

INCOME-TAX ACT, 2025

G: Special provisions relating to income of shipping companies

Section 226 - Tonnage tax scheme.

(1) In this Part, a company shall—

(a) be regarded as operating a ship or inland vessel, as the case may be, if it operates any ship or inland vessel, as the case may be, whether owned or chartered by it and includes a case where even a part of the ship or inland vessel, as the case may be, has been chartered in by it in an arrangement such as slot charter, space charter or joint charter;

(b) not be regarded as operating a ship or inland vessel, as the case may be, which has been chartered out by it on bareboat charter-*cum*-demise terms or on bareboat charter terms for a period exceeding three years.

(2) A tonnage tax company engaged in the business of operating qualifying ships shall compute the profits from such business under the tonnage tax scheme.

(3) The tonnage tax business shall be considered as a separate business distinct from all other activities or business carried on by the company.

(4) The profits referred to in sub-section (2) shall be computed separately from the profits and gains from any other business.

(5) The tonnage tax scheme shall apply only if an option to that effect is made as per section 231.

(6) Where a company engaged in the business of operating qualifying ships,—

(a) is not covered under the tonnage tax scheme; or

(b) has not made an option in respect of the tonnage tax scheme as per section 231,

the profits and gains of such company from such business shall be computed as per other provisions of this Act.

(7) Subject to the other provisions of this Part,—

(a) the tonnage income, shall be—

(i) computed as per section 227; and

(ii) deemed to be the profits chargeable under the head “Profits and gains of business or profession”; and

(b) the relevant shipping income referred to in section 228(1) shall not be chargeable to tax.