

Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

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PRESS RELEASE

Note on Recovery of Tax in the case of Travel Khana

It has come to the notice of CBDT, through some media reports that Rs. 36 lakh have been recovered from a startup, namely, Travel Khana as part of recovery of outstanding demand on account of Angel Tax. It has been alleged that this was in violation of the CBDT instructions dated 24th December, 2018 pertaining to recovery of dues in Angel Tax cases.

On ascertaining the facts it is seen that the additions in the case were made under section 68 of the Income-tax Act, 1961 on account of unexplained cash credits & not under section 56(2)(viib) on account of premium on shares, as has been alleged.

During the assessment proceedings, the assessing officer requested for confirmation of the persons from whom deposits had been received. Wherever confirmations were submitted, the same were accepted by the assessing officer and no addition was made. However, where no confirmations were furnished by the assessee, the assessing officer made the addition after issuing proper show-cause notice and obtaining reply in the matter. Thus, the addition was made only when the assessee failed to substantiate the source of the deposit resulting in demand of Rs. 2.22 crore approximately.

The assessee did not obtain any stay in respect of the demand raised. Had the stay been obtained, recovery proceedings would not have been instituted by the Department. Since there was no stay against recovery and the demand had become due, the Department recovered Rs. 36 lakh after attaching the bank accounts of the assessee. Thereafter, all the bank accounts were released.

It may also be noted that neither the assessee nor its Director submitted any certificate from DIPP to indicate its status of being a startup, either during the assessment proceedings or thereafter. Had such a certificate been furnished, this situation would not have arisen.

Thus, it is clear that the case of Travel Khana is not covered by the instruction issued by CBDT dated 24th December, 2018 prohibiting coercive measures for enforcing recovery of outstanding demand in Angel Tax cases, as the addition was made under section 68

of the IT Act and not under section 56(2)(viib). Therefore, the action of the assessing officer of enforcing recovery of demand is not in violation of CBDT's instructions.

Notwithstanding the above, the benefit of doubt should and must be given to our entrepreneurs. However, when after repeated reminders, records of funds received are not provided, the Department is unfortunately left with no other choice. It is also our duty to prevent and expose suspected evasion.

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