

INCOME-TAX ACT, 2025

SCHEDULES:

SCHEDULE XVI (See section 350) - PERMITTED MODES OF INVESTMENT OR DEPOSITS

(See section 350)

PERMITTED MODES OF INVESTMENT OR DEPOSITS

FORMS OR MODES OF INVESTMENT OR DEPOSITS BY A REGISTERED NON PROFIT ORGANISATION

1. The modes of investing or depositing the money referred to in section 350 shall be the following:—

(1) investment in savings certificates as defined in section 2(c) of the Government Savings Certificates Act, 1959 (46 of 1959), and any other securities or certificates issued by the Central Government under the Small Savings Schemes of that Government;

(2) deposit in any account with the Post Office Savings Bank;

(3) deposit in any account with a scheduled bank or a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank);

(4) investment in units of the Unit Trust of India;

(5) investment in any security for money created and issued by the Central Government or a State Government;

(6) investment in debentures issued by, or on behalf of, any company or corporation both the principal whereof and the interest whereon are fully and unconditionally guaranteed by the Central Government or by a State Government;

(7) investment or deposit in any public sector company subject to the condition that where an investment or deposit in any public sector company has been made and such public sector company ceases to be a public sector company,—

(a) such investment made in the shares of such company shall be deemed to be an investment made under this clause for three years from the date on which such public sector company ceases to be a public sector company;

(b) such other investment or deposit shall be deemed to be an investment or deposit made under this clause for the period up to the date on which such investment or deposit becomes repayable by such company;

(8) deposits with or investment in any bonds issued by a financial corporation which is engaged in providing long-term finance for industrial development in India and which is eligible for deduction under section 32(e);

(9) deposits with or investment in any bonds issued by a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes and which is eligible for deduction under section 32(e);

(10) deposits with or investment in any bonds issued by a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for urban infrastructure in

India;

(11) investment in immovable property;

(12) deposits with the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964 (18 of 1964);

(13) investment in the units issued under any scheme of the mutual fund referred to in Schedule VII (Table: Sl. No. 20) or (Table: Sl. No. 21);

(14) any transfer of deposits to the Public Account of India;

(15) deposits made with an authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both;

(16) investment by way of acquiring equity shares of a depository as defined in section 2(1)(e) of the Depositories Act, 1996 (22 of 1996);

(17) investment made by a recognised stock exchange referred to in section 2(f) of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) (herein referred to as investor) in the equity share capital of a company (herein referred to as investee)—

(a) which is engaged in dealing with securities or mainly associated with the securities market;

(b) whose main object is to acquire the membership of another recognised stock exchange for the sole purpose of facilitating the members of the investor to trade on the said stock exchange through the investee as per the directions or guidelines issued under the Securities and Exchange Board of India Act, 1992 (15 of 1992) by the Securities and Exchange Board of India established under section 3 of that Act; and

(c) in which at least 51% of equity shares are held by the investor and the balance equity shares are held by members of such investor;

(18) investment made by a person, authorised under section 4 of the Payment and Settlement Systems Act, 2007 (51 of 2007), in the equity share capital or bonds or debentures of a company—

(a) which is engaged in operations of retail payments system or digital payments settlement or similar activities in India and abroad and is approved by the Reserve Bank of India for this purpose; and

(b) in which at least 51% of equity shares are held by National Payments Corporation of India;

(19) investment made by a person, authorised under section 4 of the Payment and Settlement Systems Act, 2007 (51 of 2007), in the equity share capital or bonds or debentures of Open Network for Digital Commerce Ltd, being a company incorporated under section 7(2) read with section 8(1) of the Companies Act, 2013 (18 of 2013), for participating in network based open protocol models which enable digital commerce and interoperable digital payments in India;

(20) investment by way of acquiring equity shares of an incubatee by an incubator;

(21) investment by way of acquiring shares of National Skill Development Corporation;

(22) investment in debt instruments issued by any infrastructure Finance Company registered with the Reserve Bank of India;

(23) investment in "Stock Certificate" as defined in clause (c) of paragraph 2 of the Sovereign Gold Bonds Scheme, 2015, published in the Official Gazette *vide* notification number G.S.R. 827(E), dated the 30th October, 2015;

- (24) investment by way of Acquiring Units of Powergrid Infrastructure Investment Trust;
- (25) shares in a public sector company;
- (26) any assets held by the trust or institution where such assets form part of the corpus of the trust or institution as on the 1st June, 1973;
- (27) any asset, being equity shares of a public company, held by any university or other educational institution or any hospital or other medical institution where such assets form part of the corpus of any University or other educational institution or any hospital or other medical institution as on the 1st June, 1998, where it was approved at that time under the provisions of section 10(23C) of the Income-tax Act, 1961 (43 of 1961);
- (28) any accretion to the shares, forming part of the corpus mentioned in sub-paragraph (26) or (27), by way of bonus shares allotted to the trust or institution;
- (29) any assets (being debentures issued by, or on behalf of, any company or corporation) acquired by the trust or institution before the 1st March, 1983;
- (30) voluntary contributions received and maintained in the form of jewellery, furniture or any other article as the Board may, by notification specify;
- (31) any asset, not being an investment or deposit in any of the forms or modes specified in sub-paragraphs (1) to (30), where such asset is not so held up to one year from the end of the tax year in which such asset is acquired;
- (32) any funds representing the profits and gains of business, being profits and gains of any tax year relevant to the tax year commencing on the 1st April, 1984 or any subsequent tax year so, however, where it has any other income in addition to profits and gains of business, these provisions shall not apply unless it maintains separate books of account in respect of such business.

2. Interpretation.—For the purposes of this schedule,—

- (a)“long-term finance” means any loan or advance where the terms under which moneys are loaned or advanced provide for repayment along with interest thereof during a period of not less than five years;
- (b)“public company” shall have the same meaning as assigned to it in section 2(71) of the Companies Act, 2013 (18 of 2013);
- (c)“urban infrastructure” means a project for providing potable water supply, sanitation and sewerage, drainage, solid waste management, roads, bridges and flyovers or urban transport;
- (d)“Immovable property” does not include any machinery or plant(other than machinery or plant installed in a building for the convenient occupation of the building) even though attached to, or permanently fastened to, anything attached to the earth;
- (e)“incubatee” shall mean such incubatee as may be notified by the Government of India in the Ministry of Science and Technology;
- (f)“incubator” shall mean such Technology Business Incubator or Science and Technology Entrepreneurship Park as notified by the Government of India in the Ministry of Science and Technology.