

Startup Amendment Notification



The Department for Promotion of Industry and Internal Trade (DPIIT) has issued notification G.S.R. 108(E) dated 4th February 2026, superseding the earlier 2019 Startup recognition framework. This notification introduces significant reforms to the Startup landscape, most notably through the formal introduction of the “Deep Tech Startups”. The revised framework reflects the focus on innovation led growth, IP creation and capital discipline. Below is the summary of the key changes.

Expanded Definition of a Startup

A “Startup” means an entity that meets the following conditions:

1. It is registered in India as:

- a private limited company under the Companies Act, 2013, or
- a partnership firm under the Partnership Act, 1932, or
- a limited liability partnership under the Limited Liability Partnership Act, 2008, or
- a Multi-State Cooperative Society under the Multi-State Cooperative Societies Act, 2002, or
- a Cooperative Society registered under any State or Union Territory Cooperative Societies Law in India.

2. It is not more than 10 years from the date of its incorporation or registration.

3. Its turnover has not exceeded Rs. 200 crores in any financial year since incorporation or registration.

It is working on innovation, development or improvement of products, processes or services, or operates a scalable business model with high potential for employment generation or wealth creation.

The inclusion of cooperative societies and increased threshold limits are notable changes.

Introduction of Deep Tech Startups

A “Deep Tech Startup”, means a Startup that, in addition to the general Startup criteria, has the following features:

1. That works on creating solution based on new scientific or engineering Knowledge, or advancements in one or more disciplines, which is still under development or in the process of being developed.
2. It spends a significant portion of its revenue or funding on research and development (R&D) activities.
3. It owns or is in the process of creating significant novel intellectual property (IP) and is taking steps to commercialize it.
4. It has a long development period, requires high capital and infrastructure investment and involves high technical or scientific risk and uncertainty.

For the purpose of this notification, a Deep Tech Startup will be treated as a Startup, and wherever the term Startup is used, it will include a Deep Tech Startup, unless specifically stated otherwise.

The decision on whether an entity qualifies as a Deep Tech Startup will be made by the DPIIT based on the prescribed framework, parameters, and guidelines, and on the documents and information submitted by the applicant in the manner specified by the DPIIT. The process for obtaining DPIIT recognition remains online through the Startup India portal. However, the new framework mandates a stricter evaluation process, including scrutiny of the startup's innovative aspects and potential for scalability. Startups applying for recognition must now provide detailed information on their technology, market opportunity, and business plan. The updated guidelines emphasize the importance of accurate and verifiable information during the application process.

Specific guidelines for the evaluation are awaited. We do hope that the approval process is not subjected to bureaucratic rigmarole and is objective and transparent, ensuring quick turnaround.

Special Provisions for Deep Tech Startups

Entities recognized as Deep Tech Startups benefit from the following thresholds:

1. The validity of startup registration increased to 20 years from incorporation.
2. The turnover limit shall not be more than Rs. 300 crores in any financial year.

Further an entity formed by splitting or reconstructing an existing business will not qualify as a Startup.

Recognition Process

An eligible entity can apply for recognition as a Startup through the online portal set up by DPIIT as under:

1. Application Requirements:

The entity must submit –

- a copy of Certificate of Incorporation or Registration.

- a brief write-up explaining the nature of its business and highlighting how it is working towards innovation, development or improvement of products or processes or services, or how it has potential for employment generation or wealth creation.
- If applying as 'Deep Tech Startup', it must also submit additional documents and information as may be specified in the online application portal to prove that it meets the required Deep Tech criteria.

2. Decision by DPIIT:

DPIIT may, after requesting any additional documents or information and making necessary enquiries, either:

- approve and recognise the entity as a Startup, including Deep Tech Startup, as applicable; or
- reject the application by providing reasons.

Certification under Section 80-IAC

A Startup, including a Deep Tech Startup that is incorporated as a private limited company or limited liability partnership and which fulfils the conditions specified in sub-clause (i) and sub-clause (ii) of the Explanation to section 80-IAC of the Income Tax Act 1961, may apply in Form-1 along with prescribed documents to the Inter Ministerial Board for obtaining the required certificate.

The Board may, after calling for additional documents or information and making necessary enquiries, either grant the certificate under Section 80-IAC or reject the application by stating the reasons.

A Startup is required to submit the application through the portal set-up by DPIIT.

Conditions for Fund Utilization

A Startup, including a Deep Tech Startup, must use its funds mainly for its core business activities, innovation, research and development, scaling, or day-to-day operations. It should not invest in unrelated activities, except when such activities are part of its regular business.

During the period of recognition, a Startup, including a Deep Tech Startup shall not invest in the following, unless such investment is directly connected to its core business operations:

- Residential property, unless it is used for Startup's own business or held as stock-in-trade.
- Any land or building other than residential property, unless it is used for business purposes or held as stock-in-trade in the ordinary course of business.
- Loans or advances, unless lending is a substantial part of the Startup's business or such loans or advances are given in the ordinary course of business.

- iv. Capital contribution to other entities, unless it is directly related to the Startup's business or strategic objectives.
- v. Investment in shares and securities, unless the investment is part of treasury management or forms part of the Startup's core business.
- vi. High-value vehicles such as motor vehicles, aircraft, yachts or other mode of transport, unless they are used for business operations, leasing, hiring or stock-in-trade purposes.
- vii. Jewelry or luxury assets, unless they are held as stock-in-trade in the ordinary course of business.
- viii. any other asset or activity of a speculative or non-productive nature, as may be notified by the Central Government.

This is a welcome move to ensure there is no misuse of funds by the startups. These conditions may have been introduced based on reported misuse by some startups and their founders.

Revocation

If a certification under Section 80-IAC is found to have been obtained through false or incorrect information, the Inter-Ministerial Board has the right to revoke it. Once revoked, the certificate will be treated as if it was never issued.

Conclusion

DPIIT's revised Startup recognition framework, effective from February 2026, brings significant changes aimed at fostering a more robust and innovative startup ecosystem. By expanding the definition of a startup, introducing special provisions for Deep Tech startups, and strengthening the monitoring and compliance mechanisms, the framework seeks to promote genuine innovation and sustainable growth in the Indian startup landscape. Startups need to carefully review the updated guidelines and ensure compliance to avail of the benefits and avoid potential penalties.

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