

**GOVERNMENT OF INDIA  
MINISTRY OF SKILL DEVELOPMENT AND ENTREPRENEURSHIP**

**LOK SABHA**

**UNSTARRED QUESTION NO. 1189  
TO BE ANSWERED ON 06.12.2021**

**TAX CONCESSION TO STARTUPS**

**† 1189. SHRI RAMCHARAN BOHRA:**

**Will the Minister of SKILL DEVELOPMENT AND ENTREPRENEURSHIP be pleased to state:**

- (a) whether the Government have fixed any target for giving tax concession to the startups for providing more and more avenues of employment to the youth of the country;
- (b) if so, the details of the startups schemes;
- (c) whether the Government have allocated any funds/budget for the startups;
- (d) if so, the amount of budget allocated;
- (e) State-wise details thereof; and
- (f) State-wise details of jobs offered under this scheme?

**ANSWER**

**MINISTER OF STATE FOR  
SKILL DEVELOPMENT AND ENTREPRENEURSHIP  
(SHRI RAJEEV CHANDRASEKHAR)**

(a) No Sir. The Government has not fixed any target for giving tax concession to the Startups. However, the Government is very committed to creating world's most successful startup ecosystem in India. The tax concessions already provided to the startups under the Income Tax Act, 1961 are as mentioned at **Annexure-I**.

(b) Government of India through Ministry of Commerce & Industry, Department for Promotion of Industry and Internal Trade (DPIIT) has launched 'Startup India' as a flagship initiative on 16th January, 2016 with an aim to build a strong ecosystem for nurturing innovation and entrepreneurship, to drive sustainable economic growth and generate large scale employment opportunities. A 19-point Startup India Action Plan was launched in January 2016 which paved the way for the introduction of a number of policy initiatives to build a strong, conducive, growth-oriented environment for Indian startups. Hon'ble Prime Minister unveiled 'Startup India: The Way Ahead' at 5 years celebration of Startup India on 16th January, 2021 which lays down actionable plans for promotion of ease of doing business for startups, greater role of technology in executing various reforms, building capacities of stakeholders and enabling a digital Aatmanirbhar Bharat.

(c) Yes Sir.

(d) Government of India has established a **Fund of Funds for Startups Scheme (FFS)** to meet the funding needs of startups across the country. The total corpus of Rs. 10,000 crores is envisaged to be provided over the 14<sup>th</sup> and 15<sup>th</sup> Finance Commission cycles based on progress of the scheme and availability of funds. As of 27<sup>th</sup> October, 2021, Small Industries Development Bank of India (SIDBI) has committed INR 5,894 crores to 75 Alternative Investment Funds (AIFs) out of which INR 7,381 crores have been invested in 517 startups across India.

Further, to provide financial assistance to startups, **Startup India Seed Fund Scheme (SISFS)** has been implemented from 1st April 2021. The Scheme has corpus of Rs. 945 crore that will be divided over the next 4 years for providing seed funding to eligible startups through eligible incubators across India. It will support an estimated 3,600 entrepreneurs through 300 incubators in the next 4 years. The 'Call for Application' for Incubators under the Startup India Seed Fund Scheme was launched on 19th April 2021. As on 16th November 2021, 34 incubators have been selected and a sum of Rs. 135 crore has been approved as grant under the scheme. The 'Call for Application' for Startups was launched on 19<sup>th</sup> July 2021. As on date, application has been received from 1,446 startups under the scheme. 95 Startups have been selected for funding as on 16th November 2021 with a total grant of Rs 9.70 crore.

(e) State-wise allocation of funds is not made under the Scheme.

(f) State-wise details of jobs created by Startups recognized by Department for Promotion of Industry and Internal Trade (DPIIT) is available at **Annexure-II**.

**Annexure-I referred in reply to Lok Sabha Unstarred Question No. 1189 to be answered on 06.12.2021**

**Tax concessions provided to start-ups under the Income-tax Act, 1961:**

**1. 100% deductions to the profit of the start-up under section 80-IAC:**

100 % profit linked deduction to an eligible start-up, incorporated on or after the 1<sup>st</sup> day of April, 2016 but before the 1<sup>st</sup> day of April, 2022, for a period of three consecutive assessment years out of ten years beginning from the year in which it is incorporated, if the total turnover of its business does not exceed one hundred crore rupees in the previous year relevant to the assessment year for which the deduction is claimed.

**2. Employee Stock Ownership Plan (ESOP)**

In order to ease the burden of payment of taxes by the employees and to incentivize the eligible start-ups to employ skilled employees, Finance Act, 2020 amended section 192 of the Act deferring TDS deduction in respect of income pertaining to ESOPs. It has been provided that in case of an employee of an eligible start-up, as referred to in section 80-IAC of the Act, being paid perquisite of the nature of ESOPs in any previous year relevant to the assessment year 2021-22 or subsequent year, deduction/payment of tax on such income may be made within fourteen days—

- i. After the expiry of forty-eight months from the end of the relevant assessment year; or
- ii. from the date of the sale of such specified security or sweat equity share by the assessee; or
- iii. from the date of which the assessee ceases to be the employee of the person;

whichever is the earliest, on the basis of rates in force of the financial year in which the said specified security or sweat equity share is allotted or transferred.

**3. Exemption from capital gains for investment in start-up under section 54GB:**

In order to incentivize the investment in the eligible start-up, section 54GB of the Act provides exemption of capital gains arising out of sale of residential property on or before 31st March 2022, if the same was invested in shares of eligible start-up.

**4. Relaxation for carry forward & set-off of loss by start-up:**

Section 79 of the Income-tax Act, 1961 contains certain restrictions for carry forward and set-off of losses in case of certain companies in case of change of majority shareholding. In order to facilitate the new investment in the start-up, *Vide* Finance (No.2) Act, 2019 the provisions of section 79 have been amended so as to allow an option to an eligible start-up, as referred to in section 80-IAC of the Act, to carry forward and set-off of losses even in the case of change in majority shareholding if the original shareholders continue to hold their shares.

## **5. Exemption from deeming of income for excessive share valuation:**

Section 56(2) (viib) provides for deeming of income in case the shares are issued at a price higher than the fair market value of such shares. In order to ease the compliance burden as well as to promote the start-ups, this provision has been relaxed in the case of recognised start-ups. Under this relaxed regime, the provisions of section 56(2)(viib) are not applicable to the start-up recognized by DPIIT and if it files a declaration. As this regime was notified in February, 2019, Circular No. 16/2019 was issued by the CBDT for making this regime applicable to the assessment completed in the past also.

## **6. Simplified assessment procedure:**

The CBDT has issued circular for providing of simplified assessment procedure for the start-ups. Under this procedure, no inquiry in the case of start-up can be initiated without obtaining the approval of the supervisory authorities.

## **7. Outstanding income-tax demand of Start-ups**

It has been reiterated time and again by CBDT that outstanding income-tax demand relating to additions made under section 56(2)(viib) (angel tax) would not be pursued and no communication in respect of outstanding demand would be made with the Start-up entity. Other income-tax demand of the Start-ups would not be pursued unless the demand was confirmed by ITAT.

## **8. Dedicated Start-up Cell:**

In order to redress grievances and address various tax related issues in the cases of start-ups, a Start-up Cell is constituted on 30<sup>th</sup> August, 2019 under the chairmanship of Member (IT&R), CBDT. The Cell may be approached for any grievances/communications relating to Start-ups.

**Annexure-II referred in reply to Lok Sabha Unstarred Question No. 1189 to be answered on 06.12.2021**

**State-wise details of jobs created by Startups recognised by DPIIT**

Name of the State	No.. of employees
Maharashtra	1,21,097
Karnataka	92,444
Delhi	75,784
Uttar Pradesh	54,500
Gujarat	40,313
Haryana	41,533
Telangana	37,202
Tamil Nadu	33,685
Kerala	22,484
Rajasthan	18,681
West Bengal	17,908
Madhya Pradesh	16,471
Odisha	11,262
Bihar	7,927
Andhra Pradesh	9,606
Chhattisgarh	5,477
Jharkhand	4,129
Punjab	7,985
Uttarakhand	3,719
Assam	4,050
Jammu and Kashmir	2,103
Goa	1,637
Chandigarh	1,993
Himachal Pradesh	1,140
Manipur	610
Puducherry	617
Tripura	1,154
Andaman and Nicobar Islands	189
Dadra and Nagar Haveli and Daman and Diu	306
Nagaland	114
Meghalaya	144
Arunachal Pradesh	53
Sikkim	43
Mizoram	67
Lakshadweep	7
Ladakh	3
<b>Grand Total</b>	<b>6,36,437</b>

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