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*From the desk of Rajeev Surana*

Dear Readers, as we bid adieu to 2015 and welcome the new year 2016 with zeal and enthusiasm, we would like to thank you all for your continued support and readership. We wish you all a Happy New Year and hope to strengthen our bond further. As Scinnovation readies itself to scale new heights we seek your motivation and backing to help us grow further. We hope you have a rocking year ahead and you keep on innovating for the betterment of the soceity. Lets make our voice to be heard in the society and plan to bring a change.

This month we bring to you industry inputs on the recent DSIR's proposal to reduce tax benefits on investments in R&D in India. We interacted with few industry experts who work in the field of R&D or have industry experience relevant to it, to get their thoughts on how the current proposal if implemented will affect the R&D in India.

Do share in your views on this proposal and what can be action taken by government regards to this proposal.

Please share your comments and feedback on helpdesk@scinnovation.in / letstalk@scinnovation.in

# *Bencil Writes December '15 edition*

## DSIR proposal to reduce tax benefits conducting R&D in India

As mentioned in our last week's blog on the DSIR's proposal to reduce tax benefits for conducting R&D in India, we are

UPCOMING EVENTS

- *ICEID 2016 : 18th*

bringing to you insights received from various industry people. You can refer the blog at [https://celebrateinnovation.wordpress.com/2015/12/16/dsirs-proposed-reduction-in-tax-benefits-for-conducting-rd-in-india/](https://celebrateinnovation.wordpress.com/2015/12/16/dsirs-proposed-reduction-in-tax-benefits-for-conducting-rd-in-india/) The recent proposal made by DSIR under section 35 (2AB) is to reduce the tax exemption from 200% to 100% on the R&D expenditures made by the organization. This is proposed to phase out from 1st April 2017. This move will definitely impact the R&D activities in India.

Mr. Sachin Kanaskar from Essel Propack, global leader in laminated tubes states that current incentive of 200% tax benefit is very beneficial for doing R&D. Reducing the tax benefits to 100% from 200% will not promote or give boost to the R&D segment in India which has very limited set-ups currently. As compared to developed nations like US or UK there is very minimal boost to the R&D sector in India. In 2015 budget our finance minister Arun Jaitely declared that corporate tax will be reduced from 30% to 25% over four years of period. Mr. Sachin feels this is the step towards that motive by phasing out reductions in other benefits. He feels that this reduction can be compensated by giving appropriate cash subsidy to the organizations who invest in advanced R&D projects. Other benefits can be provided in terms of indirect taxes or waiver in duties in case of import.

Whereas Mr. Arjun Chadda who is Chartered Accountant by profession and having dealt with various financial operations is strongly in favor of the current tax exemption benefit provided by government. Dependency of foreign currency in India is huge and by reducing this benefit it will impact the FDI in India. He is of the strong opinion that the tax exemption benefit should not be reduced below 200%; it should be in fact increased to promote R&D activities in India. Otherwise industry should be given at least 5-7 years of time to acclimatize to this change and it should be done gradually. Instead of reducing they should in fact consider adding more benefits to the exemption like expenditure towards contract labor or any other expenditure made towards R&D. Moreover, industry should be given a timeline for example till 2025 after which the new rule will be effective. This will allow industry to

*International Conference on Entrepreneurship, Innovation and Development – London, 18 & 19 January 2016*

- *8th International Conference on Innovative Digital Applications for Sustainable Development, Bangalore, India, 5th January 2016*
- *Global IP Convention 2016 – New Delhi, India – January 7-9, 2016*
- *16th Anti-Counterfeiting & Brand Protection Summit – San Francisco, USA – January 25-27, 2016*

## Trivia / Think about it!

Italo Marchino, an Italian immigrant, produced the first ice cream cone in 1896 and was granted a patent in December of 1903. Although Marchino is credited with the invention of the ice cream cone, a similar idea was introduced at the St. Louis World's Fair in 1904. One very hot day, Charles Menches was selling ice complete current pipeline projects.

Many experts feel that proposed move will make it more difficult for them to convince the Board of Directors for new projects. Additionally, it will be a challenge to attract new talent as salary will be affected. R&Ds are pure cost centers and reduction in tax exemption will further increase costs / expenses for the company. This will indirectly impact investments in advanced technology which in turn will affect customer service and satisfaction and leadership position in the market.

There seems to be a unanimous view that the government should increase the benefits rather than to reduce them. Mr. Wadhwa, Head of R&D at UKB Electronics feels that when government is trying to focus on Research and Development boost this step is completely contrary to it. Currently there are very few benefits provided to R&D and getting DSIR recognition is not easy for the organizations. Implementing this reduction will further add to the constraints faced by industry. It will not only impact the R&D investments but also affect the overall growth and development of the country.

This is going to be very discouraging for developing new products and validation of parts. Mr. Santhosh Shetty of Canara Hydraulics Pvt. Ltd. says that to survive or to indigenise new products one has to invest substantial money and normally more than 50% of the Investment made towards product development may not yield required results. This will discouraging organizations like theirs where in high growth plans are made in the coming years with new products introductions an important aspect to help achieve growth. The very sustenance of the units will be very difficult if they take up the R & D projects.

There are few industry people who feel that the new movement is a re-verification of the existing scheme. H. K. Phanikumar says that 200% exemption may not be required for few industrial sectors for big pharmaceutical, petrochemical, semiconductor or software R&D. But there are other emerging sectors like nanotechnology, biotechnology

cream in dishes, but there was such a demand for ice cream that he ran out of saucers before noon. After some quick thinking, Menches turned to his friend Ernest Hamwi for help. Hamwi was selling a Middle Eastern confection called Zalabia, which consists of a wafer-like pastry sold with syrup. Menches rolled the Zalabia and scooped ice cream on top.


### What's new at Scinnovation?

- Rajaesh Ravindranathan has joined Scinnovation as Admin and HR Head from January 2016
- Priya Rajesh our former Admin and HR Head has moved to another role as Finance Associate
- Launch of SCRND.com, a marketplace for accessing and renting R&D facilities on 15th January 2016

and agriculture industry that will need this kind of support further to 2017. Most of the SMEs also cannot avail this scheme so for such sectors 200% exemption is required. Reducing corporate tax from 33% to 25% may help corporates as the profits share will go up but it is not going to benefit the end user. Mr. Santhosh Shetty from Canara Hydraulics is of the opinion that government should consider to include other expenditures towards the initial sampling cost and directors salary (as in small organizations directors themselves are involved in the R&D).

Overall view of the industry as a whole seems to state that the tax exemption benefit should either be kept as it is or should be enhanced to boost R&D in India.



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