

Start up units likely to get complete tax exemption

Finance minister P Chidambaram in his forthcoming budget is likely to give complete income tax (I-T) exemption for five years to micro and small enterprises (MSE) units, established by first generation entrepreneurs, considering the sector's 19% growth compared with 0.6% of the large enterprises

At present, no such exemption is available to encourage small entrepreneurs, except some provisions to claim exemptions under the I-T Act in some specified zones. It is expected that this exemption will be announced to encourage engineering and management graduates into entrepreneurship and self-employment.

A similar tax exemption to the tune of 200% is expected if a micro, small and medium enterprise (MSME) makes payment to any research organisation or laboratory like Indian Institutes of Technology or Council for Scientific Research or government engineering colleges, as a part of its investment.

At present deduction is provided under the section 35 of I-T Act on payment made to certain notified institutions at 175% to assesseees.

"The exemption may be extended to 200% in order to encourage MSME sector to invest in innovations and research," a government source said.

The budget may also announce a 'self-certification mechanism,' similar to self-filing of income tax returns, to make it easier for MSMEs to comply with various regulations.

"It may be something like filing of I-T returns by a taxpayer himself, as getting approvals and compliances have been a bottleneck for new entrepreneurs," a source said.

The Prime Minister's Task Force had also recommended the same.

The MSMEs may also expect to get I-T exemption to the extent of investments for attaining energy efficiency and adopting to clean technologies in their units.

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