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INCOME-TAX ACT, 2025

D: Profits and gains of business or profession

Section 51 - Amortisation of expenditure for prospecting certain minerals.

(1) An assessee, being an Indian company or a person (other than a company) who is resident in India, who is engaged in any operations relating to prospecting for, or extraction or production of, any mineral, shall be allowed a deduction of an amount equal to one-tenth of the amount of expenditure referred to in sub-section (2), in each of the relevant tax years.

(2) The expenditure referred to in sub-section (1) is the expenditure incurred by the assessee at any time during the year of commercial production and any one or more of the four tax years immediately preceding that year, wholly and exclusively on any operations relating to prospecting for any mineral or group of associated minerals specified in Part A or Part B, respectively, of the Schedule XII or on the development of a mine or other natural deposit of any such mineral or group of associated minerals.

(3) The expenditure under sub-section (2) shall be reduced by such expenditure which is met directly or indirectly by any other person or authority and any sale, salvage, compensation or insurance moneys realised by the assessee in respect of any property or rights brought into existence as a result of the expenditure.

(4) The following expenditure shall be excluded from the expenditure referred to in sub-section (2):––

(a) any expenditure on the acquisition of the site of the source of any mineral or group of associated minerals referred to in the said sub-section or of any rights in or over such site; or

(b) any expenditure on the acquisition of the deposits of such mineral or group of associated minerals or of any rights in or over such deposits; or

(c) any expenditure of a capital nature in respect of any building, machinery, plant or furniture for which allowance by way of depreciation is admissible under section 33.

(5) The deduction to be allowed under sub-section (1) for any relevant tax year shall be—

(a) an amount equal to one-tenth of the expenditure specified in sub-section (2) as reduced by the expenditure mentioned in sub-sections (3) and (4) (such one-tenth being herein referred to as the instalment); or

(b) such amount as is sufficient to reduce to *nil* the income (as computed before making the deduction under this section) of that tax year arising from the commercial exploitation [whether or not such commercial exploitation is as a result of the operations or development referred to in sub-sections (2) and (3)] of any mine or other natural deposit of the mineral or any one or more of the minerals in a group of associated minerals under this section in respect of which the expenditure was incurred,

whichever is less.

(6) If any part of the instalment for a relevant tax year is not fully allowed, it shall be carried forward to the subsequent tax year, becoming part of the instalment of that tax year and such carrying forward may continue for each following tax year, but no instalment shall be carried forward beyond the tenth tax year from the tax year in which commercial production began.

(7) Where the assessee is a person other than a company or a co-operative society, no deduction shall be admissible under sub-section (1) unless,––

(a) the accounts of the assessee for the tax year or years in which the expenditure specified in sub-

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section (2) are incurred have been audited by an accountant, before the specified date referred to in section 63; and

(b) the assessee furnishes for the first tax year in which the deduction under this section is claimed, the report of such audit, by such date, in such form and duly signed and verified by such accountant, as may be prescribed.

(8) If an undertaking of an Indian company, entitled for deduction under sub-section (1), is transferred before ten years specified in the said sub-section in a scheme of amalgamation or demerger, to another Indian company, then,––

(a) no deduction shall be allowed to the amalgamating or demerged company for the year in which such amalgamation or demerger takes place; and

(b) all the provisions of this section shall continue to apply to the amalgamated or resulting company as it would have applied to the amalgamating or demerged company, as if the amalgamation or demerger had not taken place.

(9) If a deduction under this section is claimed and allowed for any tax year in respect of any expenditure referred to in sub-section (2), deduction shall not be allowed for such expenditure under any other provision of this Act for the same or any other tax year.

(10) For the purposes of this section,—

(a)“operation relating to prospecting” means any operation undertaken for the purposes of exploring, locating or proving deposits of any mineral and includes any such operation which proves to be infructuous or abortive;

(b)“year of commercial production” means the tax year in which as a result of any operation relating to prospecting, commercial production of any mineral or any one or more of the minerals in a group of associated minerals specified in Part A or Part B, respectively, of Schedule XII, commences;

(c)“relevant tax years” means the ten tax years beginning with the year of commercial production.

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