

TAX ON INCOME FROM PATENTS

SECTION 115BBF: TAX ON INCOME FROM PATENT

Where the total income of an eligible assessee includes any income by way of **royalty in respect of a patent developed and registered in India**, the income-tax payable shall be the aggregate of—

- (a) the amount of income-tax calculated on the income by way of royalty in respect of the patent **at the rate of ten per cent**; and
 - (b) the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the income referred to in clause (a).
- **"developed"** means at **least seventy-five per cent of the expenditure incurred in India by the eligible assessee for any invention** in respect of which patent is granted under the Patents Act, 1970.
 - An eligible assessee would mean a person resident in India, who is the true and first inventor of the invention and whose name is entered on the patent register as the patentee.
 - Deduction of any expenses from the royalty income is not allowed.
 - The eligible assessee can opt for the concessional rate and to exercise the option in the prescribed manner on or before due date of filing the return of income for the relevant previous year.
 - Once the option is exercised, he does have a choice of opting out of the section. If he does so, in any of the five assessment years succeeding the relevant assessment year of exercising the option, he would not be eligible to opt for concessional rate for five assessment years subsequent to the assessment year in which he opted out.
 - **Deduction of ₹ 3,00,000 under section 80RRB shall be available**