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SAMĀCĀRA

AUGUST 2024

SAMĀCĀRA – AUGUST 2024

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EDITORIAL

Dear All,

As we delve into this month's theme, "*Vikas Bhi and Virasat Bhi*," the recent Budget 2024 presents a balanced vision for both progress and heritage. The budget underscores the dual commitment to fostering economic development while preserving our rich legacy, offering nuanced changes to the Income Tax and Customs Acts over the next six months. These reforms are set to reshape our fiscal landscape, aiming to streamline processes and enhance compliance.

In July, we observed a significant uptick in GST collections, reflecting the robust economic activity and compliance within the system. This trend is a positive indicator of our economy's resilience and the effectiveness of recent policy measures. Direct tax collections also showed encouraging growth, underscoring a commitment to fiscal prudence. As of July 31, 2024, the number of Income Tax Returns filed has seen a substantial increase, demonstrating the proactive approach of taxpayers and the efficiency of the tax administration in managing compliance.

At SPCM, we celebrate a significant milestone with 23 of our students qualifying as Chartered Accountants this year. Among them, Shivanand Kotgire has achieved a remarkable feat, securing 42nd position in the All India Ranking. This achievement is a testament to the hard work and dedication of both the students and our esteemed faculty. Additionally, nine students have passed one group in the CA Final, and eight students have successfully cleared the IPCC examination. These accomplishments reflect our continued commitment to excellence and the bright future of our students.

As we approach August, we look forward to celebrating Independence Day—a time to reflect on our nation's journey and embrace the values of freedom and unity. The month also brings a vibrant array of festivals that celebrate our diverse cultural heritage. These festivities provide an opportunity to connect with our roots, foster community spirit, and enjoy the rich tapestry of our traditions.

In addition to these milestones, I had the privilege of moderating the live screening of Budget 2024 as the Director of the CA Cell of JITO. This experience provided valuable insights into the budgetary changes and their implications. Furthermore, speaking on the direct tax proposals in the Budget 2024 during the webinar organized by MTPA on July 25, 2024, was an engaging opportunity to decode the intricacies of the new policies.

As we move forward, these developments signal a transformative period for our profession and nation. Let us continue to strive for excellence and embrace the opportunities that lie ahead.

I am concluding the communication with following famous quote:

"Success is not just about achieving milestones; it's about progressing with purpose and preserving the values that guide us. As we advance, may we balance innovation with tradition and strive to build a future that honors both."

Thanking You,

With Warm Regards,

CA. Suhas P. Bora
Founder Partner,
SPCM and Associates,
Chartered Accountants

GLIMPSE OF EVENT

Our mentor, CA Suhas P. Bora sir was invited by the Maharashtra Tax Practitioners Association as a speaker for the Union Budget Analysis.

WE ARE PROUD OF OUR STUDENTS

CA Qualified:

1. CA Dhruven Shah
2. CA Sakshi Bajaj
3. CA Divyank Oswal
4. CA Shankesh Palresha
5. CA Parthamesh Tawani
6. CA Sourabh Patil
7. CA Pooja Kerkar
8. CA Rohit Zanzad
9. CA Shubham Wadnere
10. CA Ritesh Kochar
11. CA Purva Samndaria
12. CA Anay Agarwal
13. CA Vedashree Gandhi
14. CA Anshika Puri
15. CA Shivanand kotgire AIR 42
16. CA Mehek Jain
17. Geet Raka
18. Akshada Bulbule
19. Yash Rathi
20. CA Pranav Hangekar
21. Hiten Motwani
22. Pavan Tapdiya
23. Samyak Jain

CA Final - one group cleared:

1. Ronak Jain
2. Abhishek Kothari
3. Siddhesh Jain
4. Laxmi Tope
5. Shivam Thakkar
6. Pratik Patel
7. Rohit Ambre
8. Hitanshu Patni
9. Sejal Sadhwani

IPCC Cleared

1. Sneha Kothari
2. Prakarsh Dugad
3. Radhika Soni
4. Lisha Maloo
5. Vinil Bafna
6. Sejal Rathi
7. Kartikee Khaladkar
8. Sakshi Parbhankar

Birthday Celebration of colleagues born in the month of July

DUE DATES

Income Tax, PF and ESIC due date calendar for the month of July 2024:

DATE	DUE DATE FOR
07-08-2024	• Deposit of Tax deducted/collected for the month of July, 2024.
14-08-2024	• Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB, 194M and 194S in the month of June, 2024.
15-08-2024	• Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending June 30, 2024 • Payment of ESI Contribution for the month of July, 2024. • Payment of PF for the month of July, 2024.
30-08-2024	• Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194-IB, 194M, 194S in the month of July, 2024.

GST due dates for the month August 2024: -

DUE DATE	RETURN	PERIOD	DESCRIPTION
10th August	GSTR-7 (Monthly)	July'24	Summary of Tax Deducted at Source (TDS) and deposited under GST laws.
10th August	GSTR-8 (Monthly)	July'24	Summary of Tax Collected at Source (TCS) and deposited by E-commerce operators under GST laws.
11th August	GSTR-1 (Monthly)	July'24	Summary of outward supplies where turnover exceeds Rs.5 crore or have not chosen the QRMP scheme for the quarter of July-Sept 2024.
13th August	GSTR-6	July'24	Details of ITC received and distributed by ISD.
13th August	GSTR-5 (Monthly)	July'24	Summary of outward taxable supplies & tax payable by a non-resident taxable person.
20th August	GSTR-3B (Monthly)	July'24	Summary of outward supplies, ITC claimed, and net tax payable for taxpayers with turnover more than

DUE DATE	RETURN	PERIOD	DESCRIPTION
			Rs.5 crore in the last FY or have not chosen the QRMP scheme for the quarter of July-Sept 2024.
20th August	GSTR-5A (Monthly)	July'24	Summary of outward taxable supplies and tax payable by OIDAR.

"Hardships often prepare ordinary people for an extraordinary destiny."

— C.S. Lewis

INCOME TAX

DIRECT TAX PROPOSAL: TAXING LONG-TERM CAPITAL GAINS AT 12.5% WITHOUT INDEXATION - BOON OR CURSE?

The Indian Budget 2024 has introduced a notable direct tax proposal that has generated considerable debate: taxing long-term capital gains (LTCG) at 12.5% without the benefit of indexation, particularly for immovable property. This represents a shift from the existing tax structure, where LTCG on immovable property is taxed at 20% with indexation benefits. The intention behind this proposal is to simplify the tax regime, but its implications have led to mixed reactions from taxpayers and experts alike.

Understanding the Proposal

To fully appreciate this proposal, it's essential to compare it with the current system. Currently, LTCG from the sale of immovable property is taxed at 20%, with indexation. Indexation adjusts the purchase price of the asset for inflation, which reduces the taxable gain and, consequently, the tax liability. The new proposal suggests replacing this with a flat tax rate of 12.5%, without considering inflation adjustments.

Potential Benefits of the Proposal

1. Simplification of Tax Regime:

   The proposal aims to streamline the calculation of capital gains tax. Eliminating the need for indexation could simplify tax computations, potentially reducing compliance costs and errors.

2. Reduced Tax Rate:

   A lower tax rate of 12.5% may seem more appealing compared to the current 20%, potentially encouraging property transactions and invigorating the real estate market. This could lead to increased liquidity and investment in the sector.

3. Enhanced Revenue Collection:

   The simplified tax regime might lead to improved compliance, decreasing tax evasion and broadening the tax base. This could result in higher revenue for the government, which could be invested in development projects and public welfare.

Potential Drawbacks of the Proposal

1. Lack of Inflation Adjustment:

   A significant concern is the removal of indexation benefits. Without this adjustment, the taxable gain does not account for inflation, leading to higher effective tax rates over time. Properties purchased many years ago would have appreciated significantly due to inflation, and taxing the entire gain without indexation could result in an undue tax burden.

2. Impact on Long-Term Investments:

   The proposal may disincentivize long-term investments in immovable property. Investors often prefer long-term holdings for wealth accumulation and stability. The absence of indexation could deter such investments, potentially affecting the real estate market and related industries.

3. Inequity Among Taxpayers:

   Taxpayers with long-held properties might face higher tax liabilities compared to those with shorter holding periods. This could create a sense of inequity, where long-term investors are penalized for maintaining their investments.

Exemptions Under Sections 54 and 54F

To assess the proposal's implications, let's explore how it interacts with existing exemptions under Sections 54 and 54F of the Income Tax Act:

- Section 54: Provides an exemption on LTCG from the sale of a residential property if the capital gain is reinvested in another residential property.

  Example:

  - Mr. Sharma sells his residential property for ₹1 crore, with an indexed cost of acquisition of ₹60 lakh, resulting in an LTCG of ₹40 lakh.
  - Under the current regime, this ₹40 lakh gain is taxed at 20% with indexation, leading to a tax liability of ₹8 lakh.
  - If Mr. Sharma reinvests this ₹40 lakh in a new residential property, he can claim full exemption under Section 54.

- Section 54F: Provides an exemption on LTCG from the sale of any asset other than a residential property if the net sale proceeds are reinvested in a residential property.

  Example:

  - Mr. Kumar sells his plot of land for ₹50 lakh, with an indexed cost of acquisition of ₹30 lakh, resulting in an LTCG of ₹20 lakh.
  - Under the current regime, this ₹20 lakh gain is taxed at 20% with indexation, leading to a tax liability of ₹4 lakh.
  - If Mr. Kumar reinvests the entire sale proceeds of ₹50 lakh in a new residential property, he can claim full exemption under Section 54F.

Impact of the New Proposal on Exemptions:

1. Impact on Section 54 Exemption:

   - With the new regime, Mr. Sharma's LTCG without indexation would be ₹50 lakh (sale price) - ₹50 lakh (purchase price) = ₹50 lakh.

   - The tax at 12.5% on ₹50 lakh would be ₹6.25 lakh, lower than the current regime's ₹8 lakh.

   - Mr. Sharma can still claim full exemption under Section 54 if he reinvests ₹50 lakh in a new residential property, though the initial taxable gain is higher without indexation.

2. Impact on Section 54F Exemption:

   - For Mr. Kumar, the LTCG without indexation would be ₹50 lakh (sale price) - ₹20 lakh (purchase price) = ₹30 lakh.

- The tax at 12.5% on ₹30 lakh would be ₹3.75 lakh, slightly lower than the current regime's ₹4 lakh.
- Mr. Kumar can claim full exemption under Section 54F if he reinvests the entire ₹50 lakh sale proceeds in a new residential property. Similar to Section 54, the initial taxable gain is higher without indexation.

Recent Amendment to the Finance Bill, 2024

In response to concerns raised, Finance Minister Nirmala Sitharaman proposed amendments to the Finance Bill, 2024 regarding LTCG on land and building, which have been passed by both houses of Parliament. The key amendments are:

1. Grandfathering Provision: LTCG on land and building acquired before July 23, 2024, will be grandfathered. This means that the excess tax payable under the new regime, compared to what would have been payable under the old law with indexation, will be ignored. Taxpayers will pay the lower of the tax computed under the new law (12.5% without indexation) or the old law (20% with indexation).

2. Applicability: This grandfathering benefit applies only to resident individuals and Hindu Undivided Families (HUFs). For non-resident individuals, companies, partnership firms, and Limited Liability Partnerships (LLPs), this benefit will not be available.

3. Impact on Tax Liability: For properties acquired before the specified date, taxpayers can benefit from the grandfathering provision, thus avoiding potentially higher tax liabilities under the new regime.

Conclusion:

The proposal to tax long-term capital gains at 12.5% without indexation is a double-edged sword. While it simplifies the tax regime and lowers the nominal tax rate, it removes a key benefit that adjusts for inflation, potentially leading to higher effective taxes on long-term holdings. The success and acceptance of this policy will largely depend on its implementation and the broader economic context. Policymakers must carefully consider these factors to ensure the new regime is fair, efficient, and conducive to economic growth. However, with the recent amendments providing some relief through grandfathering provisions for pre-existing assets, the impact on taxpayers has been somewhat mitigated.

"Start where you are. Use what you have. Do what you can."

— Arthur Ashe

GST

GIST OF GST CIRCULAR

S.NO.	CIRCULAR NO.	SUBJECT	GIST
1.	229/23/2024	15-07-2024	The GST Council's 53rd meeting clarified that solar cookers using both solar and grid electricity will attract a 12% GST rate, and all types of sprinklers, including fire water sprinklers, will also have a 12% GST rate. Additionally, parts of poultry-keeping machinery are classified under tariff item 8436 91 00 with a 12% GST rate, ensuring consistency and clarity in tax application.
2.	228/22/2024	15-07-2024	The CBIC circular clarifies GST exemptions for transactions involving Indian Railways and SPVs, GST applicability on RERA collections, digital payment incentives, and reinsurance services. These clarifications ensure consistent tax treatment and compliance across these specific areas.
3.	227/21/2024	11-07-2024	Circular No. 227/21/2024-GST transitions the Canteen Stores Department's refund application process from manual to electronic filing, enhancing efficiency and transparency. The new system requires electronic submission of Form GST RFD-

S.NO.	CIRCULAR NO.	SUBJECT	GIST
			10A with detailed invoices, ensuring compliance and accuracy in refund claims.
4.	226/20/2024	11-07-2024	GST Circular No. 20/2024: Mechanism for refund of additional Integrated Tax (IGST) paid on account of upward revision in price of the goods subsequent to export. Exporters can now get refunds for extra GST paid when prices increase after export by applying online with specific documents. Refunds are only given if the amount is ₹1,000 or more, and applications must be made within two years.
5.	225/19/2024	11-7-2024	**Clarification on various issues pertaining to taxability and valuation of supply of services of providing corporate guarantee between related persons.** The circular clarifies that GST on corporate guarantees is now set at 1% of the guaranteed amount, with new rules effective from October 26, 2023. It details how GST should be calculated and applied to past and future guarantees, including intra-group and international transactions.
6.	224/18/2024	11-7-2024	The circular outlines how taxpayers can handle GST dues when the Appellate Tribunal is not yet active,

S.NO.	CIRCULAR NO.	SUBJECT	GIST
			allowing pre-deposit payments to avoid recovery actions and adjustments for payments made incorrectly. It also provides interim measures for adjusting payments and avoiding recovery until the Tribunal is operational.
7.	223/17/2024	10-7-2024	The GST circular updates the duties related to registration and composition levy under the CGST Act, shifting these responsibilities from Assistant or Deputy Commissioners to the Superintendent of Central Tax. This change is due to the relocation of GST back-office functions to GSTN BO.

GIST OF GST NOTIFICATION

NOTIFICATION NO.	DATE	HIGHLIGHT
04/2024-Central Tax (Rate)	12-Jul-2024	CBIC amended notification No.12/2017 Central Tax (Rate) dated 28.06.2017. In the said notification, A) New entry has been added at the serial number 9E, 9F,9G in Chapter 99 for services provided by Indian Railway for exemption for services provided by Indian Railways to the general public, and services provided by Special Purpose Vehicles (SPV) to Indian Railways. B) In serial number 12A in Column (2) heading 9963 has been Omitted and after serial 12 the entry 12A heading 9963 has be inserted which shows GST rates are exempted for accommodation service having value INR 20,000 per month per person accommodation service for a minimum continuous period of 90 days. This notification shall come into force on the **15th day of July, 2024.**
03/2024-Central Tax (Rate	12-Jul-2024	CBIC amended notification No. 2/2017-Central Tax (Rate). In the said notification, after the Schedule, in the Explanation, in

NOTIFICATION NO.	DATE	HIGHLIGHT
		clause (ii), after the entries relating thereto, the following new proviso has been inserted "Provided that notwithstanding anything contained in the Legal Metrology Act, 2009 (1 of 2010) and the rules made thereunder, as amended from time to time, the supply of agricultural farm produce in package(s) of commodities containing quantity of more than 25 kilogram or 25 litre shall not be considered as a supply made within the scope of expression 'pre-packaged and labelled'." This notification has come into force from the 15th day of July, 2024.
02/2024-Central Tax (Rate)	12-Jul-2024	CBIC amended notification No. 1/2017-Central Tax (Rate) rates have been changed is as under: A) in Schedule II –6% (reduced from 9% to 6%) i. after serial number 121 a new Serial number 121A has been inserted for Cartons, boxes, and cases of: (a) corrugated paper or paper board; or (b) non-corrugated paper or paper board" covered under HSN 4819 10, 4819 20. ii. after serial number 180 a new Serial number 180A has been inserted for Milk cans made of Iron Steel or Aluminum covered under HSN 7310, 7323, 7612, or 7615.

NOTIFICATION NO.	DATE	HIGHLIGHT
		iii. after serial number 183 a new Serial number 183A has been inserted for Solar Cookers covered under HSN 7321 or 8516 This notification shall come into force on the **15th day of July, 2024.**
15/2024-Central Tax	10-07-2024	CBIC amended Notification No. 52/2018-Central Tax, dated 20.09.2018. The Central Government has reduced a specific GST rate from 0.5% to 0.25%, effective from the date of the notification's publication. This change aims to lower the tax burden as per the CGST Act, 2017, based on the GST Council's recommendations.
14/2024-Central Tax	10-07-2024	This notification, No. 14/2024-Central Tax issued on July 10, 2024, exempts registered persons with an aggregate turnover up to two crore rupees in the financial year 2023-24 from filing annual returns under the Central Goods and Services Tax Act, 2017.
13/2024-Central Tax	10-07-2024	CBIC to rescind Notification no. 27/2022-Central Tax dated 26.12.2022. The government revoked notification No. 27/2022-Central Tax dated December 26, 2022, under rule 8(4B) of the CGST Rules, 2017, based on GST Council recommendations, effective immediately

NOTIFICATION NO.	DATE	HIGHLIGHT
		upon its publication, except for prior actions.
12/2024-Central Tax	10-07-2024	GST Notification 12/2024 amends CGST Rules, introducing changes like Aadhaar verification for GST registration, revised ISD rules, new GST return forms, simplified refund procedures, and electronic filing for appeals.

"Keep your face always toward the sunshine and shadows will fall behind you."

— Walt Whitman

GST UPDATES

1. Advisory in respect of Changes in GSTR 8

GST Council has reduced TCS rate from the current 1% (0.5% CGST + 0.5% SGST/UTGST, or 1% IGST) to 0.5% (0.25% CGST + 0.25% SGST/UTGST, or 0.5% IGST) effective from 10/07/2024 vide Notification No. 15/2024 dated 10.07.2024. Thus, the following important aspects regarding the TCS rates effective from 10.07.2024 are to be noticed:

1. Period from 1st July to 9th July 2024:
    - During this period, the old TCS rate of 1% will continue to apply. Taxpayers are required to collect & report TCS at this rate for all transactions happened between these dates.

2. From 10th July 2024 onwards:
    - A revised TCS rate of 0.5% will come into effect from 10th July 2024. Taxpayers must ensure their systems and processes are updated to reflect this new rate for all transactions happened from 10th July forward.

There have been validation error while filing GSTR-8 for the month of July 2024, which have been addressed and the users would be able to file returns from 06th August 2024 midnight onwards.

2. Detailed Manual and FAQs on filing of GSTR-1A:

As per the directions of the Government vide notification no. 12/2024 dt 10th July 2024, Form GSTR-1A has been made available to the taxpayer's form July 2024' tax period. GSTR-1A is an optional facility to add, amend or rectify any particulars of a supply reported/missed in the current Tax period's GSTR-1 before filing of GSTR-3B return of the same tax period.

3. Refund of tax paid on Inward supply of goods by Canteen Store Department (FORM GST RFD 10A)

GSTN has developed an online functionality to enable Canteen Stores Department (CSD) to file an application for refund in FORM GST RFD-10A in GST common portal as per the **Circular No. 227/21/2024-GST** issued by GST policy wing, CBIC on 11th July, 2024 for online processing of refund applications filed by CSD.

4. Refund of additional IGST paid on account of upward revision in prices of goods subsequent to exports

1. GST Council has approved that application of refund of additional IGST paid on account of upward revision in prices of goods subsequent to exports may also be processed by Tax Administration. Accordingly, Notification No. 12/2024-Central Tax dt. 10th July, 2024 has also been issued. GSTN is in the process of development of a separate category of refund application in FORM GST RFD-01, for filing an application of refund of additional IGST paid on account of upward revision in prices of goods subsequent to exports.

2. However, till the time such separate category for claiming refund of additional amount of IGST paid is developed on the common portal, such exporter(s) may claim refund of the additional IGST by filing an application of refund in FORM GST RFD-01 under the category "Any other" with remarks "Refund of additional IGST paid on

account of increase in price subsequent to export of goods" and uploading of Statement 9A & 9B (Refer to Notification No. 12/2024-Central Tax dt. 10th July, 2024) along with the relevant documents as specified in the Circular 226/20/2024-GST dated. 11.07.2024.

3. The Refund application filed under this category will be processed by the officer based on the documentary proof submitted by the refund applicant. The list of documents which are required to be accompanied with the refund claim are also mentioned in Para 6 of the said Circular.

5. Increase in size of documents upload in Principal Place of Business and Additional Place of Business for New Registration and Amendment

Changes have been made in size of document upload in Principal Place of Business and Additional Place of Business for New Registration and Amendment catering to the grievances received in the matter from trade. The taxpayer can now upload documents up to maximum size of 500 kb JPEG/PDF in the Principal Place of Business tab and Additional Places of Business tab.

FINANCE AND VALUATIONS

ANGEL TAX ABOLISHMENT: A BLESSING

- **WHAT IS ANGEL TAX?**

Angel Tax was first introduced in the Finance Act 2012. Section 56(2)(viib) discusses the concept of angel tax. As per section 56(2)(viib), "(2) In particular, and without prejudice to the generality of the provisions of sub-section (1), the following incomes, shall be chargeable to income tax under the head "Income from other sources", namely
(viib) where a company, not being a company in which the public is substantially interested, receives, in any previous year, from any person being a resident, any consideration for the issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares."

This means every startup that receives funding over and above its fair market value shall pay tax on the amount above fair market value.

The angel tax is levied at the rate of 30% in India, and an additional cess of 3% is also applicable to it as per section 56(2)(vii)(b) of the Income Tax Act, 1961. The effective rate of the angel tax is 30.9%.

For example:

Suppose your startup has received an investment of Rs 10 crore by issuing 1 lakh shares to an Indian investor at Rs 1000 each. The startup's fair market value is Rs 500 per share. Henceforth, the fair market valuation of shares stands at Rs 5 crore. Then the startup needs to pay angel tax on the excess of fair market value, which is Rs 5 Crore (Rs 10 crore - Rs 5 crore). As a result, the amount of tax due on this transaction will be Rs 1.55 Crore (i.e., 30.9% on Rs 5 Crore).

- **EXEMPTION FROM ANGEL TAX**

  After startups made numerous pleas, the Indian Government implemented some relaxations in the 2019 Union budget. In this budget, the government stated that if the startup is registered under the DPIIT or Department for Promotion of Industry and Internal Trade, it would not be subject to such tax.

  However, to be eligible for DPIIT, the startup needs to send an application along with the necessary documents to the Central Board of Direct Taxes or CBDT. After CBDT approval, they will be exempted from paying angel tax.

- **PURPOSE OF ANGEL TAX**

  The Angel Tax was originally introduced in India to address issues related to the valuation of startups and prevent money laundering. Its primary purposes included:

  1. **Preventing Tax Evasion**: The government aimed to curb the influx of unaccounted money into the startup ecosystem by ensuring that investments made into startups were closely monitored and properly valued.

  2. **Regulating Startup Valuations**: Angel Tax served as a mechanism to regulate the valuations of startups at the time of investment, preventing overvaluation and ensuring that investors were not investing in companies at inflated prices.

  3. **Ensuring Compliance and Transparency**: By imposing a tax on the excess amount over the fair market value of shares issued by startups, the government aimed to promote transparency in financial dealings within the startup ecosystem.

4. **Encouraging Proper Investment Practices**: The tax was intended to encourage better investment practices by pushing startups and their investors to comply with regulations and financial norms.

- **WHY WAS THE ANGEL TAX CONSIDERED UNFAIR?**

  The Angel Tax has been criticized as unfair for several reasons:

1. **Burden on Startups**: Angel Tax strains early-stage startups, as they often rely on angel investors and may not withstand the financial burden, hindering their growth and sustainability.

2. **Valuation Subjectivity**: Determining a startup's "fair market value" is subjective and challenging due to their limited financial history, leading to arbitrary assessments and disputes.

3. **Investment Deterrence**: Fear of Angel Tax can deter investors from funding startups, stunting the growth of the startup ecosystem.

4. **Complex Compliance**: Startups must engage in complex compliance and documentation to justify valuations, diverting time and resources from innovation and business development.

5. **Retrospective Tax**: The tax's retrospective application creates uncertainty and jeopardizes the financial stability of startups relying on previous funding.

6. **Global Misalignment**: Unlike many other countries, India's Angel Tax can deter foreign investment, making it difficult to attract capital in a competitive global market.

7. **Impact on Innovation**: Angel Tax can limit innovation and economic growth by penalizing investments in startups, undermining financial incentives for risk-taking and creativity.

- **BENEFITS OF REMOVAL OF ANGEL TAX**

The abolition of the Angel Tax brings several significant benefits, particularly for the startup ecosystem and investors. Here are some of the key advantages:

1. **Investment Encouragement**: Removing the Angel Tax boosts investor confidence, increasing funding for startups and fostering growth.

2. **Innovation Boost**: Eliminating the tax fosters a supportive environment for entrepreneurs, encouraging creativity and new technologies.

3. **Simplified Funding**: Without complex tax regulations, startups can focus on business growth rather than compliance.

4. **Global Investment Attraction**: Abolishing the tax makes India more appealing to foreign investors, attracting global capital and boosting the economy.

5. **Increased Valuations**: Startups may see higher valuations as investors are more willing to invest without tax concerns.

6. **Startup Ecosystem Boost**: Encouraging investment through tax removal enhances job creation, economic growth, and technological advancement.

7. **Investor Confidence**: A stable regulatory environment without the tax increases investor confidence, promoting long-term investments.

8. **Entrepreneurship Promotion**: Reduced financial burdens and increased support encourage more entrepreneurs to launch new ventures, enriching market diversity.

- **CONCLUSION:**

Recognizing startups as the driving force behind the future of the Indian economy, the decision to abolish the Angel Tax marks a significant and welcome shift in economic policy. This move is anticipated to catalyze substantial growth within the startup ecosystem by fostering a more conducive environment for investments. With the removal of this tax, potential investors are likely to feel more confident and inclined to invest in emerging companies, thereby providing the crucial financial support needed for their expansion and sustainability.

Furthermore, this change is expected to bring about a notable shift in funding practices. By encouraging a transition from debt-based funding to equity-based investments, startups can avoid the burdensome costs associated with interest rates and the complications of debt financing. Equity funding is generally more favorable for young companies, as it allows them to leverage investor support without the immediate pressure of debt repayment, thereby enhancing their ability to innovate and grow. Overall, the abolition of the Angel Tax represents a strategic and forward-thinking move to bolster the Indian startup landscape and stimulate long-term economic development.

THANK YOU!

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