

## **Incentives for Startup India**

The Government of India launched the 'Startup India' initiative on January 16, 2016 to build a strong eco-system for nurturing innovation and entrepreneurship. This measure of the Government is helping create large scale job opportunities across the sectors and increase economic growth of the country.

As part of this initiative, Department of Industrial Policy and Promotion has issued gazette notification No 364(E) dated 11 April, 2018 constituting a broad based Inter-Ministerial Board (IMB) to consider applications of Startups for claim of following incentives of the Income Tax Act 1961(hereinafter referred as Act):

- a. Exemption from levy of income tax on share premium received by eligible Startups under section 56 of the Act.
- b. 100% deduction of the profits and gains from income of Startups for three out of seven consecutive assessment years under 80 IAC of the Act.

Applications for certification of startups under section 56 and Section 80 IAC of the Act will be submitted through an online portal to DIPP. These applications will be considered by IMB for certification.

For the purposes of section 56 of the Act, there is no restriction on class of investors and eligible startups can receive investment from any person against issue of share capital.

As a continuous endeavour of the Government to facilitate startup eco-system in the country, DIPP has been holding regular stakeholder consultations including with Government ministries/ departments, regulators, angel investors and startups. Amendments introduced through this notification are meant to address key demand of startups with regard to exemptions under the Income Tax Act, 1961.

With the introduction of amendments through this notification, startups are likely to have easy access to funding which in turn will ensure ease in starting of new businesses, promote startup eco-system, encourage entrepreneurship leading to more job creation and economic growth in the country.

**Secretary**