

## INCOME-TAX ACT, 2025

### 14: Assessment of firms

#### **Section 325 - Assessment as a Firm.**

(1) A firm shall be assessed as a firm for the purposes of this Act, if—

(a) the partnership is evidenced by an instrument; and

(b) the individual shares of the partners are specified in that instrument.

(2) A certified copy of the instrument of partnership referred to in sub-section (1) shall accompany the return of income of the firm of the tax year in respect of which assessment as a firm is first sought.

(3) For the purposes of sub-section (2), the copy of the instrument of partnership shall be certified in writing by all the partners (not being minors) or, where the return is made after the dissolution of the firm, by all persons (not being minors), who were partners in the firm immediately before its dissolution and by the legal representative of any such partner who is deceased.

(4) Where a firm is assessed as such for any tax year, it shall be assessed in the same capacity for every subsequent year, if there is no change in the constitution of the firm or the shares of the partners as evidenced by the instrument of partnership on the basis of which the assessment as a firm was first sought.

(5) Where any such change had taken place in the tax year, the firm shall furnish a certified copy of the revised instrument of partnership along with the return of income for such tax year, and all the provisions of this section shall apply accordingly.

(6) Irrespective of anything contained in any other provision of this Act, where, in respect of any tax year, there is on the part of a firm any such failure as is mentioned in section 271,—

(a) the firm shall be so assessed that no deduction by way of any payment of interest, salary, bonus, commission or remuneration, by whatever name called, made by such firm to any partner of such firm shall be allowed in computing the income chargeable under the head “Profits and gains of business or profession”; and

(b) such payment shall not be chargeable to income-tax under section 26(2)(g).