Angel Tax

July 7, 2026 • vajiramandravi.com

About Angel Tax:

- It was levied on the **capital raised via the issue of shares** by **unlisted companies** from an Indian investor 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 are treated as income, on which tax is levied.
- It derives its genesis from section 56(2) (viib) of the **Income Tax Act, 1961.**
- It was **first introduced in 2012** to prevent black money laundering through share sales.
- It was levied at a rate of 30.9% on net investments in excess of the 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.

Q1: What are venture capital funds?

Venture capital funds are pooled investment funds that manage the money of investors who seek private equity stakes in startups and small- to medium-sized enterprises with strong growth potential. These investments are generally characterized as very high-risk/high-return opportunities.

Source: ANGEL TAX' ABOLISHED FOR ALL CLASSES OF INVESTORS
