

F.No.173/354/2019-ITA-1  
Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Direct Taxes

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New Delhi, 9<sup>th</sup> August, 2019

To,

All Principal Chief Commissioners of Income-tax  
All Principal Director Generals of Income-tax

Sir/Madam,


**Subject: Clarification with respect to valuation of shares of Startup Companies involving application of Section 56(2)(viib) of the I.T.Act,1961-reg.**

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Instances have come to the notice of the Board that substantial additions have been made by the AOs in "Startup Companies" involving issue of valuation of shares u/s 56(2)(viib).

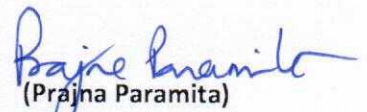
2. Vide notification no. G.S.R. 127 (E) dated 19.02.2019 issued by the Department for Promotion of Industry and Internal Trade (henceforth referred to as "DPIIT") and notification no.13/2019 F.No.370142/5/2018-TPL(Pt.) dated 05<sup>th</sup> March, 2019 issued by the Central Board of Direct Taxes (henceforth referred to as "CBDT"), the Central Government has notified certain class of persons for which the provisions of Section 56(2)(viib) will not apply. Para 6 of the notification issued by the DPIIT dated 19.02.2019 states that the notification is applicable only with regard to recognized "Startup Companies" where no addition u/s 56(2)(viib) has been made in an assessment order before the date of issue of the notification. This has caused hardship to such companies.

3. The matter has been examined by the Board. To mitigate such hardships, the Central Government has decided to relax the Para-6 of the above-referred notification issued by the DPIIT and make it clear that the notification will be applicable to those Startup Companies also where addition u/s 56(2)(viib) has been made in an assessment order under the IT Act before 19<sup>th</sup> February, 2019 provided the assessee has subsequently submitted the declaration in Form-2 that it fulfils the conditions mentioned in Para-4 of the above-referred notification.

  
(Prajna Paramita)  
Addl.CIT(OSD)(ITA-1)

Copy to:

1. PS to FM/OSD to FM/PS to MoS(R)/OSD to MoS(R)
2. PS to Secretary(Finance)/(Revenue)
3. Secretary, DPIIT
4. Chairman, CBDT & All Members, CBDT
5. All Joint Secretaries/CsIT, CBDT
6. O/o Pr.DGIT(Systems) with request to upload on the departmental website
7. Addl.CIT, Data-Base Cell for uploading on IRS officer's website

  
(Prajna Paramita)

Addl.CIT(OSD)(ITA-1)