

INCOME-TAX ACT, 2025

SCHEDULES:

SCHEDULE X (See section 49) - DEDUCTION FOR SITE RESTORATION FUND FOR COMPUTING INCOME UNDER THE HEAD “PROFITS AND GAINS OF BUSINESS OR PROFESSION”

(See section 49)

DEDUCTION FOR SITE RESTORATION FUND FOR COMPUTING INCOME UNDER THE HEAD “PROFITS AND GAINS OF BUSINESS OR PROFESSION”

1. Quantum of deduction.—

(1) An assessee shall be allowed deduction of,—

(a) the amount or aggregate of the amount deposited by the assessee in the account as specified in paragraph 2; or

(b) 20% of the profits of such business computed under the head “Profits and gains of business or profession” before making any deduction under this paragraph,

whichever is less.

(2) The deduction shall be allowed before allowing set off of loss, if any, brought forward from earlier tax years as per section 112.

(3) Any interest credited in the specified account shall be deemed to be a deposit.

2. Conditions for claiming deduction.—

(1) Deduction under paragraph 1 shall be allowed if the assessee--

(a) is, during the tax year, carrying on the business consisting of the prospecting for, or extraction or production of, petroleum or natural gas, or both in India, and has entered into an agreement with the Central Government for such business;

(b) has, before the end of the tax year, deposited any amount in the specified account, being,—

(i) a special account maintained with the State Bank of India in accordance with, and for the purposes specified in the special scheme; or

(ii) a site restoration account in accordance with, and for the purposes specified in the deposit scheme; and

(c) gets the accounts of such business for the relevant tax year audited by an accountant before the specified date referred to in section 63 and furnishes the audit report, in such form and manner, as may be prescribed and verified by such accountant, by that date.

(2) Where the assessee is required, by or under any other law, to get his accounts audited, then it shall be sufficient compliance of sub-paragraph (1)(c), if such assessee—

(a) gets the accounts of such business audited under such law before the specified date referred to in section 63; and

(b) furnishes by that date the report of such audit and a report by an accountant in such form referred to in sub-paragraph (1)(c).

(3) If any deduction has been allowed under paragraph 1 in any tax year, no deduction shall be allowed in respect of such amount in any other tax year.

(4) Where the assessee referred to in paragraph 1 is a firm or an association of persons or body of individuals, deduction under paragraph 1 shall not be allowed in computing the income of any of the partners or members of such assessee.

3. Withdrawal from specified account.—

(1) Any amount standing to the credit of the assessee in the specified account shall not be allowed to be withdrawn except for the purposes specified in the special scheme or in the deposit scheme.

(2) (a) Irrespective of anything contained in sub-paragraph (1), if the amount is utilised for the purchase of specified articles or things, then, such amount shall not be allowed as deduction under paragraph 1--

(b) for the purposes of this paragraph, “specified article or thing” means—

(i) any machinery or plant to be installed in any office premises or residential accommodation, including any accommodation in the nature of a guest-house;

(ii) any office appliances (except computers);

(iii) any machinery or plant, the whole of the actual cost of which is allowed as a deduction (whether by way of depreciation or otherwise) in computing the income chargeable under the head “Profits and gains of business or profession” of any one tax year;

(iv) any new machinery or plant to be installed in an industrial undertaking for the purposes of business of construction, manufacture or production of any article or thing specified in the list in Schedule XIII.

(3) Where any amount standing to the credit of the assessee in specified account is withdrawn on closure of such account in any tax year, then the amount computed as under shall be deemed to be the profits and gains of business or profession for the tax year and accordingly the following amount shall be charged to income-tax for that tax year:

$$A = B - C$$

where,—

A = deemed profits and gains of business or profession of that tax year;

B = amount withdrawn from the specified account on its closure; and

C = amount, if any, payable to the Central Government by way of profit or production share as provided in agreement referred to in section 54.

(4) Where any amount is withdrawn on closure of specified account in a tax year in which the business of the assessee is no longer in existence, sub-paragraph (3) shall apply as if the business is in existence in that tax year.

(5) If any amount standing to the credited of the assessee—

(a) in the specified account is released by the State Bank of India; or

(b) is withdrawn by the assessee from the site restoration account,

during any tax year for utilisation for the purposes of such business as per the special scheme or deposit scheme and the same is not so utilised, either wholly or in part within that tax year, such amount shall be deemed to be the profits and gains of business of that tax year and accordingly be charged to income-tax for that tax year.

(6) Where any amount standing to the credit of the assessee in the special account or in the Site Restoration Account is utilised by the assessee for the purposes of any expenditure in connection with such business in accordance with the scheme or the deposit scheme, such expenditure shall not be allowed in computing the income chargeable under the head “Profits and gains of business or profession”.

4. No deduction of expenditure met through amount withdrawn from specified account.—

(1) If the amount standing to the credit of the assessee in the specified account is utilised to incur any expenditure for the purpose of business as per the special scheme or deposit scheme, no deduction against such expenditure shall be allowed in computing the income chargeable under the head “Profits and gains of business or profession”.

(2) In this paragraph, “amount standing to the credit of the assessee in the specified account” includes interest to such accounts.

5. Sale or transfer of asset acquired as per special scheme or deposit scheme.—

(1) Where any asset,—

(a) is acquired as per the special scheme or the deposit scheme; and

(b) is sold or transferred to any person in the tax year at any time before the expiry of eight years from the end of tax year in which it was acquired,

then, the part of cost of asset as is relatable to the deduction allowed under paragraph 1 shall be deemed to be the profits and gains of business of the tax year in which such asset is sold or transferred and shall accordingly be charged to income-tax for that tax year.

(2) Sub-paragraph (1) shall not apply, if the asset is sold or transferred by—

(a) the assessee to the specified person; or

(b) a firm to a company in connection with succession of business or profession of the firm by such company subject to the following conditions:—

(i) the provisions of special scheme or deposit scheme is applicable to the company in the same manner as it applied to the firm;

(ii) all the properties of the firm relating to the business or profession immediately before the succession becomes the properties of the company;

(iii) all the liabilities of the firm relating to the business or profession immediately before the succession becomes the liabilities of the company; and

(iv) all the shareholders of the company were partners of the firm immediately before the succession.

(3) In this paragraph, “specified person” means—

(a) Government; or

(b) a local authority; or

(c) a corporation established by or under a Central, State or Provincial Act; or

(d) a Government company as defined in section 2(45) of the Companies Act, 2013 (18 of 2013).

6. Interpretation.—For the purposes of this Schedule,—

- (a) “amount standing to the credit of the assessee” pertaining to the specified account includes interest accrued to such accounts;
- (b) “deposit scheme” means a scheme made in this behalf by the Ministry of Petroleum and Natural Gas;
- (c) “specified account” means a special account or site restoration account;
- (d) “special account” means an account maintained with the State Bank of India for making deposits in accordance with, and for the purposes specified in the special scheme;
- (e) “special scheme” means a scheme approved in this behalf by the Government of India in the Ministry of Petroleum and Natural Gas;
- (f) “site restoration account” means an account opened by the assessee for making deposits in accordance with, and for the purposes specified in the deposit scheme;
- (g) “State Bank of India” means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955).