



# TAX EXEMPTION

UNDER STARTUP INDIA INITIATIVE



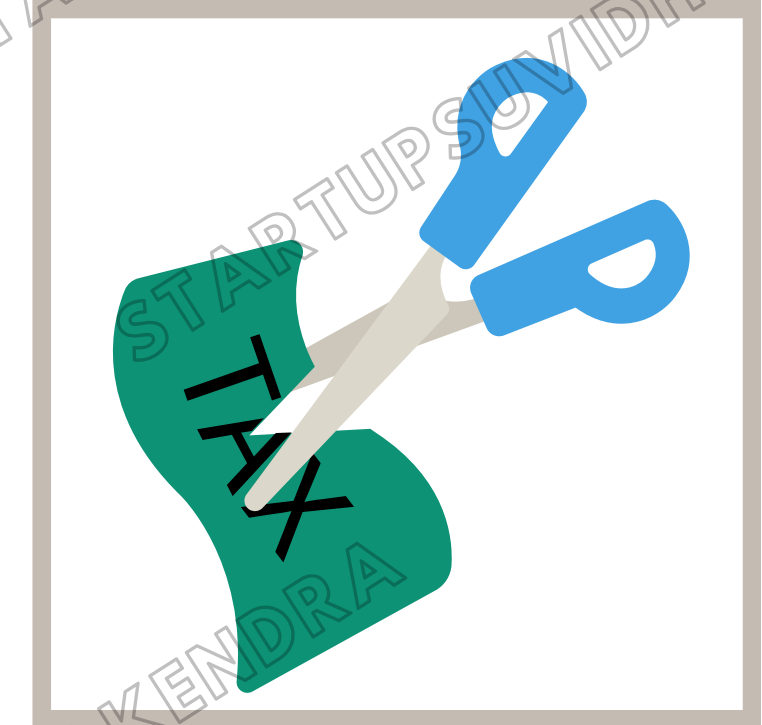
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# What is Tax Exemption?

A tax exemption means a business or individual is legally excused from paying certain taxes for a specific period or under certain conditions. This helps reduce financial burdens and encourages economic activities like investment, innovation, and entrepreneurship.

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# Why is Tax Exemption Important for Startups Under the Startup India Initiative?

## 1. Reduces Financial Burden

Startups often face cash flow challenges in their early years. A 100% income tax exemption for 3 consecutive years (under Section 80-IAC) helps them reinvest profits into business growth instead of paying taxes.

## 2. Encourages Investment & Funding

- Angel Tax Exemption (Section 56(2)(viib)) ensures that startups do not have to pay tax on investments received at a premium over their fair market value.

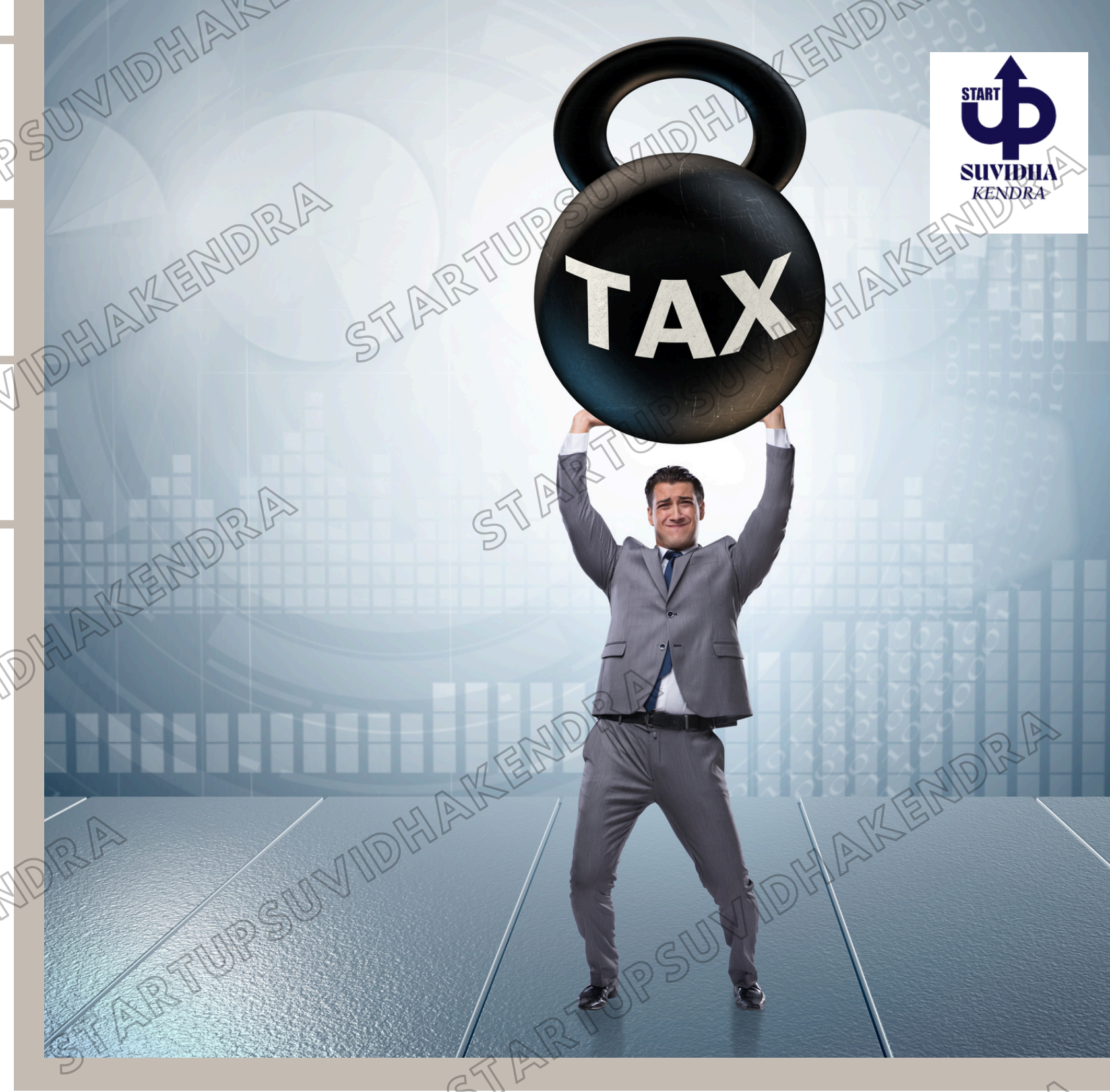
## 3. Promotes Innovation & Expansion

Since startups are exempted from capital gains tax (Sections 54EE & 54GB), they can reinvest profits into:

- Expanding operations, Hiring and Research and development

## 4. Supports Sustainability & Survival

Most startups take 3-5 years to become profitable. Tax exemptions give them the financial cushion to survive tough initial years without heavy tax liabilities.



## TAX EXEMPTION

# Tax Exemption Under Startup India Initiative

### Income Tax Exemption (Section 80-IAC)

- Recognized startups can avail 100% tax exemption on profits for 3 consecutive years within the first 10 years of incorporation.
- This benefit is available for Private Limited Companies and LLPs that meet the eligibility criteria.

### Exemption from Angel Tax (Section 56(2)(viib))

- Startups receiving investments from angel investors, venture capital firms, or other funds are exempt from tax on the premium amount received over fair market value.
- This prevents startups from being taxed on genuine investments.

### Capital Gains Tax Exemption (Section 54EE & 54GB)

- Section 54EE: Startups can get an exemption on long-term capital gains if the amount is reinvested in government-approved funds.
- Section 54GB: If an individual sells residential property and reinvests the proceeds in a startup, the capital gains tax is exempt.

### Carry Forward of Losses & Setoff

- Startups can carry forward losses for up to 10 years, even if shareholding changes (unlike regular businesses, where 51% ownership must remain unchanged).
- This ensures startups can offset losses against future profits.

# Eligibility for Tax Exemptions

1. The startup must be recognized by DPIIT under the Startup India Initiative.
2. It should be a Private Limited Company or LLP.
3. Annual turnover should not exceed ₹100 crore in any financial year.
4. The startup should focus on innovation, development, or improvement of products, processes, or services.



# Benefits of Tax Exemptions Under Startup India



The tax exemptions provided under the Startup India Initiative offer several advantages that help startups grow and sustain their businesses. Here are the key benefits:

- **Reduces Financial Burden** – Startups save money by avoiding income tax for 3 years, allowing them to reinvest profits in growth.
- **Encourages Investment** – The angel tax exemption makes it easier for startups to attract investors without taxation on premium funding.
- **Boosts Cash Flow** – With capital gains tax exemptions, startups and investors can reinvest funds without losing a portion to taxes.
- **Promotes Business Growth** – Tax relief enables startups to focus on innovation, expansion, and hiring talent without financial stress.
- **Helps in Scaling Faster** – Carrying forward losses for 10 years allows startups to offset past losses when they become profitable.
- **Supports Long -Term Sustainability** – The tax benefits provide a safety net, ensuring startups have enough funds to operate during their early stages.

## TAX EXEMPTION

# Process Of Application

Register on Startup India Portal

Get DPIIT Recognition

Apply for Tax Exemption  
Under Section 80-IAC

Apply for Angel  
Tax Exemption  
(Section 56(2)  
(viib))

**AVAIL THE BENEFITS**



**TAX EXEMPTION**



*"Stay inspired. Never stop creating."*

Startup Suvidha Kendra



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