

Info Capsule

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EFFECT OF ANGEL TAX ON INDIAN STARTUP ECOSYSTEM¹

The Government of India has continuously engaged with all stakeholders to address relevant issues related to the Indian Startup eco-system.

The Department for Promotion of Industry and Internal Trade (DPIIT) issued notification in April 2018 for easing the norms for providing tax exemption to the Startup companies and further amended the notification on February 4, 2019.

As per the notification, an entity is considered as a Startup:

- i. Upto a period of seven years from the date of incorporation/registration, if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India. In the case of Startups in the biotechnology sector, the period shall be upto ten years from the date of its incorporation and registration.
- ii. Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded Rs. 25 crore
- iii. Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

Provided that an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Startup'.

A Startup which is recognised by DPIIT is eligible to apply for approval for the shares already issued or proposed to be issued if the following conditions are fulfilled

- (i) aggregate amount of paid up share capital and share premium of the startup after the proposed issue of share, if any, does not exceed ten crore rupees.
- (ii) The investor or proposed investor shall have —
 - (a) Returned income of Rs. 50 lakh or more for the financial year preceding the year of investment or proposed investment; and

¹ Available at: <http://www.pib.gov.in/PressReleaseDetail.aspx?PRID=1563223>

- (b) Net worth exceeding Rs. 2 crore or the amount of investment made/proposed to be made in the startup, whichever is higher, as on the last date of the financial year preceding the year of investment or proposed investment.

Provided that in case the approval is requested for shares already issued by the Startup, no application shall be made if assessment order has been passed by assessing officer for the relevant financial year.

The application, accompanied by the documents specified therein, shall be transmitted by DPIIT to CBDT with the necessary documents. CBDT within a period of 45 days from the date of receipt of application from DPIIT may grant approval to the Startup or decline to grant such approval.

The Government has not conducted any survey to assess the adverse effects of angel tax on the Indian startup ecosystem.

This information was given by the Minister of State of Commerce and Industry, C. R. Chaudhary, in written replies in the Rajya Sabha.

TACKLING FILM PIRACY & COPYRIGHT INFRINGEMENT²
Cabinet approves amendment to the Cinematograph Act, 1952
Penal Provisions for unauthorized camcording and duplication of films
Violators to face three years jail term or fine of Rs. 10 lakh or both

The Union Cabinet has approved the proposal of Ministry of Information and Broadcasting for introducing the Cinematograph Amendment Bill, 2019 to amend to the Cinematograph Act, 1952. The Bill aims to tackle Films piracy by including the penal provisions for unauthorized camcording and duplication of films.

Details:

In order to tackle the menace of film piracy, the Amendments provide for:

Insertion of new Section 6AA for prohibition of unauthorized recording

The following section shall be inserted after Section 6A of the Cinematograph Act, 1952.

6AA: "Notwithstanding any law for the time being in force, no person shall without the written authorization of the author be permitted to use any audio visual recording device to knowingly make or transmit or attempt to make or transmit or abet the making or transmission of a copy of a film or a part thereof."

**The expression author shall have the same meaning as assigned to it in the clause (d) of section 2 of the Copyright act of 1957.*

Amendment in Section 7 to introduce Penal Provisions for violating provisions of section 6AA: In section 7 of the principal act, after subsection 1 the following subsection (1A) shall be inserted:

"If any person contravenes the provisions of section 6AA, he shall be punishable with an imprisonment for a term which may extend to 3 years or with fine which may extend to 10 lakh rupees or with both."

The proposed amendments would increase Industry revenues, boost job creation, fulfil important objectives of India's National IP policy and will give relief against piracy and infringing content online.

² Available at: <http://www.pib.gov.in/PressReleaseDetail.aspx?PRID=1562974>

Background:

The medium of cinema, the tools and the technology associated with it and even its audience has undergone radical changes over a period of time. There have also been many changes in the field of media and entertainment with the proliferation of TV channels and Cable network throughout the country, advent of new digital technology, apprehension of piracy, particularly release of pirated version of films on internet, causing huge losses to the film industry and Government exchequer.

Film industry has been demanding for a long time, that Government should consider Amendments to the law preventing camcording and piracy. Prime Minister Shri Narendra Modi made an announcement at the inaugural function of the National Museum of Indian Cinema at Mumbai on 19th January 2019 to tackle the menace of camcording and piracy. The Ministry of I&B piloted this matter for consideration of Union Cabinet.
