

# 1. Formation and Incorporation of Legal Entities in India

## ► Why It Matters:

Before starting a business, an entrepreneur must choose the right legal structure. It affects liability, taxation, funding opportunities, and compliance requirements.

## ► Types of Legal Entities: (Detailed explanation given in chapter-1)

### 1. Sole Proprietorship

- A business owned and operated by a single individual.
- **No legal distinction** between the owner and the business.
- Simple to set up with minimal regulations.
- Suitable for small, low-risk businesses.

### 2. Partnership Firm

- Owned by two or more persons who agree to share profits and losses.
- Governed by the **Indian Partnership Act, 1932**.
- Requires a **Partnership Deed**.
- Can be registered or unregistered, though registration offers legal benefits.

### 3. Limited Liability Partnership (LLP)

- Combines benefits of a partnership with limited liability.
- Partners are not personally liable for debts beyond their capital contribution.
- Registered under the **LLP Act, 2008**.

### 4. Private Limited Company

- A separate legal entity registered under the **Companies Act, 2013**.
- Requires at least 2 directors and 2 shareholders.
- Limits liability and allows easy fundraising through equity.
- Subject to greater compliance but ideal for growth-focused startups.

### 5. One Person Company (OPC)

- Introduced for single entrepreneurs wanting the benefits of a company structure.
- Limited liability and separate legal entity.
- Only one director and shareholder required.

### 6. Public Limited Company

- Can offer shares to the public.
- Requires a minimum of 3 directors and 7 shareholders.
- Must comply with SEBI and MCA regulations.

## ► Steps to Incorporate a Company (Private Ltd Example):

1. **Obtain Digital Signature Certificate (DSC)** for directors.
  2. **Apply for Director Identification Number (DIN)**.
  3. **Reserve Company Name** through *RUN* or *SPICe+* service on MCA.
  4. **Draft MOA (Memorandum) & AOA (Articles)**.
  5. **Submit Incorporation Forms** via the MCA portal.
  6. **Apply for PAN, TAN, and GST** registrations.
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## 2. Intellectual Property Rights (IPR) Laws in India

### ► Why It Matters:

Entrepreneurs often create unique products, services, or branding. Protecting these through IPR ensures they maintain a competitive edge and avoid infringement.

### ► Types of IPR:

#### 1. Patents

- Protect **new inventions** or processes.
- Valid for 20 years.
- Example: A startup with a new water-purification technology must patent it to prevent copying.

#### 2. Trademarks

- Protect **brand names, logos, slogans**.
- Example: Zomato's logo and name are trademarked.
- Registration offers legal protection from misuse.

#### 3. Copyrights

- For **original creative works** like music, software code, books.
- Automatic upon creation, but registration strengthens legal protection.

#### 4. Designs

- Protects **appearance or shape** of a product.
- Especially relevant in fashion, consumer goods, or industrial design.

#### 5. Geographical Indications (GI)

- Protect products that originate from a specific region and have unique qualities (e.g., Darjeeling Tea, Banarasi Sarees).

### ► Process Overview:

- Conduct a **prior search** to ensure uniqueness.
- File an **application** with the respective IP office.
- Undergo **examination and publication** stages.
- Respond to objections or oppositions.
- On acceptance, registration is granted.

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## 3. Government Policies Supporting Entrepreneurship in India

### ► Why It Matters:

India has developed multiple schemes to encourage entrepreneurship, ease of doing business, and innovation.

### ► Major Policies:

1. **Startup India (2016)**
    - Offers **tax exemptions, simplified compliance, and funding support.**
    - Startups must be recognized by **DPIIT.**
    - Benefits include:
      - 3-year income tax holiday
      - Fast-tracked patent filing
      - Easier public procurement eligibility
      - Self-certification for labour and environment laws
  2. **Make in India**
    - Focuses on boosting **manufacturing**, attracting **foreign investments**, and enhancing **job creation.**
    - Sectors covered: Electronics, Automobiles, Defense, etc.
  3. **Digital India**
    - Encourages **digital infrastructure**, access to internet, and digital services.
    - Promotes tech startups and e-governance.
  4. **Atmanirbhar Bharat Abhiyan**
    - Promotes **self-reliance.**
    - Focuses on local production, especially in manufacturing and defense.
  5. **Stand-Up India**
    - Financial support to **women and SC/ST entrepreneurs.**
    - Loans ranging from Rs. 10 lakh to Rs. 1 crore for new ventures.
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## 4. Subsidies, Incentives, and Support Programs

### ► Why It Matters:

Financial support is crucial, especially for early-stage entrepreneurs who may lack capital.

### ► Key Subsidies & Incentives:

1. **MUDRA Yojana**
  - Provides **micro-loans** up to Rs. 10 lakh.
  - Categories: Shishu (up to ₹50k), Kishore, Tarun.
  - No collateral required.
2. **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)**
  - Credit guarantee for loans up to Rs. 2 crore.
  - Removes the need for collateral.
3. **Technology Upgradation Fund Scheme (TUFS)**
  - Focused on the **textile sector.**
  - Provides capital subsidies for modern equipment.
4. **NEIDS (North East Industrial Development Scheme)**
  - Offers **transport subsidies, capital investment subsidies** for startups in the North Eastern Region.
5. **MSME Ministry Support**
  - Offers **cluster development, skill training, tech upgrades and market promotion.**
6. **PMEGP (Prime Minister's Employment Generation Programme)**

- Offers subsidy up to 35% for setting up new micro-enterprises.
  - Particularly useful in **rural and semi-urban areas**.
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## 5. Tax Laws Relevant to Entrepreneurs

### ► Why It Matters:

Understanding taxation helps startups remain compliant and optimize finances.

### ► Major Tax Provisions:

1. **Goods and Services Tax (GST)**
    - Indirect tax replacing VAT, Service Tax, etc.
    - Mandatory if turnover exceeds ₹40 lakhs (₹20 lakhs for services).
    - **Input Tax Credit** helps in reducing tax burden.
  2. **Income Tax**
    - Startups (turnover < ₹400 Cr) pay a reduced corporate tax rate of **25%**.
    - Startups recognized by DPIIT can claim **3-year tax holiday under Section 80-IAC**.
  3. **Angel Tax Exemption**
    - DPIIT-recognized startups are exempt from **Section 56(2)(viib)**, which taxed equity investment above fair market value.
  4. **Capital Gains Tax Exemption**
    - **Section 54GB** allows exemption if long-term capital gains are invested in eligible startups.
  5. **Minimum Alternate Tax (MAT)**
    - Even if companies report zero income (due to exemptions), MAT (15%) ensures a **minimum tax liability**.
  6. **TDS, PAN, and TAN Compliance**
    - Startups must deduct **TDS** on salaries, contractor payments, etc.
    - Must file **regular returns** to avoid penalties.
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