

# Fiscal Incentives for R&D in India

[www.ctier.org](http://www.ctier.org)

Centre for Technology Innovation and Economic Research  
P B No.29, Mumbai Pune Road, Kasarwadi, Pune - 411034, Maharashtra, INDIA  
CIN: U74999PN2015NPL157589

<b>S.No</b>	<b>Source</b>	<b>Expenditure in respect of policy available</b>	<b>Fiscal Incentive</b>
<b>1</b>	Section 35(2AB) of the Income Tax Act 1961	When expenditure is incurred on scientific research, provided it is not specified in the list of the Eleventh Schedule (not being expenditure in the nature of cost of any land or building) and the in-house research and development facility is approved by the prescribed authority	<b>200% Weighted Deduction</b>  <i>(Note: Reduced to 150% starting April 2017)</i>
<b>2</b>	Section 35(1)(ii) of the Income Tax Act 1961	Any sum paid to a research association, to a university, college or other institution used for scientific research provided it is approved, in accordance with the guidelines of the prescribed authority - qualifies for deduction for an amount equal to one and three-fourth times of such sum paid.	<b>175% Weighted Deduction</b>
<b>3</b>	Section 35(2AA) of the Income Tax Act 1961	An amount paid to a National Laboratory or a University or an Indian Institute of Technology or a specified person with a specific direction that the said sum shall be used for scientific research - qualifies for a deduction equal to two times the sum so paid.	<b>200% Weighted Deduction</b>
<b>5</b>	Section 80IB (8A) of the Income Tax Act 1961	The amount of deduction in the case of any company carrying on scientific research and development shall be hundred per cent of the profits and gains of such business for a period of ten consecutive assessment years, beginning from the initial assessment year, if such company is approved by the prescribed authority and— (i) is registered in India; (ii) has its main object the scientific and industrial research and development;	<b>10 Year Tax Holiday</b>
<b>6</b>	Section 35(1)(iv) of the Income Tax Act	In respect of any expenditure of a capital nature on scientific research related to the business carried on by the assessee	<b>100% Write-off (Capital)</b>
<b>7</b>	Section 35 (1)(i) of the Income Tax Act	In respect of any expenditure (not being in the nature of capital expenditure) laid out or expended on scientific research related to the business	<b>100% Write off (Revenue)</b>
<b>8</b>	Rule 5(2) of Income Tax rules, 1962	Machinery or plant installed for the purposes of business or manufacturing which uses indigenous technology (technology or know how developed in a laboratory owned or financed by the government) qualifies for depreciation at the rate of 40 per cent of written down value provided the right to use such technology has been acquired from the owner.	<b>Depreciation Allowance</b>
<b>9</b>	Notification No.50/96-customs, dated 23 <sup>rd</sup> July 1996	Exemption from customs duty on imports made for R&D projects funded by Government	<b>Custom duty exemption</b>
<b>10</b>	Notification No.24/2007-customs, dated 1 <sup>st</sup> March 2007	If the import comprises of Scientific and technical instruments, apparatus, equipment (including computers); accessories, parts, consumables, it qualifies for an exemption	<b>Custom duty exemption (Capital Equipment)</b>
<b>11</b>	DSIR Annual Report 2014-15	Central Excise duty waiver on items purchased from the domestic market by approved institutions/SIROs for R&D	<b>Central Excise duty waiver</b>
<b>12</b>	Notification No.13/99-customs, dated 1 <sup>st</sup> March 2007	Central excise duty waiver for 3 years on goods designed and developed by a wholly owned Indian company and patented in any two countries out of: India, USA, Japan and any one country of European Union	<b>Central Excise duty waiver</b>
<b>13</b>	Notification No.26/2003-customs, dated 1 <sup>st</sup> March 2003	Exemption for goods specified in List-28 (comprising of analytical and specialty equipment) for use in pharmaceutical and biotechnology sector allowed to be imported duty free	<b>Custom Duty Exemptions</b>