



Section 80-IAC of Income Tax Act

Section 80-IAC of Income Tax Act, 1961 provides a tax incentive to domestic companies for promoting investments in startups and other eligible businesses. It was introduced with the objective of promoting innovation, utilization of research and development and creating a vibrant entrepreneurial ecosystem in India.

Eligibility of Claiming the Deduction under 80-IAC:

1. The business must have been set up during or after April 1, 2016.
2. The business must have been set up as an **unlisted** Indian company.
3. The business must have obtained a certificate from the **Department for Promotion of Industry and Internal Trade** as an eligible business.
4. Invests in equity shares or other notified instruments of an eligible business
5. The eligible business should be established and registered in India, and it should not have received any prior venture capital or angel funding.

DPIIT Recognition For Startups

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6. Business has not been formed by a splitting up or reconstruction of a business already in existence and not issued any convertible securities, before the date of investment
7. The total turnover of its business should not exceed one hundred crore rupees for an eligible startup incorporated on or after April 1, 2016, but before April 1, 2024.
8. The business must be engaged in the following activities: Innovation or, deployment or commercialization of new products or processes or services driven by technology or intellectual property or software development or Knowledge based activities, or Biotechnology or any other business as notified by the government
9. Exclusions from Eligible Incomes: The deduction is not applicable to the following incomes: dividends, interest, quantitative discounts, retirement benefits, capital gains, and any sale, exchange, or transfer of shares or securities of any kind



Benefits of claiming the deduction:

- The amount of deduction is equal to **one hundred percent** of the profits and gains derived from eligible business for three consecutive assessment years.
- You may be eligible for step up or carry forward of losses if the business is closed before the end of the assessment year.
- The deduction is available to all assesses, including individuals, Hindu Undivided Families, companies and trusts.
- The deduction can be used to offset tax on other income, such as salary, interest or dividend income.
- There is no need to pay **Advance Tax**.
- The Eligible company is not required to pay **Minimum Alternate Tax (MAT)** during the tax holiday period.

Extension of date of incorporation for eligible Start-up for exemption.

- Certain Start-ups are eligible for tax benefit if they are incorporated before 1st April,2024.
- The period of incorporation of such eligible start-ups is proposed to be extended by one year, i.e. before 1st April, 2025

Who can apply for 80 IAC tax exemption?

Not all DPIIT-recognized startups are eligible to claim the 80IAC deduction. To know if you are eligible, check these points out:

- You possess a **DPIIT certificate**.
- The 80IAC tax exemption is only available to Private Limited Companies or Limited Liability Partnerships.
- The entity was incorporated after 01/04/2016.
- The startup claiming the 80IAC tax exemption must be an original entity, not formed after a split or reconstruction of an existing business.



The most main objective of the deduction is for **Tax exemption**, the Startup can avail **Tax Holiday** for 3 consecutive financial years since incorporation out of its first ten years.