

Angel tax: CBDT notifies revised norms for start-ups

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The Central Board of Direct Taxes (CBDT) has brought the 'angel tax' exemption provisions in sync with the new revised regime put in place by the Department for Promotion of Industry and Internal Trade (DPIIT) from February 19.

Accordingly, capital received by start-ups upon satisfaction of the conditions prescribed by DPIIT's February 19 notification will not be chargeable to tax under Section 56(2)(viib)—popularly referred to as angel tax provision, the CBDT said.

It may be recalled that the Government had on February 19, through DPIIT, put in place a new regime that waived an earlier requirement to obtain approval for availing 'angel tax' exemption.

This was done as part of Government's efforts to remove barriers encountered by start-

This notification does not make any new changes addressing the woes of start-ups, said an expert.

To effectively implement the new DPIIT regime, the CBDT has now superseded the notification it issued in May 2018 and issued a fresh one on Tuesday.

Experts' take

Tax experts, however, highlighted that the latest CBDT move does not address the woes of those start-ups that are already faced with the taxman's demands for 'angel tax' (cases prior to February 2019).

Rakesh Nangia, Managing Partner, Nangia Advisors (Andersen Global), said the CBDT latest move is just a procedural notification that was required to be issued to put in place the mechanics for claiming benefits given to start-ups

vide DPIIT notification dated February 19.

"This notification (CBDT) does not make any new changes addressing the woes of start-ups," he said.

Aseem Chawla, Managing Partner, ASC Legal, a law firm, said the instant notification recognised the guidance issued by DPIIT on February 19.

"It remains to be seen at the assessment level how the February 19 guidance is interpreted by the tax department in implementing the same in its true spirit and object to grant the reprieve sought," Chawla said.

Sreejith, founder of True Elements, said the CBDT notification does not give a blanket exemption for start-ups.

But gives a hope, because of the retrospective line that one can use at the appeal stage and get an exemption, he said. "A blanket exemption could have solved time and efforts for the department and us," he said.

CBDT notifies relaxed norms for start-ups

New Delhi: The income tax (I-T) department has notified the modified norms for start-ups to enable them to seek 'angel tax' exemption for investments of up to Rs 25 crore.

The modified norms, which are aimed at encouraging budding entrepreneurs, will be effective retrospectively from February 19, when the Department for Promotion of Industry and Internal Trade (DPIIT) relaxed the norms for start-ups.

The DPIIT, under the commerce and industry ministry, on February 19 raised the investment limit for 'angel tax' exemption to Rs 25 crore and extended the period of availing benefits to 10 years for start-ups.

Earlier, the investment limit for a start-up to seek exemption under Section 56(2)(viib) of Income Tax Act, 1961, was Rs 10 crore and they were permitted to avail the benefits only for seven years.

The notification issued by the Central Board of Direct Taxes (CBDT) "shall be deemed to have come into force retrospectively from February 19, 2019", the I-T department said.

Nangia Advisors (Andersen Global) managing partner Rakesh Nangia said this is just a procedural notification which the CBDT was required to issue to put in place the mechanism for claiming benefit given to start-ups vide DPIIT notification dated February 19, 2019.

To avail the exemption, a start-up will be required to submit a self-declaration about the use of the raised amount to the DPIIT. The decision by the DPIIT came after several start-ups said they have received angel tax notices, impacting their businesses. Such notices, sent under Section 56(2)(viib) of the Income Tax Act, demanded taxes on angel funds received by start-ups. Where tax demands have been raised, the CBDT has asked the field formations to expeditiously clear them. —PTI

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