Guidelines for corporates to set up incubators

Department of Industrial Policy & Promotion, Government of India

http://startupindia.gov.in

Introduction

India, already home to the world's third largest Startup ecosystem, witnesses the emergence of 3-4 new startups each day, making it the fastest growing Startup base in the world. With the influx of over $5 billion in investments from both Indian and global investors, the ecosystem has generated employment for over a million people and continues to improve the macroeconomic indicators of the nation.

Startup India is a Government of India initiative aimed at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive to the growth of startups. The initiative was formally launched by the Hon'ble Prime Minister Narendra Modi on January 16, 2016 at the Start-up India Stand Up India event, following the announcement of the StartUp India Action Plan which aims at accelerating the spread of the Startup movement by: Simplification & Handholding, Funding Support & Incentives, Industry-Academia Partnership and Incubation.

Incubator ecosystem in India

India's first incubator, STEP (Science and Technology Entrepreneurship Park) at Tiruchirappalli Regional Engineering College was set up in 1986. As of 2016, there are 68 approved incubators supported by DST, 14 approved incubators supported by DBT, 30 approved incubators supported by DeitY, and 47 approved incubators supported by MSME as well as several incubators in the private sector. These approved incubators currently are assisting entrepreneurs with executing their ideas and providing them with a platform to showcase the same. Although the quality of business incubation in the country is very high, India lags behind in numbers when compared to other developing economies such as China and Brazil. An increase in the number of incubators would have a positive implication for the startup ecosystem by catering to the growing demand and increasing the success rate of startups, thereby promoting entrepreneurship and innovation. Estimates show that incubated companies grow much faster than their non-incubated counterparts and their survival rate is also 40% higher, at 80%. The following steps have been stated under the Action Plan in order to augment the incubator ecosystem:

- The government plans to set up 31 centers of innovation and entrepreneurship to provide facilities to over 1200 new Start-ups and 18 new Technology Business Incubators in national educational institutions like IITs, IIMs, NITs etc. as per the funding model of DST with MHRD providing smooth approvals for TBI's to have their own society and built up space.
- The establishment of a network of Atal Tinkering Laboratories (ATL), a workspace where young minds can give shape to their ideas through hands on do-it-yourself mode and learn innovation skills.
- The setting up of 35 new incubators in existing institutions with funding support of 40% from the Central Government and 35 new private sector incubators with a grant of 50% from the Central Government.

CSR policy with regards to supporting incubators

Schedule VII of the Companies Act, 2013 provides a list of possible contributions that would qualify as Corporate Social Responsibility (CSR). The possibilities vary from eradicating hunger and poverty, to promoting education, and also include "contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government".

Prominent incubators associated with institutions such as IIM Ahmedabad, IIT Delhi, IIM Calcutta have received grants from corporations as part of their CSR. However, the number of incubators receiving CSR grants is negligible. Possible explanations forthcoming for this include a lack of awareness of this recent addition to Schedule VII, along with the notion that providing grants to an incubator is inconsistent with the idea behind CSR.

Avenues for CSR spend to foster the startup ecosystem

Corporate houses can take advantage of the above mentioned provision in the Company Act by supporting recognized incubators in the following manner:

A) **Grants for Incubators:** There are 220+ Govt. recognized Incubators in India (70+ by DST, 15 by DBT, 45+ by DeitY and 75+ by MHRD) established in Higher Technology, Management and Research Institutions. Through the mandated CSR budget in the Companies Act, 2013 corporates can make direct contributions to the corpus of an Incubator. Once the funds are disbursed, it becomes the asset of the incubator.

B) **New Incubator Development/Public Sector Entrepreneurship schemes**: Corporates can dedicate their CSR spend on building new Incubators and allocating CSR budget under different Entrepreneurship focused schemes, under:

a. Science and Technology Entrepreneurship Development Scheme (STEDS)

b. Innovation and Entrepreneurship Development Centre (IEDC)

c. Innovation – Science & Technology Entrepreneurship Development (i-STED)

d. Science and Technology Entrepreneurs Park (STEP)

e. Technology Business Incubator (TBI)

C) **Incubator Infrastructure Fund**: Funding the expansion of existing incubator space, shared facilities, equipment, components and raw materials for incubate startups.

D) **Startup Seed Fund**: Funding startup specific, limited term programs with clear milestones. For ex: Funding an annual batch of 10-20 incubatees in the focus sector of the corporate.

E) **Accelerator/Boot Camp Fund**: Specialized fund for helping a group of startups to accelerate their business growth in a short time-period (usually 3-6 months).

F) **Fellowships/Internships Fund**: Facilitating existing incubators to hire talent including mentors, interns, Entrepreneurs in Residence (EIRs), leveraging the corporate network and CSR fund.

General avenues for corporates association

Funding and support are documented areas of challenge for startup incubators in India. To bridge the gap in the area, Indian corporates can assist in Incubator Infrastructure development through various schemes setup by the GoI.

A Company can either establish a presence in terms of incubators/accelerators or provide support to the existing ones. The available routes through various arms of the Govt. are:

NSTEB: Institution under DST, to help promote knowledge-driven and technology intensive enterprises. It has designed several institutional mechanisms over the years to inculcate the culture of innovation and entrepreneurship across the country.

STEDS: The S&T Entrepreneurship Development Scheme maps the available material resources in industrially backward regions and prepare a basket of technically feasible and economically viable project profiles for enterprises that could be promoted by local S&T entrepreneurs.

Innovation-STEDS: Aims to identify challenges and issues in an area/industry/cluster and their solutions based on technological interventions and innovative approaches.

IEDC: Innovation & Entrepreneurship Development Centre is promoted in educational institutions to create entrepreneurial culture in S&T academic institutions and to foster the growth of innovation and entrepreneurship.

STEP: S&T Entrepreneurs Park is an initiative that helps in creating an atmosphere for innovation and entrepreneurship; for active interaction between academic institutions (in the capacity of HI) and industries for sharing ideas, knowledge, experience and facilities for the development of new technologies and their rapid transfer to the end user.

TBI: Technology & Business Incubator is an organizational setup that nurtures technology based and knowledge driven companies by helping them survive during the startup period, which lasts around the initial two to three years. They promote growth through innovation and application of technology, support economic development strategies for small business development, and encourage growth from within local economies, while also providing a mechanism for technology transfer.

Translation tool for patent documents

The World Intellectual Property Organization (WIPO) has developed a new "artificial intelligence"-based translation tool for patent documents, handing innovators around the world the highest-quality service yet available for accessing information on new technologies. WIPO Translate now incorporates cutting-edge neural machine translation technology to render highly technical patent documents into a second language in a style and syntax that more closely mirrors common usage, out-performing other translation tools built on previous technologies.

WIPO has initially "trained" the new technology to translate Chinese, Japanese and Korean patent documents into English. Patent applications in those languages accounted for some 55% of worldwide filings in 2014[1]. Users can already try out the Chinese-English translation facility on the public beta test platform. The high level of accuracy of the Chinese-English translation is the result of the training of the neural machine translation tool, which compared 60 million sentences from Chinese patent documents provided to WIPO's PATENTSCOPE database by the State Intellectual Property Office of the People's Republic of China with their translations as filed at the United States Patent and Trademark Office.

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Setting up a business in Thailand

Accounting and financial reporting requirements

Thailand Board of Investment, Thailand

http://www.boi.go.th

Books of accounts and statutory records

Companies must keep books and follow accounting procedures as specified in the Civil and Commercial Code, the Revenue Code, and the Accounts Act. Documents may be prepared in any language, provided that a Thai translation is attached. All accounting entries should be written in ink, typewritten, or printed. Specifically, Section 12 of the Accounts Act of 2000 provides rules on how accounts should be maintained:

"In keeping accounts, the person with the duty to keep accounts must hand over the documents required for making accounting entries to the bookkeeper correctly and completely, in order that the accounts so kept may show the results of operations, financial position according to facts and accounting standards."

Accounting period

An accounting period must be 12 months. Unless the Articles of Association state otherwise, a newly established company should close accounts within 12 months of its registration. Thereafter, the accounts should be closed every 12 months. If a company wishes to change its accounting period, it must obtain written approval from the Director-General of the Revenue Department.

Reporting requirements

All juristic companies, partnerships, branches of foreign companies, and joint ventures are required to prepare financial statements for each accounting period. The financial statement must be audited by and subjected to the opinion of a certified auditor, with the exception of the financial statement of a registered partnership established under Thai law, whose total capital, assets, and income are not more than that prescribed in Ministerial Regulations. The performance record is to be certified by the company's auditor, approved by shareholders, and filed with the Commercial Registration Department of the MOC and with the Revenue Department of the Ministry of Finance (MOF).

Accounting principles

In general, the basic accounting principles practiced in the United States are accepted in Thailand, as are accounting methods and conventions sanctioned by law. The Institute of Certified Accountants and Auditors of Thailand is the authoritative group promoting the application of generally accepted accounting principles.

Any accounting method adopted by a company must be used consistently and may be changed only with approval of the Revenue Department. Certain accounting practices of note include:

Depreciation: The Revenue Code permits the use of varying depreciation rates according to the nature of the asset, which has the effect of depreciating the asset over a period that may be shorter than its estimated useful life. These maximum depreciation rates are not mandatory. A company may use a lower rate that approximates the estimated useful life of the asset. If a lower rate is used in the books of the accounts, the same rate must be used in the income tax return.

Accounting for Pension Plans: Contributions to a pension or provident fund are not deductible for tax purposes unless they are actually paid out to the employees, or if the fund is approved by the Revenue Department and managed by a licensed fund manager.

Consolidation: Local companies with either foreign or local subsidiaries are not required to consolidate their financial statements for tax and other government reporting purposes, except for listed companies, which must submit consolidated financial statements to the Securities and Exchange Commission of Thailand .

Statutory Reserve: A statutory reserve of at least 5% of annual net profit arising from the business must be appropriated by the company at each distribution of dividends until the reserve reaches at least 10% of the company's authorized capital.

Stock Dividends: Stock dividends are taxable as ordinary dividends and may be declared only if there is an approved increase in authorized capital. The law requires the authorized capital to be subscribed in full by the shareholders.

Auditing requirements and standards

Audited financial statements of juristic entities (i.e. a limited company, registered partnership, branch, representative office, regional office of a foreign corporation, or joint venture) must be certified by an authorized auditor and be submitted to the Revenue Department and to the Commercial Registrar for each accounting year.