

### DIPP EXPANDS THE SCOPE OF 'START-UP'

Through **Notification No. G.S.R. 501 (E) dated 23<sup>rd</sup> May 2017**, the Government of India has passed a very important Notification **suppressing the Notification No. G.S.R. 180 (E) dated 17<sup>th</sup> February 2016** related to recognition of 'Start-Ups' and Tax Benefits given to 'Start-Ups'

The following are the synopsis of the said Notification:

1. Earlier, an entity would be considered a 'start-up' if it was working towards the **innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property**.
2. Under the amended definition, an entity can also qualify to be a start-up enterprise if it has a **scalable business model with a high potential of employment generation or wealth creation**.

#### **SPCM's Comments:**

1. The broadened definition of a 'Start-Up' under DIPP norms is a welcome move to encourage the Start-Up Initiative.
2. However, even though the definition of 'Start-Up' has been amended, the definition of **'Eligible Start-Up'** and **'Eligible Business'** under the **Income Tax Act, 1964** has **not been amended** to include the amended definition of 'Start-Up'.
3. Therefore, even though the amended definition of 'Start-up' is appreciated, **exclusions of tax benefits** through the amended definition makes the move non-lucrative.
4. Further, there is **lack of clarity** as to what constitutes a **'scalable business model'** and what **level of employment generation or wealth creation** is 'high' enough to be regarded as an eligible start-up.

In a nut shell, unless corresponding amendments are made in the Income Tax Act, 1964, the amendment in the definition of 'Start-Up' under DIPP norms is not rewarding enough for the budding entrepreneurs.

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