

INCOME-TAX ACT, 2025

G: Special provisions relating to income of shipping companies

Section 231 - Method of opting of tonnage tax scheme and validity.

(1) A qualifying company may opt for the tonnage tax scheme by making an application to the Joint Commissioner having jurisdiction over the company in the form and manner, as may be prescribed, for such scheme.

(2) A qualifying company may make an application within three months, of the date of its incorporation, or of the date on which it becomes a qualifying company for the first time.

(3) A Unit of an International Financial Services Centre which has availed of deduction under section 147 may make an application within three months from the date on which such deduction ceases.

(4) On receipt of an application for option for tonnage tax scheme under sub-section (1), the Joint Commissioner may call for such information or documents from the company as he thinks necessary in order to satisfy himself about the eligibility of the company and after satisfying himself about such eligibility of the company to make such option for tonnage tax scheme, he shall pass an order in writing--

(a) approving the option for tonnage tax scheme; or

(b) refusing to approve the option for tonnage tax scheme, if he is not so satisfied,

and a copy of such order shall be sent to the applicant.

(5) No order under sub-section 4(b) shall be passed unless the applicant has been given a reasonable opportunity of being heard.

(6) Every order under sub-section (4) shall be passed before the expiry of three months from the end of the quarter in which the application under sub-section (1) was received.

(7) Where an order granting approval is passed under sub-section (4), the provisions of this Part shall apply from the tax year in which the option for tonnage tax scheme is exercised.

(8) An option for tonnage tax scheme, after it has been approved under sub-section (4), shall remain in force for ten years from the date on which such option has been exercised and shall be taken into account from the tax year in which such option is exercised.

(9) An option for tonnage tax scheme shall cease to have effect from the tax year, in which--

(a) the qualifying company ceases to be a qualifying company;

(b) a default is made in complying with the provisions contained in section 232(1) to (20);

(c) the tonnage tax company is excluded from the tonnage tax scheme under section 234;

(d) the qualifying company furnishes to the Assessing Officer, a declaration in writing to the effect that the provisions of this Part may not be made applicable to it,

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

(10) An option for tonnage tax scheme approved under sub-section (4) may be renewed within one year from the end of the tax year in which the option ceases to have effect.

(11) The provisions of sub-sections (1) to (9) shall apply in relation to a renewal of the option for tonnage tax scheme in the same manner as they apply in relation to the approval of option for tonnage tax scheme.

(12) A qualifying company,--

(a) which on its own, opts out of the tonnage tax scheme; or

(b) which makes a default in complying with the provisions contained in sections 232(1) to (20); or

(c) whose option has been excluded from tonnage tax scheme in pursuance of an order made under section 234(4),

shall not be eligible to opt for tonnage tax scheme for ten years from the date of opting out or default or order.