

11:40 AM | 17 JAN **LIVE**  
**MARKET STATS** ▼सेंसेक्स  
**36,393** ▲ 72.58निफ्टी 50  
**10,912** ▲ 22.50सोना (एमसीएक्स) (□/10 ...  
**32,336.00** ▲ 50.00यूएसडी/भारतीय ...  
**71.32** ▲ 0.08पोर्टफोलियो  
बनाएंई-टी मार्केट एप  
डाउनलोड करेंCHOOSE  
LANGUAGE  
HIN**50**  
HOT

## Startups to watch out for in 2017

**ET SmallBiz**  
— www.etsmallbiz.com —

# Startups may soon get shield against angel tax demons

BY DEEPSHIKHA SIKARWAR, ET BUREAU | JAN 16, 2019, 06:41 AM IST

Post a Comment

NEW DELHI: India is likely to soon announce concessions to shield startups from the so-called 'angel tax', including relief from levies on past investments as well.

The changes will be made to conditions specified for benefits under Section 56(2)(vii)(b) of the Income Tax Act, 1961, to remove any ambiguity and allow exemption for past as well as proposed investments that do not exceed Rs 10 crore, including paid-up share capital and premiums. The need for an inter-ministerial group to approve exemptions may also be scrapped on investments up to Rs 10 crore.

"Changes are being finalised... notification will be issued shortly," a senior government official told ET. This will provide relief to startups that have already received tax demands.



A number of startups got income tax notices after showing up under Computer Aided Scrutiny Selection (CASS).

**Big Change:**  
The end of Five-Year Plans: All you need to know

## Rescue Act

Startups to get breather from angel tax

Conditions to be relaxed for angel investors also

New regime to cover past investments as well

DIPP, CBDT in discussion on new changes

Conditions under Section 56(2)(vii)(b) of the I-T act to be changed to end uncertainty



### TRIGGER

Tax authorities had served notices to startups

Tax levied on share premium received in excess of fair value

This was due to a 2012 tax amendment to prevent money laundering

**Angel tax** is applicable on capital raised by unlisted companies from any entity against an issue of **shares** in excess of fair market value. The Department of Industrial Policy and Promotion (DIPP) and the Central Board of Direct Taxes (CBDT) are in discussion over the changes to the startup taxation regime.

Exemption terms for angel investors are also likely to be relaxed. As against the current condition of average returned income of Rs 25 lakh for the past three years and net worth of Rs 2 crore on the last day of the last financial year, it is likely to require only that the investor should have returned income of Rs 50 lakh or more in the last preceding financial year.

A number of startups got income tax notices after showing up under Computer Aided Scrutiny Selection (CASS). The authorities sought to levy tax and in some cases even penalties on the funding received by some early-stage startups.



क्या आप गंजे हो रहे हैं? यह आयुर्वेदिक नुस्खा आपकी मदद करेगा

Nutralife



आपनी कंपनी का रजिस्ट्रेशन करे सिर्फ १० दिनों में !

TJ

Recommended By Colombia

“It’s critical to provide a carveout or an exemption to startups which have raised funding from credible sources. The provision which is troubling them is an anti-abuse provision which ideally should not apply to such startups,” said Amit Maheshwari, partner, Ashok Maheshwary & Associates LLP. Commerce minister [Suresh Prabhu](#) had taken up the issue with the finance minister after which CBDT directed tax officials not to pursue coercive action till the issue was fully re-examined.

Under Section 56(2) of the Income Tax Act where a closely held company issues its shares at a price more than its fair market value, the amount received in excess of the fair value will be taxed as income from other sources. This section, touted as an anti-abuse measure, was introduced by former finance minister [Pranab Mukherjee](#) in 2012.

Startups approved by an inter-ministerial group do not face the tax. The DIPP had in 2016 launched the [Startup India](#) policy to build a strong ecosystem for nurturing innovation and entrepreneurship. Startups also enjoy income tax benefit for three out of seven consecutive assessment years. A number of sops were unveiled by the government, but the notices have rattled the sector.

Stay on top of business news with The Economic Times App. [Download it Now!](#)

Powered by	Live Market	Industry	About Us
	News	Newsletters	Subscribe to ET Prime
	Portfolio	Commodities	Book your Newspaper Subscription
	Mobile	Speed	Create Your Own Ad
	Live TV	Blogs	Advertise with Us
	Biz Listings	RSS	Terms of Use & Grievance Redressal
			Privacy policy
			Contact Us

FOLLOW US	Download it from	Download it from	Download it from
	APP STORE	GOOGLE PLAY	Windows Store

#### Other Times Group news sites

[इकनॉमिक टाइम्स](#) | [ઇકોનોમિક ટાઇમ્સ](#) | [Pune Mirror](#) | [Bangalore Mirror](#) | [Ahmedabad Mirror](#) | [ItsMyAscent](#) | [Education Times](#) | [Brand Capital](#) | [Mumbai Mirror](#) | [Times Now](#) | [Indiatimes](#) | [नवभारत टाइम्स](#) | [महाराष्ट्र टाइम्स](#) | [ವಿಜಯ ಕರ್ನಾಟಕ](#) | [Go Green](#) | [AdAge India](#) | [Eisamay](#) | [IGN India](#) | [NavGujarat Samay](#) | [Times of India](#) | [Samayam Tamil](#) | [Samayam Telugu](#) | [Miss Kyra](#) | [Bombay Times](#) | [Filmipop](#) | [Games App](#) | [MX Player](#)

#### Living and Entertainment

[Timescity](#) | [iDiva](#) | [Entertainment](#) | [Zoom](#) | [Healthmeup](#) | [Luxpresso](#) | [Gadget Reviews](#) | [Titanium & Platinum Credit Card](#) | [Online Songs](#) | [MensXP](#) | [Hotels](#) | [Travel Destinations](#) | [Cricbuzz](#) | [Recipes](#) | [Gaana](#) | [Happytrips](#) | [Getsmartapp](#)

#### Interest Network

[itimes](#)

#### Hot on the Web

[Stock market crash](#) | [GST](#) | [Rupee](#) | [Aadhaar Card](#) | [Delhi News](#) | [RBI](#) | [Mumbai News](#) | [How to save Income Tax](#) | [Sensex Today](#) | [Nifty Bank](#) | [Budget 2019](#) | [Income Tax Calculator](#)

#### Services

[Book print ads](#) | [Online shopping](#) | [Matrimonial](#) | [Astrology](#) | [Jobs](#) | [Tech Community](#) | [Property](#) | [Buy car](#) | [Bikes in India](#) | [Free Classifieds](#) | [Send money to India](#) | [Used Cars](#) | [Restaurants in Delhi](#) | [Remit to India](#) | [Buy Mobiles](#) | [Listen Songs](#) | [News](#) | [TimesMobile](#) | [Real Estate Developers](#) | [Restaurant Deals in Delhi](#) | [Car Insurance](#) | [Gadgets Now](#) | [Free Business Listings](#) | [CouponDunia](#) | [Remit2India](#) | [Techradar](#) | [AliveAR](#) | [Getsmartapp App](#) | [ETMoney Finance App](#) | [Feedback](#) | [Auto](#) | [Longwalks App](#)

## In Case You Missed It

[Top Startups](#)

[GST audit](#)

[Amazon Flipkart Sale](#)

[GST Council](#)

[Entrepreneurship](#)

[Startups](#)

[MSME](#)

[Foreign Investment](#)

[GST annual return](#)

[Small Biz Money](#)

[GST](#)

[Corporate tax rate](#)