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INCOME-TAX ACT, 2025

D: Profits and gains of business or profession

Section 41 - Written down value of depreciable asset.

(1) For the purposes of computation of income under the head “Profits and gains of business or profession”, written down value means—

(a) in case the asset is acquired in the tax year, the actual cost to the assessee;

(b) in case the asset is acquired before the tax year, actual cost to the assessee less depreciation actually allowed under this Act or under the Income-tax Act, 1961;

(c) in case of block of assets, the written down value computed in the following manner:

[(A-D) + B-C] - E, where

A = the written down value of the block of assets in the immediately preceding tax year;

B = actual cost of any asset falling within that block, acquired during the tax year;

C = moneys payable together with scrap value, if any, in respect of any asset falling within the block, which is sold, transferred, demolished, destroyed or discarded during the tax year, where “C” shall not exceed (A-D)+B;

D = depreciation actually allowed in respect of block of assets in relation to the said immediately preceding tax year;

E = in the case of a slump sale, the actual cost of the asset falling within that block as reduced by—

(i) depreciation actually allowed in respect of tax year commencing on 1st April, 1986 or any earlier tax year; and

(ii) depreciation allowable for tax year commencing on or after 1st April, 1987 under this Act or under the Income-tax Act, 1961, as if such asset was the only asset in the relevant block of asset.

(2) Where any block of asset is transferred by—

(a) a holding company to its subsidiary company and the conditions of section 70(1)(c) are satisfied;

(b) a subsidiary company to its holding company and the conditions of section 70(1)(d) are satisfied; or

(c) amalgamating company to the amalgamated company being an Indian company,

then the actual cost of the block of assets, irrespective of anything contained in section 39, in the hands of transferee company or amalgamated company, as the case may be, shall be the same as written down value of the block of assets as in the case of the transferor company or the amalgamating company in the immediately preceding tax year as reduced by depreciation actually allowed in respect of that block of asset in relation to that tax year.

(3) Where any asset, forming part of a block of assets is transferred by a demerged company to a resulting company, the written down value of block of assets of demerged company for the immediately preceding tax year, shall be reduced by the written down value of the assets transferred to the resulting company pursuant to such demerger.

(4) Where any asset, forming part of a block of assets is transferred by a demerged company to a

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resulting company then the actual cost of the block of assets, irrespective of anything contained in section 39, for resulting company shall be the written down value of the assets transferred from the demerged company immediately before such demerger.

(5) Where any block of assets is transferred by a private company or unlisted public company to a limited liability partnership and the conditions in section 70(1)(ze) are satisfied, then the actual cost of the block of assets, irrespective of anything contained in section 39, in the hands of limited liability partnership shall be written down value in the hands of said company as on the date of conversion of the company into limited liability partnership.

(6) Where any asset forming part of the block of assets is transferred to a company under the scheme of corporatisation of a recognised stock exchange in India approved by the Securities and Exchange Board of India, the written down value of the block of assets in the hands of such company, shall be the written down value of the assets transferred immediately before such transfer.

(7) In a case of succession in business or profession under section 313, where an assessment is made in the hands of successor under section 313(2), the written down value of any asset or block of assets shall be the amount which would have been taken as its written down value, if the assessment had been made directly on the person succeeded to.

(8) For the purposes of this section, any allowance in respect of any depreciation carried forward under section 33(11) shall be deemed to be the depreciation actually allowed.

(9) Where an assessee was not required to compute his total income for the purposes of this Act for any tax year or tax years preceding the tax year under consideration,—

(a) the actual cost of an asset shall be adjusted by the amount attributable to the revaluation of such asset, if any, in the books of account;

(b) the total amount of depreciation on such asset provided in the books of account of the assessee in respect of such tax year or tax years preceding the tax year under consideration shall be deemed to be the depreciation actually allowed under this Act for the purposes of this clause; and

(c) the depreciation actually allowed under clause (b) shall be adjusted by the amount of depreciation attributable to such revaluation of the asset.

(10) For the purposes of this section, where the income of an assessee is derived, in part from agriculture and in part from business chargeable to income-tax under the head “Profits and gains of business or profession”, for computing the written down value of assets acquired before the tax year, the total amount of depreciation shall be computed as if the entire income is derived from the business of the assessee under the head “Profits and gains of business or profession” and the depreciation so computed shall be deemed to be the depreciation actually allowed under this Act or under the Income-tax Act, 1961.

(11) For the purposes of this section, the term “sold” shall have the meaning assigned to it in section 38(6)(a).

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