

About Angel Tax

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About Angel Tax:

- It is a **tax levied on the capital raised** via the issue of shares **by unlisted companies if the share price of issued shares is seen in excess of the fair market value** of the company.
- The **excess funds raised** at prices above fair value **is treated as income, on which tax is levied.**
- Angel tax essentially **derives its genesis from section 56(2)(viib) of the Income Tax Act, 1961.**
- The **finance act, 2012 introduced section 56(2)(viib)** in the IT act which taxes any investment, received by any unlisted Indian company, valued above the fair market value by treating it as income.
- **Rate:** It is levied at a rate of **30.9% on net investments in excess of the fair market value.**
- **Objective:** To **deter the generation and use of unaccounted money** through subscription of shares of a closely held company, at a value which is higher than fair market value.
- **In 2019, the Government announced an exemption from the Angel Tax for startups** on fulfillment of **certain conditions. These are,**

- The startup **should be recognized by the** Department for Promotion of Industry and Internal Trade (DPIIT) **as an eligible startup.**
 - The **aggregate amount of paid-up share capital and share premium** of the Startup **cannot be more than ₹25 crores.** This amount does not include the money raised from Non-Resident Indians (NRIs), Venture Capital Firms, and specified companies.
 - For angel investors, the **amount of investment that exceeds the fair market value can be claimed for a 100% tax exemption.** However, the **investor must have a net worth of ₹2 crores or an income of more than ₹25 Lakh in the past 3 fiscal years.**
 - **Previously, angel tax provisions** were **applicable only for** investments received from **resident investors.**
 - **However, Finance Bill 2023 has extended** its applicability **to non-resident investors** as well.
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Q1) What are Unlisted Companies?

An unlisted company means a company which does not have any of its securities listed on any recognised stock exchange. If a public company is not listed on any stock exchange, it is an unlisted public company. For example, Tata Technologies. Similarly, unlisted private companies are private companies without any listed security, such as Swiggy, RazorPay, Oyo, etc.

Source: [Angel tax ambit narrows further: Investment from 21 nations exempted](#)

Source: <https://vajiramandravi.com/current-affairs/about-angel-tax/>

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