

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

**LOK SABHA**

**UNSTARRED QUESTION NO. 180  
TO BE ANSWERED ON 18.07.2022**

**TAX CONCESSIONS FOR START-UPS**

**† 180. SHRI ARVIND GANPAT SAWANT:  
SHRIMATI BHAVANA PUNDALIKRAO GAWALI:**

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

- (a) whether the Government has fixed any target to give tax concessions for start-ups to provide more employment opportunities to the youth of the country;
- (b) if so, the details of the said schemes;
- (c) whether the Government has allocated any fund/budget for start-ups along with the State-wise details thereof; and
- (d) the State-wise details of the jobs being provided under the said scheme?

**ANSWER**

**MINISTER OF STATE IN THE MINISTRY OF  
SKILL DEVELOPMENT AND ENTREPRENEURSHIP  
(SHRI RAJEEV CHANDRASEKHAR)**

(a) No Sir. The Government has not fixed any target to give tax concession for startups. However, the tax concessions already provided to the start-ups under the Income-tax Act, 1961 are mentioned at **Annexure-I**

(b) Does not arise.

(c) The Government of India through Department for Promotion of Industry and Internal Trade (DPIIT) is implementing Fund of Funds for Startups (FFS) Scheme and Startup India Seed Fund (SISF) Scheme, as part of Startup India initiative, to provide financial assistance to startups through Alternative Investment Funds (AIFs) and incubators respectively. The Government has established FFS with corpus of Rs. 10,000 crore, to meet the funding needs of startups, to be provided over the 14th and 15th Finance Commission cycles based on progress of the scheme and availability of funds. Further, SISF Scheme aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization. Rs. 945 crore has been sanctioned under the SISF Scheme for period of 4 years starting from 2021-22. There is no State-wise allocation of funds under FFS and SISF Schemes.

(d) State-wise details of total number of employment generated, as self-reported by the startups recognized by Department for Promotion of Industry and Internal Trade (DPIIT), as on 30<sup>th</sup> June 2022 is available at **Annexure-II**.

**Annexure-I referred to in reply to Lok Sabha Unstarred Question No. 180 to be answered on 18.07.2022**

**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, 2023, 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. ESOP**

In order to ease the burden of payment of taxes by the employees and to incentivize the eligible start-ups to 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 Income-tax Act, 1961 (the Act) being 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 where there is 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 taxation of income for excessive share valuation:**

Section 56(2)(viib) provides for taxation of income in the hands of the recipient of money 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 is to 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 to in reply to Lok Sabha Unstarred Question No. 180 to be answered on 18.07.2022**

<b>State-wise details of total number of employment generated (as on 30<sup>th</sup> June 2022) by Startups recognised by DPIIT</b>		
<b>S. No.</b>	<b>States/ UTs</b>	<b>Number of Employees</b>
1	Andaman and Nicobar Islands	215
2	Andhra Pradesh	11,243
3	Arunachal Pradesh	69
4	Assam	5,335
5	Bihar	10,156
6	Chandigarh	2,347
7	Chhattisgarh	6,912
8	Dadra and Nagar Haveli and Daman and Diu	423
9	Delhi	87,643
10	Goa	2,065
11	Gujarat	51,193
12	Haryana	48,843
13	Himachal Pradesh	1,558
14	Jammu and Kashmir	2,808
15	Jharkhand	5,088
16	Karnataka	1,03,541
17	Kerala	28,451
18	Ladakh	27
19	Lakshadweep	7
20	Madhya Pradesh	23,198
21	Maharashtra	1,46,132
22	Manipur	806
23	Meghalaya	179
24	Mizoram	87
25	Nagaland	198
26	Odisha	14,019
27	Puducherry	740
28	Punjab	9,196
29	Rajasthan	24,599
30	Sikkim	58
31	Tamil Nadu	39,832
32	Telangana	44,649
33	Tripura	1,005
34	Uttar Pradesh	67,694
35	Uttarakhand	5,019
36	West Bengal	22,419
	<b>Grand Total</b>	<b>7,67,754</b>