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INCOME-TAX ACT, 2025

D: Profits and gains of business or profession

Section 33 - Deduction for depreciation.

(1) A deduction in respect of depreciation of—

(a) buildings, machinery, plant or furniture, being tangible assets;

(b) know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature, being intangible assets acquired on or after the 1st April, 1998, not being goodwill of a business or profession,

owned wholly or partly by the assessee and used wholly and exclusively for the purposes of the business or profession, shall be allowed, as per the provisions of this section.

(2) In case of assets referred to in sub-section (1) of an undertaking engaged in generation or generation and distribution of power, the deduction in respect of depreciation shall be such percentage of its actual cost to the assessee, as may be prescribed.

3) (a) In case of any block of assets, deduction in respect of depreciation shall be such percentage of its written down value, as may be prescribed;

(b) when any building, machinery, plant or furniture is partly, or not wholly and exclusively, used for the purposes of the business or profession, the deduction under clause (a) shall be restricted to the fair proportionate part thereof as determined by the Assessing Officer, having regard to the usage of such building, machinery, plant or furniture for the purposes of the business or profession;

(c) when deduction of actual cost in respect of any machinery or plant has been allowed under section 54, no deduction under this sub-section shall be allowed.

(4) The deduction under this section shall be restricted to 50% of the prescribed rate, if such asset, being asset referred to in sub-sections (2) and (3) is––

(a) acquired by the assessee during the tax year; and

(b) put to use for the purposes of business or profession for less than one hundred and eighty days in that tax year.

(5) The aggregate deduction in respect of depreciation allowable to the predecessor and successor in cases of succession under section 70(1)(zd) or (ze) or (zf), or section 313, or to the amalgamating and the amalgamated company in the case of amalgamation, or to the demerged and resulting company in the case of demerger, as the case may be, for any tax year, shall not exceed the deduction calculated at the prescribed rates under this section as if the succession, amalgamation or demerger had not taken place, and such deduction shall be allowed on *pro rata* basis based on number of days for which assets were used by the following:––

(a) predecessor and successor, in case of such succession; or

(b) amalgamating company and the amalgamated company in case of an amalgamation; or

(c) demerged company and the resulting company in case of a demerger.

(6) Where a building, not owned by the assessee, is held on lease or by any other right of occupancy is used for the purposes of business or profession of the assessee, and if any capital expenditure is incurred by the assessee for the purposes of business or profession on construction of any structure or any work

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by way of renovation, extension or improvement to such building, then such structure or work shall be treated as a building owned by the assessee for the purposes of this section.

(7) The provisions of this section shall apply whether or not the assessee has claimed deduction for depreciation in computing his total income.

(8) In addition to deduction under sub-section (3), additional deduction in respect of depreciation for any new machinery or plant shall be allowed, when—

(a) the assessee is engaged in the business of manufacture or production of any article or thing or in the business of generation, transmission or distribution of power;

(b) the assessee acquires and installs the new machinery or plant;

(c) the new machinery or plant is first put to use by the assessee for the purposes of business; and

(d) the new machinery or plant (not being a ship or an aircraft)—

(i) was not used either within or outside India by any other person before its installation by the assessee;

(ii) is not installed in any office premises or any residential accommodation, including accommodation in the nature of a guest house;

(iii) is not in the nature of any office appliances or road transport vehicle; or

(iv) is not an asset on which the whole of the actual cost is allowed as a deduction (whether by way of depreciation or otherwise) in computing the income under the head “Profits and gains of business or profession” of any tax year.

(9) The additional deduction in respect of depreciation referred to in sub-section (8) shall be––

(a) 20% of the actual cost of the new machinery or plant in the tax year when it is acquired and put to use, subject to the provisions of clause (b); or

(b) 10% of the actual cost, if the new machinery or plant is acquired and put to use for less than one hundred and eighty days in the relevant tax year, and 10% of the actual cost shall be allowed in the immediately succeeding tax year.

(10) The difference between the written down value and the moneys payable including the scrap value, if any, for any tangible asset in respect of which depreciation is claimed and allowed under sub-section (2), shall be allowed as deduction when—

(a) such asset is sold, discarded, demolished or destroyed in the tax year not being the tax year in which it is first put into use;

(b) the moneys payable including the scrap value, if any, is less than its written down value; and

(c) such deficiency is actually written off in the books of account of the assessee.

11) (a) Where the profits and gains chargeable for the tax year before allowing the deduction under sub-sections (1) to (10) is less than such allowable deduction, then––

(i) if such profits and gains is not a loss, the deduction under sub-sections (1) to (10) shall be allowed to the extent of the available profits and gains;

(ii) if such profits and gains is a loss, no deduction under sub-sections (1) to (10) shall be allowed;

(b) the amount of deduction which has not been allowed under clause (a) shall be added to the allowable deduction under this section, whether available or not, for the succeeding tax year and the total amount

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shall be deemed to be eligible for deduction in that year, and so on for the succeeding tax years; and

(c) the provisions of this sub-section shall be subject to the provisions of sections 112(3) and 113(4).

(12) For the purposes of this section,––

(a) “assets” mean—

(i) tangible assets, being buildings, machinery, plant or furniture;

(ii) intangible assets being––

(A) know-how; or

(B) patents; or

(C) copyrights; or

(D) trademarks; or

(E) licences; or

(F) franchises; or

(G) any other similar business or commercial rights, but not being goodwill of a business or profession;

(b) “know-how” means any industrial information or technique likely to assist in the manufacture or processing of goods or in the working of a mine, oil-well or other sources of mineral deposits (including searching for discovery or testing of deposits for the winning of access thereto);

(c) “sold” includes a transfer by way of exchange or a compulsory acquisition under any law for the time being in force but does not include a transfer, in a scheme of amalgamation, of any asset by the amalgamating company to the amalgamated company where the amalgamated company is an Indian company or in a scheme of amalgamation of a banking company, as referred to in section 5(c) of the Banking Regulation Act, 1949 with a banking institution as referred to in section 45(15) of the said Act, sanctioned and brought into force by the Central Government under section 45(7) of that Act, of any asset by the banking company to the banking institution;

(d) “written down value of the block of assets” shall have the same meaning as in section 41(1)(c).

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