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INCOME-TAX ACT, 2025

A: General

Section 122 - Deductions to be made in computing total income.

(1) In computing the total income of an assessee, the deductions specified in this Chapter shall be allowed from his gross total income, as per and subject to the provisions of this Chapter.

(2) The aggregate amount of the deductions under this Chapter shall not, in any case, exceed the gross total income of the assessee.

(3) If the deduction under section 133 or 135 or 137 or 138 or 141 or 142 or 143 is admissible in computing the total income of an association of persons or a body of individuals, no deduction under the same section shall be made in relation to the share of income of a member of such association of persons or body of individuals in computing the total income of such member.

(4) Irrespective of anything to the contrary contained in any of the provisions of Part C of this Chapter, where, in the case of an assessee, any amount of profits and gains of an undertaking or unit or enterprise or eligible business is claimed and allowed as a deduction under those provisions for any tax year,––

(a) deduction in respect of, and to the extent of, such profits and gains shall not be allowed under any other provision of this Act for such tax year; and

(b) shall in no case exceed the profits and gains of such undertaking or unit or enterprise or eligible business, as the case may be

(5) Deduction under the provisions of Part C of this Chapter shall not be allowed to an assessee, who fails to—

(a) furnish a return of income on or before the due date specified under section 263(1); or

(b) make a claim of deduction in a return furnished under section 263(1).

(6) For the purposes of any deduction under this Chapter, irrespective of anything to the contrary contained in Part C of this Chapter, if any goods or services held for the purposes of––

(a) the undertaking, unit, enterprise or eligible business carried on by the assessee are transferred to any other business carried on by the assessee; or

(b) any other business carried on by the assessee are transferred to the undertaking or unit or enterprise or eligible business of the assessee,

and the consideration, if any, for such transfer as recorded in the accounts of the undertaking or unit or enterprise or eligible business does not correspond to the market value of such goods or services as on the date of transfer, then the profits and gains of such undertaking or unit or enterprise or eligible business carried on by the assessee shall be computed as if the transfer, in clause (a) or (b), had been made at the market value of such goods or services as on that date.

(7) For the purposes of sub-section (6), “market value”,—

(a) in relation to any goods or services sold or supplied, means the price that such goods or services would fetch if these were sold by the undertaking or unit or enterprise or eligible business in the open market, subject to statutory or regulatory restrictions, if any;

(b) in relation to any goods or services acquired, means the price that such goods or services would cost if these were acquired by the undertaking or unit or enterprise or eligible business from the open market,

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subject to statutory or regulatory restrictions, if any; and

(c) in relation to any goods or services sold, supplied or acquired, means the arm's length price of such goods or services as defined in section 173(a), if it is a specified domestic transaction referred to in section 164.

(8) Where a deduction under Part C of this Chapter, is claimed and allowed in respect of profits of a specified business as referred to in section 46(11)(d) for any tax year, no deduction shall be allowed for such specified business under section 46 for the same or any other tax year.

(9) Where any deduction is required to be made or allowed under Part C of this Chapter, in respect of any income of the nature specified in that section and included in the gross total income of the assessee, then, irrespective of anything contained in that section, for the purpose of computing the deduction under that section, the amount of income of that nature as computed under the provisions of this Act (before making any deduction under this Chapter) shall alone be deemed to be the amount of income of that nature which is derived or received by the assessee and which is included in his gross total income.

(10) For the purposes of this Chapter, the expression "gross total income" means the total income computed as per the provisions of this Act, before making deduction under this Chapter.

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