the Incubator or incubated will be reimbursed.

MARKETING INCENTIVES

30% of the actual marketing costs including travel incurred in international marketing through trade show participation will be reimbursed on submission of valid claims. This incentive will be subject to a maximum of Rs.5 Lakhs per year per company.

Conditions

Entrepreneurs can apply to the Karnataka government for funds provided if the following are satisfied:



Funding under Start up Karnataka

KITVEN FUND-1

Karnataka Information Technology Venture Capital Fund is a State & Central Government financial institutions backed Venture Capital Fund operating in the State of Karnataka since 1999.

Fund size: Rs.15 crores.

Sector: Information Technology specific.

Eligibility: SEBI registered.

GRAND CHALLENGES

An initiative to facilitate generation of Innovative Technology solutions with a social impact in various sectors like Urban Development, Health Care, Food Security, Clean Environment and Education for all etc.

Corpus:

- Up to Rs. 10 Lacs for 5 shortlisted projects.
- Up to Rs. 50 Lacs for 1 innovation selected from the list of 5.

Available To: Open to anyone from any discipline in India - from individuals, researchers and faculty in colleges/universities/ government labs/institutions to start-ups, and not for profit organizations.

BIO VENTURE FUND

A fund that invests in companies/ enterprises engaged in the agricultural, pharmaceutical, industrial, IT and other services, related to Biotechnology and allied industries in Karnataka.

Corpus: Rs. 50 Crores.

Available To: Start-ups, Early Stage, and SMEs.

- Maximum funding: Rs.3.50 Crores.
- Minimum funding: Rs. 1 Crore.

STARTUP FUND OF FUNDS

Fund Size: 200 crores.

Sector: Multi sector.

Eligibility: VC Funds must be compliant with SEBI and other regulatory framework in India..

SEMICONDUCTOR VENTURE FUND

A venture fund focused on investment and development of Semiconductor industry with investments in units catering to semiconductors, Electronics system design and manufacturing, embedded systems and such other allied sectors within the state of Karnataka.

Corpus: Rs. 92.95 Crores.

Available To: Start-up, early stage, and SMEs.

- Maximum funding: Rs 9.20 Crores.
- Minimum funding: Rs 2 Crores.

IDEA2POC GRANT

A programme to provide early stage funding to ideas or concepts which are yet to establish the proof of concept in the real world.

Corpus: Up to Rs. 50 Lacs for selected ideas.

Available To: Open to anyone from Karnataka who has an idea and is willing to commit time to bring it to a PoC stage.



Forms of Business Entities - OPC

Features

- ❑ Separate Legal Existence
- ❑ No requirement of min 2 members
- ❑ Requires only one person to incorporate
- ❑ No requirement of Minimum capital
- ❑ Liability limited to the extent of their capital contribution
- ❑ Rotation of Auditor not applicable
- ❑ Not required to constitute AGM
- ❑ Can appoint upto of 15 Directors

Setbacks

- ❑ Most of the compliance requirements of Private Limited are applicable
- ❑ Member to be an Indian Resident and not a Minor
- ❑ Only Natural Person can become a member
- ❑ Cannot carry out non-banking financial investment activities
- ❑ Cannot be converted into a section 8 Company
- ❑ Shall not invest into the securities of Body Corporate

Taxation Aspects

25% + 10%
Surcharge+ 4% Cess

Compliance Requirements

e-Form AOC 4
Filing of
Accounts and
Annual reports

e-Form MGT 7
Filing of
Annual Returns

OPC shall add " OPC" to the name of
the company

Remuneration/ emoluments paid to director is
deductible as Expense in the hands of OPC.

The Taxation of OPC is similar to that of Private Limited Companies. Accordingly, the profits and losses would not pass through in the hands of the sole proprietor but would be assessable in the hands of the OPC.

The dividend distributed to the member is exempt from tax in the hands of the member/ sole proprietor.

What is OPC

Every business entity carries certain level of risk and liabilities. In case of Proprietorship concerns the ability to take risk is low as the liability on account of such risk may be high. The revolutionary new concept of 'One Person Company' [OPC] will give the young businessman all benefits of a private limited company which categorically means they will have access to credits, bank loans, limited liability, legal protection for business, access to market etc. all in the name of a separate legal entity. This is a step forward to facilitate more business friendly corporate regulations in India. OPC is a very successful form of business in UK and several European countries since a very long time.



CONVERSION OF

OPC into other kind of Company

If the Paid up share capital > 50 Lacs
Or
Average Annual Turnover > 2 crore
then it shall cease to become OPC

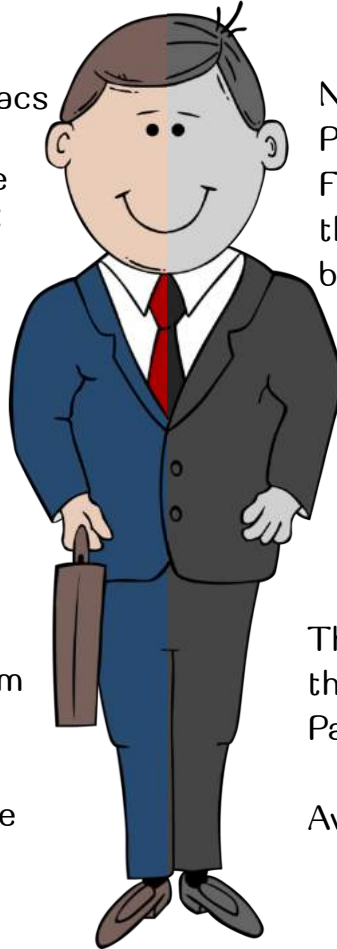


OPC shall have to convert it into
either a Private Company or a
Public Company.

Note:

No OPC can convert voluntarily
Unless

- a) two [2] years have expired from the date of incorporation or
- b) except in cases where capital or turnover threshold limits are reached.



Proprietorship into OPC

No formal way of conversion of Proprietorship entity to a OPC. Fresh application to be made and then to be taken over through a business sale/ takeover agreement

Private Limited into OPC

Can be executed by the shareholder in the EGM and by filing of e-form INC-6.

This conversion is possible only if the

Paid up capital <= 50 Lacs
and

Average Annual Turnover < 2crores

Taxation upon Conversion

- ❑ Conversion of the OPC to Private limited company is only the change in the constitution/ structure of the company and not creation of any new entity, thus it does not amount to transfer of ownership. However, the transfer of shares by the outgoing member/ shareholder shall attract Tax under capital gains.
- ❑ There is no recognized mode of conversion of proprietorship concern to OPC under the Income Tax for avoiding Tax. The suggested method is to sell the business as such with all the assets and liabilities at book values to the OPC, without assigning values for individual assets/ liabilities, for a lump sum consideration. Thus treating the transaction as Slump Sale under Income Tax and paying taxes only on the net capital gains at applicable rates.

Winding Up

The Dissolution or Winding up of OPC is as similar to the winding up of a private limited company. If the OPC is not functional now and expected to be revived within a period of 5 years, then it can be kept as dormant else the process of winding up through fast track exit [FTE] or through court/ NCLT to be followed.

CONCLUSION: OPC IS A PRIVATE LIMITED COMPANY INCORPORATED AND RUN BY A SINGLE SHAREHOLDER AND DIRECTOR. EASE OF TAKING DECISIONS AND UPLIFTING THE PROPRIETARY BUSINESS TO A CORPORATE STATUS MAKES IT MORE ATTRACTIVE FOR THE YOUNG ENTREPRENEURS TO PREFER OPC AS A MODE OF BUSINESS OPERATION.

Pr CIT vs. Prem Pal Gandhi [Pun HC]

If the appreciation in the value of the shares is high, that does not justify the transactions being treated as fictitious and the capital gains being assessed as undisclosed income, if

- the shares are traded on the Stock Exchange,
- the payments and receipts are routed through the bank,
- there is no evidence to indicate it is a closely held company
- the trading on the Stock Exchange was not manipulated in any manner



Priyanka Chopra vs. DCIT [ITAT Mum]

If an admission of undisclosed income U/ s 68 is made by the assessee after reference to the material found during search and seizure, it cannot be said that the admission is not based on incriminating material. The retraction of such admission of undisclosed income is not permissible especially when the retraction is by the mother and not by the assessee.

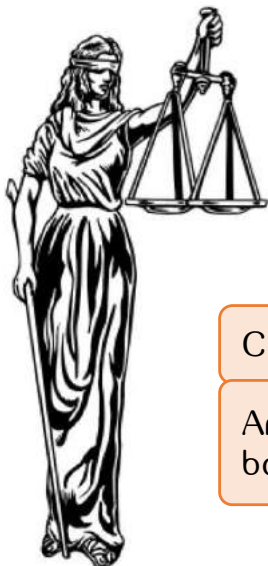
Pankaj Kumar Gupta vs. ITO [ITAT Lucknow]

Though capital gains was not disclosed in the return, if tax on the same is paid after the assessment order is passed U/ s 147 [re-opened assessment], there is no loss to the Revenue and it also shows the bona fides of the assessee and penalty cannot be levied U/ s 271[1][c].

The fact that if the notice was not issued for re-opening the case, the assessee would have got away with tax evasion does not mean that his action was not bona fide.

Indrani Sunil Pillai vs. ACIT [ITAT Mum]

If the AO has not recorded any satisfaction in absolute terms whether the assessee has concealed particulars of income or has furnished inaccurate particulars of income, the levy of penalty U/ s 271[1][c] is invalid.



CIT vs. Bengal Finance & Investments Pvt. Ltd [Bom HC]

Amount disallowed U/ s 14A of the Act cannot be added to arrive at book profit for purposes of section 115JB of the Act.

ACIT vs. Mohinder Singh [ITAT Chandigarh]

An assessee who understates the consideration received for sale of agricultural land to avoid payment of stamp duty is defrauding the exchequer. He cannot take advantage of his own wrong and is estopped from contending that the amount received from the purchaser is a higher amount than was stated in the agreement. The incremental amount is assessable as 'income from other sources' and not as 'agricultural income'.

Subodh Gupta [HUF] vs. Pr CIT [ITAT Del]

Taxability of gifts as income in the hands of HUF: Where a gift is received by a HUF from the mother of Kartha of the HUF, not being a member of the HUF, the same is taxable U/ s 56[2][vii] and the exemption of gift received from relative cannot be claimed.

Pr CIT vs. Verizon India Pvt. Ltd [Del HC]

As per Explanation 7 to Sec. 271[1][c], the onus on the assessee is only to show that the ALP is computed in accordance with the scheme of Sec. 92C in good faith and due diligence. The fact that the TPO changes the method of computation of ALP does not mean it is a fit case for imposition of penalty U/ s 271[1][c] if there is no dishonesty is found in the conduct of the assessee.

Vidyadayani Shiksha Samiti vs. CIT [ITAT Del]

CIT is not justified in rejecting registration applied U/ s 12A, on the ground that the non-production of books and vouchers means that the genuineness of the charitable activities cannot be verified. The CIT is entitled only to examine the objects of the trust at the stage of registration and not the books of account.

Circulars/ Notifications

GST Notifications

11/ 2018-Central Tax ,dt. 02-02-2018 - Seeks to postpone the coming into force of the e-way bill rules

LETTER OF UNDERTAKING EXPORT OF SALE/SERVICES WITHOUT PAYMENT OF IGST

Eligibility

All Registered Persons except
- Prosecuted for any offence under GST laws and amount of tax evaded is not >250 lakhs

Documents for along with LUT

- ✓ Covering Letter requesting acceptance of LUT
- ✓ Copy of GST Certificate
- ✓ KYC of signer & Company
- ✓ Self Declaration on Letter Head that the Company is not prosecuted under GST Laws and amount of tax evaded is not >250 Lakhs
- ✓ Authorization Letter
- ✓ Copy of Purchase/ Service Order
- ✓ Copy of IEC

Acceptance of LUT

LUT should be accepted within three [3] working days along with the self-declaration

If the LUT is not accepted within a period of three working days from the date of submission, it shall deemed to be accepted.

Transactions to/ by EOU

: Supplies to EOUs are taxable like any other taxable supplies. Facility of LUT for supply of Goods and/ or Services to EOU is **not available**. Supply to EOU is chargeable to GST. Export of good and/ or services by EOU is allowed under LUT

Validity of LUT

LUT shall be valid for the whole financial year in which it is tendered.

Transaction to/ by SEZ

: Supply of Goods and/ or services both to SEZ unit or developer **is allowed** under LUT without payment of GST even if realized in Indian rupees. Similarly export by SEZ unit or SEZ developer is also allowed under LUT.

What is LUT?

It is an undertaking on letter head of company in prescribed form RFD-11 to be furnished with jurisdictional GST authority:

Goods:

- ❑ To export the goods within 3 month from the date of issue of invoice for export.
- ❑ If the goods are not exported within 3 Months - pay applicable tax along with interest within a period of 15 days

Services:

Exporter is bound to realize the payment within 1 year from the date of invoice - else pay tax & Int.

BOND

- ❑ Bond is a ledger with running balance. Bond to be furnished with the GST officer judicial on RFD-11
- ❑ Bond to be supported by bank guarantee @ 15% of expected Tax Liability.
- ❑ To be furnished by a person who has been prosecuted in past for tax evasion exceeding Rs 2.5 Crore.



App of the Month -

Download large files with the easy2use

BitTorrent BitTorrent

BitTorrent is a peer-assisted, digital content delivery platform that provides the fastest, most efficient means of distributing, discovering, and consuming large, high-quality files on the Web. Our mission is simple: to deliver the content that entertains and informs the digital world

It allows you to download large media files and also use your bandwidth to help others download these files. Search for media files you want

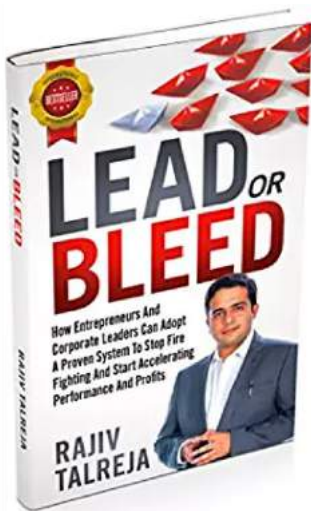
Click of the Month



I'm the most awesome person I know!!!

Book of the Month -

Lead or Bleed



- o 260 pages
- o Published in 2016
- o Black Card Books

How Entrepreneurs And Corporate Leaders Can Adopt A Proven System To Stop Fire Fighting And Start Accelerating Performance And Profits.

Leadership is about creating balanced growth'. This is sometimes theoretical, the sometimes mystical and yet the single most powerful factor for the success of a business - the leadership factor. Be it the balance between speed and strength, between strategic growth and operational excellence or between results and relationships, leaders often struggle in finding the balance.

Health Tips -

Eat Hot Food



Eating a small salad as a side dish is ok. However, food itself should be warm & seasoned with spices to aid digestion. Drinking large amounts of liquids during meals will only dilute the digestive acids which will then result in poor digestion and assimilation.

Trivia



In 1920, India was so good at Hockey that the British withdrew from Olympics to avoid a possible embarrassing defeat



In the Olympics of 1928, 1932 and 1936, India scored 102 goals, but conceded only 3 goals.