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INCOME-TAX ACT, 2025

C: Deductions in respect of certain incomes

Section 147 - Deductions for income of Offshore Banking Units and Units of International Financial Services Centre.

(1) Where the following assessee has any income of the nature referred to in sub-section (3), there shall be allowed a deduction equal to 100% of such income:—

(a) a scheduled bank, or a bank incorporated under the laws of a country outside India, and having an Offshore Banking Unit in a Special Economic Zone; or

(b) a unit of an International Financial Services Centre.

(2) Irrespective of anything contained in section 80LA of the Income-tax Act, 1961, the deduction shall be allowed,––

(a) for an entity mentioned in sub-section (1)(a),––

(i) for twenty consecutive tax years beginning from the relevant tax year; and

(ii) in a case, where the tenth year, out of the period of ten consecutive years of deduction allowed under section 80LA(1) of the said Act has ended on the 31st March, 2025, for further ten consecutive years from the tax year beginning on the 1st April, 2026; and

(b) in the case of an entity mentioned in sub-section (1)(b), for twenty consecutive tax years out of twenty-five years beginning from the relevant tax year, at the option of an assessee.;[1]

(3) The income referred to in sub-section (1) shall be the income from—

(a) an Offshore Banking Unit located in a Special Economic Zone; or

(b) the business activities referred to in section 6(1) of the Banking Regulation Act, 1949, with undertakings in a Special Economic Zone or entities that develop, develop and operate, or develop, operate and maintain Special Economic Zone; or

(c) the approved business activities of any Unit of an International Financial Services Centre set up in a Special Economic Zone; or

(d) transfer of an asset being, an aircraft or a ship, leased by a unit referred to in clause (c) if such unit commenced its business operations by 31st March, 2030.

(4) The deduction under this section shall be allowed only if the assessee submits along with the return of income––

(a) a report in the form as may be prescribed, from an accountant certifying the correctness of claim of deduction; and

(b) a copy of the––

(i) permission obtained under section 23(1)(a) of the Banking Regulation Act, 1949; or

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(ii) permission or registration obtained under the International Financial Services Centres Authority Act, 2019.

(5) In respect of any Offshore Banking Unit or any other unit referred in sub-section (1), commencing operations on or after the 1st April, 2026, the deduction under sub-section (1) shall be available only if such unit is not
formed by splitting up or reconstruction or reorganisation or transfer of a business already in existence in India;

(6) For the purposes of this section,—

(a) “relevant tax year” shall be,—

(i) in case of an entity referred to in sub-section (1)(a), the tax year in which permission under section 23(1)(a) of the Banking Regulation Act, 1949, or permission or registration under the Securities and Exchange Board
of India Act, 1992 or any other relevant law in force was obtained; or

(ii) in case of an entity referred to in sub-section (1)(b), the tax year in which permission under section 23(1)

(a) of the Banking Regulation Act, 1949, or permission or registration under the Securities and Exchange Board of India Act, 1992, or permission or registration under the International Financial Services Centres Authority Act, 2019 was obtained;

(b) “Unit” shall have the same meaning as assigned to it in section 2(zc) of the Special Economic Zones Act, 2005;
(c) “aircraft” and “ship” shall have the meanings respectively assigned to them in Schedule VI (Note 3).

1 . Substituted by The Finance Act, 2026

(2) The deduction shall be allowed––
(a) for ten consecutive tax years beginning from the relevant tax year in the case of an entity mentioned in sub-section (1)(a);
(b) for ten consecutive tax years out of fifteen years beginning from the relevant tax year, at the option of an assessee, in the case of an entity mentioned in sub-section (1)(b).

2.

In respect of any Offshore Banking Unit or any other unit referred in sub-section (1), commencing operations on or after the 1st April, 2026, the deduction under sub-section (1) shall be available only if such unit is not formed by splitting up or reconstruction or reorganisation or transfer of a business already in existence in India.

(6)For the purposes of this section,—

(a)“relevant tax year” shall be,—

(i) in case of an entity referred to in sub-section (1)(a), the tax year in which permission under section 23(1)

(a) of the Banking Regulation Act, 1949, or permission or registration under the Securities and Exchange Board of India Act, 1992 or any other relevant law in force was obtained; or
(ii) in case of an entity referred to in sub-section (1)(b), the tax year in which permission

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under section 23(1)(a) of the Banking Regulation Act, 1949, or permission or registration under the Securities and Exchange Board of India Act, 1992, or permission or registration under the International Financial Services Centres Authority Act, 2019 was obtained;

(b)“Unit” shall have the same meaning as assigned to it in section 2(zc) of the Special Economic Zones Act, 2005;

(c) “aircraft” and “ship” shall have the meaningsrespectively assigned to them in Schedule VI (Note 3).

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