

Bencil Speaks

March '14 edition



 **From the desk of Rajeev Surana**

Welcome to the 3rd & last edition this Financial Year of Bencil Speaks newsletter to celebrate the spirit of Innovation & Creativity.

As we evolve to providing you with content which is useful and interesting, this month we present you insights on how getting your product, technology or design development activities recognised by Department of Science & Industrial Research (DSIR) as an 'in-house R&D centre' lead to lucrative direct and indirect tax benefits with more than 1000+ units in India now recognised by DSIR.

So if you are into any kind of R&D work (barring few exceptions), you should seriously consider this scheme for the much needed impetus to boost your product or technology development capabilities.

Note that the Newsletter will be made available on the last day of every month and you are requested to mention your email id on Scinnovation's home page to put you in our mailing list for receiving the newsletter every month without any delay.

Do share the newsletter on your FB wall, tweet as also write in to us at helpdesk@scinnovation.in to provide your views & feedback!!

Rajeev Surana
(Cofounder & CEO)

 **Share a story: Point of View**

Research and Development could be described as work directed towards the innovation, introduction, and improvement of products and processes. The activities that are classified as R&D differ from company to company, but there are two primary models. In one of the models, the R & D group works around the development of products while in the other model, the R&D group primarily studies scientific and technological topics for the purpose of uncovering and enabling development of valuable new products, processes, and services. Under both models, R&D differs from the vast majority of a company's activities which are intended to yield nearly immediate profit or immediate improvements in operations and involve little uncertainty as to the return on investment (ROI).

The DSIR under its Industrial Research and Development Promotion Programme (IRDPP), with a view to encourage R&D initiatives of industry, introduced a sub section (2AB) in section 35 of the IT Act, 1961 under the finance bill 1997. 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.

By the Finance Act, 2009, the provision has been extended to all sectors of industries with a small negative list. As on date the provision is applicable 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.

The main benefits have been stated as follows:

- 1) **Weighted Income Tax deduction of 200 percent** 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 Income Tax Act having R&D facility approved by Secretary, DSIR
- 2) **Customs duty exemption** on capital equipment, spares, accessories and consumables imported for R&D by recognised R&D centres
- 3) **Excise duty waiver** on indigenous items purchased for R&D by recognised R&D centres
- 4) **Excise duty waiver on goods for 3 years** from the date of approval from DSIR produced based on indigenously developed technologies and duly patented (patent granted) in any two countries from the following list i.e. India, any European Union country, USA and Japan
- 5) **Access to DSIR funding programs** comprising of grant, loan or equity

Our team got a chance to speak to various R&D units recognised by DSIR and since the scheme is not well known as also the scheme is now extended to cover all the industries (barring few exceptions), these companies have now applied for Income Tax super deduction of 200% in the last year or two after getting the certificate from DSIR and waiting for the taxman's view of the same.

Also unfortunately one of the companies we spoke to mentioned that they got an excise duty exemption from DSIR for a product patented in India and a member country of EU, the Excise Department has disputed the same and the matter is now for the courts to decide.

Another fact finding was that the time frame taken for getting recognition varies from three to six months and if the compliance is in place then DSIR is cooperative and prompt in granting the recognition. And although DSIR is mandated to physically verify the premises which need to be recognised as also make a yearly visit for granting renewal, often this does not happen which one would guess is because of shortage of manpower.

What's new @ Scinnovation

- Our team has been strengthened by joining of Ms. Naila Kazi, a student of Government Law College (GLC) for a long term internship program

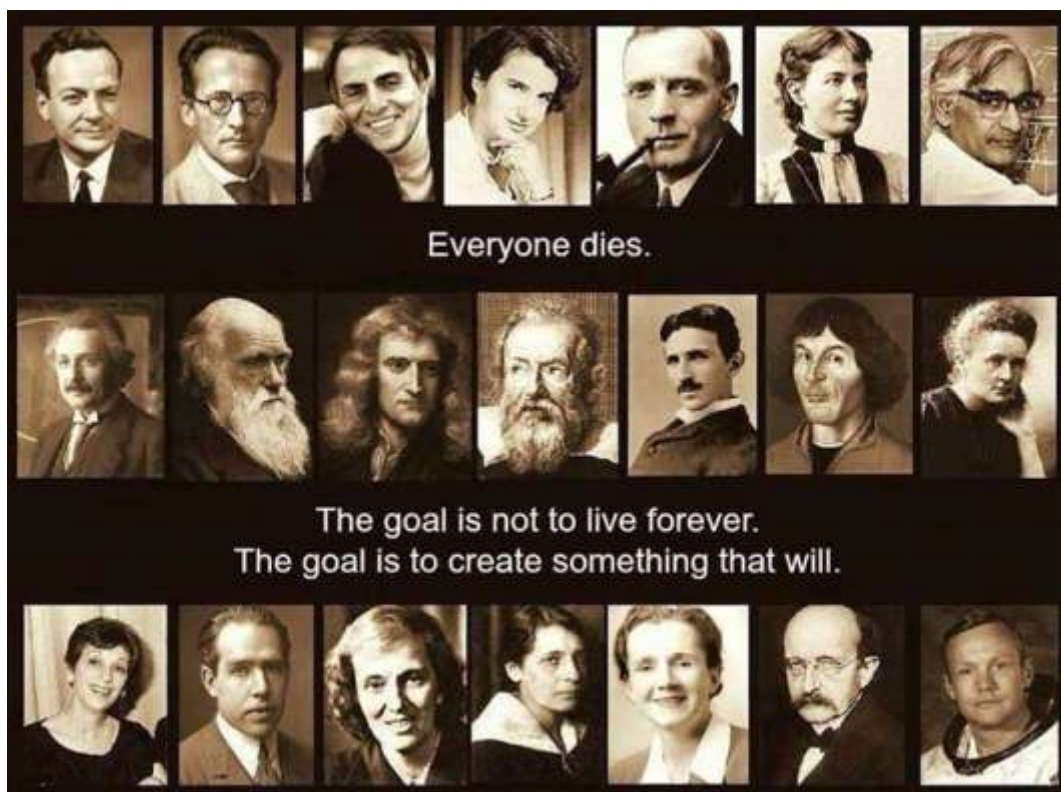
Events in Apr-June '14

- IP Finance 2014 Conference | New York | 8 May 2014
- International Trademark Association (INTA) Annual Meeting | Hong Kong | 10-14 May 2014
- IP in Asia: Growth and Opportunities for US companies | Silicon Valley | 28 May 2014

Trivia

- The Motion Picture Association Of America (MPAA), have trained a pair of Black Labrador retrievers – Lucky and Flo to detect optical discs by scent as an initiative to combat copyright infringement of film DVDs.

Think About It:



About us



Scinnovation Consultants Pvt. Ltd. is an Intellectual Property protection, consulting and monetisation firm based out of Mumbai, India.

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'Protect Your Ideas' handbook on IP available on Rediff, Infibeam, Ebay.in for sale