THE PERILS OF ANGEL TAX

and its effects on Startup Ecosystem in India

LEARN ABOUT HOW TO GET STARTUP RECOGNIZED UNDER STARTUP INDIA SCHEME

BY CA MEHUL SHAH

CONTENTS

PREFACE

The Indian Income Tax Act came into existence in 1961 and the Companies Act was enacted in 1956 and it took Government more than 55 long years to make necessary amendments in the Acts to trace the tax evaders who were using a sophisticated modus operandi to convert their black money into accounted money by introduction of Bogus Share Application money. The generation of black money in any economy is a Taxman’s biggest nightmare. Amongst several attacks against such laundering of unaccounted money, one of the most important measure was the introduction of Section 56(2)(viib) in Income Tax Act 1961, which creates a deeming fiction and which provides that the excess amount received by Private Limited Company over and above the Fair Market Value of the shares would be deemed as gift liable to tax in the hands of Company. However this was the same year when the Indian Startup Ecosystem started flourishing and the Startup companies actually and genuinely received accounted investments over and above their present book value of shares based on future estimated earnings and other intangibles like goodwill and brand value from Angel Investors.

While the Government took measures to curb the introduction of Black money, there were Startups who were fastened with tax liability on genuine raise of capital through Angel Investors and hence the word “Angel Tax” was coined.

The present Paper on The perils of Angel Tax talks about the journey of Angel Tax and various measures taken by Government to distinguish the good and the evil and its effect on the Startup ecosystem.

INTRODUCTION

Background of pre-Angel tax era

The provisions of the Income Tax Act, 1961, envisages in its ambit various provisions that aim to prevent the flow of black money and to prevent this illicit money from escaping the clutches of taxation. Amongst these set of anti-tax evasive provisions, one such Section 68 seeks to place surveillance on the credits received by an assessee in its books of account. This section places a tri-onus on the assessee, by placing a requirement of proving the identity, credit worthiness of the remitter and the genuineness of the transaction so that the taxpayer cannot introduce his black money in its books of accounts in the garb of bogus loan or bogus share application money.

Though Section 68 was wide enough to cover every type and form of accommodation entry, however, many assessee's bypassed the provisions of Section 68 by making use of loopholes in law and through reliance on many judicial precedents which provided immunity to the assessee.

Modus operandi used by tax evaders to introduce Black money in books of accounts

The modus operandi to introduce black money into accounted money in a nutshell was to deposit unaccounted cash in the bank account of shell company and through the use of multiple bank accounts and passing through several layers of other group shell companies, the money was ultimately transferred to the beneficiary assessee company in form of share application money through banking channel. On being confronted during income tax scrutiny, the assessee company would produce the PAN,ITR, bank statement and Company Law Returns of its bogus share applicants and save itself from the glitches of Section 68. If Income Officer is not satisfied with the details, on further litigation, the case would travel to Commissioner of Income Tax(Appeals) and further to Income Tax Appellate Tribunal and there is likely possibility that ruling is passed in favour of the assessee on the footing that the Taxpayer Company cannot be expected to prove the source in the hands of share applicant. Thus, owing to the interpretations laid down in certain judicial precedents, assesses were able to find an escape route from the rigors of Section 68.

Reference is important to one such decision of Supreme Court in case of **CIT v. Lovely Exports Pvt. Ltd. [2008] 299 ITR 268 (SC) wherein it was held that** *"The assessee-company had furnished the necessary details such as PAN No., Income-tax ward no., ration card of the share applicants and some of them were assessed to tax. The monies were received through banking channels. In some cases, affidavits/confirmations of the share applicants containing the above information were filed. It was held that if the share application money is received by the assessee-company from alleged bogus shareholders, whose names are given to the AO, then the Department is free to proceed to reopen their individual cases. It was also held that even if the share capital was bogus the addition should be made in the hands of share applicants and not the assessee-company"*

The Income Tax Department were in a fix because they know that there is no use of taking any action in the hands of bogus share applicants because they were either shell companies with no real assets or man of no means in case of individual share applicants and hence no tax could be recovered out of them. But after more than 50 years of enactment of Income Tax Act, our Government realized a ***Catch*** in this modus operandi of illicitly converting black money into accounted money.

The Catch

"A tax-evasive promoter of a Company who would wish to introduce unaccounted money into his books would take care of all documentary evidences through the involvement of agents managing shell companies to save itself from the glitches of Section 68 however still he would try to issue the least number of shares of his Company to these bogus share applicants in lieu of share application money. This is because at the back of his mind, there is always a fear of losing control over the company as a majority shareholder and director and to maintain that control over his hard earned company and issuing least possible shares to shell company, the shares would compulsorily be issued at high premium"

Accordingly, with Finance Act, 2012, the Government of India introduced clause (viib) in Section 56(2) as a deeming provision to tax premium in order to catch hold of these tax offenders. With this clause, the Act brought into its ambit all those situations where a company, not being a company in which the public are substantially interested, received, from any resident, any consideration for issue of shares, where the issue price of shares exceeded the fair value such shares.

CHAPTER 2

UNDERSTANDING THE ANGEL TAX AND ITS IMPACT ON STARTUP ECOSYSTEM

****

The bare portion of Section 56(2)(viib)

The Finance Act, 2012 introduced sub-section (*viib*) in section 56(2) of the Income-tax Act, 1961 (Act) w.e.f. 1-4-2013 which provides for treating 'income from other sources', the premium received by a Company in which public is not substantially interested, over and above the fair market value of the shares on their transfer. The provision referred reads thus:

> "…….the following incomes shall be chargeable to income-tax under the head "income from other sources", namely,
>
> ***
>
> (*viib*) Where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares:
>
> Provided that this clause shall not apply where the consideration for issue of shares is received—
>
> (i) by a venture capital undertaking from a venture capital company or a venture capital fund; or
>
> (ii) by a company from a class or classes of persons as may be notified by the Central Government in this behalf,
>
> *Explanation,*-For the purposes of this clause, -
>
> *(a)* the fair market value of the shares shall be the value-
>
> *(i)* as may be determined in accordance with such method as may be prescribed; or
>
> *(ii)* as may be substantiated by the company to the satisfaction of the Assessing Officer, based on the value, on the date of issue of shares, of its assets, including intangible

assets being goodwill, know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature,

whichever is higher;

(iii) "venture capital company", "venture capital fund" and "venture capital undertaking" shall have the meanings respectively assigned to them in clause (*a*), clause (*b*) and clause (*c*) of Explanation to clause (*23FB*) of section 10;"

This provision is being referred to in common parlance as 'angel' tax

Contents of this provision in simple terms

The clause provides that where a closely held company issues shares to a resident, for amount received in excess of the fair market value of the shares, it will be deemed to be the income of the company under the head "income from other sources".

Section 56(2)(viib) is an anti-abuse provision drafted to overcome the dumping of cash funds in otherwise less valued private companies by any resident taxpayer. Where the sale consideration received by a private company exceeds the Fair Market Value ('FMV') of such company, a tax (is imposed on the difference between the two, taxed in the hands of receiver-private company. The FMV of such private company is required to be computed in accordance with valuation rule 11UA (2).

The Rule 11UA(2) provides two methods of valuation, i.e., Net Asset Value Method and the fair market value determined by the merchant banker as per the Discounted Free Cash Flow method. Earlier, the Chartered Accountant was also allowed to determine the FMV using the Discounted Free Cash Flow method. However, after the amendment by the Income-tax (Sixth Amendment) Rules, 2018, w.e.f. 24-5-2018, only merchant banker can determine the FMV.

How Section 56(2)(viib) came to be known as "Angel Tax" and its impact on Startups

There is no authentic record to show how this tax acquired this name for common parlance. With the rationale of ensuring that the excessive amount received as share premium does not escape taxation in the guise of accommodation entry and also, to prevent generation and circulation of unaccounted money, the objective behind introduction of this section was noble.

Brought in with fair intention, the section sought to introduce itself as a "measure to prevent generation and circulation of unaccounted money". However, the section had a far reaching impact, adversely affecting the genuine companies as well. Since this section did not provide any basis or means of distinguishing the **bonafide from the malafide**, a contra-effect was observed by the start-ups, which, even as on date, places an excessive reliance on the funding received from liquidating the share capital.

It is essential to state that the start-ups commanded a huge premium over its fair value, owing to the intangible ideas, patents, trademarks, etc, further clubbed with the prospective sales and growth potential in the business models of the start-ups. The receipt of this premium was against the provisions of Sec 56(2)(viib), hence, the start-ups were the most affected by this section. Since the funding received by the start-ups was known as "Angel Investment", the tax charged with the introduction of this section came to be known as "Angel Tax".

The rise of voice against Angel tax and demand for relaxation in norms for exemption for Startups

The above provision had a draconian impact on angel investments in startups ecosystem and sent shivers down the entire ecosystem.

With the introduction and applicability of Sec.56(2)(viib), many start-ups started receiving income tax notices, with the authorities vouching to verify the veracity of capital infused by them. Essentially, the capital introduced in these start-ups demanded a huge premium, which was on account of the ideas, innovation or prospects, and their proposed execution by these entities. This dependency of start-ups, on equity, was also accruing to the fact that obtaining funding though loans was unattractive, mainly due to the requirement of securities and the interest rate constraints. However, since this section provided a blanket applicability to a closely held company [company in which public is not substantially interested], without laying any distinguishing factor between the genuine from the bogus, the start-ups faced a mammoth challenge tackling the assessing authorities with plethora of explanations and details.

In order to get the issue resolved, Start-ups prompted Commerce and Industry Ministry, which is the administrator of the Startup India initiative, to take up the matter with the Ministry of Finance and to ensure issuance of necessary instructions on section 56(2)(viib), with a specific intent to safeguard the start-ups.

Resultantly, the “Startup” Companies recognized by DIPP and granted “Certificate of Recognition” were exempted from the clutches of Section 56(2)(viib) provided that they were given a further “Certificate of Eligibility for tax benefits” by Inter-ministerial Board (IMB)

Also vide Finance Act 2016, section 80IAC was introduced providing for full tax exemption for three years in a block of 5 years on profits earned by start-ups that are incorporated on or after April 01, 2016 and are further approved by Department of Industrial Policy and Promotion

(DIPP). Though the initiative seemed incentivizing, yet the results are far from achieving the desired incentives for start-ups because the Startup Application of DIPP recognized Startups were forwarded to Inter-Ministerial board for seeking approval for being eligible as a 'start-up' for tax benefits under Section 80IAC and Section 56(2)(viib).

Thus a common "Certificate of eligibility" from Inter-Ministerial board (IMB) was required for eligibility to take benefit of Section 80IAC and exemption from section 56(2)(viib) in addition of being recognized as Startup by DIPP. However, since the introduction of approval scheme, only a handful of start-ups have been able to achieve that certificate. The meetings of Inter-ministerial Board comprising of various members were held at a long average interval of one month and the minutes of the meeting were uploaded on "Startup India" website wherein in a span of 2-3 hours, it could be seen that the bureaucrats could analyze voluminous Startup ideas and would reject 200+ Innovations as non eligible for tax benefits including angel tax exemption. As per status report published by Startup India in November 2018, only 90 Companies have been granted the eligibility certificate of tax exemption out of 14000+ Startups recognized by DIPP. Though the concerns of the Government were legit, there was an uproar of anger amongst the Startups of India as to how one Department of Central Government (DIPP) would consider a Startup idea as innovative and grant Startup Recognition certificate and another Department of the same Government would reject the Startup considering it as non-innovative and non-eligible for tax benefit!

Subsequent developments

DIPP issued its Notification dated April 2018 for providing tax benefit to eligible start-ups wherein the method to obtain tax benefit under provisions of Section 80IAC and Section 56(2)(viib) were split into two separate forms viz Form 1 and Form 2 respectively. It was envisaged that the purpose of having separate Form 2 would be make the process of exemption from Section 56(2)(viib) more lenient while keeping the approval for 80IAC strict as earlier . However, Several conditions were cited for filing Form 2 including the aggregate amount of paid-up share capital of the applicant-start-up after proposed issue of shares should not exceed 10 crores, the average returned income of the investor should be 25 lakhs or more in preceding 3 years and the net worth should be 2 crores in preceding year. Further, a valuation certificate from merchant banker specifying the fair market value was required to be filed in Form 2. This made the process for Startups cumbersome because the investors would like to keep the income data confidential and were not comfortable to share the same with a Startup founder and the process also proved to be a costly affair because of exorbitantly high fees charged by Merchant Bankers for Valuation report.

Thereafter, DIPP issued another Notification dated January 16, 2019 wherein the preconditions of filing Form 2 was further tweaked wherein the limit of last year’s returned income of investor has been enhanced from 25 lakhs to 50 lakhs combined with the requirement of net worth of 2 crores. The requirement of merchant banker’s valuation report was doneaway with and it was decided that the application received by DIPP shall be forwarded to CBDT which will grant or decline approval within 45 days of receipt of such application.

However, the above measures did little help to the Startup fraternity. The issues pertaining to the Angel Taxation got escalated and snowballed into a major controversy when Travel Khana and Baby Go Go saw large sums of money being taken out of their bank accounts by the tax authorities. The management of Travel Khana was baffled when the bank account was depleted by Rs 33 lakh on account of tax remittance and to further compound the problem Travel Khana's account with SBI was frozen. Similarly, Start-up Baby Go Go witnessed that Rs 72 lakh had been deducted from the company account by the CBDT. Adding salt to the wounds, CBDT issued a press release dated 08.02.2019 claiming that all procedures were diligently followed by the Assessing Officer and the start-ups were to be blamed for non-compliance.

<u>CHAPTER 3</u>

PANACEA

***

Introduction of Notification No. 127(E), dated 19-02-2019

Considering the difficulties faced by the start-ups, the Department for Promotion of Industry and Internal Trade (DPIIT) issued Notification No. 127(E), *dated* 19-02-2019, suppressing the last Notification, *dated* 11-04-2018. Ever since the inception of 'Start-up India' in 2016, there has not been even a single notification from the government that garnered so much appreciation from the Indian entrepreneurs. The said latest notification from DPIIT dated 19th February 2019 provided much relief to the troubled Startup ecosystem.

(1) The period for recognition as a start-up stands to increase from 7 to 10 years.

(2) The turnover limit has been increased from the existing Rs 25 crore to Rs 100 crore;

(3) The condition for claiming exemption from Section 56 (2) (viib) has been relaxed;

(4) The limit mentioned above to exclude the investments received from:

A non-resident

A Venture Capital Fund or a Venture Capital Company

Specified company (listed companies whose shares are frequently traded and who have a net-worth exceeding Rs 100 crore or turnover exceeds Rs 250 crore)

(5) The Prior approval from Inter-Ministerial Board (as per the April 11, 2018 notification), and then from the CBDT in a time-bound 45 days (as per the relaxed notification on January 16, 2019), has now been replaced with a simple declaration in Form 2.

(6) The Long Form 2 required for substantiating the higher valuation with supporting documents and explanations have also been dispensed with.

(7) Now, eligible start-ups are not required to obtain merchant banker valuation report.

CHAPTER 4

THE PRESENT LAW TO CLAIM EXEMPTION FROM ANGEL TAX BY STARTUPS

***

Meaning of start-up for the purpose of Sec.56(2)(viib) and procedure for obtaining DPIIT's certification

An entity shall be considered as a startup:-

(a) if it is **incorporated as a private limited company** (as defined in the Companies Act, 2013) or **registered as a partnership firm** (registered under section 59 of the Partnership Act, 1932) or a **limited liability partnership** (under the Limited Liability Partnership Act, 2008) in India

(b) Upto ten years from the date of its incorporation/ registration;

(c) if its **turnover** for any of the financial years since incorporation/ registration **has not exceeded One hundred crore rupees;** and

(d) if it is **working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation**.

Provided that any such entity formed by splitting up or reconstruction of a business already in existence shall not be considered a 'Startup'.

Procedure for obtaining DPIIT approval

A Startup shall make an online application over the mobile app or portal set up by the DPIIT.

The application shall be accompanied by—

- a copy of Certificate of Incorporation or Registration, as the case may be, and

- a write-up about the nature of business highlighting how it is working towards innovation, development or improvement of products or processes or services, or its scalability in terms of employment generation or wealth creation.

Exemption for the purpose of Section 56(2)(viib) of the Act

A startup fulfilling the below mentioned conditions, shall file duly signed declaration in Form 2 to DPIIT that the prescribed conditions have been fulfilled. On receipt of such declaration, the DPIIT shall forward the same to CBDT.

The conditions are:-

(a) The startup shall be recognized by DPIIT

(b) Aggregate amount of paid up share capital and share premium of the startup after issue or proposed issue of share, if any, does not exceed, twenty five crore rupees.

Restriction on utilization of Investment

The new notification restricts the start-up claiming exemption from angel tax, from investing in any of the following assets:

1. Land or building, being a residential house, other than that used for the purposes of renting
2. Land or building, not being a residential house, other than that occupied by start-up for its business or renting
3. Loans and advances, if start-up isn't engaged in ordinary business of lending of money
4. Capital contributions made to any other entity
5. Shares and securities
6. Motor vehicle, aircraft, yacht or any other mode of transport, if the cost of such an asset exceeds Rs. 10 lakhs.
7. Jewellery
8. Archaeological collections, drawings, paintings, sculptures, any work of art or bullion

9. Any other capital asset.

The period of restriction in making investment in the above mentioned assets shall be of 7 years from the end of the Financial year in which share are issued at premium. However, the above conditions are not applicable in case start-up holds the above assets as stock-in-trade, in its ordinary course of business.

In case the Startup files a declaration in Form-2 and subsequently invests in any of the assets specified above before the end of seven years from the end of the latest financial year in which the shares are issued at premium, the exemption provided under section 56(2)(viib) of the Act shall be revoked with retrospective effect.

Provided that in case the approval is requested for shares already issued by the Startup, no application shall be made if assessment order has been passed by assessing officer for the relevant financial year.

CHAPTER 5

DEALING WITH AMBIGUITIES IN FUTURE

***

While the majority have hailed the move and government's intent in giving start-ups a nearly free hand to grow, an undertone of dissent still echoes in the ecosystem.

- There is ambiguity regarding income notices received prior to the notification. These Startups have to go through the process of long driven litigations.
- Another Dampener is the restriction laid by DPIIT on the end use of the money for the funding. For example, the start-ups cannot invest in shares and securities. It is common practice to park the surplus money received in debt mutual funds or a liquid funds and any prudent business would do so as bank balance in current account does not yield any returns, however, taking this prudent decision would now make the start-ups ineligible for the exemption.
- There is no clarity that if out of total funding of say 50 Crores, the mis-utilisation into investment in shares is to the tune of 5 lakhs whether the total amount of 50 Crores shall be taxable or only Rs. 5 lakhs. These loose ends will open up new avenues of long driven litigation for Startups.
- Companies are restricted from making capital contributions to any entity, which means that a start-up cannot have subsidiaries, which makes it difficult for start-ups with overseas arms or operating in regulated spaces such as fin-tech and e-commerce. The group of companies is not just desirable but necessary to comply with regulatory requirements.
- The immunity has been provided against additions contemplated under section 56(2)(viib) of the I-T Act. No such protection has been extended against Section 68 additions. Section 68 provides that if any sum is found credited in the books of an assessee and the assessee offers no explanation about the nature and source thereof or the explanation offered by him is not satisfactory, the sum so credited may be charged to income-tax. Therefore, a start-up has to prove the genuineness of source of investments. The investor might want to keep the source of his funds confidential and not share the same with Startup founder. But If the Startup fails to explain the source of funds in the hands of investors, the investment can be considered as an unexplained investment and the Assessing Officer can

tax such investment by invoking Section 68 in the hands of Startup Company. Further the tax rate in such case with the introduction of Section 115BBE at the time of demonetization is as high as 75%

CHAPTER 6

CONTROVERSY ON VALUATION

***

The trouble with Valuation is that the taxman is often unable to understand how the startups are valued. The Startups are valued on the basis of the idea & business potential and not on basis of the net assets appearing in the balance sheet of the company. As per law, the valuations are not challenged when the investment is raised from the Non-resident investors or Venture Capital Funds. However, they get challenged when the funds are raised from the resident Indian investors, i.e., Angel Investors. Further, the Assessing Officers have issued notices asking for the details of the angel investors, their source of income, bank statements and copy of Income Tax Returns. Thus, it is discouraging the angel investment in Startups.

To quote, reference is made to the decision of the Hon'ble Jaipur ITAT in the case of Rameshwaram Strong Glass (P.) Ltd. v. Income-tax Officer in ITA No. 884 (JP) OF 2016 , wherein it was held that where the assessee-company determined Fair Market Value of shares issued at premium on the basis of DCF Method in accordance with Rule 11UA(2)(b), read with Section 56(2)(viib) and valuation report was prepared as per guidelines given by the ICAI and no fault was found in the same, Assessing Officer was unjustified in changing the method of valuation of shares at premium to Net Asset Value Method. However, in another ruling by the Hon'ble Delhi bench of the ITAT in the case of Agro Portfolio Pvt. Ltd. In TA No. 2189/Del/2018 (Delhi - Trib.), it was held that to determine the fair market value, the tax officer could reject the method of valuation adopted by the taxpayer, if the taxpayer failed to produce evidences to substantiate the basis of data supplied to arrive at the FMV. The said decision was also followed in recent case of M/s TUV Rheinland NIFE Academy Private Limited vs. ITO, Bangalore in ITA No. 3160/Bang/2018 and addition of Rs. 19,74,00,000/- was confirmed just because the projected revenues did not match with the actual revenues. This is utterly injustice and bad application of law because the Projected revenues are based on the market conditions and assumptions about future, the investor had agreed upon at the time of issuance of share application money and the actual are after the lapse of two to three years based on changed market conditions and the both cannot be compared.

Lately, the Income Tax Department has also started issuing the Show Cause Notices to the valuers asking for the basis on which the valuation certificates have been issued by them.

CHAPTER 7

CONCLUSION

***

Capital infusion is one of the key contributors to the growth of a Company. It becomes even more crucial for start-ups and new business ventures where one of the major sources of finance comes straight from friends and family who only wish to own equity to a limited extent without gaining management rights. Technically no tax should be levied on allotment of shares, since the shares are created when they are allotted and not transferred. On the contrary, Capital gain is levied on 'transfer' of shares and not creation thereof.

Striking a balance

With the above backdrop, while the new regulations have been brought in with a huge pomp and show, however, since the regulatory framework suffers from certain lapses, the new system of exemptions from the application of Section 56(2)(viib) can very well become a reel benefit instead of accreting some real benefit.. It is time that the government should actually come out with some effective endeavor to strike out a good balance between plugging out the illicit monies in the guise of share capital and incentivizing start-ups at the same time.

When entrepreneurs have to go through a tough process for raising capital, any taxes on the capital raise is likely to kill the start-up ecosystem. India cannot achieve the vision of creating a digital colony unless we have more active participation from domestic pools of capital. Our listed companies are sitting on piles of cash and yet, their acquisitions of and investments into Indian start-ups are paltry. While the respective notifications have brought with it, some light of hope to the prospective stakeholders, the need of the hour is clarity on the issue that shall provide the necessary impetus to the early angel investment atmosphere and bring in the necessary liquidity in the system.

The Start-up's culture in India is already facing a turbulent time, especially in line with the new trade policies and FDI regulations. Adding another cause of worry in the form of Sec 56(2)(viib), has led to creation of an even stormier environment for the start-ups to survive. Therefore, whether the tax is Angel Tax or a Demon Tax is something for the government to decide and the start-ups to face.

REFERENCES

1. Government of India Website on Startup India Scheme - https://www.startupindia.gov.in/
2. Definition of Startup as per Notification on Incentives for Start-Ups as per Gazette Notification no. G.S.R. 180 (E) dated 17.02.2016 - https://dipp.gov.in/sites/default/files/ru1159.pdf
3. Revised definition and Procedure of recognition of startup as per Notification no. G.S.R. 501 (E). dated 23.05.2017 –[in supersession of Notification no. G.S.R. 180 (E)] - https://www.startupindia.gov.in/content/dam/invest-india/Templates/public/notification/Overall/1.%20notification_Revised_notification_Startups_Notification_23_05_17.pdf
4. Revised definition and Procedure of recognition of startup as per Notification no. G.S.R. 364(E). dated 11.04.2018—[in supersession of Notification no. G.S.R. 501 (E).] - https://dipp.gov.in/sites/default/files/Startup_Notification11April2018_0.pdf
5. Gazette Notification no. G.S.R. 34(E). dated 16.01.2019 – [Partial modification of Gazette Notification no. G.S.R. 364(E).] - https://www.startupindia.gov.in/content/dam/invest-india/Templates/public/notification.pdf
6. Gazette Notification no. G.S.R. 127(E).—dated 19.02.2019 – [in supersession of Gazette Notification no. G.S.R. 364(E). and G.S.R. 34 (E)]- https://www.startupindia.gov.in/content/dam/invest-india/Templates/public/198117.pdf
7. CBDT Notification no. S.O. 1131(E). on section 56(2) for startups dated 05.03.2019- https://www.startupindia.gov.in/content/dam/invest-india/Templates/public/CBDT_notification_angel_tax_mar_5_2019.pdf
8. Section 56(2) of Income Tax Act 1961- https://www.incometaxindia.gov.in/pages/acts/income-tax-act.aspx
9. Rameshwaram Strong Glass (P.) Ltd. v. Income-tax Officer in ITA No. 884 (JP) OF 2016 - https://itatorders.in/assessee/rameshwaram-strong-glass-p-ltd-ajmer-company-aafcr6561f
10. M/s TUV Rheinland NIFE Academy Private Limited vs. ITO, Bangalore in ITA No. 3160/Bang/2018- https://itatorders.in/appeal/ita-3160-bang-2018-14-m-s-tuv-rheinland-nife-academy-private-limited-bengaluru-income-tax-officer-ward-7-1-2-bengaluru

CA MEHUL SHAH

CA Mehul Shah heads the Taxation Division of firm Rasesh Shah and Co and has been representing taxpayers as legal counsel before the Income Tax Appellate Tribunal and has many credited judgements to his name.

He also manages Tax and Compliance advisory of various corporate and non-corporate entities in the field of direct as well as indirect taxes and also acts as a mentor to many Innovative Startups of Surat which is regarded as one of the fastest growing cities of the world. He has acted as an authorized representative for many Startups and has been instrumental in handholding many Startups to get recognised and avail benefits under the Startup India Scheme launched by Prime Minister Mr. Narendra Modi on 16th January 2016.

He has been associated as a Visiting Faculty with Credent Professional Studies, a well known training Institute for Chartered Accountants and has taught more than 2000 students in span of 7 years.

Mehul Shah is one of the stakeholder and man behind Surat Largest Coworking Space "iKoverk" that converges people from different Professional Backgrounds like Startups, Freelancers, Consultants and Young Entrepreneurs with a motto to "Connect, Collaborate and Celebrate". The Idea of iKoVerk is to offer "a Plug and Play" Workdesk in Surat with wide array of amenities and provide an opportunity to connect and collaborate with other coworkers helping all to Co-rise.

ABOUT THE AUTHOR