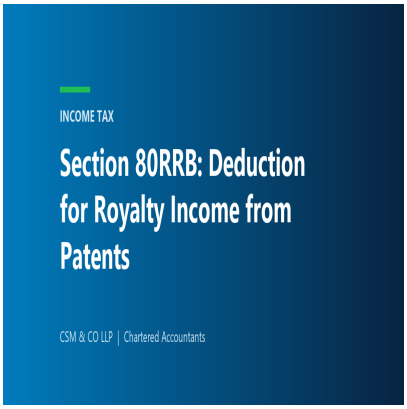

Section 80RRB: Deduction for Royalty Income from Patents

Description

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Quick summary

- Section 80RRB gives a resident individual patentee a deduction of the lower of the royalty income and ?3,00,000 on royalty from a patent registered on or after 01/04/2003.
- The claimant must be the patentee, that is the true and first inventor recorded as patentee, including a joint patentee.
- The certificate (Form 10CCE, now Form 37) must be filed with the return, and the deduction is available only in the old tax regime.
- From Tax Year 2026-27 it is section 152 of the Income-tax Act, 2025.

An inventor who earns royalty from a patent gets a deduction under section 80RRB, up to ?3,00,000 a year. From Tax Year 2026-27 the provision is section 152 of the Income-tax Act, 2025. For FY 2025-26 (assessment year 2026-27) it is still section 80RRB of the 1961 Act.

Who can claim?

An individual who:

- is resident in India,
- is a patentee, and
- receives royalty on a patent registered on or after 1 April 2003 under the Patents Act, 1970, and has that royalty included in gross total income.

A patentee is the true and first inventor recorded as the patentee under the Patents Act, and this includes joint patentees recorded as true and first inventors. Someone who bought or licensed a patent is not a patentee. HUFs, companies and non-residents are out.

What counts as royalty?

Royalty on a patent means consideration for transferring any or all rights in the patent (including granting a

licence), giving information about the working or use of the patent, using the patent, or services connected with these. It does not include consideration that is capital gains, or the price for selling a product made with a patented process or the patented article for commercial use. A non-returnable advance counts as a lump sum.

How much is the deduction?

The lower of the royalty income included in gross total income and ?3,00,000. If a compulsory licence has been granted under the Patents Act, the royalty counted cannot be more than the royalty fixed by the Controller of Patents.

Royalty from abroad

Income from a source outside India counts only to the extent it is brought into India in convertible foreign exchange within six months from the end of the tax year in which it is earned, or within any further period the Reserve Bank of India or other competent authority allows. A certificate from the prescribed authority must be filed with the return.

Certificates and forms

- Up to FY 2025-26: the certificate in Form 10CCE, signed by the prescribed authority, filed with the return.
- Under the Income-tax Rules, 2026 (from 01/04/2026): Form 37 (Rule 71) is the certificate for the patent royalty, and Form 38 (Rule 72) is the certificate for income from outside India, which comes from the RBI or another authorised authority.

No double deduction

If a deduction has been allowed for a year on this income, the same income cannot be deducted under any other provision of the Act in any year.

Old regime only

The deduction is not allowed in the new tax regime. Section 202 of the 2025 Act disallows Chapter VIII deductions other than sections 124(1), 124(2), 125(2) and 146.

Example

Meera is a resident individual and the registered patentee of a process patent granted in 2018. In the year she receives ?4,00,000 as royalty from a licensee and has spent ?50,000 on professional fees related to earning it.

Item	Amount in ?
Royalty received	4,00,000
Less: expenses allowed	50,000
Royalty income in gross total income	3,50,000

Item	Amount in ?
Deduction under section 80RRB (lower of 3,50,000 and 3,00,000)	3,00,000
Income left after the deduction	50,000

Her ?50,000 is taxed at her normal slab rates, along with any other income.

How it differs from section 80QQB

Basis	Section 80QQB (section 151)	Section 80RRB (section 152)
Income	Royalty from books, in the exercise of the profession of an author	Royalty from a registered patent
Claimant	Resident individual author	Resident individual patentee
Limit	Lower of income and ?3,00,000	Lower of income and ?3,00,000
Certificate	Form 10CCD, now Form 36	Form 10CCE, now Form 37
Regime	Old regime only	Old regime only

Frequently asked questions

Who can claim section 80RRB?

A resident individual who is a patentee and receives royalty on a patent registered under the Patents Act, 1970 on or after 01/04/2003. HUFs and non-residents cannot claim it.

How much is the deduction?

The lower of the royalty income and ?3,00,000 in a year.

Who counts as a patentee?

The true and first inventor recorded as the patentee under the Patents Act, 1970, including joint patentees recorded as true and first inventors. A person who merely bought or licensed the patent does not qualify.

Does the sale of a patented product count as royalty?

No. Consideration for selling a product made with a patented process, or the patented article, for commercial use is excluded, as is anything that is capital gains.

Is it available in the new tax regime?

No. It is available only in the old tax regime.

Official sources

- Income Tax Department: Income-tax Act 2025 as amended by Finance Act 2026 (section 152)
- Income Tax Department: Income-tax Rules, 2026 (Rules 71 and 72, Forms 37 and 38)
- Income Tax Department: Section 202, Income-tax Act 2025

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Date
11/10/2026
Date Created
21/04/2025
Author
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