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FROM SECTION 80-IAC TO SECTION 140: AN ANALYSIS OF STARTUP TAX HOLIDAYS, ELIGIBILITY AND ACCESSIBILITY IN INDIA

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I. ABSTRACT

Innovation and technology can exclusively bring a country development worldwide. In order to encourage innovation, the government usually provides a lot of measures like financial support, subsidies, intellectual protection, supporting R&D and tax incentives for those eligible startups that usually involve innovative new ideas that may generate employment and entrepreneurial ecosystems. An existing company or a heavy background company doesn't need a push, but a startup may. For supporting those eligible startups in India, one of the principal tax incentives historically available to eligible startups was provided under Section 80-IAC of the Income-tax Act, 1961. The tax holiday operates as a profit-linked deduction available to an eligible start-up, which may claim a 100% deduction of the profits and gains derived from its eligible business for any three consecutive tax years, at its option, out of the ten-year period beginning from the year of incorporation under the Income-tax Act. Nonetheless, there was a huge change in the law in 2026. The Income Tax Act of 1961 was abolished from 1 April 2026 onwards, and its relevant startup deduction is now found in Section 140 of the Income Tax Act 2025. In addition, the Finance Act of 2026 changed the turnover limit in Section 140 to ₹300 crore. At the same time, the Department for Promotion of Industry and Internal Trade (DPIIT), through Notification G.S.R.108(E) dated 4 February 2026 changed the general startup recognition limit to ₹200 crore and introduced a new type of Deep Tech Startup where the limit is ₹300 crore with a recognition period of twenty years. This article discusses the change from Section 80-IAC to Section 140 and evaluates the eligibility criteria, comparing it to the DPIIT criteria as well. The paper also investigates the usability of the tax incentive by discussing the importance of DPIIT recognition, Inter-

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Ministerial Board certification, and the various guidelines. It is claimed that while the reforms of 2026 significantly update the laws concerning taxation of startups, the gap existing in the formal tax system versus the actual data available on government websites can be a source of confusion. Hence, it is imperative that we increase harmonization of the system, provide updated recommendations, and ease procedures to increase the provision of tax incentives to startups.

II. KEYWORDS

Section 140, Startup Tax Holiday, DPIIT Recognition, Deep Tech Startups, Tax Accessibility.

III. INTRODUCTION

Innovation and technology are becoming the backbone of economic transformation for a country. Governments seek sustainable economic development by encouraging innovation through financial support, intellectual property protection, research and development support, infrastructure fiscal incentives, and regulatory facilitation.

Startups occupy a most important position within this system because they are the ones who are grounded in innovation by introducing new products and services and technologies by identifying the unmet market needs and at the same time, they are the ones extremely facing financial and operational uncertainty. In contrast to the established business, startups are operating with minimum initial capital and limited early revenue, and they may incur substantial expenditure on R&D, technology, human resources, market development, and intellectual property before they become lucrative.

The government of India officially launched the Startup India initiative in the year 2016, to establish a strong ecosystem for the development of innovative business ideas to drive economic growth by creating large-scale employment. Among such fiscal measures, Section 80-IAC of the Income Tax Act, 1961 was introduced within this framework. The said provision allows eligible startups to claim a one hundred percent deduction of profits and gains generated from an eligible business for three

consecutive years out of the ten-year period starting from incorporation or registration, subject to the terms and conditions.

The term used to describe this provision is "tax holiday." However, it is only a profit-dependent deduction and not a complete tax exemption. The point of differentiation is important because the advantage can only be availed once an entity qualifies certain legislative conditions.

The 80-IAC Section of the Income-Tax Act highlighted the major tax incentive available for startups. The provision granted complete exemption from income for three consecutive years and for a total period of ten years. The turnover limit was raised from Rs 25 crore to Rs 100 crore by the Finance Act of 2020. Moreover, the period of eligibility was increased so that startups that began their operations before 1 April, 2030, became eligible for tax incentives.

The legal terrain changed in 2026 when the Income Tax Act of 2025 became effective law. The old law was repealed and replaced by the new Income Tax Act on April 1, 2026. The Income Tax Department clarified that the old act will continue to apply for the tax years prior to April 1st, 2026.

Provisions related to startup deduction as per the recent laws are mentioned in Section 140 of the Income Tax Act, 2025, "Special Provision in case of specified business". The provisions provided under Section 140 allow a deduction of 100% of profit for three years, which may be chosen out of the initial ten years post-incorporation of the business concern. The current version of the law states the turnover limit to be ₹300 crore as per the amended provisions of the Finance Act, 2026. The law mandates the use of the term "three" in place of the previously used term "one" from the date of commencement.

Simultaneously, the framework for recognition of startups has been revised drastically by DPIIT via Notification G.S.R. 108(E) dated 4 February 2026. The earlier turnover limit for recognition of a startup has now been increased from ₹100 crore to ₹200 crore. The category of Deep-tech startup has been introduced, which allows recognition for startups for a period of twenty years while also maintaining a turnover limit of ₹300 crore.

This poses a new legal and policy question. The central question is no longer as simple as whether Section 80-IAC continues to stay at ₹100 crore as DPIIT has moved to ₹200 crore or ₹300 crore. The important question that now needs to be answered is how the old Section 80-IAC interacts with the new Section 140 and the updated DPIIT framework after April 01, 2026.

The issue is particularly important because the dedicated 80-IAC page of the Startup India portal still shows the old ₹100 crore limit and refers to the Income-tax Act, 1961, despite the new legal framework coming in. This creates an important communication and accessibility challenge for startups in trying to reconcile their current eligibility.

A. Research Problem

The legal framework regulating startup tax incentives in India has been transformed considerably in the period from 2020 to 2026. Initially, Section 80-IAC was used under the Income-tax Act, 1961, which had made the turnover threshold ₹100 crore, but the repeal of this Act and the enactment of the Income-tax Act, 2025, have now brought in Section 140.

The Finance Act, 2026, further made changes in the same context by providing for the turnover limit to be increased to ₹300 crore as per Section 140, and the same was to be applicable from 1 April 2026. Also, the DPIIT changed its startup recognition policy by putting a cap of ₹200 crore for ordinary startups and ₹300 crore for deep tech startups.

Therefore, the issue at hand is no longer a mere numerical variance between the income-tax threshold and the DPIIT threshold. The important question here is

1. The shift from Section 80-IAC to Section 140;
2. The connection between tax eligibility and DPIIT recognition;
3. the difference between regular startups and deep tech startups;
4. the function of the Inter-Ministerial Board;
5. requirements related to procedures and documentation; and
6. discrepancies between current legislation and information available on some government websites.

As a result, the study looks into whether the laws implemented since 2026 have improved accessibility to startup tax incentives.

B. Research Gap

Previous research has provided insights into the taxation of startups, tax incentives, and the Startup India ecosystem. But not much work has gone into analyzing the legal implications of the transition from Section 80-IAC to Section 140 after 2026.

This paper is focused on the following issues:

1. the implications of repeal of the Income Tax Act, 1961;
2. the new section 140 of the Income Tax Act, 2025;
3. the increased threshold of the turnover limit to ₹300 crore;
4. the DPIIT limit of ₹200 crores applicable to general startups;
5. the ₹300 crore turnover requirement applicable to deep tech startups and the required twenty-year period; and
6. the failure of the old data on certain government databases.

C. Research Questions

1. What is the present legal position of the laws regarding tax deduction for startups after Section 80-IAC of the Income Tax Act, 1961, is repealed?
2. What are the criteria for eligibility mentioned under Section 140 of the Income Tax Act, 2025?
3. What is the difference between the Section 140 framework and the DPIIT framework for startup recognition?
4. Does the difference between standard startups and deep technology startups make a difference in accessing tax benefits?
5. What administrative and procedural issues can come in the way of effectively accessing the tax benefits for startups?

D. Objectives of the Study

The objectives of the study are:

1. To study the development line of startup tax benefits through the Indian income tax law.

2. To examine the transition of Section 80-IAC to Section 140.
3. To study the current threshold of ₹ 300 crores turnover as per section 140.
4. To study the revised DPIIT framework for startup recognition.
5. To compare the DPIIT threshold of ₹ 200 crores and ₹ 300 crores with the statutory threshold of ₹ 300 crores.
6. To study the role of the Inter Ministerial Board in ascertaining tax benefits.
7. To find out procedural and accessibility hurdles.
8. To recommend measures for better clarity and harmonization.

E. Hypothesis

The shift from Section 80-IAC to Section 140 has allowed for the increase of statutory turnover limits applicable for startup tax incentives, but the varying provisions of tax law, recognition criteria by DPIIT, and administrative interpretations may still cause ambiguity and affect the accessibility of the tax incentive.

F. Research Methodology

The research involves the use of the doctrinal and analytical method of legal research.

Primary sources of data include:

1. Income Tax Act of 1961;
2. Income Tax Act of 2025;
3. Finance Act of 2020;
4. Finance Act of 2025;
5. Finance Act of 2026;
6. G.S.R. DPIIT Notification 108(E) dated 4 February 2026;
7. official documents by Startup India;
8. clarifications and other documents by the Income Tax Department; and
9. important court rulings.

Secondary sources of data include research papers and other publications in law relating to the taxation of startups as well as the policy of entrepreneurship and efficiency of fiscal incentives.

The research employs comparative legal analysis to establish the difference between the previous Section 80-IAC and the current Section 140 in regard to changes in terms of DPIIT recognition of startups.

G. Literature Review

The existing research available can be grouped into three broad categories: entrepreneurship policy, transition, startup taxation, and effectiveness of the policy.

In a study by Nagaraj, Kumar, Venumuddala, and Bhuwania published in the IIMB Management Review in 2025, suggestions have been made to improve India's entrepreneurship policy and Startup India plan. They noticed some problems, such as the limited definition of the term “entrepreneurship” and the over-reliance on the monetary incentives provided by the government. They proposed a policy that would make allowance for the peculiar nature of all entrepreneurial ventures.

In 2025, Agarwal published a paper in VISION: Journal of Indian Taxation discussing taxes imposed on startups and unicorns in India. The research covered the historical evolution of startup taxation in India, the role of the CBDT Startup Cell, and the recent changes made in the taxation policies. It emphasized the need for forms of taxation characterized by predictability and friendliness towards startups.

In their 2025 research, Verma and Dixit examined the effects of tax incentives on startup growth under the Startup India program. They found the advantages of tax incentives in lessening the burden at the startup stage and increasing the cash flow; however, bureaucratic holdups, lack of awareness, and ineligibility also pose hurdles for them.

The Tax TMI commentary, “Tax Incentives for Start-ups in India: Clause 140 of Income Tax Bill, 2025 and Comparative Analysis with Section 80IAC of Income-tax Act, 1961,” compares Section 80-IAC with the proposed Clause 140 and identifies substantial continuity in deduction periods, eligibility requirements, certification, audit, and anti-abuse provisions. It also highlights uncertainty concerning “innovation,” “scalable business model,” administrative delays, and compliance burdens.

However, the commentary was published in April 2025 and examined the proposed Clause 140. It therefore does not cover the subsequent 2026 amendment under which the current Section 140 turnover ceiling was increased to ₹300 crore.

Nandha's 2026 study on investment and startup taxation in India finds similar issues with eligibility criteria, bureaucratic procedures, and lack of awareness still outstanding, and advocates for a more user-friendly procedure through improved coordination between government agencies.

While these studies contain important contributions to the literature on startup taxation and entrepreneurship policy, there remains an opportunity for rigorous doctrinal scrutiny of the transition from Section 80-IAC to Section 140 in 2026 and its connection to the new DPIIT recognition mechanism and the differences in terms of accessibility at different turnover thresholds.

IV. EVOLUTION OF THE STARTUP TAX INCENTIVE IN INDIA

1. Introduction to Section 80-IAC

Section 80-IAC was enacted in order to provide tax incentives aimed towards selected startups. The primary aim of the new law was to allow selected startups to keep their profits during the initial stages of their functioning.

The law states that selected startups can take deductions equal to 100 percent of the profits and gains from the selected businesses for three consecutive tax assessment years and during a period of ten years subject to the applicable conditions.

2. Raising of the Limit on Turnover to ₹100 Crores

The Finance Act of 2020 changed the limit on turnover applicable to selected startups from ₹25 crores to ₹100 crores and allowed the deduction for three consecutive tax assessment years in place of the earlier requirement of ten years.

Clearly, thus, the ₹100 crore limit has become a key feature of Section 80-IAC provisions.

3. Extension of the Period for Incorporation until 2030

The Finance Act of 2025 further expanded the time frame for incorporation to include startups established before 1st April 2030.

The above shows that the government is committed to promoting startups through tax incentives.

V. SWITCHING FROM SECTION 80-IAC TO SECTION 140

The biggest change occurred in 2026.

The Income Tax Act of 2025 was enacted on April 1, 2026, replacing the Income Tax Act of 1961. The income-tax authorities have explicitly stated that the 1961 Act is repealed on April 1, 2026, although its provisions can be applied to earlier assessment years and to related proceedings with reference to provisions of transition.

Therefore, section 80-IAC should be treated as a historical provision applicable under the old regime rather than as the guiding provision relating to the new assessment years.

The equivalent provision under the current law is Section 140 of the Income Tax Act of 2025.

Section 140(1) states that there shall be allowed a deduction to the extent of 100 percent of the profit and gains accruing from qualified business for three consecutive assessment years. Section 140(2) allows the person to opt for any three consecutive years out of ten years beginning from the year of the company's formation or incorporation.

VI. CURRENT CEILING OF TURNOVER IN TERMS OF SECTION 140

Section 140 now prescribes the statutory turnover ceiling applicable to an eligible start-up for claiming the deduction under the current income-tax framework.

Current Section 140(16)(b)(ii), in its present shape, states that the first time a business carried on by the eligible startup shall not exceed ₹300 crore in the relevant assessment year.

The Consolidated Income Tax Act formally informs that the word 'one' was changed to 'three' by the Finance Act in 2026, taking effect from April 1, 2026.

Thus:

The current turnover limit in Section 140 is ₹300 crore.

The limit of ₹100 crore is no longer the statutory limit as per Section 140 for new assessment years.

That limit has, however, relevance under the previous Section 80-IAC provision relating to assessment years coming under the now repealed 1961 Act.

A. Eligibility Under Section 140

As per Section 140, an “eligible start-up” is defined as a type of business entity involved in eligible business and meeting specified requirements.

The following are the primary requirements:

- 1. Incorporation of the business:** The start-up should be incorporated on or after the date of 1st April 2016 but before the date of 1st April 2030.
- 2. Turnover of the business:** The turnover should not be more than ₹300 crore for the relevant financial year for entitlement for tax deduction.
- 3. Eligible Business:** The business should include:
 - innovation;
 - development of products;
 - development of processes;
 - development of services; or
 - business models that are scalable and employable or capable of creating wealth.
- 4. Inter-Ministerial Board Certificate:** The business shall possess an eligible business certificate from the Inter-Ministerial Board of Certification. This clarifies that mere incorporation of the entity as a start-up does not entitle it to the tax deduction.

B. The Characteristic of the Benefit Under the Section 140

The benefit allowed under Section 140 is essentially a deduction, rather than total exemption from taxation of any kind.

According to the rule, the following is permitted with respect to the deduction:

100 percent deduction of the profit and gain of the eligible business for three consecutive years.

The taxpayer is free to select the period within the period of ten years starting from the incorporation of the business.

Thus, this provision provides a significant tax credit for the profitable years and at the same time allows the startup to determine the time of the deductions.

C. Another Important Requisite Under Section 140

Several safeguards are retained in Section 140 to prevent abuse of tax incentives.

Thus, the new company should not simply do too:

1. splitting up an existing business; or
2. reconstruction of a business already in existence.

Similarly, restrictions are imposed on the transfer of previously employed machinery and other equipment with few exceptions.

Should the business transfer no more than twenty percent of used equipment and machines to the new company, the requirement shall be fulfilled.

In addition, an audit of the accounts of the business is performed for the purposes of claiming a deduction.

VII. AMENDED DPIIT STARTUP RECOGNITION FRAMEWORK, 2026

On February 4th, 2026, with the introduction of Notification G.S.R. 108(E), the DPIIT significantly changed the definition of startup.

According to the amended framework:

1. ordinary startups
2. deep tech startups

The above notification invalidated the previous 2019 version.

1. Ordinary Startup: According to the 2026 definition of startup:

- it must be founded or registered in India;
- it must be operated for a maximum of 10 years;
- its turnover must exceed ₹200 crores; and
- it must perform the work of innovation, improvement of products and services, or have a successful business model.

Furthermore, this entity must not have been established by separating or restructuring an existing organization.

A. Deep Tech Companies

The 2026 norms introduce a separate Deep Tech Company category.

An entity deemed a deep tech company may be:

1. recognized for the period of 20 years;
2. allowed a maximum turnover of ₹300 crores.

The DPIIT definition highlights aspects like

1. which involves new scientific or technological knowledge;
2. significant spending on research & development;
3. creation of new intellectual property;
4. commercialization efforts;
5. long duration of development;
6. high requirement for capital and infrastructure;
7. a lot of doubt in the technology and sciences used.

The inclusion of this category shows that deep technology companies require special treatment since they take a long time to complete research and development, testing, and commercialization processes.

VIII. COMPARISON: SECTION 140 AND DPIIT FRAMEWORK

Criteria	Old section 80 IAC	Current section 140	DPIIT ordinary startup,	DPIIT deep tech startup

Governing Framework	Income Tax Act, 1961	Income Tax Act, 2025	G.S.R.108(E), 2026	G.S.R.108(E), 2026
Current Status	Old/transitional	Current	Current	Current
Turnover Ceiling	100 crore	300 crore	200 crore	300 crore
Startup Period	10 years	10 years deduction window	10 years	20 years
Tax Deduction	100%	100%	Recognition itself is not the tax deduction	Recognition itself is not the tax deduction
Deduction Period	3 consecutive assessment years	3 consecutive tax years	-	-
Incorporation cut-off	Before 1 April 2030	Before 1 April 2030	As per DPIIT framework	As per DPIIT framework
Certification	IMB	IMB	DPIIT recognition	DPIIT recognition + the Deep Tech Assessment

The key takeaway from the comparison is that the Deep Tech threshold and the current income tax limit are set at ₹300 crore, while the normal DPIIT recognition threshold is set at ₹200 crore. The government also confirms that the DPIIT recognition threshold has been raised from ₹100 crore to ₹200 crore and that the Deep Tech threshold has been set at ₹300 crore.

IX. COMPREHENDING DPIIT RECOGNITION AND TAX PROCEDURES

It is important to know the difference between the concept of startup recognition and tax-deduction eligibility.

Being recognized by DPIIT means that the company has been established as a startup according to Startup India, although this does not mean that the company automatically obtains the entitlement to tax benefits.

The Tax Department of India itself does say that various eligibility criteria need to be satisfied before income tax deduction benefits can be claimed.

As far as Section 140 is concerned, it specifically says that an entity needs to furnish a certificate of eligible entity from Inter-Ministerial Board for claiming benefits.

Hence, it implies that ever since DPIIT recognition was granted, there has been no guarantee of entitlement for tax-deduction benefits.

A. The Crucial Question of ₹200 Crore – ₹300 Crore

The framework established in 2026 results in an intriguing regulatory nexus.

Ordinary DPIIT startup:

1. Max Turnover = ₹200 crore.
2. Deep tech DPIIT startup:
3. Max Turnover = ₹300 crore

Section 140 qualifying startup which is eligible for tax benefits based on its actual projects:

1. Max Turnover = ₹300 crore

Thus, the argument above becomes no longer legally accurate due to the subsequent clarification: Why does tax legislation restrict the startup's capability at the level of ₹100 crore while DPIIT allows ₹200 crore or ₹300 crore?

The above can be summarized as follows:

1. DPIIT ordinary startup – ₹200 crore

2. DPIIT deep tech startup – ₹300 crore
3. Section 140 qualifying startup – ₹300 crore

Thus, this is a more complicated research question. The tax law establishes a higher maximum limit compared to the regular DPIIT recognition limit. The research needs to investigate whether the actual application of Section 140 leads to circumstances when the criteria for tax eligibility surpass the criteria for the basic DPIIT recognition.

B. The Inter-Ministerial Board as a Gatekeeper

The Inter-Ministerial Board has a crucial function in determining eligibility for startup tax incentives. According to the DPIIT notification of 2026, the members of the Board include:

1. Joint Secretary, DPIIT;
2. officials of the Department of Biotechnology; and
3. officials from the Department of Technology and Science.

The Board can scrutinize applications, demand documents or information, and grant the relevant certificate when the criteria are accomplished.

The contribution of the Board shows that the tax incentive is not only based on profit or company incorporation but also on an overall evaluation of the startup's:

1. innovation;
2. business model;
3. possibility for scaling up;
4. intellectual property;
5. growing demand;
6. possibility to generate wealth;
7. supporting papers.

C. Availability of the Tax Incentive

The effectiveness of a tax incentive is determined not just by its legal status, but also by whether eligible businesses can actually use it. Various factors affect its availability.

1. Document Needed: Startups applying for the incentive may be required to provide, among others:

- the incorporation documents;
- the constitutional documents;
- details about shareholding;
- the financial statements;
- the receipts of the income tax return;
- the certifications by Chartered Accountant;
- evidence of intellectual property;
- investment information;
- information on employees;
- presentation documents for pitch and
- the documents related to innovation and scalability.

The current online application site of Startup India 80-IAC has numerous document and evaluation requirements.

2. Evaluation of Innovation: Having the tax benefit is much more than just obtaining the benefit based on income. The application has to pass through various processes based on different factors like:

- intellectual property;
- awards;
- product/service development;
- research staff;
- external financing;
- production of income;
- profit;
- employment; and
- employment in certain categories and places.

This means that the process is much more than mere tax declaration.

D. The Informational Disconnect

One of the most important revelations made by the research is that there is a disparity between the existing statute and certain information on the Startup India 80-IAC webpage.

The government Startup India webpage with the information about the 80-IAC scheme still indicates that a startup may have:

1. annual turnover of less than ₹100 crores
2. referring to Section 80-IAC of the Income Tax Act in 1961.

However, the current Income-tax Act, 2025, as amended by the Finance Act, 2026, mentions a turnover limit of ₹300 crore according to section 140.

Simultaneously, the Startup India portal confirms that the requirement for DPIIT approval has been changed to ₹200 crores and Deep Tech threshold is ₹300 crores.

This results in a serious problem concerning implementation and communicating the information. The statute is the supreme legal authority. The pages of government websites cannot abolish the statute. However, the invalid information provided in the portal may create practical difficulties for those making attempts to define whether they qualify for the benefits explained in the statute.

E. Judicial Thoughts on Tax Incentive Clauses

The Indian judiciary has consistently pointed out the necessity of analysing the object and legal conditions related to incentive clauses.

For instance, in *Bajaj Tempo Ltd. v. Commissioner of Income Tax*, (1992) 196 ITR 188 (SC), the Supreme Court held that a provision in a taxing statute “granting incentives for promoting growth and development should be construed liberally.” The above-mentioned principle is applicable to tax incentives for startups as Section 140 is aimed at promoting innovations, jobs and wealth creation.

However, one cannot apply the rule of beneficial interpretation without complying with specific legal conditions. A startup is obliged to meet the criteria set forth in

Section 140, including the turnover requirement as well as obtaining the original Inter-Ministerial Board certificate.

In conclusion, the right approach is as purposive interpretation of the incentive and strict adherence to its legal eligibility criteria.

X. FINDINGS OF RESEARCH

The research presents the following findings.

1. Finding 1: Section 80-IAC is no longer the principal provision currently

Section 80-IAC belonged to the Income Tax Act, 1961, which has stopped being valid as of 1 April 2026, but it may still be applicable to any previous taxation years and transitional procedures.

2. Finding 2: Section 140 is the current provision for tax deduction for startups

Section 140 of the Income-tax Act, 2025 has established the current statutory framework that applies.

3. Finding 3: The current prescribed upper limit of turnover is ₹300 crore

The Finance Act, 2026 has changed the previous INR 100 crore threshold into ₹300 crore from 1 April, 2026.

4. Finding 4: The DPIIT ordinary startup recognition limit is ₹200 crore

According to the DPIIT's 2026 notification, the ordinary startup recognition limit has been raised to ₹200 crore.

5. Finding 5: Deep Tech recognition has a limit of ₹300 crore

A Deep Tech Startup can be recognized with the turnover of not more than INR 300 crore for as long as 20 years.

6. Finding 6: Tax eligibility and startup recognition remain distinct concepts

The certification by the DPIIT and tax deductions are based on different legal grounds. Tax deductions require fulfilling the stipulation of the income tax legislation plus securing the approval from the IMB.

7. Finding 7: Administrative accessibility remains an issue

The continued presence of terminology like ₹100 crore and old Section 80-IAC nomenclature on the official Startup India 80-IAC website creates potential misinformation.

XI. DISCUSSION

Reforms in 2026 have brought dramatic changes in India's startup tax policies.

The previous ₹100 crore threshold indicated a narrower view of startups. The new Section 140 regime recognizes that startups can grow significantly before reaching a stage of maturity when they can access other sources of policy support, by increasing the turnover to ₹300 crore.

The new DPIIT framework recognizes that startups practically cannot develop uniformly. The fact that new Deep Tech category has been introduced is especially meaningful because research-intensive firms may take time to develop, require a lot of investments, and take years to commercialize their inventions.

Nonetheless, the existence of various thresholds necessitates meticulous legal coordination. A startup with a revenue of ₹200 crore typically qualifies for the standard DPIIT recognition rules, subject to other criteria. Besides, a Deep Tech Startup may qualify for recognition with a revenue of up to ₹300 crore.

The taxation policy uses revenue of ₹300 crore at the upper-end of the tax startup definition. Hence, it is evident that the tax policy and the startup acknowledgment rules are interrelated, although they are not perfectly aligned.

This differentiation is not necessarily a flaw. Different regulations may seek different policy aims. However, the relationship between the two systems needs to be made clear for entrepreneurs not to make the assumption that acknowledgment automatically leads to tax qualification.

XII. POLICY SUGGESTIONS

1. Immediate updates to government websites: All webpages concerning Startup India and the tax needs to be updated to:

- repeal of the Income Tax Act, 1961;

- Section 140 of the Income Tax Act, 2025;
- ₹300 crore current statutory turnover ceiling; and
- terms as per the new tax year.

This will minimize the confusion among applicants.

2. **Harmonised guidelines:** DPIIT and the Income Tax Department will provide a unified guideline which will detail: **DPIIT recognition→ tax eligibility→ IMB certificate→ tax deduction.**

This document will ease the legal procedure of understanding startup companies.

3. **Clarification of recognition and tax eligibility:** Governments should clarify through their website that: "DPIIT recognition as such does not imply a right to a tax deduction under Section 140." This will prevent startups from mixing recognition and tax eligibility.
4. **Simplifying the paperwork:** The government should explore the possibility of collecting information that is already available through:
 - MCA;
 - GST;
 - Income Tax Department;
 - DPIIT; and
 - other official registers.

Repeated submission of information already held by government departments should be minimised.

5. **Attention to Deep Tech:** The special processing of Deep Tech category should happen primarily because the specific nature of their innovation may not necessarily justify itself through traditional evaluation of revenues.
6. **Regular Exams of Turnover Levels:** The turnover amount should be checked periodically against the list of factors such as:
 - inflation,
 - valuation in the market,
 - growth in sectors,

- tech advancement, and
- competition in international markets.

XIII. CONCLUSION

Tax deduction initiative in India for start-ups underwent a serious overhaul in 2026. The earlier 80-IAC provision of the Income-tax Act of 1961 with the turnover capacity of ₹100 crores has been in existence in the old taxation regime and is valid only for the periods of taxation under the Act.

For the period of taxation covered by the Income-tax Act of 2025, the provision comparable to this is Section 140, which envisages a 100% exemption of profits from the eligible business for three tax years out of the total of ten. One of the most important things is that the Finance Act of 2026 increased the turnover limit up to ₹300 crores, starting from 1 April 2026.

An amendment has been made to the DPIIT system at the same time. Ordinary start-ups are now subject to a turnover limit of ₹200 crores, while recognised Deep Tech Start-ups can achieve a turnover of ₹300 crores but still stay in the recognition system for up to 20 years.

So, the earlier point that the income-tax law remains at ₹100 crores while DPIIT has gone to ₹200 crores or ₹300 crores is not true anymore. It is important to note that the main legal problem is the relationship of the ₹300 crore tax threshold of Section 140, ₹200 crore usual DPIIT recognition threshold and ₹300 crore Deep Tech standard.

The study additionally finds out that accessibility cannot only be determined by the legislative availability of the deduction but that administrative requirements, certification of the Inter-Ministerial Board, documentary burdens and clarity of government guidance, strongly determine the success of using the incentive by the start-ups. The appearance of the ₹100 crores framework of Section 80-IAC on the Startup India 80-IAC website demonstrates that there is need for administrative updates including regulatory communication.

Whether Section 140 will be effective will depend, among other factors, not only on raising the statutory threshold, but also on the Government's capacity to provide

clarity, alignment, procedural simplicity and effective communication between tax authorities and the DPIIT startup-recognition process.

XIV. RESEARCH CONTRIBUTION

The most significant contribution of this paper lies in reassessing the taxation of start-ups after the new legislation comes into force in 2026 instead of relying on the previous Section 80-IAC framework.

The paper makes its contribution to the subject in the following ways:

1. distinguishing the previous Section 80-IAC system from the current Section 140 system;
2. recognizing a new statutory threshold of ₹300 crore;
3. analysing the amended DPIIT threshold of ₹200 crore;
4. assessing the Deep Tech category with a new threshold of ₹300 crore;
5. distinguishing DPIIT recognition from the nature of tax incentives; defining the role of Inter-Ministerial Board;
6. and highlighting the accessibility problems created by inconsistent administrative information.

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