



The Startup Tax Holiday: Section 80-IAC

100% tax-free profits for 3 years. Now open to startups incorporated up to 31 March 2020.

DPIIT STARTUPS

INCOME-TAX ACT 1961 TO 2025

FY 2025-26

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What Section 80-IAC Actually Gives You

Section 80-IAC of the Income-tax Act, 1961 lets an eligible start-up deduct **100% of the profits and gains** of its eligible business.

The deduction runs for any **3 consecutive assessment years**, chosen out of the first 10 years from incorporation.

Why the Choice Matters

Most start-ups lose money early. You pick the 3 consecutive years where profits — and the tax saved — are highest.

Effectively **zero regular income tax** on those profits (subject to MAT — see later).



The 2030 Extension: 5 More Years of Runway

2030

New Cut-off

Startups incorporated up to 31 March 2030 are now eligible, effective 1 April 2025.

187

IMB Cleared

The Inter-Ministerial Board cleared 187 start-ups in a single recent batch.

3,700+

Exemptions Granted

Over 3,700 start-ups have been granted the exemption since the scheme began.

i The earlier cut-off was 31 March 2025. The incorporation window is now **1 April 2016 to 31 March 2030** — giving founders a full 14-year runway of eligible incorporation dates.

Who Is an "Eligible Start-Up"?

1

Entity Type

Private limited company or LLP only. No firm or proprietorship qualifies.

2

Incorporation Date

On or after 1 April 2016 and before 1 April 2030.

3

Turnover Cap

Does not exceed Rs 100 crore in the relevant previous year.

4

Recognition

DPIIT-recognised AND holds an Inter-Ministerial Board (IMB) eligibility certificate. The IMB certificate is **mandatory**.

5

Business Nature





Innovation or improvement of products, processes or services, or a scalable model with high employment or wealth-creation potential.

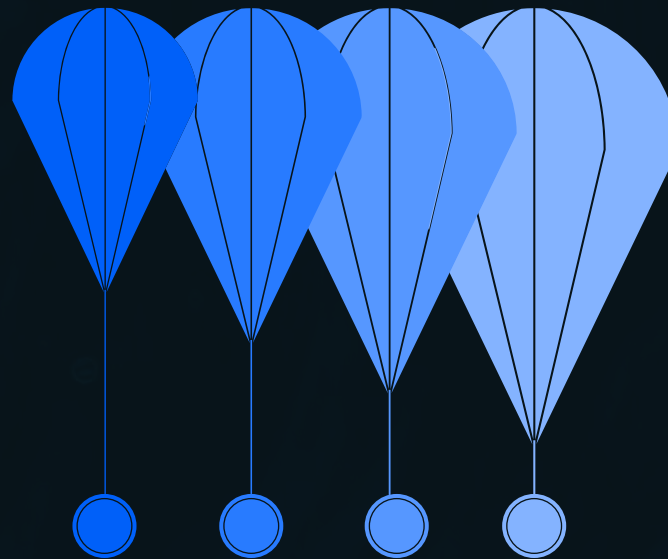
6

Origin

Not formed by splitting up or reconstruction of an existing business.

The 3-Year Window: A Worked Example

-  **Incorporation**
Company formed in FY 2021-22
-  **Loss Years**
Operating losses FY 2022-25
-  **Profit Years**
Profitable from FY 2025-26 onward
-  **80-IAC Claim**
Deduction AY 2026-27 to AY 2028-29



Three consecutive years elected — each with turnover within Rs 100 crore and a valid IMB certificate — shelters 100% of eligible-business profits.

How It Plays Out

A DPIIT-recognised company incorporated in FY 2021-22 has a 10-year window running from AY 2022-23 to AY 2031-32.

It remains loss-making until FY 2024-25, then turns **strongly profitable** from FY 2025-26 onwards.

It elects to claim the deduction for:

- **AY 2026-27**
- **AY 2027-28**
- **AY 2028-29**

✔ **Result: 100% of eligible-business profits sheltered across all three elected years.**

The Planning Trap That Costs Founders Lakhs

Two critical interactions must be modelled before you elect a tax regime:

Section 115BAA Conflict

The concessional 22% regime bars most Chapter VI-A deductions — which includes Section 80-IAC. To use the holiday, you must stay in the normal regime for those years.

Minimum Alternate Tax (Section 115JB)

In the normal regime, MAT can still apply on book profits even when 80-IAC brings regular tax to nil. The MAT paid is not lost — it carries forward as MAT credit and sets off against later regular tax.

⚠ Run the side-by-side comparison: normal regime + 80-IAC + MAT versus 115BAA without 80-IAC. The wrong election can cost founders lakhs in avoidable tax.



How to Claim: The Checklist



Secure DPIIT Recognition

Obtain DPIIT recognition for the start-up as the foundational first step.



Obtain IMB Eligibility Certificate

Apply for and obtain the IMB eligibility certificate under Section 80-IAC. Complete applications are now reviewed within **120 days**.



Choose the 3 Consecutive Years

Select the 3 consecutive profitable years within the 10-year window where the tax saving is maximised.



Audit & File Form 10CCB

Get the eligible-business accounts audited and file the audit report (Form 10CCB) before the due date.



Claim in ITR Each Year

Claim the deduction in the ITR for each elected year; keep turnover within Rs 100 crore throughout.

The 1961 to 2025 Act Transition

❏ **Period-aware citation matters.** Cite the Act that governs the year in question.

FY 2025-26 (AY 2026-27)

Claim under **Section 80-IAC of the Income-tax Act, 1961**. The current Act governs this assessment year.

1

2

FY 2026-27 Onwards

The **Income-tax Act, 2025** comes into force on 1 April 2026. The start-up deduction is carried forward into **Section 140** of the new Act.

Continuity Preserved

Section 536 of the 2025 Act preserves benefits already accrued. An ongoing 3-year holiday is **not disturbed** by the change of Act.

3

Don't Lose the Holiday to a Wrong Election

The 80-IAC holiday is one of the **highest-value reliefs** an Indian start-up gets. It is also one of the easiest to forfeit.



Stray 115BAA Election

Opting into the concessional regime in the wrong year permanently forfeits the holiday for those years.



Missing IMB Certificate

Without a valid IMB certificate, the deduction claim fails entirely — regardless of DPIIT recognition.



Wrong 3 Years Elected

Electing low-profit years wastes the holiday. Model profits carefully before locking in the election.



If you are turning profitable, model the regime choice before you file.

Talk to an Expert: **CA Adityavikram Banka**, Founder, A S Banka Advisors Private Limited.

Book a quick call: calendly.com/asbanka-info/30min

