

*Save money by getting your
R&D recognised by DSIR, GoI*



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How can I save money?

- ✓ Get your new or existing R&D / Technology Development Centre approved by Department of Science & Industrial Research (DSIR), Govt. of India as an **in-house R&D centre**
- ✓ Avail both direct and indirect tax benefits once your facility is approved by DSIR
- ✓ This would lead to lower tax outgo, lower input cost and access to Govt. funding

What are the exact benefits?

- ✓ Super income tax deduction @ 200% of expenses incurred on R&D including staff cost, purchase of consumables and all utilities.
- ✓ Customs & excise duty waiver for both import and local purchase of all capital equipment including computers and software
- ✓ Excise duty exemption for product sold in India which have patent granted in two countries out of India, USA, Japan & any country in the European Union for a period of 3 years after approval
- ✓ Access to DSIR's funding schemes comprising of grants & soft loans

Explain benefits with an example

(numbers are assumed and considered static)

Expense incurred (in INR)	Savings (in INR)
Capital equipments imported for Rs.100 lac from outside India with custom duty @ 12%	12 lac (1,200,000)
Capital equipments bought locally for Rs.100 lac from India with excise duty @ 12%	12 lac (1,200,000)
Recurring R&D expense of Rs.2 lac per month amounting to Rs.24 lac per annum subject to Corporate Tax @ 34%	8.16 lac (816,000)
Total savings for 1 st year	32.16 lac (3,216,000)
Total savings for 2 nd to 5 th year	32.64 lac (3,264,000)
Total savings over 5 year period for a new R&D centre	64.80 lac (6,480,000)
Total savings over 5 year period for an existing R&D centre excluding benefits on capital equipments	40.80 lac (4,080,000)

What is the process?

- ✓ Need to have a R&D plan from a 3-5 year perspective
- ✓ Need to have a full time R&D Head
- ✓ Need to have a dedicated area in your premises for conducting R&D
- ✓ Gaps with regards to plan, premises, equipment & manpower need to be filled
- ✓ Submission of application & site inspection leading to approval as **in-house R&D centre**

How will Scinnovation help?

- ✓ Establishing the linkage between your business goals and R&D for DSIR, your board, media & other stakeholders
- ✓ Site visit to understand R&D operations and identification of gaps which needs to be addressed
- ✓ Orienting R&D Head towards expectations from DSIR towards the scheme
- ✓ Preparation of a 3 to 5 years R&D plan
- ✓ Preparation & submission of application
- ✓ Responding to any queries raised & working towards receiving recognition from DSIR
- ✓ Helping you maintain the status provided by DSIR which has a 5 year tenure from year of grant

Investment (per R&D centre)

Capital cost incurred / projected (in INR)	R&D running cost per annum (in INR)	Minimum savings over 5 years period (in INR)	Investment @ 5% to 20% of savings over 5 years period (in INR)
Less than 100 lac (10 million)	Upto 20 lac (2 m)	34 lac (3.4 m)	10 lac -5 lac in Y1 -1.25 lac from Y2 to Y5
Between 100 lac (10 m) to 1000 lac (100 m)	Between 20 lac (2 m) to 100 lac (10 m)	170 lac (17 m)	30 lac -15 lac in Y1 - 3.75 lac from Y2 to Y5
More than 1000 lac (100 m)	More than 100 lac (10 m)	340 lac (34 m)	50 lac -25 lac in Y1 -6.25 lac from Y2 to Y5
The higher of the capital and running cost will be taken into consideration for a new R&D centre to decide your slab. Once you cross the highest slab, the investment will be constant	Running cost will be taken into consideration for an existing R&D centre to decide your slab. Once you cross the highest slab, the investment will be constant		Service Tax extra Y1 payout will be 50% advance and balance 50% on receiving DSIR approval Y2 to Y5 payout split in four payouts on 01 st of every quarter

Why Scinnovation?

- ✓ Scinnovation Consultants Pvt. Ltd. is established & well regarded in the field of Intellectual Property, Incubation & Innovation
- ✓ Cofounded by Rajeev Surana who is a Patent Attorney, Author, Speaker & Faculty ably supported by Dr. A. S. Rao (Ex Advisor-Dept. of Science & Technology) & Dr. Shantaram Kane (Ex R&D Head-NOCIL) with R&D background and Shekhar Agharkar, C.A. from Finance background
- ✓ Have an associate in New Delhi for liasoning with DSIR

What are the finer points of the scheme

- ✓ In case Scinnovation is not successful in getting you recognition from DSIR for your R&D centre inspite of best efforts, then we will not take balance consideration of 50% due and fees for subsequent years
- ✓ A proposal has to be submitted separately for each R&D centre whether it is located in the same city or in another city in India
- ✓ It is our endeavor to ensure that we can make your R&D centre compliant for this scheme with zero or minimum investment but whatever minimum investment required to make you compliant will have to be borne by you
- ✓ A proposal will be submitted once we are certain that your R&D centre meets the compliance required and the documentation is in place
- ✓ We will not charge you any filing fee, travel and out of pocket expenses separately for this engagement

FAQs

Q. Are captive R&D centres of multinational companies and 100% subsidiary of foreign companies eligible for this scheme?

A. Yes, in both cases the R&D centre is eligible for this scheme as long as the R&D centre is located in India and the expenses incurred are also in India

Q. Are there certain industries which are exempt from availing the benefit of this scheme?

A. Yes, there is a negative list of industries such as tobacco, aerated drinks cosmetics etc. which are not eligible for benefit under this scheme. For details, refer to suggested reading material page (next slide). **But note that software services companies are eligible for this scheme**

Q. What are the compliance if we decide to go ahead with this scheme?

A. You need to maintain a separate books of account for your R&D centre and audited balance sheet needs to be submitted to DSIR once every year on or before 31st October. Also a DSIR official is entitled to make a visit to your R&D centre once a year for auditing your premises and verifying facts

Q. If we have spent money on purchasing capital equipment for our R&D centre and we want to avail benefit under this scheme, is it possible?

A. In case you have spent Rs.1 crore or more on capital equipment in last Financial Year, you can claim benefit under this scheme for current Financial Year if your R&D centre is granted recognition.



Suggest reading material

- White Paper by Deloitte Consulting on R&D expenditure available at https://www.deloitte.com/assets/Dcom-India/Local%20Assets/Documents/Whitepaper_on_RD_expenditure.pdf
- Article on Mar-14 edition of Bencil Speaks newsletter available at <http://scinnovation.in/downloads>
- List of R&D centres approved by DSIR as on November 2010 available on http://www.dsir.gov.in/direct/10_rdidir.pdf
- Statement on recognition of inhouse R&D centres: http://www.dsir.gov.in/a_report/english/2011-12E/10a_annex01.pdf
- DSIR annual report for 2011-12 detailing R&D centres with expenditure between INR 100 lac (10 m) to INR 500 lac (50 m): http://www.dsir.gov.in/a_report/english/2011-12E/10d_annex04.pdf