

## FORM 65 Guidance Note

### Form of Application under Section 194(1) (Table: Sl. No. 2) of the Income-tax Act, 2025

Name of Form as per I.T. Rules, 1962	Form 3CFA	Name of Form as per I.T. Rules, 2026	Form 65
Corresponding section of I.T. Act, 1961	115BBF	Corresponding section of I.T. Act, 2025	194(1) (Table: Sl. No. 2)
Corresponding Rule of I.T. Rules, 1962	5G	Corresponding Rule of I.T. Rules, 2026	Rule 134

**Form 65** is an Income tax form used by eligible resident taxpayers to **opt for a concessional tax rate of 10% on income earned by way of royalty from a patent developed and registered in India** as provided by Section 194(1) (Table: Sr.No. 2) of the Income-Tax Act, 2025.

#### **Purpose of Form 65**

The primary purpose of filing **Form 65** is to:

- **Claim a lower tax rate:** By default, royalty income might be taxed at normal slab rates. Filing this form allows the eligible assessee to be taxed at a special, lower flat rate of 10% (plus surcharge and cess) on the gross amount of the royalty income.
- **Opt into the "Patent Box Regime":** This section encourages indigenous research and development by providing tax incentives for patents developed and registered in India.
- **Forgo other deductions:** A key condition of opting for this concessional rate is that no expenditure or allowance is allowed as a deduction against this royalty income.
- **Commit to the regime:** Once this option is exercised, the taxpayer must adhere to this taxation method for the next five Tax years; failing to do so makes them ineligible for the regime for the five years following the year of default.

#### **Filing Requirements**

- **Who can file:** An eligible resident assessee (individual, HUF, company, etc.) who has income from royalty in respect of an Indian patent they have developed and registered in India.
- **When to file: Form 65** must be furnished on or before the **due date** for furnishing the return of income under Section 263(1) of the Income-tax Act.
- **How to file:** The form must be filed electronically, either using a Digital Signature Certificate (DSC) or through an electronic verification code (EVC).
- **Information required:** The form requires general taxpayer details, specific details of the eligible patent (e.g., patent number, date of grant of patent, description etc.), and details of the royalty income and associated expenditure.

### Frequency and Due Date

- **Frequency: Form 65** is an **application form** to opt into a specific tax regime under the Income Tax Act, 1961. It is generally filed once when the taxpayer decides to exercise this option.
- **Due Date:** The form must be furnished **on or before the due date for filing the return of income specified in column C of table provided in section 263 (1)(c)** for the relevant tax year in which the option is exercised.

### Structure of Form 65

The form is divided into the following key parts:

#### Part -A

- **Personal Information:** This section captures basic identifying information about the assessee:
  - Full name of the assessee
  - Permanent Account Number (PAN) / Aadhaar Number
  - Address
  - Tax year
  - Residential status

#### Part -B

- **Exercise of Option under Section 194(1) (Table: Sr.No. 2):** This part confirms if the taxpayer is exercising the option to be taxed under Section 194(1) (Table: Sr.No. 2) for the relevant tax year and requires details of:
  - Nature of business

- Tax year
- Date of furnishing of the return of income (if already filed)
- Whether the tax payer opted out of the patent box regime in any of the 5 tax years, succeeding the year in which the option was 1<sup>st</sup> exercised
- **Details of Each Eligible Patent:** This requires specific details for each patent from which royalty income is derived:
  - Description of the patent
  - Patent number
  - Date of grant of the patent
  - Whether the patent was granted to a single person or jointly
- **Royalty Income and Expenditure Details:** This section requires a breakdown of the financial information:
  - Details of royalty income derived from the eligible patent
  - Details of expenditure incurred in India on the eligible patent
  - Whether expenditure incurred for the eligible patent in the given tax year is more than 75% of the total expenditure incurred on the invention of the eligible patent.

### **Part -C**

- **Declaration/Verification:** The Form concludes with a verification section where the assessee (or an authorized person) declares that the information provided is correct and complete. The Form must be verified electronically, either by digital signature or electronic verification mode.

### **Key Points to Note**

- **Mandatory Filing:** To avail the 10% concessional tax rate, an eligible taxpayer must file **Form 65** in the prescribed manner.
- **No Other Expenditure Allowed:** If this concessional tax rate is chosen, no other expenditure or allowance related to that royalty income is permitted as a deduction under the Income Tax Act.
- **Filing Deadline: Form 65** must be filed on or before the due date for furnishing the return of income for the relevant tax year, as specified under Section 263(1) of the Income Tax Act.

- **Reversion of Option:** The Form also includes sections to address situations where the assessee chooses *not* to offer income for taxation under Section 194(1) (Table: Sr.No. 2) in subsequent years, which has implications for the concessional tax regime.

#### **Documents required**

- Self-certified copy of the Patent grant certificate.
- Proof of identity and address: PAN card and Aadhaar card.
- Audited annual accounts: Particularly if you are a business or association.
- Bank statements: To verify income and expenses.
- Form 26AS: To reconcile any tax deducted at source.

#### **Outcome Details**

- **Concessional Tax Rate:** The primary purpose of **Form 65** is for an eligible assessee to exercise the option to have their royalty income from an Indian-developed and registered patent taxed at a special, lower rate of 10% (plus applicable surcharge and cess), instead of their normal income tax rate.
- **Intimation under Section 270(1):** After the Income Tax Return (ITR) and associated forms (including Form 65 ) are filed, the Centralized Processing Centre (CPC) processes them. The outcome is an intimation under section 270(1) sent to the taxpayer's registered email address.
- **Confirmation of Assessment:** This intimation confirms that the return has been processed and details any adjustments made by the department. It specifies the final total income, the calculated tax amount payable, or any refund due.
- **Potential Discrepancies:** If **Form 65** is not filed on time (i.e., by the ITR filing deadline), the CPC may process the return by taxing the royalty income at the normal, higher rate.

#### **Challenges and Solutions:**

The revised **Form 65** is proposed to be a smart form aimed at enhancing user experience and providing ease of filing through

- a. auto-population/pre-filling of relevant details using information available in ITR.
- b. real time validations & error handling

- c. drop downs & date pickers
- d. Standardization of name & address fields etc.

**Common Changes made across Forms:**

1. To make Forms system-friendly and enable e-filing and uploading, certain anomalies found due to grouping of Name, Designation, Address, PAN and Aadhaar number have been separated into different boxes.
2. Assessment / Financial / Previous year or years have been replaced with Tax year or years, wherever appearing in the Form/Annexure.
3. Sections, Clauses and Schedules changed as per the Income-tax Act, 2025.