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Research and Development
(R & D)

The tax efficient
approach

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R & D - the tax efficient approach

Overview of R&D incentive

Deduction is available to companies engaged in the following businesses	<ul style="list-style-type: none">• Biotechnology• Manufacture or production of any article or thing not being any specified article mentioned in Eleventh Schedule
In relation to drugs and pharmaceuticals, following expenditure shall be specifically allowed	<ul style="list-style-type: none">• Clinical drug trial• Obtaining approval from any regulatory authority• Filing application for patent
Conditions for availing weighted deduction	<ul style="list-style-type: none">• Expenditure should be incurred on scientific research on in-house research and development facility• Such in-house research and development facility should be "approved" by the Department of Scientific and Industrial Research (DSIR)
Deduction is available for both revenue and capital expense incurred by the Company	<ul style="list-style-type: none">• Expenditure should not be incurred for the acquisition of any land or building
Others	<ul style="list-style-type: none">• Deduction available—200% of expenditure incurred (super deduction)• Deduction is available for expenditure incurred till 31 March 2017• Certain indirect tax benefits also available post recognition of R&D facility by DSIR

Broad conditions necessary for availability of super deduction

• R & D facility need to be located in a separate ear-marked location

• To maintain separate accounts for each R&D centre and get them audited by the statutory auditor. Such audited accounts needs to be furnished to DSIR

• Company to enter into an agreement with DSIR for co-operation in such R&D facility, and for audit of the accounts maintained for that facility

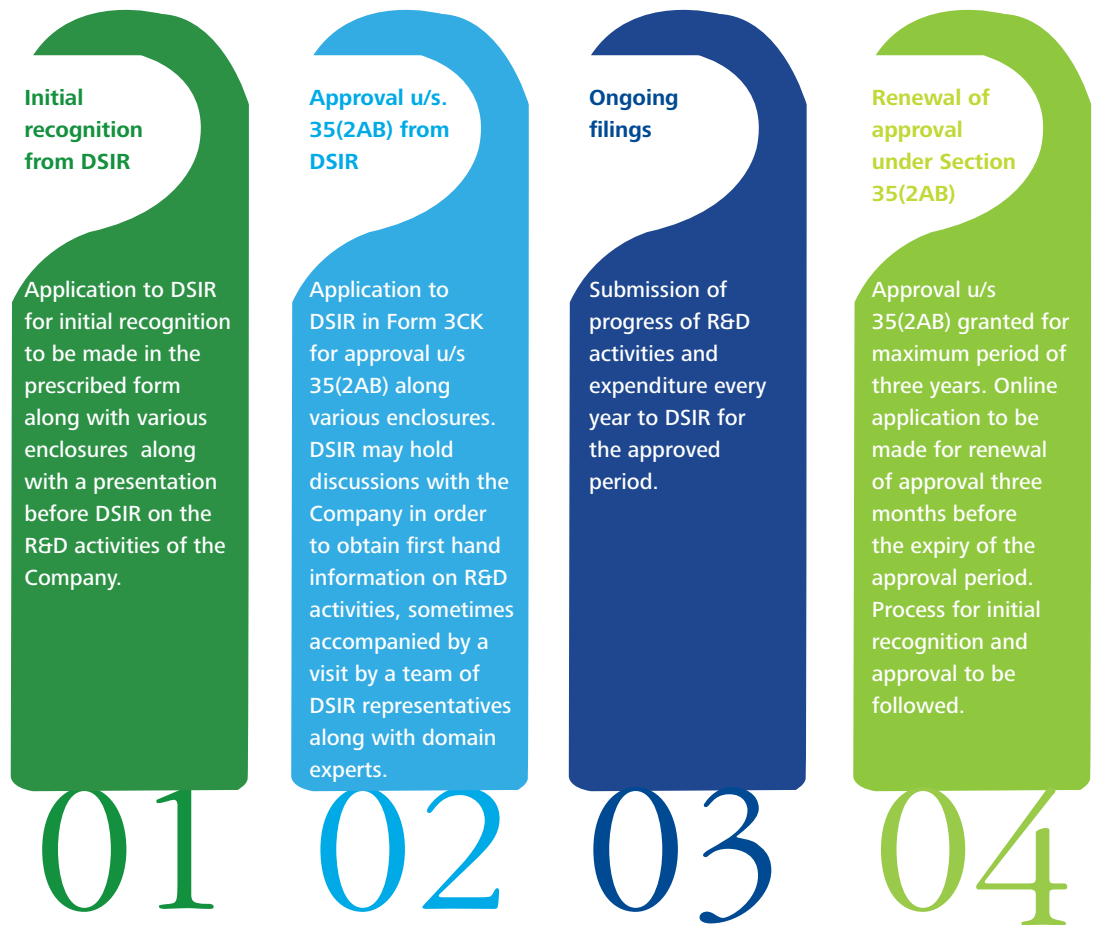
• Payments obtained by the Company for sponsored research in the approved in-house R&D centres shall be credited to R&D Accounts and the R&D expenditure eligible for section 35(2AB) will be reduced to that extent

• R&D facility should not relate purely to market research, sales promotion, quality control, testing, commercial production, style changes, routine data collection or activities of similar nature



R & D – the tax efficient approach

Phases of obtaining DSIR approval



How we can help - Indicative service offerings

Strategize	<ul style="list-style-type: none">• Understand the business operations• Identify R & D activities• Plan R & D functions by meeting and discussing with R&D personnel• Advice on suitable changes to company structure, if required
Implementation	<ul style="list-style-type: none">• Advice and setting up R & D unit• Mapping accounting and other processes• Advising on manpower requirements• Preparation and filing of application
Claim	<ul style="list-style-type: none">• Collating expenditure details.• Assisting in obtaining certificate from Accountant.• Filing tax return for claim• Annual filing with approving authority

R&D - the tax efficient approach

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