

SAANVI REDDY PARIGE | Everything you need to know to protect and grow the seed to your idea.

Startup Legal Toolkit for Student Entrepreneurs



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Toolkit Introduction

STARTING A BUSINESS IS EXCITING, BUT IT ALSO COMES WITH RISKS IF YOU IGNORE THE LEGAL BASICS.

A strong legal foundation can make or break a startup. It protects your idea, ensures compliance with the law, and makes your startup more attractive to investors, incubators, and partners.

But many founders—especially enthusiastic students—rush into starting up without thinking about pivotal questions: who legally owns the ideas? How will revenue be shared among founders? What happens if one founder leaves? Do we need to register with the government? Can someone steal our logo or app idea?

Without contracts, IP protection, and proper registration, you risk disputes, penalties, or even losing control of your idea.

On the other hand, if you set things up right, you will be able to attract investors and incubators more easily, avoid unnecessary fines and legal headaches, protect your brand and intellectual property, and build trust with employees, clients and partners.

WHY THIS TOOLKIT?

This toolkit was specifically created for young entrepreneurs in India, specifically Telangana, who want to start their business the smart way. It's not filled with heavy legal jargon, it's written in simple, practical language so you actually apply it. At the end of the toolkit, there is a quick legal checklist so you don't miss the essential details while starting up.

*It's important to note that this is a practical starter guide, **NOT A REPLACEMENT FOR PROFESSIONAL LEGAL OR FINANCIAL ADVICE.** As your startup grows, you should always consult a chartered accountant (CA) or lawyer for specific and customized guidance.*

Business Formation

Before you start pitching, hiring, or even printing business cards, you need to decide your legal business structure. This determines how much personal liberty you carry, how taxes are filled, whether investors can fund you, and how complex (or simple) your compliance will be.

01

Sole Proprietorship

Sole Proprietorship is a business owned and managed by one person, where there's no legal distinction between the owner and the business. It's best for freelancers, small-scale services, part-time student hustles, and testing an idea before scaling.

It is easy to start and very low cost, the owner has complete control over every decision, and there is minimal compliance (no complex paperwork).

But, if your business is sued, your personal assets are at risk (unlimited liability), it is hard to raise funding, and it is not suitable for scaling.

To register legally in India, you should get a PAN card, open a separate bank account in your business's name, if your yearly sales cross ₹40 lakh, register for GST, and local registrations may be needed depending on city rules.

02

Partnership Firm

A Partnership Firm is a business owned and managed by two or more people who agree to share profits and responsibilities. The rules of the business are written in a legal document called a Partnership Deed. It is best for small business started with people you know or ventures where responsibilities and costs can be shared among partners.

It's simple and inexpensive to form, there is shared responsibility between partners, and it's easy to dissolve or reconstitute. However, if the business faces losses or debts, all partners' personal assets may be at risk, it's not investor-friendly as venture capitalists and incubators usually avoid funding partnerships, and disputes can arise between partners if the Partnership Deed is not well-drafted.

To register legally in Telangana, India, draft a Partnership Deed on stamp paper, clearly stating the business name and address, details of partners, profit-sharing ratio, roles and responsibilities, and exit or dissolution terms. Then you should register with the Registrar of Firms; although it's not mandatory in India, it is highly recommended in Telangana for legal recognition. Obtain a PAN card in the firm's name, register for GST if annual turnover exceeds ₹40 lakh, and apply for other licenses if relevant.

Business Formation

03

Private Limited Company

This is the most common and preferred structure for Indian startups. It is a separate legal entity, meaning the company exists independently of its founders. Ownership is divided into shares, and the business is managed by directors. It is best for student startups with plans to raise investments, companies that want credibility, and ventures aiming to scale nationally or globally.

Partners are not personally responsible for company debts, VCs and angel investors prefer this structure, eligible for Startup India recognition and related tax exemptions, easier to scale operations and expand internationally, and you can issue ESOPs (Employee Stock Options) to attract and retain talent. However, there are more compliance requirements, higher setup costs, and requires at least two directors and two shareholders.

To register, you apply for DSC for all directors, a DIN, and reserve the company name through the MCA portal (link above). You should draft and file the Memorandum of Association (MAO) and Articles of Association (AOA). Then, obtain the certification of incorporation (CIN) from the Registrar of Companies, apply for PAN and TAN for the company, open a business bank account in the company's name, and register for GST if turnover exceeds ₹40 lakh, or earlier if it's required by the business model.

02

Limited Liability Partnership (LLP)

This is a hybrid between a company and a partnership: partners enjoy limited liability and the entity has a separate legal identity. It is governed by the LLP Act, 2008; offers perpetual succession, and a distinct legal identity. It is best for teams offering services or small projects seeking liability protection with low compliance.

There is limited liability, flexible management, low initial cost, and fewer compliances compared to a Private Limited Company. However, there are limited fundraising options, and public disclosure of financials are required if turnover or capital thresholds are exceeded.

Business Formation

05

Section 8 Company (Non-Profit)

A Section 8 Company is registered under the Companies Act of 2013, for charitable, educational, or social purposes. Unlike other companies, it cannot distribute profits to its members. Any income must be reinvested into the organization's objectives. It is best for student-led social enterprises or impact-driven startups, NGOs looking to formalize their structure, and initiatives that are focused on community development.

There are tax benefits along with these Non-Profits, as they are eligible for exemptions under Income Tax Act once registered under Section 12A and 80G. You can also receive funding from companies under their Corporate Social Responsibility (CSR) obligations. However, members cannot take dividends, the profits must entirely support the mission, the company would require detailed filings, audits, and Central Government approval, and longer registration processes compared to LLP or Pvt Ltd.

To register, you must apply on the MCA portal for incorporation, obtain Digital Signature Certification (DSC) and Director Identification Number (DIN) for directors, and reserve a unique company name. Then, draft MOA (Memorandum of Association) and AOA (Articles of Association) stating charitable objectives and apply for a license from the Central Government (through Regional Director of MCA) under Section 8 of the Companies Act, 2013. You will then receive the Certificate of Incorporation after approval. Apply for PAN, TAN, and tax exemption registrations (12A and 80G).

A Section 8 Company is the gold standard for social ventures in India. Keep note, that if a student startup is focused on impact rather than profit, this structure helps access grants, CSR funding, and international donor networks.

Contracts Every Startup Needs

ONE OF THE MOST COMMON REASONS STARTUPS FAIL IS MISUNDERSTANDINGS AMONG FOUNDERS, EMPLOYEES, AND PARTNERS

ESSENTIAL AGREEMENTS

The most critical contract for a student-led startup is the **Founders' Agreement**. Usually, it outlines roles and responsibilities for each founder, equity ownership and how it may change (in cases of exit, etc), decision-making processes (majority versus unanimous), and exit rules in the instance a founder leaves (buyback or dilution). This ensures that a founder is not able to walk away with 40% equity without contributing in a group of 3 founders.

Employment/Internship Contracts define scope of work and deliverables, compensation, and termination terms (notice period, misconduct or non-performance). In India, as per the Shops and Establishments Act, interns and employees must have clarity on working hours and leave policies.

If your startup depends on outside vendors, the **Vendor/Supplier Agreement** ensures deliverables and timelines are fixed, payment schedule (advance, milestone-based, or post delivery), and dispute resolution in case of delay or poor quality of the product.

Non-Disclosure Agreements (NDAs) protect confidential ideas, business models, and data. It is useful when you are pitching to investors, sharing prototypes with developers, and partnering with other startups. NDAs should include a penalty clause for breaches and a clear duration of confidentiality.

For startups offering services (design, tutoring, consulting, IT), a **Client/Service Agreement** protects against scope creep and payment delays. It should emphasize the scope of work (what is and is not included), deadlines and milestones, and payment terms (advance and final payment). An example of this is that a web-design startup should explicitly state that 2 rounds of revisions are included; beyond that, extra charges apply.

IMPORTANT CLAUSES

Intellectual Property (IP) Ownership: Any code, design, or invention created by employees/interns belongs to the company.

Confidentiality: Restricts founders, employees, or vendors from sharing sensitive business information.

Non-Compete (limited use India): Employees cannot start a directly competing business while working.

Dispute Resolution: Prefer arbitration in Hyderabad, which is faster and cheaper than court litigation.

If you are making these complex documents for the first time, use Indian legal template services like LegalDesk or LawRato for drafts. Always customize the template to match your business model; a generic agreement may not fulfill your startup fully. Store digitally signed contracts to save time and avoid paperwork hassles.

Intellectual Property

WHEN YOU START A VENTURE, YOUR IDEAS, BRAND, AND INNOVATIONS ARE OFTEN MORE VALUABLE THAN YOUR INITIAL REVENUE.

TRADEMARK

Trademarks protect your brand name, logo, tagline, and even a unique product shape. It prevents competitors from using a similar name or logo and confusing your customers.

To register, apply online at ipindia.gov.in. It costs ₹4,500 for individuals or students or startups, and ₹9,000 for companies per class or category. It usually takes 6 to 12 months for approval. you can use TM after filing, [®] only after approval. Please look into the website for specific and accurate details.

COPYRIGHT

Copyright is focused on protecting original creative works, like written content, blogs, songs, videos, designs, and website code. So, if somebody copies your website or content, you can take legal action.

You can apply online ipindia.gov.in for ₹500–₹5000 depending on the type of work. It usually takes around 2–6 months.

TRADE SECRETS

These protect confidential business information like recipes, formulas, algorithms, client lists, or strategies. Unlike patents, there is no public disclosure. Protection depends on internal safeguards and contracts (NDAs). These have no formal registration.

PATENT

Patents take care of inventions or technical innovations, like new products, processes or software algorithms. It gives you a monopoly to use or sell the invention for 20 years in India.

However, to qualify, the idea must be novel, inventive, and industrially applicable. You cannot patent “just an idea,” it needs technical proof.

You should file with the Indian Patent Office through ipindia.gov.in; it would cost around ₹8000–₹20000 (but student startups and DPIIT-recognised startups get discounts).

T-Hub (Hyderabad) is India’s largest startup incubator, it offers IP workshops, mentorship, and connects you to IP lawyers. TASK (Telangana Academy for Skill and Knowledge) runs innovation challenges and provides IP facilitation for student teams. Students recognized by the Startup India Hub can avail 80% patent filing free rebate and 50% trademark fee reduction. Register early, keep all original content dated and documented, and lastly, think of IP as an investment, not a cost.

Taxation and Compliance

IN INDIA, BASIC COMPLIANCE IS ESSENTIAL, WHETHER YOU ARE RUNNING A SIDE HUSTLE OR BUILDING THE NEXT UNICORN.

PERMANENT ACCOUNT NUMBER (PAN)

PAN is a unique number issued by the Income Tax Department for individuals and businesses. It is required for opening a business bank account, filing tax returns, and receiving payments above ₹50,000. If you're starting as a sole proprietor, you can use your personal PAN. For an LLP or Private Limited, you need a separate business PAN.

TAX DEDUCTION ACCOUNT NUMBER (TAN)

TAN is required if your business deducts TDS (Tax Deducted at Source) when paying employees, contractors, or freelancers. For example, if your startup pays a freelance graphic designer ₹50,000 you may need to deduct 10% as TDS and deposit it with the government.

GOODS & SERVICES TAX (GST) REGISTRATION

It is required if your annual turnover exceeds ₹40 lakhs (₹20 lakhs for services in some states). You may need it for an even lower turnover if you sell online through Amazon or Flipkart and many more. You will need it if you sell interstate (through India). Without GST, marketplaces will not allow you to list products, and big clients will not work with you. Even if it is not mandatory, voluntary GST registration can add credibility to your business.

TAX DEDUCTED AT SOURCE (TDS)

This is a way to collect tax at the time of payment. For startups, if you pay salaries, freelancer fees, or rent above certain limits, you must deduct TDS and deposit it with the government. This is extremely important because non-compliance can lead to fines.

ANNUAL COMPLIANCES

Income Tax Return (ITR): Every business (even when there is no profit) must file returns annually. The filing deadline for individuals/proprietors is 31st July; later for LLPs and companies.

Registrar of Companies (ROC) Filings: They are mandatory for LLPs and Private Limited Companies. This includes annual returns, financial statements, and details of directors or shareholders. Non-filing may lead to fines and disqualification of directors.

Hire a Chartered Accountant (CA) once your startup starts earning revenue. A CA can help you register GST and TAN, ensure you file ITR and ROC correctly, and advise on saving tax through deductions and exemptions. They will cost approximately ₹5,000-₹15,000 per year for small student-led startups.

Ignoring compliance may not hurt you in the first year, but it will catch up when you try to raise funding, apply for incubators, or even open a business loan.

Risk Management

EVERY STARTUP FACES RISKS. WHILE RISK IS PART OF ENTREPRENEURSHIP, YOU CAN MINIMIZE AVOIDABLE RISKS BY BUILDING GOOD PRACTICES EARLY.

SEPARATE FINANCES

Mixing personal and business funds is the most common mistake student founders make. It creates confusion, makes tax filing harder, and can expose your personal assets to business liabilities. Instead, open a business bank account in the company's name. Use accounting apps to track income/expenses, and pay yourself a stipend or salary, instead of directly spending from business funds.

LIMITED LIABILITY STRUCTURES

In a sole proprietorship, if your startup is sued, your personal savings may be at risk. LLP protects founders' personal assets while keeping compliance simple. Additionally, a Pvt Ltd Company is best for startups planning to raise funds; investors in fact prefer it because liability is limited to shares.

INSURANCE FOR STARTUPS

Although intimidating, insurance can save you from major losses. Consider investing in Cyber Insurance, as it protects you against hacking, data theft, or online fraud. Liability Insurance covers damages if a customer or client suffers loss due to your product or service. Health & Accident Insurance for Founders ensures that medical emergencies do not derail your startup journey.

COMPLIANCE CALENDAR

If you miss deadlines, you will face penalties. Even "nil returns" must be filed. Always track GST, TDS, and ITR (tax), ROC filings for LLPs and Pvt Ltd Companies, and IP renewals whenever applicable. Use Google Calendar or Notion to set reminders, or hire a CA.

CONTRACTS & DOCUMENTATION

Always keep digitally signed copies of contracts and store them on secure cloud services like Google Drive or Dropbox with restricted access. **Never rely only on verbal agreements**, even if they are people you know.

LEGAL SUPPORT FOR STARTUPS IN HYDERABAD

T-Hub Legal Clinics are regular sessions with IP and Startup lawyers.

WeHub (Women Entrepreneurs Hub) provides mentorship, compliance support, and workshops for young founders.

TASK (Telangana Academy for Skill and Knowledge) runs legal literacy sessions for students starting ventures.



Resources & Templates

FREE RESOURCES

MCA (Company Registration): mca.gov.in

Income Tax: incometaxindia.gov.in

GST: gst.gov.in

UP: ipindia.gov.in

TEMPLATES

Founders' Agreement (sample): Vakilsearch

NDA (student-friendly): LegalDesk

Employment Contract: LawRato



Sources

IT IS IMPORTANT TO BE TRANSPARENT. HERE ARE SOME OF SOURCES THE BOOKLET USED AND YOU CAN USE TOO FOR RESEARCH.

1. **Ministry of Corporate Affairs (MCA):** www.mca.gov.in
2. **Income Tax Department of India:**
<https://incometaxindia.gov.in/Pages/default.aspx>
3. **Goods & Services Tax (GST):** <https://www.gst.gov.in>
4. **Intellectual Property India:**
https://ipindia.gov.in/Patents/history_of_indian_patent_system
5. **Startup India (DPIIT):** <https://www.startupindia.gov.in/content/sih/en/about-startup-india-initiative.html#>
6. **T-Hub:** <https://t-hub.co/about-us/>
7. **WeHub:** <https://wehub.telangana.gov.in>
8. **TASK:** <https://task.telangana.gov.in>
9. **LegalDesk:** <https://legaldesk.com>
10. **Vakilsearch:** <https://vakilsearch.com>
11. **LawRato:** <https://lawrato.com>



Legal Checklist

BUSINESS SETUP

- ☐ Decide legal structure
- ☐ Register with MCA
- ☐ Get PAN & TAN

CONTRACTS

- ☐ Draft Founders' Agreement
- ☐ Employee/Internship Agreements
- ☐ NDA for sensitive discussions

INTELLECTUAL PROPERTY

- ☐ Trademark brand/logo
- ☐ Copyright Website & Content
- ☐ Consider patent if innovation-based

TAXES & COMPLIANCE

- ☐ GST (if over ₹40 lakh turnover)
- ☐ File ITR annually
- ☐ ROC filings (if Pvt Ltd/LLP)

SUPPORT & BENEFITS

- ☐ Apply for Startup India recognition
- ☐ Explore T-Hub/WeHub/TSIC

RISK MANAGEMENT

- ☐ Separate business & personal accounts
- ☐ Get insurance if needed
- ☐ Maintain a compliance calendar





Starting is the most exciting part, but ignoring legal basics can sink your ship before it sails. This toolkit is your starter guide to building a legally safe and scalable business in India. Use the booklet to learn, but it's important to do your individual research which is specific to your plan.