

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE
LOK SABHA**

**UNSTARRED QUESTION NO. 3690.
TO BE ANSWERED ON WEDNESDAY, THE 11TH DECEMBER, 2019.**

TAX EXEMPTIONS TO STARTUPS

3690. SHRI RAMCHARAN BOHRA:

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

वाणिज्य एवं उद्योग मंत्री

- (a) whether the Government has set any target to give exemption in tax to startups to provide more employment opportunities to the youth of the country;
- (b) if so, the details of the startup schemes;
- (c) whether the Government has allocated any fund/budget for the startup;
- (d) if so, the amount of the fund be allocated;
- (e) the State/UT-wise details thereof; and
- (f) the State/UT-wise details of employment under this scheme?

ANSWER

वाणिज्य एवं उद्योग मंत्री (श्री पीयूष गोयल)

**THE MINISTER OF COMMERCE & INDUSTRY
(SHRI PIYUSH GOYAL)**

- (a) & (b):** Yes Sir, Under Startup India Initiative recognized startups have been exempted under several sections of IT Act. Details are enclosed at Annexure-I.
- (c) to (e):** The Fund of Funds for Startups (FFS) was approved by the Cabinet and established by DPIIT in June 2016 with a corpus of Rs 10,000 crore to provide a much needed boost to the Indian startup ecosystem and enable access to domestic capital. The objectives of Fund of Funds include accelerating innovation driven entrepreneurship and business creation, mobilizing larger equity-like resources for startups. The Fund of Funds does not directly invest in start-ups but provides capital to SEBI-registered Alternate Investment Funds (AIFs),

known as daughter funds, who in turn invest money in growing Indian startups through equity and equity-linked instruments. SIDBI has been given the mandate of managing this Fund through selection of suitable daughter funds and overseeing the disbursement of committed capital.

As on 21st November, 2019, SIDBI has committed Rs 3123.20 Cr. to 47 SEBI registered Alternative Investment Funds (AIFs). These funds have raised a corpus fund of Rs. 25,728 Crore. Rs. 695.94 Crore have been drawn from the Fund of Funds for start-ups. Rs. 2,669.83 Crore have been invested into 279 startups. There is no provision for State/UT-wise distribution of funds under FFS.

(f): 2,85,890 jobs are reported by 23,657 DPIIT recognized start-ups, as on 4th December 2019. The breakup of the number of start-ups with number of employees State/UT-wise is attached at Annexure-II.

ANNEXURE REFERRED TO IN REPLY TO PARTS (a) & (b) OF THE LOK SABHA UNSTARRED QUESTION NO. 3690 FOR ANSWER ON 11.12.2019.

1. Income Tax Exemption on profits under Section 80-IAC of Income Tax (IT) Act.

The Inter-Ministerial Board of Certification is a Board set up by Department for Promotion of Industry and Internal Trade (DPIIT) which validates Startups for granting tax related benefits. A DPIIT recognized Startup is eligible to apply to the Inter-Ministerial Board for full deduction on the profits and gains from business (exemption under Section 80IAC of the Income Tax Act) provided the following conditions are fulfilled. The entity should be

- A private limited company or a limited liability partnership,
- Incorporated on or after 1st April 2016 but before 1st April 2021, and
- Products or services or processes are undifferentiated, have potential for commercialization and have significant incremental value for customers or workflow

The deduction is for any three consecutive years out of seven years from the year of incorporation of start-up.

Till date, 38 Inter-Ministerial Board meetings have taken place and 247 startups have been granted exemption under Section 80IAC of the IT Act

2. Tax Exemption on Investments above Fair Market Value.

1. DPIIT Recognized Startups are exempt from tax under Section 56(2)(viib) of the Income Tax Act when such a Startup receives any consideration for issue of shares which exceeds the Fair Market Value of such shares
2. The startup has to file a duly signed declaration in Form 2 to DPIIT {as per notification G.S.R. 127 (E)} to claim the exemption from the provisions of Section 56(2)(viib) of the Income Tax Act

With regard to declarations received from entities, furnished in Form 2, intimation regarding receipt of Declaration in Form 2 has been mailed in the cases of 1,729 entities as on 4th of December 2019

3. Introduction of Section 54EE in the Income Tax Act, 1961.

Exemption from tax on long-term capital gain if such long-term capital gain is invested in a fund notified by Central Government. The maximum amount that can be invested is Rs. 50 lakh

4. Amendment in Section 54GB of the Income-tax Act

Exemption from tax on capital gains arising out of sale of residential house or a residential plot of land if the amount of net consideration is invested in prescribed

stake of equity shares of eligible Startup for utilizing the same for purchase of specified asset

- a) The condition of minimum holding of 50% of share capital or voting rights in the start-up relaxed to 25%
- b) The period of extension of capital gains arising from for sale of residential property for investment in start-ups has been extended up to 31st March 2021.

5. Amendment in Section 79 of Income Tax Act.

Startups can carry forward their losses on satisfaction of any one of the following two conditions:

- a) Continuity of 51% shareholding/voting power or
- b) Continuity of 100% of original shareholders

ANNEXURE-II**ANNEXURE REFERRED TO IN REPLY TO PART (f) OF THE LOK SABHA
UNSTARRED QUESTION NO. 3690 FOR ANSWER ON 11.12.2019.**

State/UT	Number of Startups	Number of Employees (Self-Reported)
Maharashtra	4443	52847
Karnataka	3444	46462
Delhi	3001	34489
Uttar Pradesh	1926	20193
Haryana	1335	19446
Telangana	1320	18725
Gujarat	1238	18087
Tamil Nadu	1207	15506
Kerala	1072	9776
West Bengal	710	7647
Rajasthan	680	8368
Madhya Pradesh	679	7467
Odisha	423	5005
Andhra Pradesh	396	4325
Bihar	334	3228
Chhattisgarh	310	2838
Jharkhand	198	1330
Uttarakhand	194	1814
Punjab	177	2100
Assam	155	1910
Jammu and Kashmir	99	935
Goa	93	796
Chandigarh	80	876
Himachal Pradesh	50	626
Pondicherry	26	298
Manipur	15	124
Andaman and Nicobar Islands	10	64
Tripura	10	303
Meghalaya	8	41
Nagaland	7	41
Dadra and Nagar Haveli	5	134
Arunachal Pradesh	4	22
Mizoram	3	50
Sikkim	3	12
Daman and Diu	2	5
