

# 'DPIIT favours nixing the angel tax on start-ups'

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The Department for Promotion of Industry and Internal Trade favours the removal of the angel tax on start-ups, and has forwarded the written proposals by industry associations on the issue to the Finance Ministry for possible inclusion in the upcoming Budget, DPIIT Secretary Rajesh Kumar Singh has said.

The Department has also pitched for phasing out inverted duties and removing high tariffs on inputs in electronics as well as some other sectors but the final call is with the Finance Minister and the Ministry of Electronics and IT (MeitY), Singh said.

"Based on consultations with the start-up ecosystem, we have recommen-

ded that (removal of angel tax) in the past as well, and I think we have recommended this time also. Ultimately, an integrated view will be taken by the Finance Ministry on the angel tax," Singh said on Thursday.

Angel tax (Section 56.2 VII B) is a 30.6 per cent levy when an unlisted company issues shares to an investor at a price that is more than its fair market value.

Earlier, it was imposed only on investments made by a resident investor, but Budget 2023-24 proposed extending the angel tax to even non-resident investors from April 1, 2024.

According to industry sources, in the initial stages, when many start-ups depend heavily on foreign funds, the imposition of an angel tax can affect the money flow, especially

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when they are facing a financial crunch.

Although start-ups registered with DPIIT are to be exempt from this levy, only about 1,34,260 such start-ups are registered, while most others are unregistered.

## **VISA NORMS FOR PLI**

The government also plans to streamline the visa norms for all companies in the 14 sectors under the PLI scheme. "This will include all companies invest-

ing in all the 14 sectors, whether or not they are covered under the PLI scheme," Singh said. Further FDI liberalisation is also on the cards, and the DPIIT is working on it, he added.

## **CUSTOMS DUTY**

To questions on industry demand for bringing down Customs duties on inputs for electronics manufacturing, Singh said various industry associations had raised the point.

"I tend to agree with them that the taxes on inputs should be reduced over time. That's ultimately for the MeitY and the Finance Ministry to take a view. The DPIIT view is yes, inverted duty and a high tariff on inputs will need to be phased out not only in electronics but perhaps in other sectors as well," he said.