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Ashneer Grover @Ashneer_Grover · 11h

In the last 1 month, a number of startups (a few in my portfolio as well) have received Income Tax notices asking to furnish information about shareholders.

Bahut interesting hai - they are asking start-up companies to furnish 3 year ITR of all shareholders. 1) How and why will... [Show more](#)



410 1,123 5,495 917K



Income Tax India @IncomeTaxIndia

Replying to @Ashneer_Grover

Dear @Ashneer_Grover,

1. Section 68 of Income-tax Act, 1961 (the Act) under which the Assessing Officer (AO) has made the enquiry about creditworthiness of the shareholder/investor, places initial onus on the assessee-company to prove the following:

- a) Identity of the investor
- b) Creditworthiness of the investor and
- c) Genuineness of the transaction

2. Finance Act, 2012 mandated that the nature and source of any sum credited as share capital, share premium etc., in the books of a closely held company (excluding Venture Capital Fund or a Venture Capital Company registered with SEBI) shall be treated as explained u/s 68 only if the source of funds from a resident shareholder is also explained by investor.

3. In the present case, it appears that the AO has sought to examine the genuineness of the transaction and source of investment by the shareholder-investor, to verify if the amount invested is commensurate with the income shown in the ITRs of the investors.

4. Alternatively, if the PANs of the investors are shared with the AO by the Company, he can verify the ITRs of the investors.

5. This has been the practice as reflected in various tweets in the thread.

@FinMinIndia

3:56 pm - 08 Sept 23 · 136K Views

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