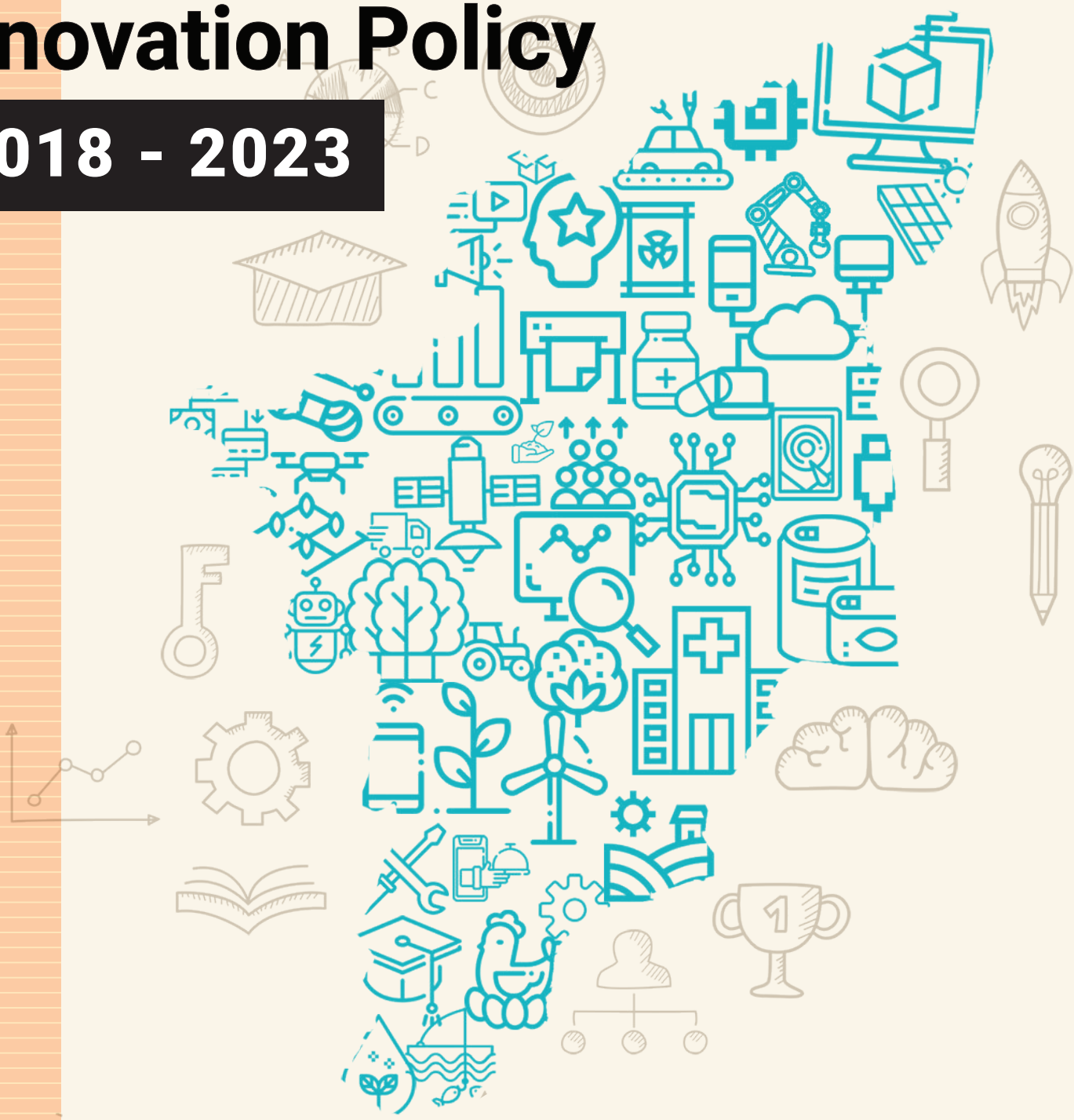
Tamil Nadu Startup & Innovation Policy

2018 - 2023



Government of Tamil Nadu

Micro, Small and Medium Enterprises Department

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1 TAMIL NADU VISION 2023

Tamil Nadu is one of the economic power houses of India. Entrepreneurship, social mobility, economic growth and technology innovation have defined the growth story of the State. Today, the State has the potential to further enhance this by supporting the knowledge and capability of individuals to create new technology-driven enterprises to address challenges and take advantage of the opportunities present. This further complements **"Tamil Nadu Vision 2023"** goal of attaining a GSDP growth at a sustained pace of 11% per annum for the coming years.

The contribution of the State to India's GDP is phenomenal in sectors like Automobiles, Commercial vehicles, Auto parts, Leather products, Textiles, Software and ITeS. The scope of the state for technical innovation and product development is ample. In terms of infrastructure, Tamil Nadu is one of the best performing States in the country. With the highest GER, the State is the destination for students from various States, providing the highest number of skilled manpower and one among the best in terms of technically qualified manpower. Tamil Nadu houses the best and renowned Incubator of the country, namely, the IIT-Madras and many promising Incubators catering to the needs of entrepreneurs, students and researchers for innovating new products and processes in various fields. The State is increasingly becoming the destination for Startups in Software-as-a-service (SaaS). Thus the State is a potential anchor for many Startups not only in Tamil Nadu but also those thriving all over the country.

The Tamil Nadu Startup and Innovation Policy 2018-2023, aims to provide an enabling, innovative ecosystem in the State. Implementation of the policy will enable the State to emerge as the "Knowledge Capital" and "Innovation Hub" of the country. It will also attract entrepreneurs and investors across the globe.

The policy is presumed to nurture innovation, investment in R&D, infrastructure, knowledge creation, technological development and skilled manpower, resulting in high growth entrepreneurial ventures across the spectrum of sectors from agriculture, manufacturing, healthcare, education, logistics, social sector, urban development, environment, to Fintech and ICT.

2. VISION

To make Tamil Nadu a Global Innovation Hub and the most preferred destination for Startups by 2023.

3. MISSION

To create, support and nurture a vibrant Startup ecosystem in Tamil Nadu resulting in innovation and entrepreneurship driven employment and economic growth, facilitating creation of at least 5000 Startups including 10 global high growth Startups by 2023.

4 CORE POLICY OBJECTIVES

4.1. Encourage, facilitate and support emergence of at least 5000 technology startups in the State.

4.2. Extend a dedicated support to at least 10 global high growth startups developing innovative technology solution for high social impact in sectors like sanitation, food, clean energy, healthcare, education, etc.

4.3. Establish support infrastructure and strengthen the existing mechanism in the thrust areas: Transportation & Logistics, Electrical & Electronics, Health Care & Bio-tech, Agriculture, Renewable energy, Climate change, Fintech, Textile, Information Technology (IT), Internet of Things (IoT), Artificial Intelligence (AI), Machine Learning (ML) and Software-as-a-Service (SaaS).

4.4. Network (public and private) stakeholders

4.5. Collaborate with educational institutions to promote entrepreneurship among the youth.

4.6. Maximise industry engagement.

4.7. Provide adequate incentives and resources to startups, facilitators, mentors and investors to promote startup culture in the State.

4.8. Reduce the existing regulatory and tax burden on startups in the field of Labour, Pollution and building norms and base these on self-certification.

4.9. Nurture budding startups defined as START STEPs to graduate into startups.

4.10. Partner with reputed investors across India and the Globe to invest in Tamil Nadu startups.

4.11. Brand startup Hubs in geographically distinct locations – Chennai, Coimbatore, Salem-Erode, Madurai, Trichy-Thanjavur, Tirunelveli, etc.

5 DEFINITION

5.1. START-STEP:

An aspiring entity or individual who develops ***an idea*** with a business model based on product/process/service innovation that is potentially scalable and replicable and generate employment and wealth.

5.2. STARTUP :

An entity 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.

An entity will be recognised as startup only if it satisfies the following conditions:

- The company/entity is registered in the State under the Tamil Nadu Startup and innovaTN Mission (TANSIM); and
- 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; and
- Up to seven years from the date of its incorporation/ registration; however, in the case of startups in the biotechnology, Artificial Intelligence (AI) & Machine Learning (ML) sectors, the period shall be up to ten years from the date of its incorporation/ registration; and
- If its turnover for any of the financial years since incorporation/ registration has not exceeded Rs. 25 crores;

Provided that any such entity formed by splitting up or reconstruction of a business already in existence shall not be considered a 'Startup'.

This broad definition of startups in Tamil Nadu is intended to be inclusive and facilitating to support entrepreneurship across the State. The policy will encourage startups from Tamil Nadu to follow Government of India norms that define a startup to access Central level benefits and incentives.

6 NODAL AGENCY

Entrepreneurship Development and Innovation Institute(EDII) shall act as nodal agency to promote and facilitate startups in the State. Within EDII, a mission, TANSIM, headed by a fulltime in-charge Officer, shall be created which will function as One-Stop-Shop to advocate and oversee policies and programmes for promoting startups.

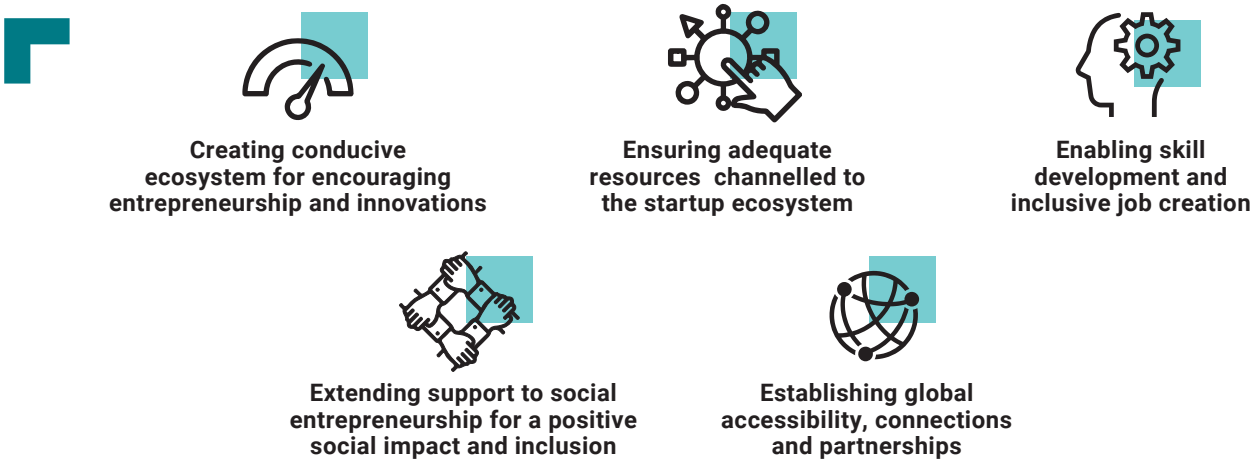
A Tamil Nadu Startup & Innovation Council (TANSIL) with senior officers, various stakeholders, including startups, venture funds, educational institutions, Incubators etc to be headed by the Chief Secretary to Government of Tamil Nadu shall be constituted to review and advice TANSIM.

7 ACTION PLAN

The Tamil Nadu Startup and innovation Policy shall focus on driving entrepreneurship and innovation in the State through 5 priority actions:

- **Creating conducive ecosystem for encouraging entrepreneurship and innovations.**
- **Ensuring adequate resources channelled to the startup ecosystem.**
- **Enabling skill development and inclusive job creation.**
- **Extending support to social entrepreneurship for a positive social impact and inclusion.**
- **Establishing global accessibility, connections and partnerships.**

Startups registered with TANSIM and located in Tamil Nadu shall be entitled to receive any of the stated Government benefits.



7.1. Creating conducive ecosystem for encouraging entrepreneurship and innovations

Tamil Nadu is well endowed with science and engineering talent pool. This indigenous intellectual capital would be strengthened and leveraged to create entrepreneurial ventures through the following plan of action:

7.1.1. Ease of doing business

7.1.1.1. A 'One-Stop-Shop' guided by a portal and ably supported by a help-desk will be set up to facilitate registration, compliances and certification.

7.1.1.2. TANSIM will recognise / register a Start-step or Startup within 10 days from receipt of online application.

7.1.1.3. Online time bound grievance redressal mechanism for startups.

7.1.2. Resource Centre and Registry

7.1.2.1. A centralised registry-cum-repository on venture firms, incubators, intellectual property support centres, mentors, database of different talents for Startups to hire, stakeholders and other activities supported by Government of Tamil Nadu and Government of India, which can be leveraged by startups, will be established.

7.1.2.2. The agency will host an online sub portal for Startups to apply for and avail grants and other benefits.

7.1.3. Help Centre

7.1.3.1. A help centre to address queries related to registration, compliance and accessing benefits for Startups will be housed in TANSIM.

7.1.3.2. The help centre will also provide promotional and PR platform to startups for dissemination of information related to startup conferences and events.

7.1.4. Policy simplification

7.1.4.1. Existing labour laws and technical regulations will be reviewed and simplified.

7.1.4.2. Self-certification to be accepted from startups where there are no technical regulations which need to be complied with, such as compliance with EPFO, ESIC, Minimum Wages, Bonus, Gratuity etc.

7.1.4.3. Third Party Certification alone will be required where technical regulations had to be complied with such as Boilers Act, Factories Act, the Tamil Nadu Lifts Act, etc.

7.1.4.4. TANSIM will engage with the Government in policy advocacy in emerging and disruptive areas as well as in regulatory dismantling for outdated regulations.

7.1.4.5. Suitable regulations/orders will be notified under applicable State laws and codes to enable faster exits for startups that shut down in tandem with Government of India notifications.

7.1.5. Intellectual property (IP) support centres

7.1.5.1. TANSIM shall identify and empanel private IP Centres to partner or engage with startup networks, associations, co-working spaces, etc. to provide IPR guidance to startups.

7.1.5.2. Existing IP Support Centres will also be strengthened to serve as Patent Information Centres (PICs) and/or Intellectual Property Facilitation Centres (IPFCs).

7.1.6. Public procurement

7.1.6.1. Government procurement policy will encourage participation of startups in tenders of smaller value through relaxation in prior existence & turnover criteria, EMD payments, waiver of tender cost and extend procurement preference available to domestic MSMEs as per Tender Transparency Act, 2016.

7.1.6.2. Mission shall facilitate procurement of product/services of impactful startups on pilot basis.

7.1.6.3. State Government departments and undertakings may make use of the services of startups registered with TANSIM for low value procurements, subject to the condition that the Tender Inviting Authority can purchase not more than two products/services in a given financial year from one startup.

7.1.6.4. Mission shall act as a tender/ public procurement information centre for startups.

7.2. Ensuring adequate resources channelled to the Startup ecosystem

Government of Tamil Nadu will provide a positive and motivating business climate for growth and acceleration of startups. Support provided to startups will be in line with goals set under Vision 2023 and complement support available under the Startup India Action Plan, 2016.

7.2.1 Policy research group & regulation

A Policy research group (Think tank) shall be set up to carry out research on startup eco-system. The group will prioritize working with startups operating in disruptive areas/ technologies to access Government, institutions and other stakeholders to share required information and encourage innovation and facilitate market & policy adoption.

7.2.2 Incubators / Accelerators

7.2.2.1. Industrial organisations and private commercial organisations will be encouraged to setup Incubators/Accelerators using funds allocated under schemes of Niti Aayog, DST, DBT, DEITY and MSME-DO of Government of India. The State Government will provide necessary matching grants as per scheme guidelines. Incubators in higher educational institutions shall be encouraged to open up to general public.

7.2.2.2. CSR funding will be targeted to promote corporate and private Incubators. State PSUs and CPSUs shall be encouraged to adopt Incubators and channelize CSR funds. These Incubators shall also serve as an innovation sandbox to solve problems faced by PSUs and CPSUs which in turn, shall support startups with access to platform, test bed, data, handholding etc.

7.2.2.3. Provide support to facilitators, Incubatees, etc. to develop a concept/idea into a prototype/product.

7.2.2.4. Establish a Learning & Development team at the TANSIM.

7.2.2.5. Private institutions/entities will be encouraged to support State initiatives for supporting entrepreneurship development by hosting fellows, conducting programmes in conjunction with State policies and furthering the mission of entrepreneurship development at a large scale. They will also be given special status by allowing ease of doing business to accommodate startups in their premises (address registration) and other such requirements to facilitate and increase the number of startups in the State.

7.2.2.6. The Mission shall implement a system to network the existing Incubators to leverage pre-established assets.

7.2.2.7. The Mission shall ensure that Government funded institutional Incubators are open for public access at least 16 hours a day and are open throughout the year except National/State holidays (i.e. 16X7).

7.2.2.8. Establishment of sector specific niche Incubators shall be encouraged by the Mission.

7.2.2.9. Government will encourage Technology Business Incubators with training programmes, accelerator programmes and business facilitation services under the brand 'incubaTN™'.

7.2.2.10. State Government will allot land at nominal lease for duration of 99 years to establish 'Startup Parks' at appropriate places by entrepreneurs/Startups including NRIs from Tamil Diaspora.

7.2.2.11. The Government will encourage entrepreneurs by giving access to relevant data/information for the purpose of creating apps and technologies for public-good.

7.2.3. Funding

7.2.3.1. The State will ensure adequate budget for entrepreneurship development and startups.

7.2.3.2. The State will set up Tamil Nadu Startup Fund of Funds of INR 250 crore to be managed by a professional financial agency such as SIDBI. It will be registered as an Alternative Investment Fund (AIF) under SEBI regulation, 2012.The fund will be invested in other SEBI registered AIFs for investment in Startups and MSMEs established in Tamil Nadu. Government of Tamil Nadu will invest INR 75 crore in the fund. The first tranche of INR 25 crore will be allotted in FY 2019-2020.

7.2.3.3. Innovative ideas shall be nurtured by special innovation programs (such as Innovation Voucher Program).

7.2.3.4. A Tamil Nadu Startup Seed Grant Fund (TNSSGF) of Rs. 50 Crore with an allotment of Rs. 5 Crore in the first year shall be created in partnership with Financial Institutions and Universities for supporting early stage financing requirements of the startups in the form of grants to fill the gap in fund requirement for research & innovations. The TNSSGF would also provide funding for Idea-to-PoC (Proof of Concept) stages which are pre-startup activities. This will be similar to the erstwhile Technopreneur Promotion Programme (TePP) grant provided by DSIR and would support prototyping and testing of innovative ideas of students/ faculty/ individuals. TANSIM shall manage this fund, which will be governed by a professional Scientific Startup Seed Fund Board.

7.2.3.5. The TNSSGF shall also provide revolving fund up to a maximum of Rs.50 lakh to academic institutional & private technology business Incubators (TBI), provided the TBI mobilises fund in the ratio of 1:3 (TNSSGF: TBIs) through industry or from its own resources and the TBI is registered as a Section 8 company and is open to public.

7.2.3.6. Efforts will also be made to attract NRI/PIO/angel investors/Ventures and Private Equity investors to fund startups.

7.2.4. Grants

7.2.4.1. TANSIM will conduct outreach programmes in partnership with reputed agencies, colleges, Incubators and approved private entities across the State.

7.2.4.2. Academic Institutions will be assisted in tapping research grants from BIRAC, DST/NSTEDB, CSIR, DEITY and GITA in collaboration with industry, generating product or process innovations.

7.2.4.3. Corporate groups, CPSUs and SPSUs will be motivated to fund Incubators and startup programmes using CSR regulations in force.

7.2.4.4. State Government will work with SLBC and leading banks to reposition few Bank branches in district headquarters as Startup & MSME support branches. Orientation programme will be organised to sensitise the Managers.

7.2.4.5. TANSIM shall facilitate startups in marketing and R&D activities.

7.3. Enabling skill development and inclusive job creation

7.3.1. Skill development

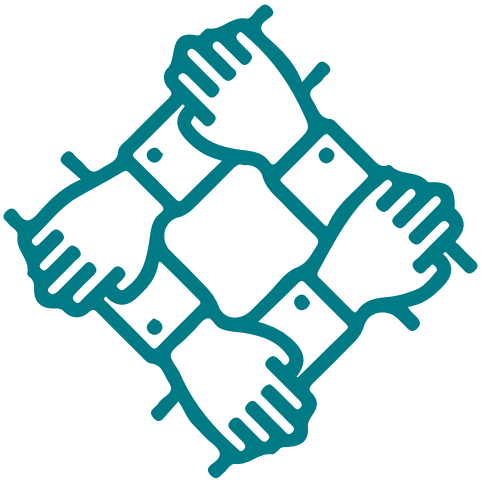
To provide impetus for fostering innovation in academia, the Government of Tamil Nadu aims to augment academic research and campus environment through structured programmes and incentives to:

- Students, Faculty, Innovators and Entrepreneurs.
- University spin-outs
- Academic and research Institutions.
- Private and public sector organizations involved in entrepreneurship development.

7.3.2. To ensure that the youth of the State are Industry/ Startup ready, the following will be supported:

7.3.2.1. Facilitating industry-academia interaction.

7.3.2.2. Institute a window for demand-based modern courses/programmes to help the ever evolving startup/industry.



7.3.2.3. Channelize programmes/funds from Central and State agencies/Departments.

7.3.2.4. Introduce entrepreneurship as part of curriculum in schools and colleges (including polytechnics and ITIs) as per AICTE policy.

7.3.2.5. Encourage Entrepreneurship Development & Innovation Councils (ED&IC) headed by a willing and qualified faculty member and student led Entrepreneurship cells (E-Cell) to promote startups, entrepreneurship & innovation activities in the campuses.

7.3.2.6. Decentralize innovation by establishing fablabs/tinkering labs/maker-spaces that will serve as a bridge between innovators and Incubators.

7.3.2.7. Introduce academic credits for students who choose entrepreneurship related learning activity at colleges in line with AICTE policy.

7.3.2.8. Internship and apprenticeship for students in graduate courses in science, technology or professional courses shall be introduced for a minimum period of 6 months in any industry, in one stretch or in two stretches of minimum of 3 months, through reworking of the apprenticeship policy of the State Government.

7.3.2.9. Special grace marks and attendance relaxation shall be allowed to students, if their project work is converted into a startup in the Incubator.

7.3.2.10. Universities and Colleges will encourage as many startups with inter-departmental and inter-institutional participation, taking note of the fact that startup planning and management requires inter-disciplinary skills.

7.3.2.11. A deferred placement support system will be introduced in all colleges in consultation with industry as a measure of risk mitigation against failure of student startups.

7.3.2.12. Students shall be allowed to undertake a maximum of 2 years as entrepreneurship break with attachment to an Incubator, after completion of the third year, on application to the college. This break would not be counted towards the number of years for graduation, subject to appraisal by the Incubator along with documents of entrepreneurship or product development.

7.3.2.13. Permit faculty to transform their/student research projects developed at universities/colleges to become startups and also to hold equity in such startups.

7.3.2.14. Academic institutions shall promote translational / applied R & D/ Collaborative industrial R & D.

7.3.2.15. Provide training programmes for both startups as well as startup/industry ready employees to bridge the gap between industry requirement and current curriculum.

7.3.3. Introducing entrepreneurship competencies in schools

The world view of economic development has completely changed. It is increasingly knowledge-driven. This mandates a new approach to inculcate innovation & entrepreneurship from high-school level. The following will be fostered:

7.3.3.1. School level entrepreneurship programmes to inculcate entrepreneurship as a career choice and provide basic foundational understanding.

7.3.3.2. State-wide competitions and challenges around innovation and entrepreneurship for school students. Winners of competitions and challenges will be offered access to interesting startups and E-cell run fab-lab facilities in Universities to explore their winning ideas

7.3.3.3. Gamified entrepreneurship concepts.

7.3.4. Job creation

The mission shall aim for a minimum of 1,00,000 high skilled direct and indirect job creation in the startup ecosystem.

7.4. Supporting social entrepreneurship for a positive social impact and inclusion

Tamil Nadu is a welfare State and social inclusion has been one of the key factors for its sustained growth. There is always a need to provide an equitable platform for women, economically disenfranchised, differently-abled and transgender for greater social stability. While Tamil Nadu is emerging as a global economic powerhouse, there is still a considerable income gap among different strata of the society. Rural and Social enterprises could play a huge role in bridging this gap.

7.4.1. Government of Tamil Nadu aims to offer the following support:

7.4.1.1 The Mission shall extend additional support for startups that are eco-friendly green startups.

7.4.1.2 The Mission shall provide special focus to the startups creating Social Impact in areas like water, waste management, health, food, education, climate change, etc. by dedicating a portion of the venture fund.

7.4.1.3 Mission shall encourage student participation in social impact centric activities.

7.4.1.4 The Mission shall encourage rural entrepreneurship through venture funding and support rural-based startups and Incubators.

7.4.1.5 The Mission will organise Grand Challenges on specific social, rural and environmental problems under hackathon programme. Selected innovative solutions shall be awarded an initial grant and follow-on funding for piloting the idea.

7.4.1.6 The Government will create a mechanism to adopt technologies/models developed by rural/social entrepreneurs.

7.4.2 Women

7.4.2.1 Prioritize by and for women startups.

7.4.2.2 Training and sensitization programmes for women entrepreneurs.

7.4.2.3 Startups with a women founders or co-founders shall be supported for product development and marketing/publicity/participation in fairs and exhibitions.

7.4.2.4 Priority in allotment of industrial plots in industrial estates for women startups.

7.4.2.5 Support for setting up crèche in startups/incubators/co-working spaces with more than 50 employees.

7.4.2.6 Startups addressing issues related to women shall also be eligible for the above support.

7.4.3 Transgender

7.4.3.1 Promote and assist startups where the founder or co-founder is transgender.

7.4.3.2 Training and sensitization programmes on entrepreneurship for transgender entrepreneurs.

7.4.3.3 Support under the New Entrepreneur-cum-Enterprise Development Scheme (NEEDs).

7.4.3.4 Priority in procurement & marketing assistance.

7.4.3.5 Startups focusing on transgender empowerment shall also be eligible for the above support.

7.4.4 Differently-abled

7.4.4.1 Promote and assist startups where the founder or co-founder is differently-abled.

7.4.4.2 Training and sensitization programmes on entrepreneurship for differently-abled entrepreneurs.

7.4.4.3 Priority in procurement & marketing assistance.

7.4.4.4 Startups working in the field of differently-abled shall also be eligible for support.

7.5 Establishing global accessibility, connections and partnerships

7.5.1 Startup Mission will organise meets, webinars and Video conferences on startup/entrepreneurship with, NRI/PIO, Indian startup experts, global investors, other leading ecosystems to create a global connect for the local startups to identify and adopt best practices. Efforts will also be made to attract NRI/PIO investors to set up local VCs and angel funds.

7.5.2 The Mission shall partner with International Governments and global networks to promote exchange programmes. 100 outstanding startup entrepreneurs will be exposed to global best practices with the help of global accelerators/startup hubs/academic & research institutions.

7.5.3 Startup Summits will be organised every year at regional and State level to showcase startups and business innovations and to provide a platform to stakeholders for collaboration in the startup ecosystem. Innovation awards for high growth startups and stakeholders making outstanding contribution to the startup ecosystem.

7.5.4 Regional level innovation contests/hackathons/Grand Challenges will be organized/financially supported with final culmination events in Chennai every year.

7.5.5 Support shall be extended for startup focused programmes, workshops and internship drives organised by Incubators, educational institutions, startup networks/communities/groups, organisations and other reputed startup ecosystem partners.

7.5.6 An Open Innovation portal shall be set up by Mission for posting governance, societal and industrial challenges needing innovative solutions in public domain to find solutions. Funding support shall be given to the crowd sourced innovative solution for further refining and development.

7.5.7 The Government will partner with leading organizations such as World Bank, WHO etc. to fund and support projects with social impact.

7.5.8 Tamil Nadu shall also be marketed as an ideal test-bed for students, youth and social entrepreneurs across the world to come and work on live projects in the State.

7.5.9 TANSIM will take measures to attract global talent and resources to foster innovation and enrich the local ecosystem with events, job opportunities, courses, exchanges, etc.

8 GENERAL SUPPORT

The Mission shall implement the following welfare measures to encourage startups in the State:

- **8.1.** Support for services like IPR, Legal, Auditing, Accounting etc. through fee credits. Entrepreneur Redeeming Card shall be introduced.
- **8.2.** Financial support shall be extended for attending trainings, tech conferences and trade shows. Entrepreneurs recognised by the State or Startup India will be eligible for a one-time training grant of 75% of the training cost subject to a maximum of Rs 1 lakh for undergoing high impact entrepreneurship training with any reputed agency of their choice.
- **8.3.** Benefits/exemptions available under the IT/ITeS policy of Tamil Nadu Government shall be available for all startups, investors, incubators and research parks.
- **8.4.** Startups will be given priority in allotment of plots in the SIDCO industrial estates and also on concessional lease or rent.

9 EXCLUSIONS

An entity in order to qualify as a startup under this policy should not have been:

9.1. Formed by a demerger or reconstitution of a business already in existence.

9.2. A subsidiary of a firm in the State, except subsidiary of a startup itself which also qualifies as startup and the combined entity also satisfies the startup criteria.

9.3. A franchisee of an existing business in the State.

9.4. Promoted or sponsored by or related to an Industrial group in the State whose group turnover exceeds Rs. 300 crore.

9.5. The holding company deriving more than 50% of its income from investments and loans.

10 IMPLEMENTATION

10.1. Operational guidelines and clarifications will be issued from time to time.

10.2. The performance of this policy will be reviewed by the TANSIL every six months based on KPIs to be fixed by the council. Among other metrics, the Compass World Ecosystem Ranking methodology would be used to benchmark cities like Chennai and Coimbatore.

10.3. The Mission will also arrange for annual evaluation of the policy and the report shall be placed before the State Startup and Innovation Council for review and direction.

10.4. This Policy is valid for a period of 5 years from the date of its notification or till a new policy is formulated. However, amendments in this policy could be made with the approval of the Cabinet without affecting the beneficiaries already covered under the policy. The policy shall be reviewed every five years.

Entrepreneurship Development and Innovation Institute

(An Autonomous Body of the Government of Tamil Nadu)

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GOVERNMENT OF TAMIL NADU