(*5*) Irrespective of anything contained in sub-section (*4*), if the conditions specified in sub-section 4(*f*) is not complied with in any tax year after the completion of strategic disinvestment, the provisions of sub-section (*3*) shall apply for such tax year and subsequent tax years.

(*6*) In this section,—

(*a*) a company shall be a subsidiary of another company, if such other company holds more than half in nominal value of the equity share capital of the company;

(*b*) the expression "erstwhile public sector company" shall have the meaning assigned to it in section 116(*3*)(*b*);

(*c*) "strategic disinvestment" shall have the meaning assigned to it in section 116(*3*)(*c*);

(*d*) "Tribunal" shall have the same meaning as assigned to it in section 2(*90*) of the Companies Act, 2013. 18 of 2013.

No set off of losses against undisclosed income consequent to search, requisition and survey.

120. (*1*) Irrespective of anything to the contrary contained in any other provision of this Act, any loss, whether brought forward or otherwise or unabsorbed depreciation, shall not be allowed to be set off against any undisclosed income which is included in the total income of any tax year, consequent to a search conducted under section 247 or a requisition under section 248 or a survey conducted under section 253, not being a survey under section 253(*4*).

(*2*) In this section, the expression "undisclosed income" for any tax year shall have the meaning assigned to it in section 301.

Submission of return for losses.

121. Irrespective of anything contained in this Chapter, no loss which has not been determined in pursuance of a return filed under section 263(*1*), shall be carried forward and set off under section 111(*1*) and 111(*2*), or 112(*1*), or 113(*2*), or 114(*2*) or 115(*1*).

CHAPTER VIII

DEDUCTIONS TO BE MADE IN COMPUTING TOTAL INCOME

A.—General

Deductions to be made in computing total income.

121. (*1*) In computing the total income of an assessee, the deductions specified in this Chapter shall be allowed from his gross total income, as per and subject to the provisions of this Chapter.

(*2*) The aggregate amount of the deductions under this Chapter shall not, in any case, exceed the gross total income of the assessee.

(*3*) If the deduction under section 133 or 135 or 137 or 138 or 141 or 142 or 143 is admissible in computing the total income of an association of persons or a body of individuals, no deduction under the same provision shall be made in relation to the share of income of a member of such association of persons or body of individuals while computing the total income of such member.

(*4*) Irrespective of anything to the contrary contained in any of the provisions of this Chapter under the heading "Deductions in respect of certain incomes", where, in the case of an assessee, any amount of profits and gains of an undertaking or unit or enterprise or eligible business is claimed and allowed as a deduction under those provisions for any tax year,—

(*a*) deduction in respect of, and to the extent of, such profits and gains shall not be allowed under any other provision of this Act for such tax year; and

(*b*) shall in no case exceed the profits and gains of such undertaking or unit or enterprise or eligible business.

(*5*) Deduction under the provisions of Part C of this Chapter shall not be allowed to an assessee, who fails to—

(*a*) furnish a return of income on or before the due date specified under section 263(*1*); or

(*b*) make a claim of deduction in return furnished under section 263(*1*).

(*6*) For the purposes of any deduction under this Chapter, irrespective of anything to the contrary contained in Part C of this Chapter, if any goods or services held for the purposes of—

(*a*) the undertaking, unit, enterprise or eligible business carried on by the assessee are transferred to any other business carried on by the assessee; or

(*b*) any other business carried on by the assessee are transferred to the undertaking or unit or enterprise or eligible business of the assessee; and

(*c*) the consideration, if any, for such transfer as recorded in the accounts of the undertaking or unit or enterprise or eligible business does not correspond to the market value of such goods or services as on the date of transfer,

the profits and gains of such undertaking or unit or enterprise or eligible business carried on by the assessee, shall be computed as if the transfer in clause (*a*) or (*b*), had been made at the market value of such goods or services as on that date.

(*7*) For the purposes of sub-section (*6*), "market value",—

(*a*) in relation to any goods or services sold or supplied, means the price that such goods or services would fetch, if these were sold by the undertaking or unit or enterprise or eligible business in the open market, subject to statutory or regulatory restrictions, if any;

(*b*) in relation to any goods or services acquired, means the price that such goods or services would cost if these were acquired by the undertaking or unit or enterprise or eligible business from the open market, subject to statutory or regulatory restrictions, if any; and

(*c*) in relation to any goods or services sold, supplied or acquired means the arms length price of such goods or services as defined in section 173(*a*), if it is a specified domestic transaction referred to in section 164.

(*8*) Where a deduction under Part C of this Chapter, is claimed and allowed in respect of profits of a specified business as referred to in section 46(*11*)(*d*) for any tax year, no deduction shall be allowed for such specified business under section 46 for the same or any other tax year.

(*9*) Where any deduction is required to be made or allowed under Part C of this Chapter, in respect of any income of the nature specified in that section and included in the gross total income of the assessee, then, irrespective of anything contained in that section, for the purpose of computing the deduction under that section, the amount of income of that nature as computed under the provisions of this Act (before making any deduction under this Chapter) shall alone be deemed to be the amount of income of that nature which is derived or received by the assessee and which is included in his gross total income.

(*10*) In this Chapter, "gross total income" means the total income computed as per the provisions of this Act, before making deduction under this Chapter.

B.—Deductions in respect of certain payments

Deduction for life insurance premia, deferred annuity, contributions to provident fund, etc.

123. An individual or a Hindu undivided family, shall be allowed a deduction of the whole of the amount paid or deposited in the tax year, being the aggregate of the sums enumerated in Schedule XV, but not exceeding one lakh fifty thousand rupees, while computing the total income for that year, subject to the conditions specified in that Schedule.

Deduction in respect of employer contribution to pension scheme of Central Government.

124. (*1*) Where in the case of an assessee, being an individual employed by any employer, if an employer makes any contribution in his account under a pension scheme notified by the Central Government, the assessee shall be allowed a deduction in the computation of his total income, of the whole of the amount contributed by such employer as does not exceed—

(*a*) 14%, where such contribution is made by the employer being the Central Government or the State Government; and

(*b*) 10%, where such contribution is made by an employer other than an employer referred to in clause (*a*),

of his salary in the tax year.

(*2*) Where the total income of the assessee is chargeable to tax under section 202(*1*), the provisions of sub-section (*1*) shall have effect as if for "10%" referred to in clause (*b*) of that sub-section, "14%" had been substituted.

(*3*) An assessee referred to in sub-section (*1*), or any other assessee, being an individual, shall be allowed a deduction in computation of his total income of the whole of the amount paid or deposited in the tax year in his account under a pension scheme notified or as notified by the Central Government, which shall not exceed fifty thousand rupees.

(*4*) The deduction under sub-section (*3*) shall also be allowed where any payment or deposit is made to the account of a minor under the said pension scheme, by the assessee, being the guardian of such minor, subject to the condition that the aggregate amount of deduction under sub-section (*3*) and this sub-section shall not exceed fifty thousand rupees.

(*5*) No deduction under sub-section (*3*) shall be allowed in respect of the amount on which a deduction has been claimed and allowed under section 123.

(*6*) Any amount standing to the credit of the assessee or a minor, in his account or the account of a minor, as the case may be, referred to in sub-sections (*1*), (*3*) and (*4*), in respect of which a deduction has been allowed together with the amount accrued thereon, received by the assessee or his nominee, in whole or in part, in any tax year,—

(*a*) on account of closure or his opting out of the pension scheme referred to in sub-sections (*1*) and (*3*); or

(*b*) as pension received from the annuity plan purchased or taken on such closure or opting out,

the whole of the amount referred to in clause (*a*) or (*b*) shall be deemed to be the income of the individual or his nominee, in the tax year in which such amount is received, and shall accordingly be charged to tax as income of that tax year.

(*7*) The amount received by the nominee, on the death of the assessee, under the circumstances referred to in sub-section (*6*)(*a*), shall not be deemed to be the income of the nominee.

(*8*) The amount received by a person, being the guardian or nominee of a minor on account of closure of the pension scheme due to the death of the minor referred to in sub-section (*4*), shall not be deemed to be the income of such person.

(*9*) For the purposes of this section, the assessee shall not be deemed to have received any amount in the tax year, if such amount is used for purchasing an annuity plan in the same tax year.

(*10*) Where any amount paid or deposited by the assessee has been allowed as a deduction under sub-section (*3*), no deduction with reference to such amount shall be allowed as deduction under section 123 for that tax year.

(*11*) For the purposes of this section, "salary" includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.

Deduction in respect of contribution to *Agnipath* Scheme.

125. (*1*) An assessee, being an individual who has enrolled in the *Agnipath* Scheme and subscribes to the *Agniveer* Corpus Fund on or after the 1st November, 2022, shall be allowed a deduction in the computation of his total income, of the whole of the amount paid or deposited in his account in the said Fund during the tax year.

(*2*) Where the Central Government makes any contribution to the account of an assessee in the Fund referred to in sub-section (*1*), the assessee shall be allowed a deduction in the computation of his total income of the whole of the amount so contributed.

(*3*) In this section,—

(*a*) "*Agnipath* Scheme" means the scheme for enrolment in the Indian Armed Forces introduced *vide* letter No. 1(23)2022/D(Pay/Services), dated the 29th December, 2022, of the Government of India in the Ministry of Defence;

(*b*) "*Agniveer* Corpus Fund" means a fund in which consolidated contributions of all the *Agniveers* and matching contributions of the Central Government along with interest on both these contributions are held.

Deduction in respect of health insurance premia.

126. (*1*) An assessee, being an individual or a Hindu undivided family, shall be allowed a deduction of a sum as specified in sub-sections (*2*) to (*8*), payment of which is made by any mode as specified in sub-section (*9*), out of his income chargeable to tax in the tax year.

(*2*) In the case of an assessee, being individual, the sum referred to in sub-section (*1*), shall be the aggregate of the whole of the amount paid—

(*a*) to effect or keep in force an insurance on the health (herein referred to as health insurance) of the assessee or his family, or any contributions made to the Central Government Health Scheme or such other scheme, as notified by the Central Government in this behalf, or any payment made for preventive health check-up of the assessee or his family, up to twenty-five thousand rupees in aggregate;

(*b*) to effect or to keep in force the health insurance, or any payment made for preventive health check-up, for the parent or parents of the assessee, up to twenty-five thousand rupees in aggregate;

(*c*) on account of medical expenditure incurred on the health of the assessee or any member of his family, up to fifty thousand rupees in aggregate; and

(*d*) on account of medical expenditure incurred on the health of any parent of the assessee, up to fifty thousand rupees in aggregate.

(*3*) The deduction in respect of amounts referred to in sub-section (*2*)(*a*) or (*2*)(*b*), which are paid on account of preventive health check-up, shall be allowed up to five thousand rupees in aggregate.

(*4*) The amount of sum referred to in sub-section (*2*) shall not exceed fifty thousand rupees in aggregate of the sum specified under sub-sections 2(*a*) and 2(*c*) or aggregate of the sum specified under sub-sections 2(*b*) and 2(*d*).

(*5*) In the case of assessee, being Hindu undivided family, the sum referred to in sub-section (*1*), shall be the aggregate of the whole of the amount paid—

(*a*) to effect or keep in force an insurance on the health of any member of that family, up to twenty-five thousand rupees in the aggregate; and

(*b*) on account of medical expenditure incurred on the health of any member of that family, up to fifty thousand rupees in the aggregate.

(*6*) The amount of sum under sub-section (*5*) shall not exceed fifty thousand rupees in the aggregate of the sum specified under sub-section (*5*)(*a*) and (*b*); or

(*7*) For the purposes of this section, where the amount is paid on account of medical expenditure incurred on the health of senior citizen under sub-section (*2*)(*c*) or (*d*) or (*5*)(*b*), deduction shall be allowed, if no amount has been paid to effect or to keep in force the health insurance of such person.

(*8*) Where the sum specified in sub-section (*2*)(*a*) or (*b*) or (*5*)(*a*) is paid to effect or keep in force the health insurance of any person specified therein, and—

(*a*) such person is a senior citizen, the amount of sum as provided in such clauses, shall be substituted with fifty thousand rupees for twenty-five thousand rupees; and

(*b*) such sum is paid in lump sum in the tax year for more than a year, a deduction shall be allowed for each of the relevant tax year equal to the appropriate fraction of such amount.

(*9*) For the purposes of deduction under section (*1*), the payment shall be made by any mode,—

(*a*) including cash, in respect of any sum paid on account of preventive health check-up; or

(*b*) other than cash in all other cases not falling under clause (*a*).

(*10*) In this section,—

(*a*) "appropriate fraction" means the fraction where the numerator is one, and the denominator is the total number of relevant tax year;

(*b*) "family" includes the spouse and dependant children of the assesse; and

(*c*) "relevant tax year" means the tax year beginning with the tax year in which such lump sum amount is paid and the subsequent tax year or years during which the health insurance remains in force.

(*11*) The health insurance referred to in this section shall be as per the scheme made in this behalf by—

(*a*) the General Insurance Corporation of India formed under section 9 of the General Insurance Business (Nationalisation) Act, 1972 and approved by the Central Government in this behalf; or 57 of 1972.

(*b*) any other insurer and approved by the Insurance Regulatory and Development Authority established under section 3(*1*) of the Insurance Regulatory and Development Authority Act, 1999. 4 of 1999.

Deduction in respect of maintenance including medical treatment of a dependant who is a person with disability.

127. (*1*) An assessee being an individual or a Hindu undivided family, who is a resident in India, shall be allowed a deduction up to seventy-five thousand rupees from his gross total income of a tax year, subject to the provisions of this section, if during that year he has—

(*a*) incurred expenditure for the medical treatment (including nursing), training, or rehabilitation of a dependant, being a person with disability; or

(*b*) paid or deposited any amount, under a scheme framed by the Life Insurance Corporation or any other insurer or the Administrator, or the specified company, for the maintenance of a dependant, being a person with disability, subject to the conditions specified in sub-section (*2*) and approved by the Board in this behalf.

(*2*) The deduction under sub-section (*1*)(*b*) shall be allowed only if the following conditions are fulfilled:—

(*a*) the scheme referred to in sub-section (*1*)(*b*) provides for payment of an annuity or lump sum amount for the benefit of a dependant, being a person with disability—

(*i*) on the death of the individual or the member of the Hindu undivided family, in whose name the scheme was subscribed; or

(*ii*) on attaining the age of sixty years or more by such individual or the member of the Hindu undivided family, and the payment or deposit to such scheme has been discontinued;

(*b*) the assessee nominates the dependant, being a person with disability or another person or a trust to receive the payments on behalf and for the benefit of such dependant.

(*3*) If the dependant as referred to in sub-section (*1*) is a person with severe disability, the amount of deduction as referred to in sub-section (*1*) shall be substituted with one lakh and twenty-five thousand rupees for seventy-five thousand rupees.

(*4*) In the event of death of the dependant, being a person with disability before the individual or member of the Hindu undivided family mentioned in sub-section (*2*), the amount paid or deposited under sub-section (*1*)(*b*) shall be deemed to be the income of the assessee of the tax year in which it is received and shall accordingly be chargeable to tax.

(*5*) The provisions of sub-section (*4*) shall not apply to the amount received by the dependant, being a person with disability, before his death, as an annuity or lump sum, by application of the condition referred to in sub-section (*2*)(*a*)(*ii*).

(*6*) The assessee claiming deduction under this section, shall furnish a copy of the medical certificate issued by the medical authority in such form and manner as prescribed, along with the return of income under section 263 for the tax year in which the deduction is claimed.

(*7*) If the certificate referred to in sub-section (*6*), specifies that the condition of disability requires reassessment of its extent after a period stipulated in it, the deduction under this section shall not be allowed for any tax year succeeding the tax year in which the said certificate expires, unless a new certificate is obtained from the medical authority in such form and manner, as prescribed, and a copy thereof is submitted along with the return of income under section 263.

(*8*) The dependant mentioned in this section shall not include a person who has claimed deduction under section 154 in computing his total income for the tax year.

(*9*) In this sections,—

(*a*) "Administrator" means the Administrator as referred to in section 2(*a*) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002; 58 of 2002.

(*b*) "dependant" means—

(*i*) in the case of an individual, the spouse, children, parents, brothers and sisters of the individual or any of them;

(*ii*) in the case of a Hindu undivided family, a member of the Hindu undivided family,

dependant wholly or mainly on such individual or Hindu undivided family for his support and maintenance;

(*c*) "disability" shall have the same meaning as assigned to it in section 2(*i*) of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 and includes "autism", "cerebral palsy" and "multiple disability" respectively referred to in section 2(*a*), (*c*) and (*h*) of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999; 1 of 1996. 44 of 1999.

(*d*) "Life Insurance Corporation" means the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956; 31 of 1956.

(*e*) "medical authority" means the medical authority as referred to in section 2(*p*) of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 or such other medical authority as may, by notification, be specified by the Central Government for certifying "autism", "cerebral palsy", "multiple disabilities", "person with disability" and "severe disability" respectively referred to in section 2(*a*), (*c*), (*h*), (*j*) and (*o*) of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999; 1 of 1996. 44 of 1999.

(*f*) "person with disability" means a person as referred to in section 2(*t*) of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 or section 2(*j*) of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999; 1 of 1996. 44 of 1999.

(*g*) "person with severe disability" means—

(*i*) a person with 80% or more of one or more disabilities, as referred to in section 56(*4*) of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995; or 1 of 1996.

(*ii*) a person with severe disability referred to in section 2(*o*) of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999; 44 of 1999.

(*h*) "specified company" shall have the same meaning as assigned to it in section 2(*h*) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002. 58 of 2002.

Deduction in respect of medical treatment, etc.

128. (*1*) An assessee who is resident in India, shall be allowed a deduction of the amount actually paid during the tax year or a sum of forty thousand rupees, whichever is less, from income chargeable to tax of that tax year, for the medical treatment of such disease or ailment as prescribed—

(*a*) for himself or a dependant, in case the assessee is an individual; or

(*b*) for any member of a Hindu undivided family, in case the assessee is a Hindu undivided family.

(*2*) A deduction shall be allowed under this section only if the assessee obtains the prescription for the medical treatment from a neurologist, oncologist, urologist, haematologist, immunologist, or any other specialist, as prescribed.

(*3*) The deduction under this section shall be reduced by any amount received under an insurance from an insurer, or reimbursed by an employer, for the medical treatment of the person as referred to in sub-section (*1*)(*a*) or (*b*).

(*4*) If the amount actually paid is in respect of the assessee or his dependant or any member of a Hindu undivided family of the assessee and who is senior citizen, the amount of deduction as referred to in sub-section (*1*) shall be substituted with one lakh rupees for forty thousand rupees.

(*5*) In this section,—

(*a*) "dependant" shall have the meaning as provided in section 127;

(*b*) "insurer" shall have the meaning assigned to it in section 2(*9*) of the Insurance Act, 1938. 4 of 1938.

Deduction in respect of interest on loan taken for higher education.

129. (*1*) An assessee, being an individual, shall be allowed a deduction of amount paid as interest during a tax year, subject to the provisions of this section, on a loan taken by him from any financial institution or any approved charitable institution, if the—

(*a*) loan taken is for the purpose of pursuing higher education of himself or his relative; and

(*b*) payment is made out of his income chargeable to tax.

(*2*) The deduction referred to in sub-section (*1*) shall be allowed in computing the total income in respect of the initial tax year and seven tax years immediately succeeding the initial tax year, or until the interest on the loan is fully paid by the assessee, whichever is earlier.

(*3*) In this section,—

(*a*) "approved charitable institution" means a registered non-profit organisation where it was approved earlier under the provisions of section 10(*23C*) of the Income-tax Act, 1961, or an institution referred to in section 80G(*2*)(*a*) of the said Act; 43 of 1961.

(*b*) "financial institution" means a banking company to which the Banking Regulation Act, 1949 applies (including any bank or banking institution referred to in section 51 of that Act) or any other financial institution which the Central Government may, by notification, specify; 10 of 1949.

(*c*) "higher education" means any course of study pursued after passing the Senior Secondary Examination or its equivalent from a school, board, or University recognised by the Central Government or State Government, local authority, or by any authority authorised by the Central Government or State Government or local authority to do so;

(*d*) "initial tax year" means the tax year in which the assessee starts paying the interest on the loan; and

(*e*) "relative", in relation to an individual, means the spouse and children of that individual, or the student for whom the individual is the legal guardian.

Deduction in respect of interest on loan taken for residential house property.

130. (*1*) An assessee, being an individual, shall be allowed a deduction of interest payable on loan taken by him from any financial institution for the purpose of acquisition of a residential house property as per the provisions of this section.

(*2*) The deduction under sub-section (*1*) shall not exceed fifty thousand rupees and shall be allowed in computing the total income of the individual for the tax year beginning on the 1st April, 2016 and subsequent tax years.

(*3*) The deduction under sub-section (*1*) shall be subject to the following conditions:—

(*a*) the loan has been sanctioned by the financial institution during the period beginning on the 1st April, 2016 and ending on the 31st March, 2017;

(*b*) the amount of loan sanctioned for acquisition of the residential house property does not exceed thirty-five lakh rupees;

(*c*) the value of residential house property does not exceed fifty lakh rupees; and

(*d*) the assessee does not own any residential house property on the date of sanction of loan.

(*4*) Where a deduction under this section is allowed for any interest referred to in sub-section (*1*), deduction shall not be allowed in respect of such interest under any other provision of this Act for the same or any other tax year.

(*5*) In this section,—

(*a*) "financial institution" means a banking company to which the Banking Regulation Act, 1949 applies, or any bank or banking institution referred to in section 51 of that Act or a housing finance company; and

10 of 1949.

(*b*) "housing finance company" means a public company formed or registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes.

Deduction in respect of interest on loan taken for certain house property.

131. (*1*) An assessee, being an individual not eligible to claim deduction under section 130, shall be allowed a deduction on interest payable on loan taken by him from any financial institution for the purpose of acquisition of a residential house property, subject to a maximum limit of one lakh and fifty thousand rupees in a tax year and on fulfilment of conditions specified in sub-section (*2*), for the tax year beginning on the 1st April, 2019 and subsequent tax years.

(*2*) The deduction under sub-section (*1*) shall be subject to the following conditions:—

(*a*) the loan has been sanctioned by the financial institution during the period beginning on the 1st April, 2019 and ending with the 31st March, 2022;

(*b*) the stamp duty value of residential house property does not exceed forty-five lakh rupees; and

(*c*) the assessee does not own any residential house property on the date of sanction of loan.

(*3*) Where a deduction under this section is allowed for any interest referred to in sub-section (*1*), deduction shall not be allowed in respect of such interest under any other provision of this Act for the same or any other tax year.

(*4*) In this section, "financial institution" shall have the meaning assigned to it in section 130(*5*)(*a*).

Deduction in respect of purchase of electric vehicle.

132. (*1*) An assessee, being an individual, shall be allowed a deduction of interest payable on loan taken by him from any financial institution for the purpose of purchase of an electric vehicle, as per the provisions of this section.

(*2*) The deduction under sub-section (*1*) shall be subject to the condition that the loan has been sanctioned by the financial institution during the period beginning on the 1st April, 2019 and ending with the 31st March, 2023.

(*3*) The deduction under sub-section (*1*) shall not exceed one lakh fifty thousand rupees and shall be allowed in computing the total income of the individual for the tax year beginning on the 1st April, 2019 and subsequent tax years.

(*4*) Where a deduction under this section is allowed for any interest referred to in sub-section (*1*), deduction shall not be allowed in respect of such interest under any other provision of this Act for the same or any other tax year.

(*5*) In this section,—

(*a*) "electric vehicle" means a vehicle powered exclusively by an electric motor, whose traction energy is supplied exclusively by traction battery installed in the vehicle and has such electric regenerative braking system, which during braking provides for the conversion of vehicle kinetic energy into electrical energy; and

(*b*) "financial institution" means a banking company to which the Banking Regulation Act, 1949 applies, or any bank or banking institution referred to in section 51 of that Act and includes a non-banking financial company.

10 of 1949.

Deduction in respect of donations to certain funds, charitable institutions, etc.

133. (*1*) In computing the total income of an assessee, there shall be deducted, as per and subject to the provisions of this section,—

(*a*) the whole of the aggregate of the sum or the sums paid by the assessee, in the tax year as donations to—

(*i*) the National Defence Fund set up by the Central Government; or

(*ii*) the Prime Minister's National Relief Fund or the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND); or

(*iii*) the Prime Minister's Armenia Earthquake Relief Fund; or

(*iv*) the Africa (Public Contributions-India) Fund; or

(*v*) the National Children's Fund; or

(*vi*) the National Foundation for Communal Harmony; or

(*vii*) a University or any educational institution of national eminence as may be approved by the prescribed authority in this behalf; or

(*viii*) any fund set up by the State Government of Gujarat exclusively for providing relief to the victims of earthquake in Gujarat; or

(*ix*) any *Zila Saksharta Samiti* constituted in any district under the chairmanship of the Collector of that district for improving primary education in villages and towns (having a population up to one lakh) according to the last published census of which figures are available before the first day of the relevant tax year), in such district and for literacy and post-literacy activities; or

(*x*) the National Blood Transfusion Council or any State Blood Transfusion Council, which has its sole object the control, supervision, regulation or encouragement in India of the services related to operation and requirements of blood banks; or

(*xi*) any fund set up by a State Government to provide medical relief to the poor; or

(*xii*) the Army Central Welfare Fund or the Indian Naval Benevolent Fund or the Air Force Central Welfare Fund established by the armed forces of the Union for the welfare of the past and present members of such forces or their dependants; or

(*xiii*) the Andhra Pradesh Chief Minister's Cyclone Relief Fund, 1996; or

(*xiv*) the National Illness Assistance Fund; or

(*xv*) the Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund, if the fund meets all the following conditions:—

(*A*) it is the only fund of its kind established in the State or the Union territory;

(*B*) it is under the overall control of the Chief Secretary or the Department of Finance of the respective State or the Union territory;

(*C*) it is administered in a manner specified by the State Government or the Lieutenant Governor; or

(*xvi*) the National Sports Development Fund to be set up by the Central Government; or

(*xvii*) the National Cultural Fund set up by the Central Government; or

(*xviii*) the Fund for Technology Development and Application set up by the Central Government; or

(*xix*) the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities constituted under section 3(*1*) of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999; or

44 of 1999.

(*xx*) the Swachh Bharat Kosh, set up by the Central Government, other than the sum spent by the assessee in pursuance of Corporate Social Responsibility under section 135(*5*) of the Companies Act, 2013; or

18 of 2013.

(*xxi*) the Clean Ganga Fund, set up by the Central Government, where such assessee is a resident and such sum is other than the sum spent by the assessee in pursuance of Corporate Social Responsibility under section 135(*5*) of the Companies Act, 2013; or

18 of 2013.

(*xxii*) the National Fund for Control of Drug Abuse constituted under section 7A of the Narcotic Drugs and Psychotropic Substances Act, 1985; or

61 of 1985.

(*xxiii*) the Government or to any such local authority, institution or association as may be approved in this behalf by the Central Government, to be utilised for the purpose of promoting family planning; or

(*xxiv*) the Indian Olympic Association or any other association or institution established in India, as the Central Government may, having regard to the prescribed guidelines, by notification specify in this behalf for—

(*A*) the development of infrastructure for sports and games in India; or

(*B*) the sponsorship of sports and games in India,

and where the assessee is a company;

(*b*) an amount equal to 50% of the aggregate of the sums paid as donation by an assessee during the tax year to—

(*i*) the Prime Minister's Drought Relief Fund;

(*ii*) any fund or any institution to which this section applies, if:—

(*A*) it is established in India for a charitable purpose; and

(*B*) it is a registered non-profit organisation or an institution or fund mentioned in Schedule VII (Table: Sl. No. 1) and approved under section 354;

(*iii*) the Government or any local authority, to be utilised for any charitable purpose other than the purpose of promoting family planning;

(*iv*) an authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both;

(*v*) a corporation established by the Central Government or any State Government for promoting the interests of the members of a minority community;

(*vi*) for the purposes of sub-clause (*v*), "minority community" means a community notified as such by the Central Government;

(*vii*) any entity, for the renovation or repair of any temple, mosque, gurudwara, church or other place which is notified by the Central Government to be of historic, archaeological or artistic importance or to be a place of public worship of renown throughout any State or States.

(*2*) Where the aggregate of the sums referred to in sub-section (*1*)(*a*)(*xxiii*) and (*xxiv*), sub-section (*1*)(*b*)(*ii*) to (*v*) and (*vii*) exceeds 10% of the adjusted gross total income, then the amount in excess of 10% of the gross total income shall be ignored for the purpose of computing the aggregate of the sums in respect of which deduction is to be allowed under sub-section (*1*).

(*3*) Where deduction under this section is claimed and allowed for any tax year in respect of any sum specified in sub-section (*1*), the sum in respect of which deduction is so allowed shall not qualify for deduction under any other provision of this Act for the same or any other tax year.

(*4*) The deduction under this section shall be allowed only for donation made as a sum of money.

(*5*) Any deduction for a donation over two thousand rupees shall be allowed only if the payment is made by a mode other than cash.

(*6*) Any claim of deduction by the assessee in his return of income filed for any tax year in case of a donation made to an institution or fund referred in sub-section (*1*)(*b*)(*ii*), shall be allowed only on the basis of—

(*a*) the information relating to such donation furnished by such institution or fund to the prescribed authority or person authorised by such authority; and

(*b*) subject to verification as per the risk management strategy formulated by the Board from time to time.

(*7*) For the purposes of this section,—

(*a*) "adjusted gross total income" means gross total income as reduced by any portion thereof on which income-tax is not payable under any provision of this Act and by any amount in respect of which the assessee is entitled to a deduction under any other provision of this Chapter;

(*b*) "charitable purpose" does not include any purpose the whole or substantially the whole of which is of a religious nature;

(*c*) "National Blood Transfusion Council" means a society registered under the Societies Registration Act, 1860 and has an officer of the rank of an Additional Secretary to the Government of India or higher to deal with the AIDS Control Project as its Chairman; 21 of 1860.

(*d*) "State Blood Transfusion Council" means a society registered, in consultation with the National Blood Transfusion Council, under the Societies Registration Act, 1860 or under any law corresponding to that Act in force in any part of India and has a Secretary to the Government of that State dealing with the Department of Health, as its Chairman; and 21 of 1860.

(*e*) an association or institution having as its object the control, supervision, regulation or encouragement in India of such games or sports as notified by the Central Government, shall be considered to be an institution established in India for a charitable purpose.

Deductions in respect of rents paid.

134. (*1*) In computing the total income of an assessee, subject to other provisions of this section, there shall be deducted any expenditure incurred by him towards payment of rent (by whatever name called) in respect of any furnished or unfurnished accommodation occupied by him for the purposes of his own residence.

(*2*) The deduction under sub-section (*1*) shall be allowable on such rent exceeding 10% of his total income, subject to a maximum of five thousand rupees per month, or 25% of total income for tax year, whichever is less.

(*3*) For the purposes of deduction under sub-section (*1*), such other conditions or limitations having regard to the area or place in which such accommodation is situated and other relevant consideration, as prescribed, shall be taken into account.

(*4*) No deduction under this section shall be allowed to an assessee in any case, where—

(*a*) any residential accommodation is—

(*i*) owned by the assessee or by his spouse or minor child or, where such assessee is a member of a Hindu undivided family, by such family at the place where he ordinarily resides or performs duties of his office or employment or carries on his business or profession; or

(*ii*) owned by the assessee at any other place, being accommodation in the occupation of the assessee, the value of which is to be determined under section 21(*6*) or (*7*)(*a*); or

(*b*) the assessee has any income falling in Schedule III (Table: Sl. No. 11).

(*5*) For the purposes of this section, the expressions "10% of his total income" and "25% of his total income" shall mean 10% or 25%, as the case may be, of the total income of the assessee before allowing deduction for any expenditure under this section.

Deduction in respect of certain donations for scientific research or rural development.

135. (*1*) In computing the total income of an assessee, there shall be deducted, as per the provisions of this section, any sum paid by the assessee in the tax year to,—

(*a*) a research association which has as its object the undertaking of scientific research, or to a University, college or other institution approved for the purposes of section 45(*3*)(*a*)(*i*) to be used for scientific research;

(*b*) a research association which has as its object the undertaking of research in social science or statistical research, or to a University, college or other institution approved for the purposes of section 45(*3*)(*a*)(*ii*) to be used for research in social science or statistical research;

(*2*) Deduction for contributions made as per sub-section (*1*) shall not be allowed, if—

(*a*) the gross total income of the assessee includes income which is chargeable under the head "Profits and gains of business or profession"; or

(*b*) the contribution is made in cash exceeding two thousand rupees.

(*3*) Deduction under sub-section (*1*)(*a*) and (*1*)(*b*) shall not be denied merely on the ground that subsequent to the payment of such sum by the assessee, approval to such association, University, college, other institution referred there in to whom the payment was made has been withdrawn.

(*4*) The claim of the assessee for a deduction in respect of any sum referred to in sub-section (*1*) in the return of income for any tax year filed by him, shall be allowed on the basis of information relating to such sum furnished by the payee to the prescribed income-tax authority or the person authorised by such authority, subject to verification as per the risk management strategy formulated by the Board from time to time.

Deduction in respect of contributions given by companies to political parties.

136. (*1*) An assessee, being an Indian company, shall be allowed a deduction for the amount contributed by it, other than by way of cash, during a tax year to a political party registered under section 29A of the Representation of the People Act, 1951 or an electoral trust.

43 of 1951.

(*2*) In this section, the word "contribute", with its grammatical variations and cognate expressions shall have the same meaning as assigned to it in section 182 of the Companies Act, 2013.

18 of 2013.

Deduction in respect of contributions given by any person to political parties.

137. An assessee, (other than a local authority and an artificial juridical person wholly or partly funded by the Government), shall be allowed a deduction for the amount contributed by him, other than by way of cash, during a tax year to a political party registered under section 29A of the Representation of the People Act, 1951, or an electoral trust.

43 of 1951.

C.—Deductions in respect of certain incomes.

Deductions in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development, etc.

138. In respect of any tax year beginning on or after the 1st April, 2026, where—

(*a*) the gross total income of an assessee includes any profits and gains derived by an undertaking or an enterprise from any business referred to in section 80-IA of the Income-tax Act, 1961; and

43 of 1961.

(*b*) such assessee is eligible to claim a deduction from the profits and gains derived from such business for such tax year under the provisions of the said section, if the said Act had not been repealed,

there shall be allowed, in computing the total income of the assessee, a deduction from the profits and gains derived from such business, subject to the conditions that—

(*i*) the amount of deduction is calculated as per the provisions of section 80-IA of the Income-tax Act,1961; and 43 of 1961.

(*ii*) the deduction under this Act shall be allowed only for such tax years, as would have been allowed under section 80-IA of the Income-tax Act,1961, as if the said Act had not been repealed. 43 of 1961.

Deductions in respect of profits and gains by an undertaking or enterprise engaged in development of Special Economic Zone.

139. In respect of any tax year, where—

(*a*) the gross total income of an assessee, being a Developer, includes any profits and gains derived by an undertaking or an enterprise from any business of developing a Special Economic Zone, notified on or after the 1st April, 2005 under the Special Economic Zones Act, 2005 referred to in section 80-IAB of the Income-tax Act, 1961; and 28 of 2005. 43 of 1961.

(*b*) such assessee is eligible to claim a deduction from the profits and gains derived from such business for such tax year under the provisions of the said section, if the said Act had not been repealed,

there shall be allowed, in computing the total income of the assessee, a deduction from the profits and gains derived from such business, subject to the conditions that—

(*i*) the amount of deduction is calculated as per the provisions of section 80-IAB of the Income-tax Act, 1961; and 43 of 1961.

(*ii*) the deduction under this Act shall be allowed only for such tax years, as would have been allowed under section 80-IAB of the Income-tax Act, 1961, if the said Act had not been repealed. 43 of 1961.

Special provision in respect of specified business.

140. (*1*) Where the gross total income of an assessee, being an eligible start-up, includes any profits and gains derived from eligible business, there shall, as per and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction of an amount equal to 100% of the profits and gains derived from such business for three consecutive tax years.

(*2*) The deduction specified in sub-section (*1*) may, at the option of the assessee, be claimed by him for any three consecutive tax years out of ten years beginning from the year in which the eligible start-up is incorporated.

(*3*) This section applies to a start-up which fulfils the following conditions:—

(*a*) it is not formed by splitting up, or the reconstruction, of a business already in existence;

(*b*) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose.

(*4*) Where the business of any undertaking carried on in India is discontinued in any tax year by reason of extensive damage to, or destruction of, any building, machinery, plant or furniture owned by the assessee and used for the purposes of such business as a direct result of—

(*a*) flood, typhoon, hurricane, cyclone, earthquake or other convulsion of nature; or

(*b*) riot or civil disturbance; or

(*c*) accidental fire or explosion; or

(*d*) action by an enemy or action taken in combating an enemy (whether with or without a declaration of war),

and thereafter, at any time before the expiry of three years from the end of such tax year, the business of such undertaking is re-established, re-constructed or revived by the assessee, the condition referred to in sub-section (3)(a) shall not apply to such undertaking which is so re-established, reconstructed or revived.

(*5*) For the purposes of sub-section (*3*)(*b*), any machinery or plant which was used outside India by any person other than the assessee shall not be regarded as machinery or plant previously used for any purpose, if all the following conditions are fulfilled:—

(*a*) such machinery or plant was not, at any time previous to the date of the installation by the assessee, used in India;

(*b*) such machinery or plant is imported into India; and

(*c*) no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under the provisions of this Act in computing the total income of any person for any period before to the date of the installation of the machinery or plant by the assessee.

(*6*) Where in the case of a start-up, any machinery or plant or any part thereof previously used for any purpose is transferred to a new business and the total value of the machinery or plant or part so transferred does not exceed 20% of the total value of the machinery or plant used in the business, then, for the purposes of sub-section (*3*)(*b*), the condition specified therein shall be considered to have been complied with.

(*7*) Irrespective of anything contained in any other provision of this Act, the profits and gains of an eligible business to which the provisions of sub-section (*1*) apply shall, for the purposes of determining the quantum of deduction under that sub-section for the tax year immediately succeeding the initial tax year or any subsequent tax year, be computed as if such eligible business were the only source of income of the assessee during the initial tax year and to every subsequent tax year up to and including the tax year for which the determination is to be made.

(*8*) The deduction under sub-section (*1*) from profits and gains derived from an eligible business shall not be admissible unless the accounts of the eligible business for the tax year for which the deduction is claimed have been audited by an accountant, before the specified date referred to in section 63 and the assessee furnishes by that date the report of such audit in the prescribed form duly signed and verified by such accountant.

(*9*) In a case where,—

(*i*) any goods or services held for the purposes of the eligible business are transferred to any other business carried on by the assessee; or

(*ii*) where any goods or services held for the purposes of any other business carried on by the assessee are transferred to the eligible business,

and, in either case, the consideration, if any, for such transfer as recorded in the accounts of the eligible business does not correspond to the market value of such goods or services as on the date of the transfer, then, for the purposes of the deduction under this section, the profits and gains of such eligible business shall be computed as if the transfer, in either case, had been made at the market value of such goods or services as on that date.

(*10*) For the purposes of sub-section (*9*), where, in the opinion of the Assessing Officer, the computation of the profits and gains of the eligible business in the manner hereinbefore specified presents exceptional difficulties, the Assessing Officer may compute such profits and gains on such reasonable basis as he may deem fit.

(*11*) For the purposes of sub-section (*9*), "market value", in relation to any goods or services, means—

(*i*) the price that such goods or services would ordinarily fetch in the open market; or

(ii) the arm's length price as defined in section 173(*a*), where the transfer of such goods or services is a specified domestic transaction referred to in section 164.

(*12*) Where any amount of profits and gains of an undertaking or of an enterprise in the case of an assessee is claimed and allowed under this section for any tax year, deduction to the extent of such profits and gains shall not be allowed under any other provisions of Part C of this Chapter and shall in no case exceed the profits and gains of such eligible business of undertaking or enterprise, as the case may be.

(*13*) Where it appears to the Assessing Officer that,—

(*i*) owing to the close connection between the assessee carrying on the eligible business to which this section applies and any other person; or

(*ii*) for any other reason,

the course of business between them is so arranged that the business transacted between them produces to the assessee more than the ordinary profits which might be expected to arise in such eligible business, the Assessing Officer shall, in computing the profits and gains of such eligible business for the purposes of the deduction under this section, take the amount of profits as may be reasonably considered to have been derived therefrom.

(*14*) Where the arrangement as mentioned in sub-section (*13*) involves a specified domestic transaction referred to in section 164, the amount of profits from such transaction shall be determined having regard to arm's length price as defined in section173(*a*).

(*15*) The Central Government may, after making such inquiry as it may think fit, direct, by notification, that the exemption conferred by this section shall not apply to any class of industrial undertaking or enterprise with effect from such date as it may specify in the notification.

(*16*) In this section,—

(*a*) "eligible business" means a business carried out by an eligible start-up engaged in innovation, development or improvement of products or processes or services or a scalable business model with a high potential of employment generation or wealth creation;

(*b*) "eligible start-up" means a company or a limited liability partnership engaged in eligible business which fulfils the following conditions:—

(*i*) it is incorporated on or after the 1st April, 2016 but before the 1st April, 2030;

(*ii*) the total turnover of its business does not exceed one hundred crore rupees in the tax year relevant to the tax year for which deduction under sub-section (*1*) is claimed; and

(*iii*) it holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified by the Central Government; and

(*c*) "limited liability partnership" means a partnership referred to in section 2(*1*)(*n*) of the Limited Liability Partnership Act, 2008. 6 of 2009.

Deduction in respect of profits and gains from certain industrial undertakings.

141. In respect of any tax year, where—

(*a*) the gross total income of an assessee, includes any profits and gains derived from any business referred to in section 80-IB of the Income-tax Act, 1961; and 43 of 1961.

(*b*) such assessee is eligible to claim a deduction from the profits and gains derived from such business for such tax year under the provisions of the said section, if the said Act had not been repealed,

there shall be allowed, in computing the total income of the assessee, a deduction from the profits and gains derived from such business, subject to the conditions that—

(*i*) the amount of deduction is calculated as per the provisions of section 80-IB of the Income-tax Act, 1961; and 43 of 1961.

(*ii*) the deduction under this Act shall be allowed only for such tax years, as would have been allowed under section 80-IB of the Income-tax Act, 1961, if the said Act had not been repealed. 43 of 1961.

Deductions in respect of profits and gains from housing projects

142. In respect of any tax year, where—

(*a*) the gross total income of an assessee, includes any profits and gains derived from the business of developing and building housing projects or rental housing projects referred to in section 80-IBA of the Income-tax Act,1961; and 43 of 1961.

(*b*) such assessee is eligible to claim a deduction from the profits and gains derived from such business for such tax year under the provisions of the said section, if the said Act had not been repealed,

there shall be allowed, in computing the total income of the assessee, a deduction from the profits and gains derived from such business, subject to the conditions that—

(*i*) the amount of deduction is calculated as per the provisions of section 80-IBA of the Income-tax Act, 1961; and 43 of 1961.

(*ii*) the deduction under this Act shall be allowed only for such tax years, as would have been allowed under section 80-IBA of the Income-tax Act, 1961, if the said Act had not been repealed. 43 of 1961.

Special provisions in respect of certain undertakings in North-Eastern States.

143. (*1*) Where the gross total income of an assessee includes any profits and gains derived by an undertaking, to which this section applies, from any business referred to in sub-section (*2*), there shall be allowed, in computing the total income of the assessee, a deduction of an amount equal to 100% of the profits and gains derived from such business for ten consecutive tax years commencing with the initial tax year.

(*2*) This section applies to any undertaking which has, during the period beginning on the 1st April, 2007 and ending with the 1st April, 2017, begun or begins, in any of the North-Eastern States,—

(*a*) to manufacture or produce any eligible article or thing;

(*b*) to undertake substantial expansion to manufacture or produce any eligible article or thing; and

(*c*) to carry on any eligible business.

(*3*) This section applies to any undertaking which fulfils all the following conditions:—

(*a*) it is not formed by splitting up, or the reconstruction, of a business already in existence;

(*b*) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose;

(*c*) condition referred to in clause (*a*) shall not apply in respect of an undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such undertaking as is referred to in section 140(*4*),in the circumstances and within the period specified therein.

(*4*) For the purposes of sub-section (*3*)(*b*), the provisions of section 140(*5*) and (*6*) shall apply.

(*5*) Irrespective of anything contained in any other provision of this Act, in computing the total income of the assessee, no deduction shall be allowed under any other section contained in this Chapter in relation to the profits and gains of the undertaking.

(*6*) Irrespective of anything contained in this Act, no deduction shall be allowed to any undertaking under this section, where the total period of deduction inclusive of the period of deduction under this section or under second proviso to section 80-IB(*4*) of the Income-tax Act, 1961 exceeds ten tax years. 43 of 1961.

(*7*) The provisions contained in section 140(*7*) to (*15*) shall, so far as may be, apply to the eligible undertaking under this section.

(*8*) In this section,—

(*a*) "eligible article or thing" means the article or thing other than the following:—

(*i*) goods falling under Chapter 24 of the First Schedule to the Central Excise Tariff Act, 1985, which pertains to tobacco and manufactured tobacco substitutes; 5 of 1986.

(*ii*) pan masala as covered under Chapter 21 of the First Schedule to the Central Excise Tariff Act, 1985; 5 of 1986.

(*iii*) plastic carry bags of less than twenty microns as specified by the Ministry of Environment and Forests *vide* notification numbers S.O. 705(*E*), dated the 2nd September, 1999 and S.O. 698(*E*), dated the 17th June, 2003; and

(*iv*) goods falling under Chapter 27 of the First Schedule to the Central Excise Tariff Act, 1985, produced by petroleum oil or gas refineries; 5 of 1986.

(*b*) "eligible business" means the business of—

(*i*) hotel (not below two star category);

(*ii*) adventure and leisure sports including ropeways;

(*iii*) providing medical and health services in the nature of nursing home with a minimum capacity of twenty-five beds;

(*iv*) running an old-age home;

(*v*) operating vocational training institute for hotel management, catering and food craft, entrepreneurship development, nursing and para-medical, civil aviation related training, fashion designing and industrial training;

(*vi*) running information technology related training centre;

(*vii*) manufacturing of information technology hardware; and

(*viii*) bio-technolog;

(*c*) "initial tax year" means the tax year in which the undertaking begins to manufacture or produce articles or things, or completes substantial expansion;

(*d*) "North-Eastern States" means the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura;

(*e*) "substantial expansion" means increase in the investment in the plant and machinery by at least 25% of the book value of plant and machinery (before taking depreciation in any year), as on the first day of the tax year in which the substantial expansion is undertaken.

Special provisions in respect of newly established Units in Special Economic Zones.

144. In respect of any tax year , where—

(*a*) in computing the total income of an assessee, being an entrepreneur as referred to in section 2(*j*) of the Special Economic Zones Act, 2005, who begins to manufacture or produce articles or things or provide any services referred to in section 10AA of the Income-tax Act, 1961; and 28 of 2005. 43 of 1961.

(*b*) such assessee is eligible to claim a deduction from the profits and gains derived from the export, of such articles or things or from services for such tax year under the provisions of the said section, if the said Act had not been repealed,

there shall be allowed, in computing the total income of the assessee, a deduction from the profits and gains derived from such business, subject to the conditions that—

(*i*) the amount of deduction is calculated as per the provisions of section 10AA of the Income-tax Act, 1961; and 43 of 1961.

(*ii*) the deduction under this Act shall be allowed only for such tax years, as would have been allowed under section 10AA of the Income-tax Act, 1961, if the said Act had not been repealed. 43 of 1961.

Duction for businesses engaged in collecting and processing of bio-degradable waste.

145. (*1*) If the gross total income of an assessee includes any profits and gains derived from the business of collecting and processing or treating of bio-degradable waste for,—

(*a*) generating power; or

(*b*) producing bio-fertilizers, bio-pesticides or biological agents; or

(*c*) producing bio-gas; or

(*d*) making pellets or briquettes for fuel or organic manure,

there shall be allowed a deduction equal to the whole amount of such profits and gains for five consecutive tax years, beginning with the tax year in which such business commences.

Deduction in respect of additional employee cost.

146. (*1*) Subject to the conditions specified in sub-sections (*2*) and (*3*), if the gross total income of an assessee, to whom section 63 applies, includes any profits and gains from business, a deduction of an amount equal to 30% of additional employee cost incurred in the course of such business in the tax year shall be allowed.

(*2*) The deduction referred to in sub-section (*1*) shall be allowed for three consecutive tax years, beginning from the tax year in which the employment is provided.

(*3*) The deduction under sub-section (*1*) shall not be allowed, if—

(*a*) the business is formed by splitting up, or the reconstruction, of an existing business; or

(*b*) the business is acquired by the assessee through transfer from any other person or as a result of any business reorganisation;

(*c*) the assessee does not furnish the report of an accountant, before the specified date as referred to in section 63, giving the particulars in the report, as prescribed.

(*4*) The condition referred to in sub-section (*3*)(*a*) shall not apply in respect of an undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such undertaking as is referred to in section 140(*4*) in the circumstances and within the period specified in that sub-section.

(*5*) In this section,—

(*a*) "additional employee cost" means—

(*i*) the total emoluments paid or payable to additional employees employed during the tax year; or

(*ii*) emoluments paid or payable to employees employed during the tax year, where that year is the first year of a new business,

and it shall be *nil* in the case of an existing business, if—

(*A*) there is no increase in the number of employees from the total number employed as on the last day of the preceding tax year; or

(*B*) emoluments are paid otherwise than by an account payee cheque or account payee bank draft or by use of electronic clearing system through a bank account or through such other electronic mode, as prescribed;

(*b*) "additional employee" means an employee who has been employed during the tax year and whose employment increases the total number of employees employed by the employer as on the last day of the preceding tax year, but does not include any employee—

(*i*) whose total emoluments exceed twenty-five thousand rupees per month;

(*ii*) for whom the Government pays the entire contribution under the Employees' Pension Scheme notified as per the provisions of the Employees, Provident Funds and Miscellaneous Provisions Act,1952; 19 of 1952.

(*iii*) employed for less than one hundred and fifty days in case of an assessee who is engaged in the business of manufacturing of apparel or footwear or leather products, except where such employee is employed for said number of days in the immediately succeeding tax year, he shall be deemed as an additional employee of the succeeding tax year and the provisions of this section shall apply accordingly;

(*iv*) employed for less than two hundred and forty days during the tax year in case of any other assessee, except where such employee is employed for said number of days in the immediately succeeding tax year, he shall be deemed as an additional employee of the succeeding tax year and the provisions of this section shall apply accordingly; and

(*v*) who does not participate in a recognised provident fund;

(*c*) "emoluments" means any sum paid or payable to an employee *in lieu* of his employment, by whatever name called, but does not include—

(*i*) employer contributions to any pension or provident fund or any other fund for the benefit of the employee as mandated by any law; and

(*ii*) lump sum payments paid or payable to an employee at the time of termination of his service, superannuation, or voluntary retirement, such as gratuity, severance pay, leave encashment, voluntary retrenchment benefits, commutation of pension and the like.

Deductions for income of Offshore Banking Units and Units of International Financial Services Centre.

147. (*1*) Where the following assessee has any income of the nature referred to in sub-section (*3*), there shall be allowed a deduction equal to 100% of such income:—

(*a*) a scheduled bank, or a bank incorporated under the laws of a country outside India, having an Offshore Banking Unit in a Special Economic Zone; or

(*b*) a unit of an International Financial Services Centre.

(*2*) The deduction shall be allowed—

(*a*) for ten consecutive tax years beginning from the relevant tax year in the case of an entity mentioned in sub-section (*1*)(*a*);

(*b*) for ten consecutive tax years within fifteen years beginning from the relevant tax year, at the option of an assessee, in the case of an entity mentioned in sub-section (*1*)(*b*).

(*3*) The income referred to in sub-section (*3*) shall be the income from—

(*a*) an Offshore Banking Unit located in a Special Economic Zone; or

(*b*) the business activities referred to in section 6(*1*) of the Banking Regulation Act, 1949, with undertakings in a Special Economic Zone or entities that develop, develop and operate, or develop, operate and maintain Special Economic Zone; or 10 of 1949.

(*c*) the approved business activities of any Unit of an International Financial Services Centre set up in a Special Economic Zone; or

(*d*) transfer of an asset being, an aircraft or a ship, leased by a unit referred to in clause (*c*) if such unit commenced its business operations by 31st March, 2030.

(*4*) The deduction under this section shall be allowed only if the assessee submits along with the return of income—

(*a*) a report in the form as prescribed, from an accountant certifying the correctness of claim of deduction; and

(*b*) a copy of the—

(*i*) permission obtained under section 23(*1*)(*a*) of the Banking Regulation Act, 1949; or 10 of 1949.

(*ii*) permission or registration obtained under the International Financial Services Centres Authority Act, 2019. 50 of 2019.

(*5*) In this section,—

(*a*) "relevant tax year" shall be,—

(*i*) in case of an entity mentioned in sub-section (*1*)(*a*), the tax year in which permission under section 23(*1*)(*a*) of the Banking Regulation Act, 1949, or permission or registration under the Securities and Exchange Board of India Act, 1992 or any other relevant law was obtained; or 10 of 1949. 15 of 1992.

(*ii*) in case of an entity mentioned in sub-section (*1*)(*b*), the tax year in which permission under section 23(*1*)(*a*) of the Banking Regulation Act, 1949, or permission or registration under the Securities and Exchange Board of India Act, 1992, or permission or registration under the International Financial Services Centre Authority Act, 2019 was obtained; 10 of 1949. 15 of 1992. 50 of 2019.

(*b*) "Unit" shall have the same meaning as assigned to it in section 2(*zc*) of the Special Economic Zones Act, 2005; 28 of 2005.

(*c*) "aircraft" and "ship" shall have the meanings respectively assigned to them in Schedule VI Note 3.

Deduction in respect of certain inter-corporate dividends.

148. (*1*) If the gross total income of a domestic company in any tax year includes any income by way of dividends from—

(*a*) any other domestic company; or

(*b*) a foreign company; or

(*c*) a business trust,

such domestic company shall, be allowed a deduction of an amount equal to so much of the income by way of dividends received from the person mentioned in clause (*a*) or (*b*) or (*c*) as does not exceed the amount of dividend distributed by it by the date one month before the due date for filing the return of income under section 263(*1*).

(2) Where any deduction, in respect of the amount of dividend distributed by the domestic company, has been allowed under sub-section (*1*) in any tax year, no deduction shall be allowed in respect of such amount in any other tax year.

Deduction in respect of income of co-operative societies.

149. (*1*) If the gross total income of an assessee, being a co-operative society, includes any income referred to in sub-section (*2*), the sums specified in the said sub-section shall, in accordance with and subject to the provisions of this section, be allowed as deduction in computing the total income of such assessee.

(*2*) The sums referred to in sub-section (*1*) shall be the following:—

(*a*) in the case of a co-operative society engaged in—

(*i*) carrying on the business of banking or providing credit facilities to its members; or

(*ii*) a cottage industry; or

(*iii*) the marketing of agricultural produce grown by its members; or

(*iv*) the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members; or

(*v*) the processing, without the aid of power, of the agricultural produce of its members; or

(*vi*) the collective disposal of the labour of its members; or

(*vii*) fishing or allied activities, that is to say, the catching, curing, processing, preserving, storing or marketing of fish or the purchase of materials and equipment in connection therewith for the purpose of supplying them to its members,

the whole of the amount of profits and gains of business attributable to any one or more of such activities;

(*b*) in the case of a co-operative society, being a primary society engaged in supplying milk, oilseeds, fruits, or vegetables raised or grown by its members to—

(*i*) a federal co-operative society, engaged in the business of supplying milk, oilseeds, fruits or vegetables; or

(*ii*) the Government or a local authority; or

(*iii*) a Government company, as defined in section 2(*45*) of the Companies Act, 2013, or a corporation established by or under a Central Act or State Act or Provincial Act, engaged in supplying milk, oilseeds, fruits or vegetables, as the case may be, to the public,

18 of 2013.

the whole of the amount of profits and gains of such business;

(*c*) in the case of a co-operative society engaged in activities not specified in clause (*a*) or (*b*), (either independently of, or in addition to, all or any of the activities so specified), that amount of profits and gains attributable to such activities as does not exceed—

(*i*) one lakh rupees, if the society is a consumers' co-operative society; and

(*ii*) fifty thousand rupees, in any other case;

(*d*) in respect of any income by way of interest or dividends derived by the co-operative society from its investments with any other co-operative society, the whole of such income;

(*e*) in respect of any income by derived by the co-operative society from the letting of godowns or warehouses for storage, processing, or facilitating the marketing of commodities, the whole of such income;

(*f*) in the case of a co-operative society, not being—

(*i*) a housing society; or

(*ii*) an urban consumers' society (being a society for the benefit of the consumers within the limits of a municipal corporation, municipality, municipal committee, notified area committee, town area, or cantonment); or

(*iii*) a society carrying on transport business; or

(*iv*) a society engaged in performing manufacturing operations with the aid of power,

where the gross total income does not exceed twenty thousand rupees, the amount of income—

(*i*) by way of interest on securities; or

(*ii*) any income from house property chargeable under section 20.

(*3*) In the case of a co-operative society as referred to in sub-section (*2*)(*a*)(*vi*) or (*vii*), provisions of sub-section (*2*) shall apply when the rules and bye-laws of the society restrict the voting rights to the following classes of members:—

(*i*) the individuals who contribute their labour or carry on fishing or allied activities; or

(*ii*) the co-operative credit societies which provide financial assistance to the society; or

(*iii*) the State Government.

(*4*) The deduction under sub-section (*1*) in relation to the sums specified in sub-section (*2*)(*a*)or (*b*) or (*c*) or sub-section (*3*), shall be allowed with reference to the income referred to in those sub-sections included in the gross total income after reducing the deduction under section 80-IA of the Income-tax Act, 1961, if the assessee is also entitled to such deduction. 43 of 1961.

(*5*) The provision of this section shall not apply to any co-operative bank which is not a primary agricultural co-operative society or a primary co-operative agricultural and rural development bank.

(*6*) In this section,—

(*a*) "consumers' co-operative society" means a society for the benefit of the consumers;

(*b*) "co-operative bank" and "primary agricultural credit society" have the same meanings as respectively assigned to them in Part V of the Banking Regulation Act, 1949; and 10 of 1949.

(*c*) "primary co-operative agricultural and rural development bank" means a society having an area of operation confined to a taluk, the principal object of which is to provide long-term credit for agricultural and rural development activities.

Deduction in respect of certain income of Producer Companies.

150. (*1*) An assessee, who,—

(*a*) is a Producer Company;

(*b*) has a total turnover of less than one hundred crore rupees in any tax year; and

(*c*) has any profits and gains derived from eligible business included in its gross total income,

shall be allowed a deduction of 100% of the profits and gains attributable to such business for the tax year commencing on or after the 1st April, 2018, but before the 1st April, 2024.

(*2*) The deduction under this section shall be allowed after the gross total income of the assessee mentioned in sub-section (*1*) is reduced by any other deduction under this Chapter to which such assessee is entitled.

(*3*) For the purposes of this section,—

(*a*) "eligible business" means—

(*i*) the marketing of agricultural produce grown by the members; or

(*ii*) the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to the members; or

(*iii*) the processing of the agricultural produce of the members;

(*b*) "Member" shall have the same meaning as assigned to it in section 378A(*e*) of the Companies Act, 2013; 18 of 3013.

(*c*) "Producer Company" shall have the same meaning as assigned to it in section 378A(*1*) of the Companies Act, 3013. 18 of 2013.

Deduction in respect of royalty income, etc., of authors of certain books other than text-books.

151. (*1*) Where, in the case of an individual resident in India, being an author, the gross total income includes any income, derived by him in the exercise of his profession, on account of any lump sum consideration for the assignment or grant of any of his interests in the copyright of any book being a work of literary, artistic or scientific nature, or of royalty or copyright fees (whether receivable in lump sum or otherwise) in respect of such book, there shall, as per and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such income, computed in the manner specified in sub-section (*2*).

(*2*) The deduction under this section shall be equal to the whole of such income referred to in sub-section (*1*), or an amount of three lakh rupees, whichever is less.

(*3*) Where the income by way of such royalty or the copyright fee, is not a lump sum consideration *in lieu* of all rights of the assessee in the book, so much of the income, before allowing expenses attributable to such income, as is in excess of 15% of the value of such books sold during the tax year shall be ignored.

(*4*) In respect of any income earned from any source outside India, so much of the income shall be taken into account for the purpose of this section as is brought into India by, or on behalf of, the assessee in convertible foreign exchange within six months from the end of the tax year in which such income is earned or within such further period as the competent authority may allow in this behalf.

(*5*) Deduction under this section shall not be allowed unless the assessee furnishes a certificate in such form and manner, as prescribed, duly verified by any person responsible for making such payment to the assessee as referred to in sub-section (*1*), along with the return of income, setting forth such particulars, as prescribed.

(*6*) Deduction under this section shall not be allowed in respect of any income earned from any source outside India, unless the assessee furnishes a certificate, in the prescribed form from the prescribed authority, along with the return of income in the prescribed manner.

(*7*) Where a deduction for any tax year has been claimed and allowed in respect of any income referred to in this section, no deduction in respect of such income shall be allowed under any other provision of this Act in any tax year.

(*8*) In this section,—

(*a*) "author" includes a joint author;

(*b*) "books" shall not include brochures, commentaries, diaries, guides, journals, magazines, newspapers, pamphlets, text-books for schools, tracts and other publications of similar nature, by whatever name called;

(*c*) "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law in force for regulating payments and dealings in foreign exchange; and

(*d*) "lump sum", in regard to royalties or copyright fees, includes an advance payment on account of such royalties or copyright fees which is not returnable.

Deduction in respect of royalty on patents.

152. (*1*) An assessee, being an individual, who is—

(*a*) a resident in India;

(*b*) a patentee;

(*c*) in receipt of income by way of royalty in respect of a patent registered on or after the 1st April, 2003 under the Patents Act, 1970; and. 39 of 1970.

(*d*) having gross total income for the tax year which includes royalty,

shall be allowed a deduction from such income computed in the manner specified in sub-sections (*2*) to (*6*).

(*2*) The deduction under this section shall be equal to the whole of such income referred to in sub-section (*1*) or three lakh rupees, whichever is less.

(*3*) Where a compulsory licence is granted in respect of any patent under the Patents Act, 1970, the income by way of royalty for the purpose of allowing deduction under this section shall not exceed the amount of royalty under the terms and conditions of a licence settled by the Controller under that Act. 39 of 1970.

(*4*) In respect of any income earned from any source outside India, so much of the income, shall be taken into account for the purpose of this section as is brought into India by, or on behalf of, the assessee in convertible foreign exchange within six months from the end of the tax year in which such income is earned or within such further period as the competent authority referred to in section 151(*8*)(*c*) may allow in this behalf.

(*5*) No deduction under this section shall be allowed unless the assessee furnishes a certificate in the prescribed form, duly signed by the authority as prescribed, along with the return of income setting forth such particulars, as prescribed.

(*6*) No deduction under this section shall be allowed in respect of any income earned from any source outside India, unless the assessee furnishes a certificate in such form, from the authority or authorities, as prescribed, along with the return of income.

(*7*) In this section,—

(*a*) "Controller" means the authority as defined in section 2(*1*)(*b*) of the 39 of 1970. Patents Act, 1970;

(*b*) "lump sum" includes a non-refundable advance payment for royalties;

(*c*) "patent" means any patent granted, including a patent of addition, 39 of 1970. under the Patents Act, 1970;

(*d*) "patentee" means the true and first inventor recorded as the patentee 39 of 1970. under the Patents Act, 1970, including joint patentees recorded as such true and first inventors;

(*e*) "patent of addition" shall have the same meaning as assigned to it in 39 of 1970. section 2(*1*)(*q*) of the Patents Act, 1970;

(*f*) "patented article" and "patented process" shall have the same 39 of 1970. meanings as assigned to them in section 2(*1*)(*o*) of the Patents Act, 1970;

(*g*) "royalty" in respect of a patent, means consideration for—

(*i*) the transfer of all or any rights (including the granting of a licence) in respect of a patent; or

(*ii*) the imparting of any information concerning the working of, or the use of, a patent; or

(*iii*) the use of any patent; or

(*iv*) the rendering of any services in connection with the activities referred to in sub-clauses (*i*) to (*iii*), but does not include any consideration,—

(*A*) which would be the income of the recipient chargeable under the head "Capital gains"; or

(*B*) for sale of product manufactured with the use of patented process or of the patented article for commercial use; and

(*h*) "true and first inventor" shall have the same meaning as assigned to 39 of 1970. it in section 2(*1*)(*y*) of the Patents Act, 1970.

D.—Deductions in respect of other incomes

Deduction for interest on deposits.

153. (*1*) An assessee who is—

(*a*) an individual, not being a senior citizen; or

(*b*) an individual, being a senior citizen; or

(*c*) a Hindu undivided family,

shall be allowed a deduction from the gross total income, subject to conditions specified in sub-section (*2*), where it includes income by way of interest on deposits with—

(*i*) a banking company to which the Banking Regulation Act, 1949, 10 of 1949. applies (including any bank or banking institution referred to in section 51 of that Act); or

(*ii*) a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank); or

(*iii*) a Post Office as defined in section 2(*k*) of the Post Office Act, 2023. 43 of 2023.

(*2*) The deduction under sub-section (*1*) shall be allowed for a tax year as follows:—

(*a*) in case of assessee mentioned in sub-section 1(*a*) or (*c*), the whole of the interest up to a maximum amount of ten thousand rupees on deposits in a savings account, excluding time deposits;

(*b*) in case of assessee mentioned in sub-section (*1*)(*b*), the whole of the interest up to a maximum amount of fifty thousand rupess on deposits in a savings account, including time deposits.

(*3*) Where the income referred to in this section is derived from any deposit in a savings account held by, or on behalf of, a firm, an association of persons or a body of individuals, no deduction shall be allowed under this section in respect of such income in computing the total income of any partner of the firm or any member of the association or any individual of the body.

(*4*) In this section, "time deposits" means the deposits repayable on expiry of fixed periods.

E.—Other deductions

Deduction in case of a person with disability.

154. (*1*) An individual, being resident in India, who is certified by a medical authority, at any time during the tax year, as a person with disability or person with severe disability, shall be allowed a deduction of seventy-five thousand rupees or one lakh and twenty-five thousand rupees, respectively, while computing his total income.

(*2*) The deduction under sub-section (*1*) shall be allowed only if all of the following conditions are fulfilled:—

(*a*) the individual furnishes a copy of the certificate issued by the medical authority;

(*b*) if the certificate specifies that the disability needs reassessment of its extent after a period stipulated in it, the deduction shall not be allowed for any tax year succeeding the tax year in which the certificate expires, unless a new disability certificate is obtained and submitted; and

(*c*) the certificate referred to in clauses (*a*) and (*b*) of this sub-section shall be furnished in the form and manner, as prescribed, along with the return of income under section 263 for the tax year in which the deduction is claimed.

(*3*) For the purposes of this section, "disability", "medical authority", "person with disability" or "person with severe disability" shall have the same meanings as provided in section 127.

CHAPTER IX

REBATES AND RELIEFS

A.—Rebates and reliefs

Rebate to be allowed in computing income-tax.

155. (*1*) In computing income-tax on the total income of an assessee with which he is chargeable for any tax year, there shall be allowed from income-tax (as computed before allowing the deductions under this Chapter), subject to the provisions of section 156, the deductions specified therein.

(*2*) The deduction under section 156, shall not, in any case, exceed income-tax (as computed before allowing the deductions under this Chapter) on the total income of the assessee with which he is chargeable for any tax year.