

# Research & Development Activities Tax & Other Benefits

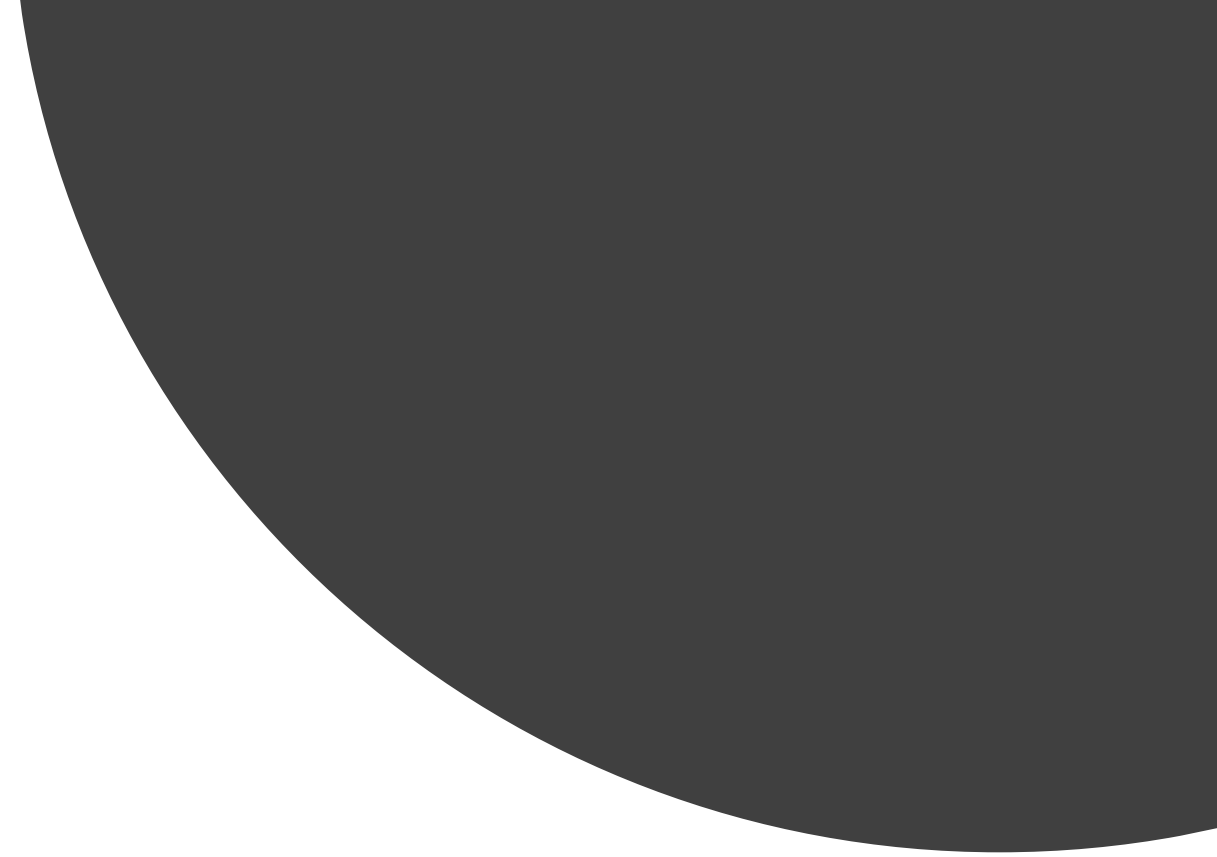
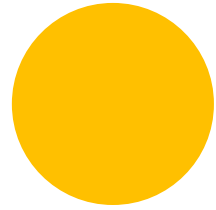
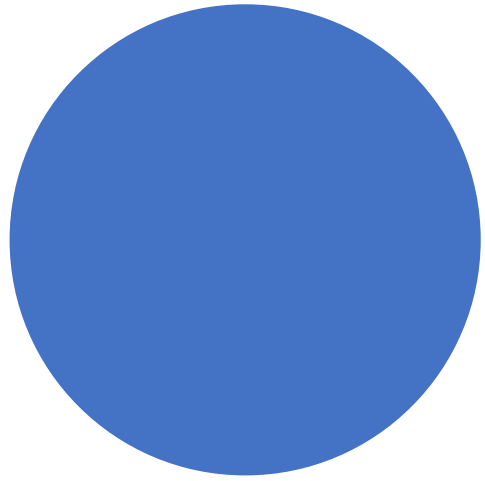
**A Primer**

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Qualified R&D Units  
Recognition & benefits



## Legislation (Eligible Activities)

The Government of India in its endeavour to promote commercial R&D has over the years provided incentives & tax breaks to companies carrying out R&D. The main activities which are covered in R&D are:

- **New Product development**, either a new product or an improved product which the company is already making.
- **New Process development:** the processes can be related to cost reduction of existing product. Value addition, benchmarking, reverse engineering of existing product are comes in process development.
- **New Production Process development:** if a company is changing their production process for cost reduction of their existing product it comes under this.
- **Import Substitution:** if a company is developing any product which can replace, an existing imported product in the market, it's called import substitution

## Eligibility

The prescribed authority for providing these benefits is Department of Scientific & industrial research. It is a part of Ministry of science and technology.

### Eligible Entities

- The applicant should be a company registered under Companies Act, 2013
- The company shall be eligible for consideration only after the completion of three financial years after formation with regular source of income in last 2 years.
- The companies seeking recognition to their in-house R&D units should be engaged in manufacture or production or in rendering technical services
- Companies to maintain separate records (incl diff marked & coloured vouchers) for R&D Units

## Eligibility (Contd)

### Eligible Entities

- The companies seeking recognition to their in-house R&D units should be engaged in manufacture or production or in rendering technical services.
- Companies fully engaged in contract research are also eligible for consideration provided independent infrastructure is available for research activities. Those engaged in research only at present but have plans to start manufacture at a later date may also be considered for the recognition, if there is a potential.
- The R&D unit(s) should not be located in residential areas but should be operating in premises authorized by the relevant Central/State Government.

## Process

- Companies typically apply for the recognition & the process takes approximately 3 months from the application submission.
- Approval is granted by DSIR generally after visiting the facility by doing physical inspection of R&D centre
- It generally takes 4 to 5 months from application submission to Approval. However the time frame is totally depend on DSIR

# Tax Benefits

- Direct taxes: You can avail 150% of capital & Revenue expenses which you incurred in R&D for new Product/Process development.
- In-Direct taxes: Custom Duty will be waived off on capital equipment such as design & simulation software, proto development, validation equipment, lab furniture either imported for R&D use



## Other Benefits

- Once you are an approved R & D Centre, you are eligible for Grants/soft loans from the Government on Project to Project basis

THANKS



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