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INCOME-TAX ACT, 2025

D: Profits and gains of business or profession

Section 57 - Revenue recognition for construction and service contracts.

(1) The profits and gains arising from a construction contract or a contract for providing services, shall be determined on the basis of percentage of completion method, subject to provisions of sub-section (2), as per the income computation and disclosure standards notified under section 276(2).

(2) For the purposes of sub-section (1), the profits and gains arising from a contract for providing services shall be determined—

(a) on the basis of project completion method, if the duration of such contract is not more than ninety days;

(b) on the basis of straight line method, if the contract involves indeterminate number of acts over a specified period of time.

(3) For the purposes of percentage of completion method, project completion method or straight line method under this section,—

(a) the contract revenue shall include retention money;

(b) the contract costs shall not be reduced by any incidental income in the nature of interest, dividends or capital gains.

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