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New Procedure for Pending Angel Tax Cases

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In a move to **ease scrutiny of startups** over the capital they have received from **angel investors**, **Central Board of Direct Taxes (CBDT)** has recently laid out a procedure to address **pending angel tax assessments**.

The procedure has followed the announcement made by the Finance Minister in **Budget 2019-20**. The Finance Minister proposed a host of incentives, including a **special arrangement** for **resolution** of pending assessments of income tax cases, with a view to **encouraging startups**.

New Procedure

No verification will be done by an assessing officer if a startup has been recognised by the **Department for Promotion of Industry and Internal Trade (DPIIT)** and the case is selected under **limited scrutiny**.

- In case the startup has not received DPIIT approval, officers are only allowed to carry out any inquiry or verification only after obtaining **approval of his/her supervisory officer**.
- In the event that a startup is recognised by DPIIT, but the assessing officers are scrutinising it for **multiple issues**, the officials cannot pursue scrutiny under an **anti-evasion provision** of the Income Tax Act, 1961, in its assessment proceedings.

Section 56(2)(vii)(b) of the Income Tax Act, 1961 deals with the taxation of share premiums received in excess of the fair market value and has been used in the past to serve demand notices to startups over the angel capital they have raised.

The applicability of **angel tax** would not be pursued during the assessment proceedings and inquiry or verification with regard to other issues in such cases shall be carried out by the assessing officer **only after obtaining approval of his/her supervisory officer**.

Steps Taken by Indian Government Against Tax terrorism

- In order to reduce the long pending grievances of taxpayers and to minimise litigations pertaining to tax matters, Government of India in July 2018, has decided to increase the threshold monetary limits for filing Departmental Appeals at various levels.
- **Goods and Services Tax** has been introduced.
- **Insolvency and Bankruptcy Code** has been implemented.
- **“Kardaata e-Sahyog Abhiyaan”** has been launched by CBDT etc.

Source: IE