

## CBDT consolidates circulars for ease of compliance of Start-ups

In order to provide hassle-free tax environment to the Start-ups, a series of announcements have been made by Hon'ble Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman in her General Budget Speech, 2019, and also on 23rd August 2019. To give effect to these announcements, the Central Board of Direct Taxes (CBDT) issued various circulars/clarifications in the matter from time to time. Vide Circular No.22/2019 dated 30.08.2019, CBDT has consolidated all the circulars/clarifications issued on this subject for the ease of compliance of Start-up entities. The present circular inter alia highlights the following:-

- **Simplification of process of assessment of Start-ups:** Circular No. 16/2019 dated 7th of August, 2019 provided for the simplified procedure of assessment of Start-ups recognized by Department of Promotion of Industry and Internal Trade (DPIIT). The circular covered cases under "limited scrutiny", cases where multiple issues including issue of section 56(2)(viib) were involved or cases where Form No.2 was not filed by the Start-up entity. Detailed process of obtaining mandatory approval of the supervisory authorities for conducting enquiry was also mentioned below.
- **Time limit for Completion of pending assessments of Start-ups:** The time limit for completion of pending assessments was also specified by CBDT. All cases involving "limited scrutiny" were to be completed preferably by 30th September, 2019 and the other cases of Start-ups were to be disposed off on priority, preferably by 31st October, 2019.
- **Procedure for addition made u/s 56(2)(viib) in the past assessment:** Vide clarification issued on 9th August, 2019 it was provided that the provisions of section 56(2)(viib) of the Act would also not be applicable in respect of assessment made before 19th February, 2019 if a recognised Start-up had filed declaration in Form No. 2. The timelines for disposal of appeals before CsIT(Appeals) was also specified. Further, the addition made under section 56(2)(viib) would also not be pressed in further appeal.
- **Income-tax demand:** It has been reiterated time and again by CBDT that outstanding income-tax demand relating to additions made under section 56(2)(viib) would not be pursued and no communication in respect of outstanding demand would be made with the Start-up entity. Other income- tax demand of the Start-ups would not be pursued unless the demand was confirmed by ITAT.
- **Constitution of Start-up Cell:** Vide order dated 30.08.2019, CBDT has constituted a Start-up Cell under the aegis of Member (IT&C, CBDT to redress grievances and to address various tax related issues in the cases of Start-ups. Grievances can also be filed online at [startupcell.cbdt@gov.in](mailto:startupcell.cbdt@gov.in).

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