

# Many startups say yet to benefit from 'Startup India'

BY MUGDHA VARIYAR, ET BUREAU | UPDATED: DEC 05, 2017, 08.48 AM IST

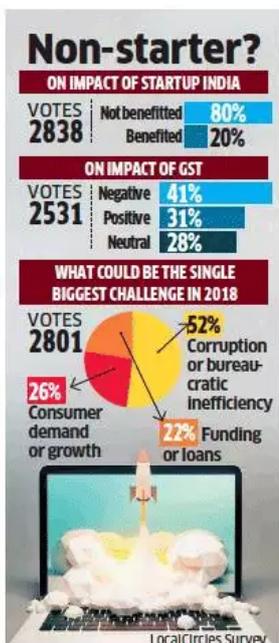
BENGALURU: A large number of startups in India feel they have not benefited in any way from the government's [Startup India programme](#), according to a survey by [LocalCircles](#). Hundreds of startups also said they had received frequent tax notices due to change in valuations.

For the question on impact of [Startup India](#), 80% of the 2,830 respondents said their business had not benefited in any way.

The government's Startup India programme, launched early last year, has so far seen only 5,350 startups officially recognised under it, of which only 74 have availed tax benefits so far. Also, the total commitment from the Rs 10,000 crore fund-of-funds, set up in line with the Startup India Action Plan last year, stands at Rs 605 crore to 17 AIFs, and 75 startups have received funding from the AIFs.

Ramesh Abhishek, head of the [Department of Industrial Policy and Promotion \(DIPP\)](#), the nodal body for Startup India, had told ET last week that it will take a few years for disbursements after the commitments of funds, and that they are doing a tight scrutiny while awarding startups with tax exemptions.

Another concern for many startups this year has been that of receiving tax notices. Of 2,860 respondents, 39% said they received income tax notices this year.



ET had reported that the income tax department has sent notices to about 200 entities in August for raising funds through preference shares in excess of what it considers the fair market value, and that they were also questioning consultants and tax experts on their valuation assessments.

“When there are high valuations, which happened during 2014-15, it is not unusual, after couple of years, for these startups to get tax notices asking for explanations about their high valuation and why it should not be considered as income to the company,” said corporate lawyer Vaibhav Parikh of Nishith Desai Associates.

Some other concerns were on equalisation levy and dual taxation on services from global companies.

“Startups have said that they use digital advertising services from global companies like [Google](#), [Facebook](#), [Twitter](#) and these companies bill Indian companies from their foreign offices due to which startups are forced to pay a 6% equalisation levy on top of the invoice value as their billing entity is not registered in India,” said Yatish Rajawat, chief strategy officer at LocalCircles.

All of the 2,788 respondents to the question on reverse charge said they supported exemption from GST (goods and services tax) on transactions for services procured from abroad and said billing be made mandatory for the Indian offices of these global companies.