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INCOME-TAX ACT, 2025

D: Profits and gains of business or profession

Section 66 - Interpretation.

For the purposes of Part D of this Chapter,—

(1) “agreement”, for the purposes of section 26(2)(h), includes any arrangement or understanding or action in concert,—

(A) whether or not such arrangement, understanding or action is formal or in writing; or

(B) whether or not such arrangement, understanding or action is intended to be enforceable by legal proceedings;

(2) “banking company” means a company to which the Banking Regulation Act, 1949 applies and includes any bank or banking institution referred to in section 51 of that Act;

(3) “commission or brokerage” shall have the meaning assigned to it in section 402(7);

(4) “commodities transaction tax” shall have the same meaning as assigned to it under Chapter VII of the Finance Act, 2013;

(5) “fees for technical services” shall have the meaning assigned to it in section 9(7)(b);

(6) “housing finance company” means a public company formed or registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes;

(7) “Indian Institute of Technology” shall have the same meaning as that of “Institute” defined in section 3(g) of the Institutes of Technology Act, 1961;

(8) “Keyman insurance policy” shall have the meaning assigned to it in Schedule II (Note 1);

(9) “limited liability partnership” shall have the same meaning as assigned to it in section 2(1)(n) of the Limited Liability Partnership Act, 2008;

(10) “long-term finance”, for the purposes of section 32(e), means any loan or advance where the terms under which moneys are loaned or advanced provide for repayment along with interest thereof during a period of not less than five years;

(11) “micro enterprise” shall be an enterprise classified as such under the notification in this behalf by the Central Government under the Micro, Small and Medium Enterprises Development Act, 2006;

(12) “mineral oil” includes petroleum and natural gas;

(13) “moneys payable” in respect of any tangible asset [as referred to in section 33(12)(a)(i)] includes—

(a) any insurance, salvage or compensation moneys payable in respect thereof;

(b) where the asset is sold, the price for which it is sold;

(14) “non-scheduled bank” means a banking company as defined in section 5(c) of the Banking Regulation Act, 1949, which is not a scheduled bank;

(15) “paid” means, except for section 37, actually paid or incurred according to the method of accounting

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upon the basis of which the profits or gains are computed under the head “Profits and gains of business or profession”;

(16) “permanent establishment” shall have the meaning assigned to it in section 173(c);

(17) “plant” includes ships, vehicles, books, scientific apparatus and surgical equipment used for the business or profession but does not include tea bushes or livestock or buildings or furniture and fittings;

(18) “predecessor entity” means––

(a) the amalgamating Indian company in the case of amalgamation;

(b) the demerged Indian company, in the case of demerger;

(c) a firm, in the case of a succession of a firm by a company as referred to in section 70(1)(zd);

(d) a private company or unlisted public company, in case of conversion as referred to in section 70(1)(ze);

(19) “primary agricultural credit society” shall have the same meaning as assigned to it in Part V of the Banking Regulation Act, 1949;

(20) “primary co-operative agricultural and rural development bank” means a society having its area of operation confined to a taluk and the principal object of which is to provide for long-term credit for agricultural and rural development activities;

(21) “professional services” shall have the meaning assigned to it in section 402(28);

(22) “public company” shall have the same meaning as assigned to it in section 2(71) of the Companies Act, 2013;

(23) “public financial institution” shall have the same meaning as assigned to it in section 2(72) of the Companies Act, 2013;

(24) “rate of exchange” means the rate of exchange determined or recognised by the Central Government for the conversion of Indian currency into foreign currency or foreign currency into Indian currency;

(25) “royalty” shall have the same meaning as assigned to it in section 9(6)(b);

(26) “rural branch” means a branch of a scheduled bank or a non-scheduled bank situated in a place which has a population of not more than ten thousand according to the last preceding census, of which the relevant figures have been published before the first day of the tax year;

(27) “scientific research” means—

(a) any activity for the extension of knowledge in the fields of natural or applied science including agriculture, animal husbandry or fisheries; and

(b) the references to expenditure incurred on scientific research shall include all expenditure incurred for the prosecution, or the provision of facilities for the prosecution, of scientific research, but does not include any expenditure incurred in the acquisition of rights in, or arising out of, scientific research,

and the references to scientific research related to a business or class of business shall include any scientific research—

(i) which may lead to or facilitate an extension of that business or, all businesses of that class;

(ii) of a medical nature which has a special relation to the welfare of workers employed in that business

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or, all businesses of that class;

(28) “securities transaction tax” shall have the meaning assigned to it under Chapter VII of the Finance (No. 2) Act, 2004;

(29) “service”, for the purposes of section 26(2)(h), means a service of any description which is made available to potential users and includes the provision of services in connection with business of any industrial or commercial nature such as––

(a) accounting;

(b) banking;

(c) communication;

(d) conveying of news or information;

(e) advertising;

(f) entertainment;

(g) amusement;

(h) education;

(i) financing;

(j) insurance;

(k) chit funds;

(l) real estate;

(m) construction;

(n) transport;

(o) storage;

(p) processing;

(q) supply of electrical or other energy; and

(r) boarding and lodging;

(30) “small enterprise” shall be an enterprise classified as such under the notification in this behalf by the Central Government under the Micro, Small and Medium Enterprises Development Act, 2006;

(31) “speculative transaction” means a transaction in which a contract for the purchase or sale of any commodity, including stocks and shares, is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity or scrips, other than the following transactions:—

(a) a specified derivative transaction as defined in clause (33);

(b) a contract in respect of raw materials or merchandise entered into by a person in the course of his manufacturing or merchandising business to guard against loss through future price fluctuations in respect of his contracts for actual delivery of goods manufactured, or merchandise sold by him;

(c) a contract in respect of stocks and shares entered into by a dealer or investor therein to guard against

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loss in his holdings of stocks and shares through price fluctuations;

(d) a contract entered into by a member of a forward market or a stock exchange in the course of any transaction in the nature of jobbing or arbitrage, to guard against loss which may arise in the ordinary course of his business as such member;

(32) “Specified Banking or Online Mode” shall mean transaction by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode, as may be prescribed;

(33) “specified derivative transaction” means any transaction in respect of trading in derivatives referred to in section 2 (ac) of the Securities Contracts (Regulation) Act, 1956; or in respect of trading in commodity derivatives (other than agricultural commodity derivatives) which is chargeable to commodities transaction tax under Chapter VII of the Finance Act, 2013 or in respect of trading in agricultural commodity derivatives, if such transactions are—

(a) is carried out—

(i) through a stock broker or such other intermediary registered under section 12 of the Securities and Exchange Board of India Act, 1992 in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956 or the Securities and Exchange Board of India Act, 1992 or the Depositories Act, 1996 and the rules, regulations or bye-laws made or directions issued under those Acts; or

(ii) by banks or mutual funds,

electronically on screen-based systems of a recognised stock exchange; and

(b) supported by a time stamped contract note issued by the intermediary to every client indicating in the contract note—

(i) the unique client identity number alloted under any law in force; and

(ii) the Permanent Account Number allotted under this Act;

(34) “State Government undertaking” includes—

(a) a corporation established by or under any State Act;

(b) a company in which more than 50% of the paid-up equity share capital is held by the State Government;

(c) a company in which more than 50% of the paid-up equity share capital is held by the entity referred to in clause (a) or (b) (whether singly or taken together);

(d) a company or corporation in which the State Government has the right to appoint the majority of the directors or to control the management or policy decisions, directly or indirectly, including by virtue of its shareholding or management rights or shareholders agreements or voting agreements or in any other manner;

(e) an authority, a board or an institution or a body established or constituted by or under any State Act, or owned or controlled by the State Government;

(35) “State Industrial Investment Corporation” means a Government company within the meaning of section 2(45) of the Companies Act, 2013, engaged in the business of providing long-term finance for industrial projects;

(36) “State Financial Corporation” means a Financial Corporation established under section 3 or 3A or an institution notified under section 46 of the State Financial Corporations Act, 1951;

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(37) “successor entity” means––

(a) the amalgamated Indian company, in the case of amalgamation;

(b) the resulting Indian company, in the case of demerger;

(c) a company, in case of a succession of a firm by a company as referred to in section 70(1)(zd);

(d) a limited liability partnership, in case of conversion of private company or unlisted public company to a limited liability partnership, as referred to in section 70(1)(ze);

(38) “taxable commodities transaction” shall have the meaning assigned to it under Chapter VII of the Finance Act, 2013;

(39) “taxable securities transaction” shall have the meaning assigned to it under Chapter VII of the Finance Act, 2004;

(40) “University” shall have the meaning assigned to it in section 70(2) (Table: Sl. No. 7).

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