

Why few start-ups make grade for tax-breaks

Most don't meet cut-off date criteria; just five selected in the past six months

AMITI SEN

New Delhi, November 2

No new start-up was found eligible for tax break in the last meeting of the inter-ministerial board, limiting the total number of approvals given in the past six months to just five.

"While seven of the 21 applications considered by the board were deferred due to insufficient information, 14 proposals were rejected," said a Department of Industrial Policy and Promotion (DIPP) official.

Although the Centre expects the number of start-ups getting tax sops to rise steadily as more get incorporated, one of the reasons for the low approvals so far is the cut-off date of incorporation, the official added.

The DIPP submitted a list of 33 start-ups to the board in the latest meeting – which was the fifth since the first one in May this year – recognising them as start-ups eligible for non-fiscal

sops, but not qualifying for tax incentives due to the April 1, 2016, cut-off date.

Finance Act

As per the Finance Act, 2016, start-ups (companies and LLPs) can get income-tax exemption for three years in a block of five years, if they are incorporated between April 1, 2016, and March 31, 2019.

Extension of cut-off date

The Department has already asked the Finance Ministry to move back the cut-off date to allow more start-ups to qualify for the three-year tax exemption.

A demand has also been made for an extension of tax exemption period to 5-8 years.

Two start-ups – Addverb Technologies and Keed Agro – were asked by the board to give detailed presentations on their products before it.

"The board wants to be sure that the products meet the innovation criteria by asking detailed questions before giving them a go-ahead for tax sops," the official said.

Detailed write-up

Applicants have to submit a write-up on the actual innovative component in their project that is circulated to all the board members before every meeting, but sometimes the information supplied is not enough.

The board has sought details of regulatory approvals and other related information from the other five start-ups, whose applications were deferred.

Apart from a senior official from the DIPP, the board also has experts from the Biotechnology Department and the National Science and Technology Entrepreneurship Development Board.

Two applications for setting up of incubators, both in Bengaluru, were accepted by the board.