

## GUIDANCE NOTE

### **Form 37 – Certificate for deduction under section 152(5) of the Act for patentee in receipt of royalty income, etc.**

#### **Purpose:**

Form 37 is prescribed under Rule 71 of the Income-tax Rules and is required to be furnished for claiming deduction under section 152(5) of the Income Tax Act, 2025 in respect of income received by a patentee in the nature of royalty for patents.

This deduction is available to a resident individual, being a patentee, in respect of income from royalty on patents registered under the Patents Act, 1970 and subject to the fulfilment of conditions specified under the Act, including repatriation of foreign source income within the prescribed time limit, where applicable.

The form captures details relating to the patentee, particulars of the patent, royalty income received, foreign remittance (if any), and other eligibility conditions for the deduction.

#### **Who Should File:**

Any patentee who is in receipt of income by way of royalty from patents and wishes to claim deduction under section 152(5) of the Income Tax Act, 2025.

**Part A** of the Form is required to be filled and verified by the **patentee (taxpayer)**.

**Part B** of the Form is required to be certified by the **prescribed authority — Controller of Patents**, verifying the patent details maintained in the patent register.

#### **When and How to File:**

- Form 37 shall be furnished electronically on the income-tax e-filing portal.
- The form shall be filed electronically under digital signature or through electronic verification code (EVC).
- Part A and B is to be completed and verified by the patentee.
- Certificate by the **Controller of Patents**, certifying the patent information and compulsory licence status, if any.

#### **Structure of Form 37:**

The form consists of the following parts:

##### **Part A – Basic information**

- Name, Address and PAN of patentee

- **Tax Year** in which deduction is being claimed

### **Part B – Computation of Deduction under Section 152(5) of Income tax Act, 2025**

The relevant Columns are as under:

- Column 3 : Details of the Patent – Registration no. and Date, Title, etc.
- Column 4 : Details of the patentee
- Column 5 : Information related to compulsory license issued for the patent, if any
- Column 6 : Details of person paying royalty – Name, Address, PAN
- Column 7 : Details of Royalty Agreement – Nature, period, amount
- Column 8 : Details of royalty received in INR and foreign currency with date and mode
- Column 9 : Details of amount brought into India in convertible foreign exchange
- Column 10 : Amount of deduction claimed

**Declaration** - Declaration by the taxpayer affirming correctness and completeness of information

**Certification** – Certification by the Controller of Patents as to correctness of relevant information given by the patentee.

#### **Documents Required to File Form 37:**

- Compulsory license issued by the Controller of Patents in respect of the patent
- Royalty agreement
- Bank Statement
- Foreign Inward Remittance Certificate, where applicable
- RBI approval, where applicable

#### **Outcome of Processing Form 37:**

- Once the Form 37 is validly filed and processed, the individual patentee can claim deduction under section 152(5) in respect of royalty income, subject to fulfilment of eligibility conditions.
- If royalty income arises from outside India and is **not repatriated within six months**, deduction may be restricted unless extended time is permitted by the competent authority.

**Key Updates in Form:**

- Primary data fields have been re-sequenced and rationalized to improve the logical flow of the information furnished.
- PAN of the patentee is now captured for accurate identification.
- New structured field introduced to report all details of royalty income, including PAN of the payer, which was not available in the original form.
- A new field of location of the patent office introduced to seamlessly transfer the form to concerned patent office for verification
- Separate fields introduced to capture foreign source income, timelines of inward remittance, and details of the competent authority allowing extension, if applicable.
- The main body of the Form has been redrafted in simplified language and aligned with objective parameters required for eligibility under section 152(5).
- Data fields have been standardized and reorganized to suit digitized filing and automated checks.

**Improved Applicant Experience:**

- The Form has been made more concise, readable, and user-friendly for patentees.
- The taxpayer fills in all the necessary details in Part A and Part B for claiming deduction. Out of these, only the details related to the patent need to be certified by the Controller of Patent, resulting in ease for both.
- System-oriented fields and standardized formats minimize misreporting and enable faster verification.
- Mandatory e-filing eliminates dependency on physical submission and improves processing time.

**Challenges in Earlier Form:**

- PAN of the patentee and PAN of the payer of royalty were not captured.
- There was no column to report repatriation and competent authority approvals in respect of foreign royalty income — a key eligibility parameter.

**Solutions Built into the Proposed Form**

- Insertion of mandatory fields for PAN of the patentee and PAN of the payer.

- Introduction of dedicated fields for foreign income repatriation timelines and competent authority details.
- Simplification and restructuring of form for clarity and uniformity.