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#Startupindia

Who is recognized as a Startup under the Startup India Action Plan?

- Should be incorporated as a private limited company or registered as a partnership firm or a limited liability partnership
- Turnover should be less than **INR 100 Crores** in any of the previous financial years
- Up to **10 years** from the date of its incorporation
- It should be working towards innovation/ improvement of existing products, services and processes and should have the potential to generate employment/ create wealth.
- Should **not be formed** by splitting up or reconstruction of an existing business

What benefits does a start up have under the Income tax act

- Profits of the start eligible for deduction under 80IAC
- Angel Tax benefit
- Relaxation on carryforward and set off of losses.
- Deferrment of ESOP tax

Deduction of Profits under Income Tax

- Tax exemption for 3 consecutive financial years out of its first ten years since incorporation if it satisfies the following criteria and **furnishes Form 1** to the Inter-Ministerial Board of Certification
  a. A recognized Startup as mentioned above.
  b. A private limited company or a limited liability partnership
  c. Not formed by the transfer to a new business of machinery or plant previously used for any purpose
  d. Incorporated on or after 1st April 2016 but before 1st April 2021

Angel tax exemption

What is Angel Tax?

Where an unlisted company issues shares at Premium and the premium charged is in excess of the fair market value of the shares, the excess of share price over the fair market value is chargeable to tax.

Under what circumstances does the exemption apply?

- Total amount of share capital and share premium of the Startup after the proposed issue of share, **does not exceed INR 25 Crore** (exclude amount issued to a non- resident or a venture capital fund or specified company).
- **Submit a declaration in Form 2** that start-up will not use the proceeds for **specified investments** for a period of seven years from the financial year when the shares were issued at premium.

Relaxation on carry forward of losses

- 51% shareholding requirement is relaxed whereby the set off of carry forward losses is allowable as long the shareholders remain in the company at the time of set off and loss has be incurred during the period of 7 years from the date of incorporation.

Deferment of ESOP Tax

- Tax on perquisites is required to be paid at the time of exercising of the option . In order to ease the burden of eligible start ups, the tax payment is deferred to be paid on completion of 5 years of exercise or on sale of the securities or when the person resigns, whichever even happens earlier.

The above benefits are subject to conditions. Reach out to us and we can advice you on the eligibility.

How can we help ?

"We have the experience and expertise to assist you for advisory and support in fund raise, structuring, valuations, compliance and due diligence. It would be a pleasure to talk to you and understand if we could make a difference. Call us."

For further enquiries, please feel free to contact Rajesh on +91 98453 48828 / +91 96329 88828 or email: r.joseph@annveshan.com

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