

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE

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**LOK SABHA**  
**UNSTARRED QUESTION NO. 2871**

**ANSWERED ON 21<sup>ST</sup> MARCH, 2022**

**“Tax Exemptions to Startups”**

**2871 SHRI L.S. TEJASVI SURYA**  
**MS. LOCKET CHATTERJEE:**

“Will the Minister of FINANCE be pleased to state: -

- (a) the number of startups who possess an Inter-Ministerial Board (IMB) certification, state-wise;
- (b) the current status of exemptions provided to the startups, categorically about the angel tax along with the time by which the startups will be liable to the tax on long-time capital gains;
- (c) whether IMB certification is a prerequisite to avoid angel tax and if so, the details thereof along with the number of startups who have benefited from the government’s tax sops since 2014, year-wise;
- (d) whether the Government will look into altering the criteria to the advantage of the startups considering the low percentage of startups possessing IMB certification and if so, the details thereof;
- (e) whether the possession of an IMB certificate is also a prerequisite to avail tax holiday on profits made for three consecutive years out of ten years of incorporation and if so, the number of startups expected to benefit therefrom; and
- (f) whether the government will look into making the process of IMB certificate smoother for startups and if so, the details thereof?

**ANSWER**

MINISTER OF STATE IN THE MINISTER OF FINANCE

**(SHRI PANKAJ CHOUDHARY)**

**Answer (a)**

As on 28<sup>th</sup> February 2022, a total number of 412 DPIIT recognised startups have been granted Inter-Ministerial Board (IMB) Certification for the purposes of section 80-IAC of the Income-tax Act, 1961. State-wise details of the same has been tabled below –

<b>States</b>	<b>No. of Startups granted Certification for the purposes of section 80-IAC of the Income-tax Act, 1961</b>
Maharashtra	99
Karnataka	65
Delhi	57
Gujarat	32
Tamil Nadu	29
Haryana	23
Telangana	23
Uttar Pradesh	20
Kerala	18
Rajasthan	10
West Bengal	9
Madhya Pradesh	9
Odisha	4
Chandigarh	3
Goa	2
Punjab	2
Uttarakhand	2
Jammu and Kashmir	1
Andhra Pradesh	1
Manipur	1
Chhattisgarh	1
Himachal Pradesh	1
<b>Total</b>	<b>412</b>

**Answer (b)**

1. Under Explanation to sub-section (4) of Section 80-IAC of the Income-tax Act, 1961, "eligible start-up" means a company or a limited liability partnership engaged in eligible business which fulfils the following conditions:—

(a) it is incorporated on or after the 1<sup>st</sup> day of April, 2016 but before the 1<sup>st</sup> day of April, 2022, which is proposed to be extended to 1<sup>st</sup> April, 2023 by the Finance Bill, 2022

(b) the total turnover of its business does not exceed one hundred crore rupees in the previous year relevant to the assessment year for which deduction under sub-section (1) is claimed; and

(c) it holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government;

Eligible start-ups are provided tax deduction of an amount equal to one hundred per cent of the profits and gains derived from eligible business under Section 80-IAC of the Income-tax Act, 1961 for three consecutive years out of ten years from the year in which the eligible start-up is incorporated.

2. Clause (viib) of sub-section (2) of section 56 of the Income-tax Act, 1961 provides that where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares will be chargeable to income-tax under the head "Income from other sources".

A Startup shall be eligible for notification under clause (ii) of the proviso to clause (viib) of sub-section (2) of section 56 of the Income-tax Act, 1961 and consequently, avail the benefits of non-application of the provisions of that clause, if it fulfils the conditions under para 4 of the DPIIT Notification No. G.S.R. 127(E) dated 19.02.2019.

### **Answer (c)**

IMB Certificate of Eligible Business is not a pre-requisite to avail the benefits of non-application of the provisions of clause (viib) of sub-section (2) of section 56 of the Income-tax Act, 1961 (the Act).

A Startup shall be eligible for notification under clause (ii) of the proviso to clause (viib) of sub-section (2) of section 56 of the Income-tax Act, 1961 and consequently, avail the benefits of non-application of the provisions of that clause, if it fulfils the conditions under para 4 of the DPIIT Notification No. G.S.R. 127(E) dated 19.02.2019.

- Number of Startups in which intimation regarding receipt of declaration in Form 2 is issued, to avail the benefits of non-application of the provisions of clause (viib) of sub-section (2) of section 56 of the Act -

<b>Year</b>	<b>Number of beneficiary Startups</b>
2019	1867
2020	1577
2021	1651
2022	381
<b>Grand Total</b>	<b>5476</b>

- Number of Startups which have been granted IMB Certification for the purposes of Section 80-IAC of the Act -

<b>Year</b>	<b>Number of beneficiary Startups</b>
2016	7
2017	69
2018	18
2019	162
2020	83
2021	70
2022	3
<b>Grand Total</b>	<b>412</b>

**Answer (d)**

No.

Under Explanation to sub-section (4) of Section 80-IAC of the Income-tax Act, 1961, "eligible start-up" means a company or a limited liability partnership engaged in eligible business which fulfils the following conditions: —

- (a) it is incorporated on or after the 1<sup>st</sup> day of April, 2016 but before the 1<sup>st</sup> day of April, 2022, which is proposed to be extended to 1<sup>st</sup> April, 2023 by the Finance Bill, 2022; and
- (b) the total turnover of its business does not exceed one hundred crore rupees in the previous year relevant to the assessment year for which deduction under the said section is claimed; and
- (c) it holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government.

There is no such proposal in altering the criteria of start-ups under the Income-tax Act, 1961.

**Answer (e)**

Yes, IMB Certification of Eligible Business is a pre-requisite to avail tax deduction on profits and gains derived from eligible business under Section 80-IAC of the Income-tax Act, 1961 for three consecutive years out of ten years from the year in which the eligible start-up is incorporated.

**Answer (f)**

No, there is no such proposal.