Scientific Research (Sec 35)

Expenditure on Scientific Research (Sec-35)

- **In House Research**
  Allowed only when research work relates to assessee's business.
  - **Revenue Expenses**
    All expnses incured in p/y. In new business,all expense incured in p/y + incured in 3 years immediatily preceeding the start of business,shall be allowed in year of start of business.
  - **Capital Expenses**
    All expenses(except on land) incured in p/y. In new business,all expense (except on land) incured in p/y + incured in 3 years immediatily preceeding the start of business,shall be allowed in year of start of business.
    Capital expenses is allowed to the extent of the profit from that business. Unabsorbed expenses will be carry forward.
- **Contribution/Donation to Outsiders**
  Allowed whether research is related to assessee's business or not.
  - Allowed@ 125 % of amount paid in the p/y
- **Weighted Deduction on in House Research**
  Allowed only to biotech,drug,electronic & tele-communication equipments,computers companies.
  - Allowed@ 150 % of amount paid in the p/y.(except for land & building)

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No double deduction: If deduction has been allowed for the cost of assist u/s 35,assessee would not be entitled to deduction for depreciation u/s 32.

An amount equal to 125% of any sum paid to a company to be used by it for scientific research is allowed as a deduction.

Provided that such company—

(A) is registered in India,

(B) has as its main object the scientific research and development,

(C) is approved by the prescribed authority and

(D) Fulfils such other conditions as may be prescribed

With a view to avoid multiple claims for deduction, Act has provided that a company approved u/s 34 (1) (ii a) will not be entitled to claim weighted deduction of 150 % u/s 35 (2 AB). However deduction to the extent of 100 % of the sum spend as revenue expenditure on scientific research which is allowed u/s 35 (1) will be continue to be allowed.

Relevant points

- There is no requirement that scientific research carried on by such company should be related to the business of donor.

- Any person whether company or not, can avail of this deduction under above clause by making payment to any company approved for this purpose.
- Contribution/donation to outsider includes contribution for research in social science or statistical research to a university, college or other institution approved for this purpose, by the central government and notified in the Official Gazette.

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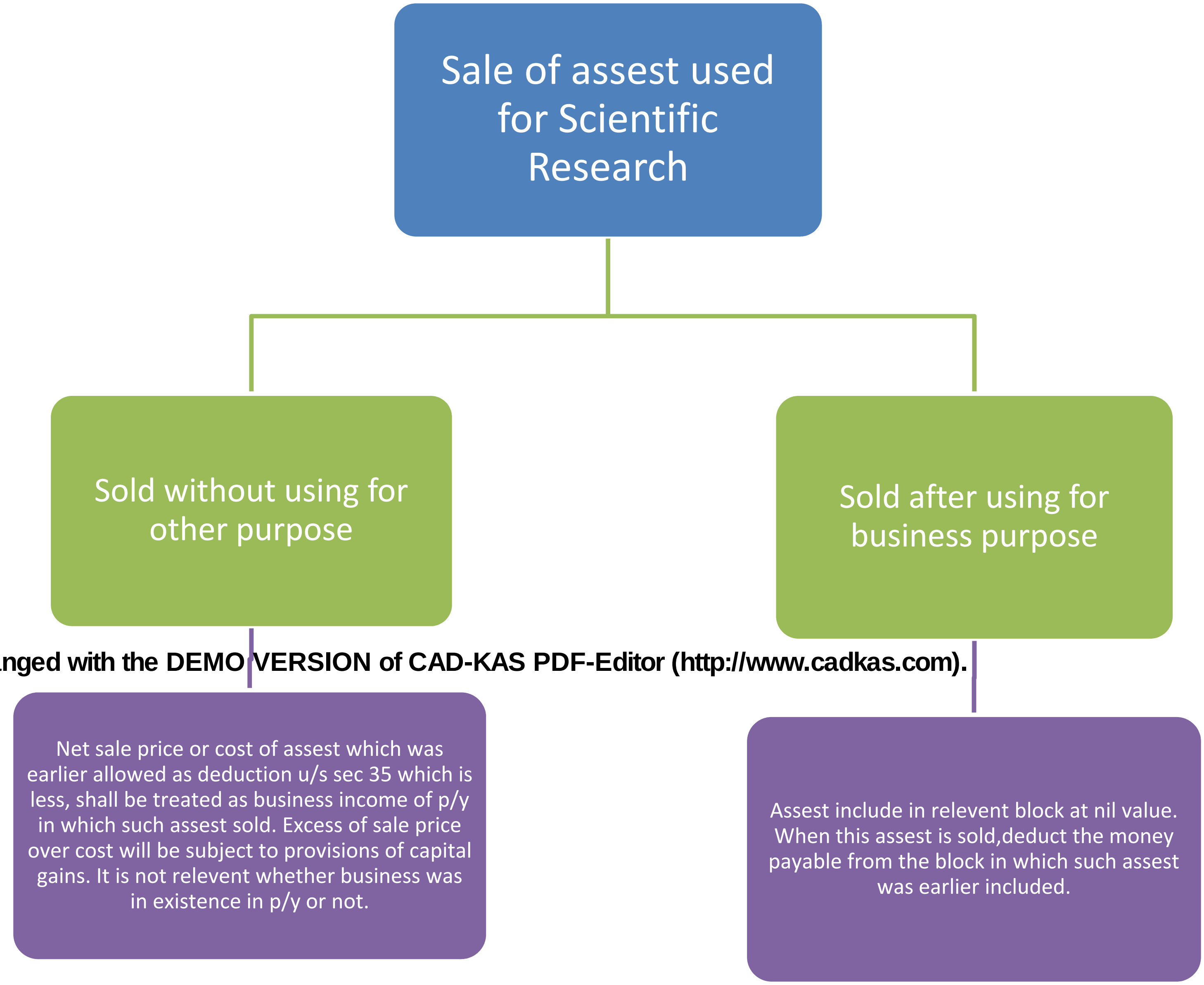

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