

Doing Business in India

Ten legal musts for every start-up in India

By Nishant Ahlawat

Already running a start-up or still conceptualizing your most cherished entrepreneurial dream. As a start-up focused corporate lawyer I have seen some common mistakes many start-ups make. At times these might be simple to tackle but many a times they become critical to contain. I am enlisting a checklist of ten most critical legal concerns for a start-up in India:

1. Forming a proper and most suitable legal entity is very important. While incorporating a company or an LLP is an important part, defining each founder's contribution, their entry terms and exit options further stabilizes business and removes ambiguities.
2. Once a legal entity is registered and you have received your certificate of incorporation, you must keep a track of related periodic statutory filings with ministry of corporate affairs, as any default in such filings may attract penalties and other liabilities.

3. IP being of most value for majority start-ups formally defining intellectual property rights is important. Filing trademarks/patents, getting domain names transferred in name of your legal entity, doing due diligence on any IP contributed by any of the founders helps to minimise exposures and enhances your start-up's value.
4. Many start-up founders make a critical mistake of not defining the terms of work with people working in their ever expanding teams. If a person is working as an employee or a consultant, ownership of IP created by such a person, binding confidentiality clauses are some of the key concerns that must be attended to.
5. Legal and regulatory compliances are usually the most overlooked subjects. Depending on the number of employees engaged, whether you are running an office or a manufacturing unit, you need to get licensed under Shop and Establishment Act or Factories Act and may require various other permissions such as having a Sexual Harassment related policy for smooth running of your business.
6. Similarly starting from getting a PAN, TAN and taking care of service tax, sale tax, VAT and other local taxes you should also keep a track, if taxes such as professional tax are also applicable in your jurisdiction.
7. Start-ups certainly do serious investment negotiations. However one grey area which is simply overlooked is the legal obligations attracted by casually signing a document. Never blindly trust on what your investor's

lawyer is explaining to you. Remember he/she will negotiate in best interest of his/her client.

8. If your investor is not a well known player of trade, it is recommended to get a due diligence done before making any commitments or bringing him on board.
9. While getting software and apps etc developed from third parties, have definitive agreements in place clearly defining what is licensed to you and what you own, including IP, upgrades and source code(s) etc. It is also advisable to get proper policies and terms of usage drafted depending upon your business nature and areas of operations.
10. Lastly, it may seem an additional cost on your finances, but having a competent legal counsel helps ease out many of your concerns. It lets you focus more on your business rather than juggling between business and typical compliance s and legal negotiations.

Remember, legal strength is your business immune system, stronger you make it, farther you shall go.

Originally published on [LawTorch](#)

| By Mr. [Nishant Ahlawat](#)