

GUIDELINES FOR WEIGHTED DEDUCTION @150% OF THE EXPENDITURE INCURRED ON SKILL DEVELOPMENT UNDER SECTION 35CCD OF THE INCOME-TAX ACT, 1961

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The National Manufacturing Policy (NMP), 2011 proposed to provide *inter alia*, the following direct taxes incentives to promote skill development:

"Weighted deduction of 150% of the expenditure (other than land or building) incurred in Public Private Partnership (PPP) projects for skill development in manufacturing sector in separate facilities in co-ordination with National Skill Development Corporation (NSDC)."

2. As a follow up of NMP, Finance Act, 2012 inserted a new section 35CCD in the Income-tax Act, 1961 ('the Act') which provides that for computing business income, a company shall be allowed a weighted deduction of 150% of expenses (other than land or building) incurred on skill development project notified by the Board in accordance with the guidelines as may be prescribed.
3. The guidelines for approval of skill development project are prescribed in new rules 6AAF, 6AAG and 6AAH inserted in the Income-tax Rules, 1962 by [Notification No. S.O. 2166\(E\) dated 15th July, 2013](#).

The salient features of the guidelines are as under:

- (1) A company engaged in the business of manufacturing any article or thing (other than alcoholic spirits and tobacco products) or engaged in providing specified services, as listed under Rule 6AAH, shall be eligible for weighted deduction of the expenditure incurred on skill development.
- (2) The project should be undertaken in separate facilities in a training institute set up by the Central or State Government or a local authority or a training institute affiliated to National Council for Vocational Training (NCVT) or State Council for Vocational Training (SCVT). Besides Government training institutes, private sector training institutes affiliated to NCVT or SCVT shall also be eligible.
- (3) National Skill Development Agency (NSDA) shall be the nodal agency to scrutinize the applications made by eligible companies in Form No. 3CQ. The Central Board of Direct Taxes (CBDT) shall notify the skill development project based on the recommendation of NSDA in this regard.
- (4) All expenses (not being expenditure in the nature of cost of any land or building), incurred wholly and exclusively for undertaking a notified skill development project shall be eligible for deduction under section 35CCD, except the expenditure which is reimbursed or reimbursable to the company by any person, whether directly or indirectly.
- (5) The company undertaking skill development project shall be required to maintain separate books of account of the project notified under section 35CCD and get such books of account audited.
- (6) It is intended that the skill development project shall provide training to potential employees or newly recruited employees. Skill development of existing employees of the company shall not be eligible for notification under section 35CCD, if the training of such employees commences after six months of their recruitment