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INCOME-TAX ACT, 2025

D: Profits and gains of business or profession

Section 26 - Income under head “Profits and gains of business or profession”.

(1) The incomes referred to in sub-section (2) shall be chargeable to income-tax under the head “Profits and gains of business or profession”.

(2) The income under sub-section (1) shall include––

(a) the profits and gains of any business or profession carried on by the assessee at any time during the tax year;

(b) any compensation or other payment, due to, or received, by any person by whatever name called,––

(i) wholly or substantially managing the affairs—

(A) of an Indian company; or

(B) in India, of any other company; or

(ii) holding any agency in India for any part of business activities of any other person; or

(iii) for any contract relating to business,

in connection with termination of management, office, agency or contract, as the case may be, or modification of terms and conditions relating thereto;

(c) any compensation or payment, due to, or received by, any person for vesting of the management of any property or business, in the Government including any corporation owned or controlled by the Government under any law in force;

(d) income derived by a trade, professional or similar association from specific services performed for its members;

(e) profits on sale of import licence, cash assistance against export, duty drawback or duty remission or any other export incentive, received or receivable;

(f) the value of any benefit or perquisite arising from business or the exercise of a profession, whether—

(i) convertible into money or not; or

(ii) in cash or in kind or partly in cash and partly in kind;

(g) any interest, salary, bonus, commission or remuneration, by whatever name called, which is due to, or received by, a partner of a firm from such firm to the extent allowed under section 35(e) as a deduction in computing the income of the firm;

(h) any sum, received or receivable, in cash or in kind––

(i) under an agreement for not carrying out any activity in relation to any business or profession, not being—

(A) any sum received on account of transfer of the right to manufacture, produce or process any article or thing or right to carry on any business or profession which is chargeable under the head “Capital gains”;

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(B) any sum received as compensation from the multilateral fund of the Montreal Protocol on Substances that Deplete the Ozone layer under the United Nations Environment Programme, as per the terms of agreement entered into with the Government of India; or

(ii) under an agreement for not sharing any know-how, patent, copyright, trade-mark, licence, franchise or any other business or commercial right of similar nature, or information or technique likely to assist in the manufacture or processing of goods or provision for services;

(i) any sum received under a Keyman insurance policy including the sum allocated by way of bonus on such policy;

(j) the fair market value of inventory as on the date on which it is converted into, or treated as, a capital asset determined in the manner, as may be prescribed; and

(k) any sum which is received or receivable in cash or kind, when––

(i) a capital asset other than land or goodwill or financial instrument, is demolished, destroyed, discarded or transferred; and

(ii) the whole of the expenditure on it has been allowed as a deduction under section 35AD of the Income-tax Act, 1961 or section 46 of this Act.

(3) Where speculative transactions carried on by an assessee are of such nature to constitute a business, the business (herein referred to as speculation business) shall be deemed to be distinct and separate from any other business.

(4) Any income from letting out of a residential house or a part of it by the owner shall not be included in income under sub-section (1) and shall be chargeable only under the head “Income from house property”.

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