CHAPTER-1

Industrial R&D Promotion Programme (IRDPP)

INDUSTRIAL R&D PROMOTION PROGRAMME (IRDPP)

1.0 OBJECTIVES

The broad objectives of the Industrial Research and Development Promotion Programme are to:

(i) Bring in-house R&D into sharper focus

(ii) Strengthen R&D infrastructure in industry and Scientific and Industrial Research Organisations (SIROs)

(iii) Promote R&D initiatives of the industry and SIROs

(iv) Ensure that the contributions made by the in-house R&D centres and SIROs dovetail adequately in the overall context of technological and industrial development.

1.1 Areas of Coverage

The specific areas covered under the component scheme are:

In-house R&D in Industry.

Scientific and Industrial Research Organisations (SIROs), and

Fiscal Incentives for Scientific Research.

Activities and achievements in each of above areas are presented below:

1.2 In-House R&D In Industry

1.2.1 Recognition of In-house R&D Units

A strong S&T infrastructure has been created in the country. This covers a chain of national laboratories, specialized R&D centres, various academic institutions and training centres, which continuously provide expertise, technically trained manpower and technological support to the industry. Various policy measures have been introduced from time to time, to meet the changing industrial and technological requirements of the industry. The Government has been giving special attention to promotion and support to industrial research in industry. Several Tax incentives have also been provided which encourage and make it financially attractive for industrial units to establish their own in-house R&D units.

DSIR is operating a scheme for granting recognition to the in-house R&D units of the industry and a number of incentives and support measures are also made available to the in-house R&D units of industry to strengthen the technological base. Ministry of Finance has issued notification amending the basic notifications under customs and central excise (prior to implementation of GST from 1st July 2017). As per the amendments, all DSIR recognized & Registered in-house R&D units other than hospitals can avail customs and central excise duty exemption (prior to implementation of GST 1st July 2017) on their procurements for research purposes.

The in-house R&D units qualifying for recognition are expected to be engaged in research and development activities related to the line of business of the firm such as development of new technologies, design and engineering, process/product/design improvements, developing new methods of analysis and testing; research for increased efficiency in use of resources such as capital equipment, materials and energy; pollution control, effluent treatment and recycling of waste products.

The R&D activities are expected to be separate from routine activities of the firm, such as production and quality control. The in-house R&D units should have staff exclusively engaged in R&D and headed by a full-time R&D manager who would have direct access to the chief executive or to the board of directors depending upon the size of the unit. The in-house R&D units are also expected to maintain separate identifiable infrastructure and R&D accounts.

Number of in-house R&D units recognized by DSIR increased steadily from about 100 in 1973 to about 275 by 1975, to over 700 by 1980, around 925 by 1985, over 1100 in 1990 over 1200 in 1995 and thereafter hovering between 1200 to 1250; 1361 in March 2010; 1618 in December 2011, 1767 in December 2012, 1797 in December 2013, 1762 in December 2014, 1800 in December 2015, 1900 in November 2016, 1997 in November 2017 and 2052 in November 2018. Of these nearly 1700 are in the private sector and the remaining units are in public/joint sector. The last updated 'Directory of Recognized in-house R&D Units' was brought out in December, 2017. This Directory lists 1996 recognized in-house R&D units, giving registration number, name and mailing address of the company, location of the in-house R&D unit(s) and validity of DSIR recognition.

To promote entrepreneurship in biotechnology sector, DSIR has granted relaxation for three years of existence of the company for according short term fresh recognition to Biotech Start-ups established in incubation centre or technology park with effect from July 2015. DSIR refers the applications received from start-up companies in the biotechnology sector to the Department of Biotechnology (DBT), being the nodal Department for promoting biotechnology in the country for their views and comments. Based on recommendations received from DBT and keeping the guideline relaxation in view, the application are considered for recognition.

Detailed guidelines about the schemes are available on Department website.The applications received are scrutinized for their completeness in the DSIR and are then circulated for comments to various other departments/agencies, concerned administrative ministries, MSME, CSIR, ICAR, ICMR, CCRAS, DBT, DC & PC, DoT, DRDO, DIT, DoP and NRDC. The applicant industries seeking recognition are invited for presentation and discussion in DSIR andmaybevisited by a team of experts and DSIR representatives. The applications along with comments from outside agencies, visit reports, and the Department's own evaluation are considered by an Inter-Departmental Screening Committee constituted by the Secretary, DSIR. The Committee meeting is scheduled every month to consider the applications and makes recommendations to the Secretary, DSIR.

The in-house R&D recognition of units by DSIR is considered as the primary requirement for the industry to avail fiscal incentives u/s 35(2AB) of the IT Act, 1961. The R&D activity in the company should be well defined and separate from the commercial production and service activities.

During the period under report, the Screening Committee met 15 times. Of the 388 applications received for recognition, the screening committee considered 372 applications. 234 R&D units were granted fresh recognition based on their satisfactory R&D Infrastructure, Qualified Manpower and Programmes. A statement giving month-wise receipt, disposal and pendency of applications for recognition of in-house R&D units is given at **Annexure 1**.

During the period under report, more than 364 discussions/meetings were held with heads/ representatives of in-house R&D units. Also, expert teams visited a number of in-house R&D units.

1.2.2 Renewal of Recognition

DSIR recognition to the in-house R&D centres of the industry is granted for a period ranging from 2 to 5 years. The companies having the R&D units recognized by the Department are advised to apply for renewal of recognition well in advance (3 months prior to the date of expiry of the recognition). The applications are examined in DSIR by the Research and Review Group (RRG) comprising of officers from CSIR, NRDC, DSIR and DST constituted by the Secretary DSIR. The RRG takes into account recommendation for renewal of recognition based on satisfactory R&D performance of the R&D centres of industry since the last recognition based on the research indicators like the R&D expenditure, R&D assets, R&D manpower, R&D achievements (new products and processes developed, technologies commercialized, patents filed, research papers published etc.) and the on going and future R&D programmes. Sometimes, the RRG may seek clarification/suggestions from the industry for strengthening their R&D activities. After obtaining the necessary information from the industries, the cases which have been accorded DSIR recognition are considered for renewal of recognition.

As of 1st April 2018, 666 in-house R&D units were due for renewal of recognition out of which

606 applications were received. During the period under report, the Research Review group (RRG) met 07 times. Based on the evaluation of the performance of the R&D units, renewal of recognition was granted to 601 R&D units. Total of 60 companies could not be renewed because of the reason that either their application was not received or the R&D performance was not up to the mark. A total of 05 applications are under process. A statement showing month-wise receipt, disposal and pendency of the cases of renewal of recognition of the R&D units is given in **Annexure 2**.

1.2.3 R&D Expenditure

The R&D expenditure incurred by in-house R&D units in industry has steadily increased. During 1980-81 it was of the order of ₹ 300.00 crores. In 1985-86, it was of the order of ₹ 500.00 crores. It is estimated that the present R&D expenditure of the 2052 recognized in house R&D units is of the order of about ₹ 40,000.00 crores per annum. The share of public and joint sector is about 20 per cent and that of private sector about 80 per cent. Of these 2052 recognized in-house R&D units 120 units spent over ₹ 5000.00 lakhs each on R&D while 508 spent between ₹ 500.00 lakhs to ₹ 5000.00 lakhs each per annum on R&D and 448 spent between ₹ 200.00 lakhs to ₹ 500.00 lakhs each per annum on R&D. The list of these R&D units is given in **Annexure 3**, **4** and **5** respectively.

1.2.4 R&D Infrastructure

The in-house R&D centres have created State of art design & simulation facilities, Prototyping, Validation & Testing facilities meeting regulatory requirements and compliance with National/International Laboratory certifications.

The laboratories of In-House R&D centers are equipped with sophisticated equipment and softwares for carrying out their research activities.

The major equipment include : Anechoic Chamber, Gas Chromatograph, NMR SFC Analyzer, Ozone Chamber, Multi-axis vibration test bench with counters, Cryogenic test chamber (up to -196°C), Thermal Chamber (up to 540°C), Fluorescence Microscope, Digital Storage oscilloscope, Deep freezer (-20°C), UV Spectroscopy, Emission Analyzer, Differential Scanning Calorimeter-BDS, High Pressure Homogenizer - Nano DeBee 45-1, Photo-Stability Chamber, Accelerated Weathering Tester, FFT analyzer, CAD-CAM facilities, rapid prototype building machines, CNC machines.

1.2.5 R&D Manpower

There has been a steady increase in R&D manpower employed by the in-house R&D units. By 1975-76, about 12,000 R&D personnel were employed by the recognized in- house units and by 1981-82, the figure was over 30,000. The present estimated manpower for the 2052 in-house R&D units is over 1,80,000.

1.2.6 Achievements of In-house R&D Units

Some of the R&D achievements reported by the recognised in-house R&D units are listed below:

Agricultural Sciences:

- Development of notified varieties of crops - Paddy, Bajra, Jowar, Sweet corn, Vegetables like Tomato, Chilli and Bhendi.
- Development of Inbred lines through double haploid technology in Cucumber, Cabbage, Cauliflower and Hot Pepper to shorten the breeding cycle.
- Development of rice and mustard Hybrids
- Development of GMS (Genetic Male Sterility) technology for Cotton hybrid production.
- Development of transgenics in Cotton , Rice, Brinjal, Okra & Cassava for traits like Insect resistance and virus resistance

Biological/Biomedical Sciences/Pharmaceuticals:

- Development of a new process for the preparation of Besifloxacin Hydrochloride, Linezolidl, Dydrogensteron and Ulipristal
- Development of Process optimization for Serratiopeptidase
- Development of process for Semi Synthetic Artemisinin
- Development of Velpatasvir (Hepatitis C Virus Inhibitor), Cabezitaxel (Antineoplastic), Afatinib

(Antineoplastic), Ibrutinib (Antineoplastic), Carfilzomib (Antineoplastic)

- Development of process for synthesis of APIs like Apripriprazole, Bumetanide, Bendamastine Hyderochloride, Rasagiline L-Hemitartrateetc and synthetic process for synthesis of substituted 2-(2-Pyridylmethoylsulphinyl)-1-H-Benzimid Azoles and development the methods for preparation of the Indocyanin Green, Indigo Carmine, Methylene Blue etc.
- Development of process of stable water dispersible Lutein beadlets, Betacryptoxanthinbeadlets, capsimaxbeadlets, luitein encapsulation
- Development of Solvent free process for curcummin spray dried powder
- Development of a transparent hydrogel wound dressing containing silver nano-particles to address infected wounds.
- Development of expression process of proteins such as Tocilizumab, Ustekinumab, fusion protein Aflibercept and a peptide, Teriparatide
- Development of Disposable Insulin Administrative device
- Development of process for Glatiramer Acetate, Liposomal Doxorubicin, Lanthanum Carbonate and Oral Suspension

Chemical Sciences:

- Development of Process for Pretilachlor, Thiamethoxam, Fluopicolide, Oxadiargyl
- Development of New Processes for Phenoloxa synthesis and isolation.
- Development of New Products like Clethodium, Fenbuconazole, Propiconazole, Buprofezin, Metobromuran, Fusiflex 250 ME
- Development of Process for separation of n-paraffins and olefins
- Development of Process for capture and utilization of carbon dioxide
- Development of Prepolymerization technology for production of impact polymer in PP gas phase
- Development of a semi continues process for the synthesiss of a catalyst for use in manufacturing polyolefins
- Development of propylene polymerization catalyst system
- Development of a technology to produce an electrophilic fluorinating reagent
- Development of process to produce an agrochemical intermediate.
- Development of transparent barrier film
- Development of technology for manufacture of pharmaceutical grade sodium bicarbonate.
- Development of low oil absorb besan product, which uses up to 20% less oil when utilized for frying.
- Development of a new form of sugar-Tata Nx
- Development of Customized Fertilizer (CF) for basal application

Engineering / Information Technology :

- Development of Missile launch detection system II
- Development of VSAT equipment for mobile BTS IV and Tactical switch (ULSB Mk III)
- Development of Finacle Analytics Solution 3.0, Finacle Treasury v11.3.3, Finacle Trade connect – Finacle Mobile Teller, Finacle UBS v11.4 to 11.6, Finacle Enterprise Payments Version 11.5 and Finacle Banking and Mobile Banking v11.2.x to 11.5.
- Development of single piece wind screen
- Development of cantilever type seat mounting
- Development of Indigenous Waterjet Propulsion System
- Development of Rail-less Helo Traversing System
- Development of high frequency composite sonar dome.
- Development of new processes for change in technology of light source from incandescent and fluorescent to solid state

- Development of continuous fermentation technology and Spranhillatorvinasse incineration system
- Development of new Carbon black reactor which improves the combustion efficiencies and increases yield
- Development of electronic throttle body for diesel engines to meet BS6 emission requirements
- Development of Customer specific electronic throttle body
- Developments of Gasoline Engines to meet BS6 emission requirements
- Development of customer specific Accelerator Pedal Module (Non Contact version)
- Development of Fuel efficiency spark plug development and development of drivability spark plug for 2 wheeler
- Development of Common Rail for 2000 bar application
- Development of Higher efficiency filter media.
- Development of 26W BLDC ceiling fan and a Connected app controlled IoT fan with smart algorithms based on temperature and humidity sensing.

1.2.7 Imports Made by In-house R&D Units

The recognized in-house R&D units have imported a variety of equipment, reference standards for their R&D activities. These include: HPLC, FTIR, LCMS, Gas Chromatography Mass Spectrometry (GCMS), Long seam Welding, Electron beam welding, Vaccum Furnace, 5- Axis milling, Vertical CNC Milling, Horizontal CNC lathe, Color Spectrophotometer, Homogenizer, Heating Bath Circulator, Rotovapor, Infra Red Dyeing Machine etc.

1.3 Scientific and Industrial Research Organisations

1.3.1 Recognition of Scientific and Industrial Research Organizations (SIROs)

The DSIR had launched a scheme of granting recognition to SIROs in 1988. The SIROs recognised by DSIR are eligible for customs duty exemption and concessional GST under Notification no. 51/96-customs dated 23.07.1996; Notification no. 24/2007-customs dated 01.03.2007; Notification no. 43/2017-customs dated 30.06.2017; Notification no. 45/2017-Central Tax (rate) & 47/2017-Integrated Tax (rate) dated 14.11.2017; Notification no. 9/2018-Central Tax (rate), Notification no. 09/2018-Union Territory Tax (rate) & Notification no. 10/2018-Integrated Tax (rate) dated 25.01.2018; and State Tax (rate) as applicable and all Notification, as amended from time to time.

The DSIR has brought out Guidelines for Recognition of SIROs, which gives procedural details and application proforma for seeking recognition under the SIRO Scheme. Functional SIROs having broad based governing council, research advisory committee, research personnel, infrastructural facilities for research, well defined, time bound research programmes and clearly stated objectives of undertaking scientific research, are considered eligible for recognition by DSIR. The investments of surplus funds not needed for immediate research should be in accordance with the Income-Tax Act, 1961.

Applications for seeking recognition under the SIRO scheme are considered in DSIR by an Inter-departmental Screening Committee with members from Council of Scientific and Industrial Research (CSIR), Indian Council of Medical Research (ICMR), Indian Council of Agricultural Research (ICAR), Indian Council of Social Sciences Research (ICSSR) and University Grants Commission (UGC). The recommendations of the Screening Committee are put up for approval of Secretary, DSIR. The recognition is effective from the date of the Screening Committee meeting. Retrospective approval is not granted.

During the period December 2017 to March 2019, the Screening Committee met 16 times and recommended 52 cases for recognition as SIROs. These include cases in the Natural and Applied Sciences, Medical Sciences and Social Sciences. The sector-wise list of these SIROs is furnished at **Annexure 6**. Out of the 52 recognized SIROs, 34 SIROs were issued registration certificates for obtaining customs duty exemptions and GST waiver.

1.3.2. Renewal of Recognition of SIROs

Recognition granted to SIROs is for duration ranging from 1 to 3 years. The SIROs are advised to apply for renewal of recognition well in advance (3 months prior to the date of expiry of recognition). Such applications received for renewal of recognition are examined by Research Review Group (RRG) by involving representatives from ICAR, ICMR, CSIR and ICSSR depending on the area of research. Based on the evaluation made by the RRG, renewal of recognition is granted to SIROs. During the period January 2018 to December 2018, RRG met 05 times and recommended 227 SIROs for renewal of recognition beyond 31.03.2018. Out of the 227 recognized SIROs, 102 SIROs were issued registration certificates for obtaining customs duty exemptions and concessional GST. Further, during the period January 2019 to March 2019, RRG also met 02 times for recommendation on renewal of recognition beyond 31.03.2019.

At present, there are 687 SIROs duly recognized by DSIR; of these, 305 are in the area of natural and applied sciences, 263 are in the area of medical sciences, 39 are in the area of agricultural sciences and 80 are in the area of social sciences.

The SIROs have employed qualified scientists and researchers and have also established good infrastructural facilities for research. They have developed new processes, procedures, techniques and technologies and also filed several patents. They have also organized seminars/ symposiums/ workshops and published research papers / reports/ books.

1.4 Fiscal Incentives For Scientific Research

Government has evolved, from time to time, fiscal incentives and support measures to encourage R&D in industry and increased utilization of locally available R&D options for industrial development. New incentives to encourage investments in R&D by industry are announced in the Union Budget. Fiscal incentives and support measures presently available include:

Income-Tax relief on R&D expenditure (capital & revenue);

- Weighted Tax deduction U/s 35(2AA) of IT Act 1961 for sponsored research programs in approved national laboratories, universities and IITs;
- Weighted Tax deduction u/s 35(2AB) of IT Act, 1961 on In-house R&D expenditure for any company engaged in the business of biotechnology or in any business of manufacture or production of any article or thing not being an article or thing specified in the list of the eleventh schedule of IT Act, having R&D facility approved by Secretary, DSIR.
- Customs Duty exemption on capital equipment, spares, accessories and consumables imported for R&D by approved institutions/SIROs;
- Customs Duty exemption on specified goods (comprising of analytical and specialty equipment) for use in pharmaceutical and biotechnology sector;
- Accelerated depreciation allowance on plant and machinery set-up based on indigenous technology;
- Customs Duty exemption on imports for R&D projects supported by Government.

Information on some of these fiscal incentives implemented by DSIR is given in the following paragraph.

1.4.1 Depreciation Allowance on Plant and Machinery Setup Based on Indigenous Technology

Secretary, DSIR, Ministry of Science and Technology, is the Prescribed Authority to certify expenditures where higher rate of depreciation is to be allowed for the plant and machinery installed for the manufacturing of products using indigenous know-how as per provisions of rule 5(2) of IT Rules. Guidelines have been issued for making application for obtaining the aforesaid certificate. All such applications received are examined in the department, and discussions and visits by experts to verify the claim are made to the plants by expert teams. Based on a detailed examination, certificates in deserving cases are issued for eligible expenditure.

During the year, One certificate involving ₹ 15.40 crores during 2017-18 on cost of plant and machinery were issued by DSIR. Details are given at **Annexure 8**.

1.4.2 Reference on expenditure on scientific research under Section 35 (3) of Income-Tax Act, 1961.

Section 35(3) of Income-Tax Act, 1961 provides that if a question arises as to whether and, if so, to what extent any activity constitutes or constituted or any asset is or was being used for scientific research, the Central Board of Direct Taxes would refer the question to the Prescribed Authority. Chief Commissioner Income-Tax in concurrence with Secretary, DSIR is the Prescribed Authority for deciding such cases.

1.4.3 Customs Duty Exemption to Recognized & Registered SIROs

All SIROs recognized and registered by DSIR (other than hospitals) are eligible for customs duty exemption on import of equipment/instruments and their spares and consumables; under Notification No. 51/96-Customs dated 23.07.1996, No. 24/2007-Customs dated 01.03.2007 & No. 43/2017-Customs dated 30.06.2017, as amended from time to time. The department was issuing essentiality certificates to SIROs for obtaining customs duty exemption. As per Notification No. 24/2007-Customs dated 01.03.2007, the Director or Head of the Institute/organization is empowered to sign the essentiality certificate.

1.4.4 Concessional GST to Recognized & registered SIROs

The SIROs recognized by DSIR (other than hospitals) are eligible for concessional GST on import of equipment/instruments including computers, apparatus, accessories and their spares and consumables; computer software, CD-ROM, recorded tapes, microfilms, microfiches, under Notification nos. 45/2017-Central Tax (rate) & 47/2017-Integrated Tax (rate) dated 14.11.2017; Notification No. 9/2018-Central Tax (rate), Notification No. 09/2018-Union Territory Tax (rate) & Notification No. 10/2018-Integrated Tax (rate) dated 25.01.2018; and State Tax (rate) as applicable and all notification, as amended from time to time. As per the Notification no. 45/2017-Central Tax (rate) dated 14.11.2017, the Director or Head of the Institute/organization is empowered to sign the essentiality certificate.

1.4.5 Customs Duty Exemption and concessional GST benefits to Recognized & registered in-house R&D units

Ministry of Finance has issued Notification No. 51/96 – Customs dated 23.07.1996; Notification No. 24/2007 – Customs dated 01.03.2007; Notification no. 43/2017 - Customs dated 30.06.2017; Notification no. 45/2017 – Central Tax (Rate) & 47/2017 – Integrated Tax (Rate) dated 14.11.2017; Notification no. 9/2018 – Central Tax (Rate), Notification no. 09/2018 Union Territory Tax (Rate) & Notification no. 10/2018 – Integrated Tax (Rate) dated 25.01.2018; and State Tax (Rate) as applicable and all notification as amended from time to time.

As per the above amendments, all DSIR recognized in-house R&D units other than hospitals can avail customs duty exemption on their procurements for research purposes. All the eligible in-house R&D units recognized by DSIR have been issued the certificates of registration.

1.4.6 Other Benefits Availed by the Recognized R&D Units

The Department provides assistance to recognized in-house R&D units in a number of ways, such as cases of industrial R&D units requiring allotment of special controlled materials for R&D, permission to export of specialized products reserved for small scale industries by medium scale industries for test marketing in other countries and disposal of imported R&D equipment/instruments and pilot plant produce are examined for making suitable recommendations to concerned agencies.

1.4.7 Registration of Public Funded Research Institutions, Universities etc.

Public funded research institutions, universities, IITs, IISc., Bangalore; Regional Engineering Colleges (other than a hospital) are eligible for availing concessional customs duty exemption on import of equipment, spares and accessories and consumables for research purposes through a simple registration with the DSIR. The heads of the public funded research institutions / organizations duly registered with DSIR can certify the R&D goods for concessional custom duty exemption vide Notification No.

43/2017-Customs dt. 30.06.2017 and corrigendum dated 22.07.2017-Custom Notification no. 43/2017 dt 30.06.2017. Ministry of Finance has amended the main Notification No. 51/96-Customs dt. 23.07.1996 from time to time.

Coinciding with the presentation of Union Budget for the year 2004, Ministry of Finance amended the Notification no. 51/96-customs vide Notification no. 28/2003-Customs dt. 1.3.2003. As per the amendment, departments & laboratories of central government and state governments (other than a hospital) are not required to register with DSIR for availing the concessional customs duty exemption. They can clear the consignments by producing a certificate from the Head of the institution certifying that the said goods are required for research purposes only. Another significant change in the notification is that Regional Cancer Centres have been included in the list of institutions eligible for DSIR registration for importing goods for research purposes at a concessional rate of customs duty.

The Union Government of India enacted 'The Constitution (101st Amendment) Act, 2016 w.e.f. 16th September 2016, as introduction of Goods and Services Tax required amendments in the constitution to concurrently empower the Centre and States to levy and collect Goods and Services Tax (GST). Central Government vide Notification No. 03/2017-Central Tax, dt. 19-06-2017 has notified Central Goods and Services Tax Rules, 2017 w.e.f. 22nd June 2017. The introduction of Central Goods and Services Tax Act, 2017 (No. 12 of 2017) on 1st July, 2017 was a very significant step in the field of Indirect Tax Reforms in India. After introduction of CGST Act, 2017 (No.12 of 2017) from 1st July, 2017, import of goods would be treated as inter-state supplies and would be subject to Integrated Tax (IGST) in addition to the applicable customs duties. For latest update visit http://www.cbec.gov.in/htdocs-cbec/gst/index.

Central Government vide Notification 47/2017-Integrated Tax (Rate) dt. 14.11.2017 and Notification No. 45/2017- Central Tax (Rate) dt. 14.11.2017, Notification No. 45/2017- Union Territory Tax (Rate) dt. 14.11.2017, as amended from time to time has granted concessional GST benefits to Public funded research institutions, universities, IITs, IISc., Bangalore; Regional Engineering Colleges (other than a hospital).

Application for registration / renewal of registration of Public Funded Research Institutions (PFRIs) and details about the schemes are available on Department website (www.dsir.gov.in). The complete applications are considered by an Inter-departmental Screening Committee constituted by the Department for considering the requests from various institutions. Presently the committee is chaired by a former Secretary of DSIR.

The Screening Committee met twice during the period under report and considered 10 applications received from various public funded research institutions. During the period under report, 12 registration certificates were issued to such public funded research institutions for availing Customs Duty exemption on import of scientific equipment, spares and accessories, consumable items and concessional GST benefits for purchases for Scientific Research Purposes. There are about 570 PFRIs registered by DSIR. The registration to public funded research and other institutions mentioned in the notification is granted for maximum period of five years. The registered institutions are advised to apply for renewal of registration well in advance of the date of expiry of the registration.

During the period under report, 79 institutions were due for renewal of registration. The department received 76 renewal applications. These were processed on individual files and approval of Competent Authority was obtained and 84 renewal certificates were issued.

1.4.8 Approval of In-house R&D Centres under Section 35(2AB) of I.T. Act 1961

In order to encourage R&D initiatives of industry, the finance bill 1997 introduced a sub section (2AB) in section 35 of the IT Act, 1961. The provision introduced initially was for select sectors of industry i.e. drugs, pharmaceuticals, electronic equipment, computers, telecommunication equipment, chemicals and provided weighted deduction of 125 per cent on expenditure on in-house research and development facility as approved by the prescribed authority i.e. Secretary, DSIR. Subsequently, a number of other

sectors were added to the list of eligible sectors. From the year 2009 the benefits have been extended to all sectors of industry with a select list of non-priority items. Rate of Weighted Tax deduction was raised from 125 per cent to 150 per cent subsequent to the year ending March, 2000. The rate of Weighted Tax deduction was further enhanced to 200% from 1st April 2010. Initially the provision was introduced up to 31st March 2000. The provision was extended from time to time initially till 31st March, 2005 and then up to 31st March 2007, further up to 31st March 2012. In the Union Budget 2012, the provision was extended up to 31st March 2017. In the Union Budget 2016, the provision has been further extended up to 31st March 2020. The rate of Weighted Tax deduction has been lowered from 200% to 150% from 1st April 2017.

During the period under report, new approvals were accorded to 112 companies in Income Tax prescribed Form 3CM. Further, the detailed R&D expenditure of the approved companies were also examined and 766 reports valued at ₹ 18905.23 crores forwarded to CCIT in Form 3CL as prescribed in IT Act. A list of companies approved under Section 35(2AB) of IT Act, during the year 2018 is furnished in **Annexure 7**.

(i) **Updated Fiscal Incentive (FI) guidelines for approval of in-house R&D centres and submission of report under section 35(2AB)**:

Central Board of Direct Taxes (CBDT), Ministry of Finance, Government of India issued a notification no. 29/2016 dated 28.04.2016 amending the Income Tax rules, 1962 and Forms 3CK, 3CM & 3CL with respect to Weighted Tax deduction on expenditure incurred by a company engaged in the business of biotechnology, manufacture or production of any article/thing (other than those specified in the Eleventh Schedule), on scientific research (not being expenditure in the nature of cost of any land or building) in the in house R&D centers as approved by the DSIR, prescribed authority. As a follow up, the Programme division updated the Fiscal Incentive (FI) guidelines for approval of in-house research and development (R&D) centers and submission of prescribed report under section 35(2AB) of the Income-Tax Act, 1961 (the Act). The Guidelines were revised implementing amendments notified by CBDT.

The revised guidelines substitute the new Forms-Form 3CK, 3CM, 3CL and 3CLA and brings updation in the conditions for approvals in Form 3CM and eligibility of research expenditure for Weighted Tax deductions.

The guidelines have been updated with the concurrence of CBDT, Department of Revenue, Ministry of Finance and with the approval of Prescribed Authority. The revised guidelines are uploaded on DSIR website and can be accessed from the following link: http://www.dsir.gov.in/#files/12plan/bird-crf/FI_G_2016_E.html

(ii) **Introduction of electronic filing of FORM 3CLA**:

In line with the amended rules notified by CBDT, a new Form 3CLA (report from an accountant relating to in-house scientific R&D facility) has been introduced in the Fiscal Incentive Guidelines, which is to be duly certified and furnished electronically to the Secretary, DSIR by the accountant of the Company. Department has registered itself as an external agency on Income Tax E-filing website (www.incometaxindiaefiling.gov.in) for receipt of electronically furnished Form 3CLA. Income Tax e-filing unit is working on the deployment of functionality on DSIR Income Tax website login.

The Fiscal Incentive division of DSIR is also supporting Income Tax e-filing unit in implementation of electronic furnishing of report in Form 3CL, quantifying the expenditure incurred on approved in-house R&D facility of the company u/s 35(2AB) of the Act. Electronic filing of the form and report will bring transparency and save a lot of time and cost of taxpayer/applicant.