

Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

North Block, New Delhi, dated the 30th August, 2019

Sub: Consolidated circular for assessment of Startups - reg.

In order to provide hassle-free tax environment to the Startups, a series of announcements have been made by the Hon'ble Finance Minister in her Budget Speech of 2019 and also on 23rd August, 2019. To give effect to these announcements, the Central Board of Direct Taxes (CBDT) has issued various circulars/clarifications in the matter. This circular consolidates all these circulars and further clarifies as under:-

2. Assessment of Startups

The circular No. 16/2019 dated 7th of August, 2019 provided for the following procedure for pending assessment of the Startups:-

- i. In case of Startup companies recognized by Department for Promotion of Industry and Internal Trade (DPIIT) which have filed Form No. 2 and whose cases are under "limited scrutiny" on the single issue of applicability of section 56(2)(viib) of the Income-tax Act, 1961 (the Act), the contention of the assessee will be summarily accepted.
- ii. In case of Startup companies recognized by DPIIT which have filed Form No. 2 and whose cases have been selected under scrutiny to examine multiple issues including the issue of section 56(2)(viib) of the Act, this issue will not be pursued during the assessment proceedings and inquiry on other issues will be carried out by the Assessing Officer only after obtaining approval of the supervisory authority.
- iii. In case of Startup Companies recognized by the DPIIT, which have not filed Form No. 2, but have been selected for scrutiny, the inquiry in such cases also will be carried out by the Assessing Officer only after obtaining approval of the supervisory authorities.

3. Time limit for Completion of pending assessments of the Startups

All assessment referred to in 2(i) should preferably be completed by the AOs by 30th September, 2019. The assessments referred to in 2(ii) & 2(iii) should be taken up on priority and should be preferably completed by 31st October, 2019.

4. Procedure for addition made u/s 56(2)(viib) in the past assessment

The clarification issued on 9th August,2019 provided that the provisions of the section 56(2)(viib) of the Act shall also not be applicable in respect of assessment made before 19th February, 2019 if a recognised Startups has filed declaration in Form No. 2. The following procedure is laid down with regard to addition made under section 56(2)(viib) of the Act in assessment order passed before 19th February, 2019:-

- i. In case the appeal against the assessment is pending before the Commissioner of Income-tax (Appeal)[CIT(A)], the appellate order should be passed by CIT(A) on or before 31stDecember, 2019 after taking into account the fact that the Startup has filed declaration in Form No. 2 and hence the provisions of section 56(2)(viib) of the Act are not applicable for the addition made under section 56(2)(viib) of the Act before 19thFebruary, 2019. The Department shall not file further appeal on the issue of addition made under section 56(2)(viib) of the Act;
- ii. In case the case is pending before the ITAT, the Department shall not press the ground relating to addition under section 56(2)(viib) of the Act in these cases.

5. Income-tax demand

It is reiterated that the outstanding income-tax demand relating to additions made under section 56(2)(viib) shall not be pursued and no communication with the assessee in respect of outstanding demand shall be made for this purpose. In respect of other income-tax demand, it is decided that the income-tax demand shall not be pursued unless the demand is confirmed by the ITAT.

6. Constitution of Startup cell

In order to redress grievances and to address various tax related issues in the cases of Startups, a Startup Cell is constituted on 30th August, 2019 with the following ex-officio members:-

S.No.	Portfolio	Designation	Contact Number
1.	Member (IT&C)	Chairman	011-230982831
2.	JS (TPL-II)	Member	011-23092859
3.	CIT (ITA)	Member	011-23092837
4.	Director (ITA-I)	Member Secretary	011-23092107
5.	Under Secretary (ITA-I)	Member	011-23095479

7. The Cell, for any grievances/communications relating to Startups may be approached at O/o Under Secretary, ITA-I, Room No. 245A, North Block, New Delhi-110001. Ph. No. 011-23095479/23093070 (F). The Cell will also be accessible at startupcell.cbdt@gov.in.

8. Hindi version to follow.

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(Prajna Paramita)
Director (ITA-1)

(F.No. 173/149/2019-ITA-I)

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1. PS to FM/OSD to FM/PS to MoS(R)/OSD to MoS(R)
2. PS to Secretary(Finance)/(Revenue)
3. The Secretary, DPIIT
4. The Chairman, CBDT & All Members, CBDT
5. All Pr.CCsIT/Pr.DGsIT, CBDT
6. All Joint Secretaries/CsIT, CBDT
7. The C&AG
8. The CIT(M&TP), Official Spokesperson of CBDT
9. O/o Pr.DGIT(Systems) with request to upload on the departmental website
10. Addl.CIT, Data-Base Cell for uploading on IRS officer's website