

This document will guide you through the process of Approval and availing the tax benefits u/s 35(2AB)

# SCPL MILESTONE BOOKLET

You take the credit, we process the debit.



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## **Introduction:**

To encourage R&D initiatives by industry and to make R&D an attractive proposition, the Finance Act, 1997 had amended sub-section (2AB) of section 35 of the Act, providing for weighted tax deduction of 200% of expenditure incurred by a company engaged in the business of bio-technology, manufacture or production of any article/ thing (other than those specified in the Eleventh Schedule), on scientific research (not being expenditure in the nature of cost of any land or building) and on in-house R&D centres, approved by the 'Prescribed Authority'.

The Department of Scientific and Industrial Research (DSIR) has recently issued new guidelines for approval of in-house research and development (R&D) centres and submission of prescribed report under section 35(2AB) of the Income-tax Act, 1961 (the Act).

**Eligibility Criteria:** Companies having In-house R&D centres, which satisfy the following conditions, are eligible to apply for approval:

1. The company has well defined R&D programs- The Company maintains proper documentation for the R&D programs taken up.
2. The R&D centres are holding valid recognition by DSIR.
3. The company shall be engaged in the business of Biotechnology or in the business of manufacturing or production of any article or thing other than those specified in the list of the Eleventh Schedule.
4. The company maintains separate accounts for the R&D expenditures and report the capital & recurring expenditures after duly audited by Statutory Auditors.
5. The in-house R&D centre is located in a separate earmarked area/building and has exclusive R&D manpower of its own;
6. The R&D centres are exclusively engaged in research and development for production.

**Guidelines:** The approval is subject to the following conditions:

- i. The company should have necessary valid permits / licences from **statutory** authorities for its operations and for setting up the in-house R&D centre at the location where the R&D centre exists and the same should be renewed from time to time as required.
- ii. In case the company has applied for the approval of more than one in-house R&D centre under section 35(2AB) of the I.T. Act, each of such centre should have a valid recognition by DSIR.
- iii. The company should also submit an undertaking to maintain separate accounts for each R&D centre approved under Section 35(2AB), and to get the accounts duly audited every year by an Auditor. **(The statutory auditors of the Company should audit the R&D accounts. To facilitate this audit separate books of accounts for R&D should be maintained. Also, the statutory auditor should sign the auditors' certificate in the details required to be submitted to facilitate submission of Report in Form 3CL).**
- iv. The company should enter into an agreement with the (Secretary, DSIR) for co-operation in such research and development facility and for audit of accounts maintained for that facility, as per format given in Part B of Form 3CK.

The company shall submit Undertaking on its Letter head to:

a) Maintain separate accounts for each R&D centre and to reflect the expenditures in schedules/notes to accounts in the Annual Report after getting the same duly audited by Statutory Auditors.

b) That they do not manufacture any product listed below.

- Beer, wine and other alcoholic spirits.
- Tobacco and tobacco preparations, such as, cigars and cheroots, cigarettes, biris, smoking mixtures for pipes and cigarettes, chewing tobacco and snuff.
- Cosmetics and toilet preparations.
- Tooth paste, dental cream, tooth powder and soap.

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- Aerated waters in the manufacture of which blended flavouring concentrates in any form are used
  - Confectionery and chocolates.
  - Gramophones, including record-players and gramophone records.
  - Photographic apparatus and goods.
  - Office machines and apparatus such as typewriters, calculating machines, cash registering machines, cheque writing machines, intercom machines and teleprinters.
  - Steel furniture, whether made partly or wholly of steel.
  - Safes, strong boxes, cash and deed boxes and strong room doors.
  - Latex foam sponge and polyurethane foam.
  - Crown corks, or other fittings of cork, rubber, polyethylene or any other material.
  - Pilfer-proof caps for packaging or other fittings of cork, rubber, polyethylene or any other material.
- v. The audited accounts for each year maintained separately for each approved centre shall be furnished to the Secretary, Department of Scientific & Industrial Research by 31st day of October of the succeeding year, along with information.
- vi. Expenditures, which are directly identifiable with approved R&D facility only, shall be eligible for the weighted tax deduction. However, expenditure in R&D on utilities which are supplied from a common source which also services areas of the plant other than R&D may be admissible, provided they are measured and subject to certification by a Chartered Accountant.
- vii. The expenditure eligible should necessarily be reported in the audited financial statement prepared for the purpose of published annual report as well as for the purpose of Income Tax returns.

**Capital  
Allowed Expenses:**

Computers	Computer	Used for only R&D
Furniture	Furniture	Used for only R&D
	Electrical Fittings in R&D	Used for only R&D
	ACs in R&D	Used for only R&D
Plant & Machinry	Pilot plants	Used for only R&D
	Machines	Used for only R&D
	Lab equipments	Used for only R&D
	Dedicated server room of R&D	Used for only R&D
Other	Any Other capital assets	Used for only R&D

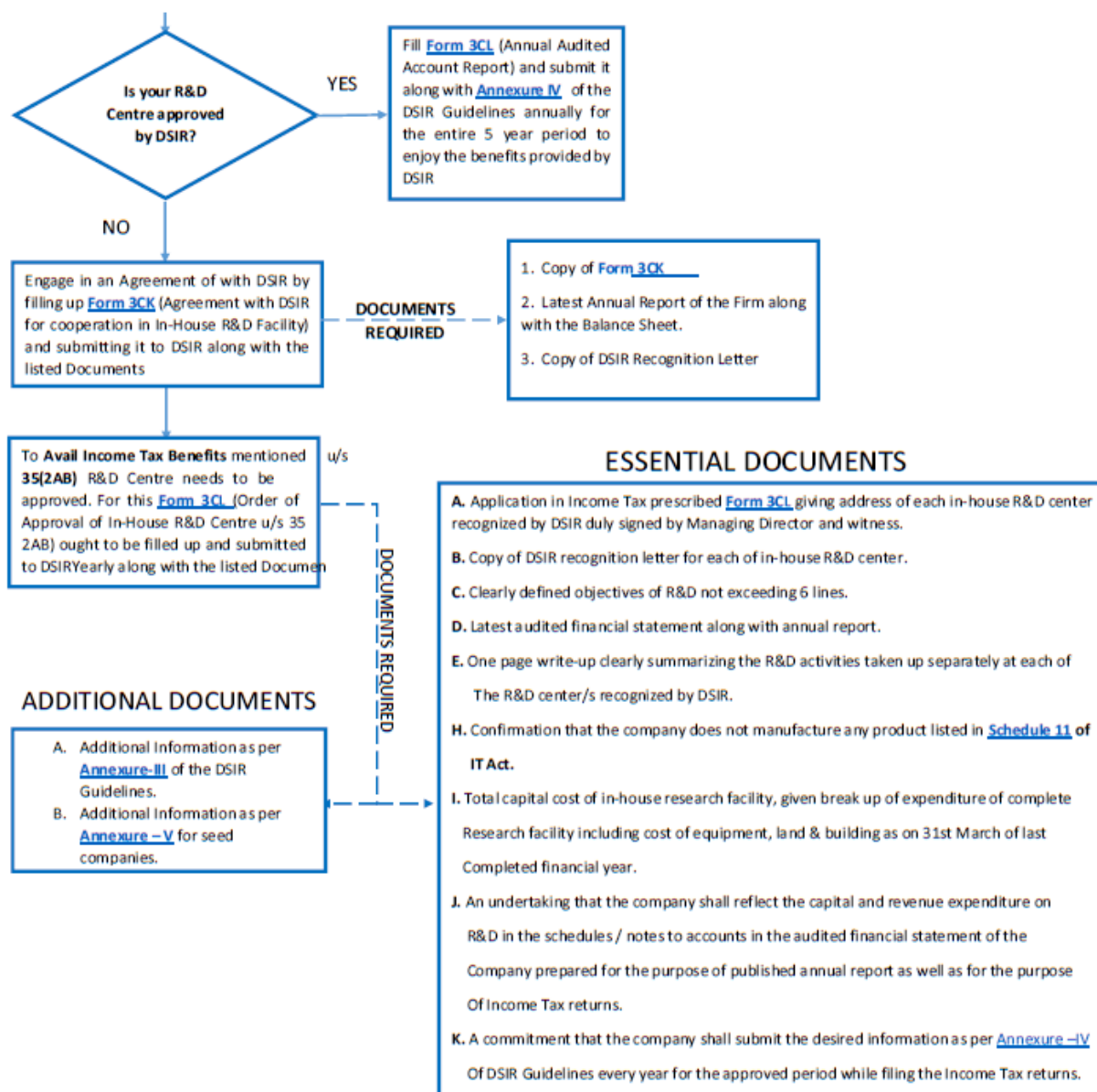
**Recurring**

R&D manpower	Manpower CTC	Only Diploma & Above
	Travelling of R&D manpower	Only Diploma & Above
	Telephone expenses of R&D manpower	Only Diploma & Above
	any other benefits bonus etc (Not gifts)	Only Diploma & Above
R&D Raw Material	Raw material used in only R&D	Used for only R&D
	Consumables	Used for only R&D
	Spares	Used for only R&D
Utility (Separate meter for R&D certified by CA)	Electricity	Separate meter
	Steam	Separate meter
	water	Separate meter
	Compressed air	Separate meter
Other	Stationary Used in R&D	
	AMC of software	
	books purchased of R&D	
	Fright charges for R&D samples	
	Product validation charges	
	Any R&D expenses	

**Disallowed Expenditure:**

- Expenditure on manpower other than R&D centres, such as manufacturing, quality control, tool room etc.
- Capitalized expenditure of intangible nature.
- Expenditure of general nature, such as, expenditure on production.
- Expenditure of Maintenance and quality control departments, manufacturing overheads/ depreciation/ interest/ lease rentals on manufacturing.
- Quality control equipment, manpower expenditure of manufacturing / service departments, head office expenditure.
- Expenditure on security, guest house and canteen and other overheads of common nature.
- Any R&D Manpower below diploma.
- Expenditure on retainer ship / consultants and manpower on contract.
- The remunerations paid to the members of the board of Directors.
- Expenditure in the nature of cost of any land or building
- Lease rent paid for the approved research farms.
- Expenditure purely related to market research, sales promotion, quality control, testing, commercial production, style changes, routine data collection or activities of a like nature.
- Expenditure on foundation seeds multiplication, demonstration crops and grow out test etc. beyond breeder seed development.
- Foreign patent filing expenditure.
- Any interest component on loans for R&D.
- Clinical trial activities carried out outside the approved facilities.
- Contract research expenses duly certified by chartered accountant.

## **PROCEDURE OF APPROVAL AS FORM 3CM AND SUBMISSION OF REPORT IN FORM 3CL:**





## Checkpoints of tax claim process:

- ✓ Apply for approval in FORM 3CK online at DSIR website
- ✓ Receive FORM 3CM from DSIR
- ✓ Finalization of R&D expenditure
- ✓ Internal audit of R&D expenses, if any
- ✓ Statutory audit of R&D expenses
- ✓ Show R&D expenses in company's annual report during finalization /publication
- ✓ Audit specifically for R&D expenses, if needed
- ✓ Signing of Auditor certificate
- ✓ Tax audit, if needed
- ✓ Tax filing/return filing & taking benefit of the R&D expenses u/s 35(2AB)
- ✓ Form 3CL submission to DSIR before Oct 2016 (For F.Y 2015-16)
- ✓ Details needs to be provided to DSIR, If any required by DSIR after form 3CL submission
- ✓ DSIR sends FORM 3CL reporting to Tax offices.

**FORM No. 3CL**

**Report to be submitted by the prescribed authority to the Director General (Income tax Exemptions) under section 35(2AB) of the Income-tax Act, 1961**

1. Name and Address of the registered office of the company including Telex/Fax/Phone numbers
2. Permanent Account Number (PAN) of the company Name and designation of the Principal Officer of the company
3. Nature of Business/activity of the company

Manufacture/production of –

4. Annual production of the eligible products of the company during the past three years.

S. No.	Product	Licensed Capacity(if any)	Yearly Production for the last 3 Years (Quantity /No's)		
			2015-16	2014-15	2013-14

5. Proposed objectives of scientific research contemplated by the company.
6. Whether the nature of the business is related to the proposed objectives of the scientific research contemplated by the company.
7. Details of the nature of existing in-house Research and Development facilities specifying whether the in-house Research and Development facility is adequate for carrying out scientific research.
8. Whether recognition granted to the in-house Research and Development centre of the company by Department of Scientific and Industrial Research.
9. Total cost of in-house research facility, giving break-up of expenditure on land and buildings (ASSESSMENT YEAR \_\_\_\_\_)
10. Whether agreement for co-operation and Research and Development facility and for audit of the accounts maintained for that facility entered into.

Certified that the above information is true to the best of our knowledge and belief.

-----  
Signature of Secretary, DSIR

Place : .....

Date : .....

**Documents required to be submitted during October for each subsequent year of the approved period u/s 35 (2AB) of the Income Tax Act.**

**Important instructions: -**

- *All documents submitted should be page numbered.*
  - *Adequate specifications of equipment are furnished along with capitalized cost.*
  - *Details of manpower cost needs to be submitted in three statements providing remunerations paid to each employee for the complete year i.e. alphabetic list of R&D employees for the complete year; employees joined during the year and employee left during the year.*
  - *Only one copy is required to be submitted.*
- I. A crisp write-up not exceeding one page on the thrust areas and significant achievements of each In-house R&D facility duly signed by the head R&D along with his contact phone number and e-mail ID to be submitted.
  - II. Details of R&D progress for each approved In-house R&D facility as per Appendix I to Annexure IV of DSIR guidelines.
  - III. Details of Expenditure as per Appendix II to Annexure IV of DSIR guidelines duly certified by the company and the statutory auditors.
  - IV. A table consolidating details of expenditure as per Appendix II to Annexure IV for all the approved In-house R&D facilities for companies having more than one approved facilities u/s 35 (2AB) of the Income Tax Act duly certified by statutory auditors.
  - V. Published annual report/ audited financial statement for the desired financial year clearly highlighting the capital and Revenue expenditures on R&D.
  - VI. Reconciliation statement of the claims made as per Appendix II to Annexure IV (consolidated statement) with the expenditure reported in the relevant annual report/ audited financial statement signed by corporate auditors. (Note:- R&D figures reported in the Directors Report are not considered)
  - VII. Breakup of the capital assets as reported in the annual report/ audited financial statement as per the following table:

(Amount in Rs. Lakhs)

Description	Manufacturing	Quality Control	R&D	Total
As on 31 <sup>st</sup> March 2015				
Addition During the year				
As on 31 <sup>st</sup> March 2016				

VIII. Annual turnover of the company during the last three years on products launched based on technology developed in house as per the following table (in order to have an assessment on the effectiveness of R&D efforts):

(Amount in Rs. Lakhs)

Year	Total Annual Turnover	Total R&D expenditure	Turnover based on products developed in house and launched during the last three years			Ratio	
			Domestic	Export	Total	2/6	3/6
1	2	3	4	5	6		
2015-16							
2014-15							
2013-14							

**Declaration by the Head of R&D activities:**

It is certified that

- I. Proper logbooks are being maintained for all R&D assets for which weighted tax deduction is claimed.
- II. Lab records are being maintained by all R&D scientists.
- III. The submissions being made for the assessment year -----corresponding to the financial year -----comprise of -----pages and contain all the eight points mentioned above.

**Signature**  
**Name & Designation**  
**Head of R&D activities of the company**  
**Phone No.**  
**Fax No.**  
**Mobile No.**  
**Email ID**  
**Website**

**Appendix I to Annexure-IV**

**Additional Information to be submitted separately for each R & D Centre approved by the Prescribed Authority U/S 35(2AB) of I.T. Act at the time of reporting of the expenditure by secretary DSIR as per Form 3CL**

**Accounting Year:**

**Assessment Year:**

1. A brief note on progress of each of the projects shown in application to Prescribed Authority at the time of approval. Any changes with regard to the scope of the projects as originally envisaged and the manpower working on the project may be highlighted.
2. Details of any additional projects taken up during the year.
3. Details of changes if any in the R&D infrastructure/and staff along with bio-data of any new R&D staff recruited and qualification-wise break-up of existing staff.
4. Details of R&D achievements and technologies commercialised during the year.
5. Details of patents obtained and/or filed during the year.
6. Details of any other changes in the approved R&D centre.

**I certify that the above details are correct as per my knowledge and belief.**

**Signature of the Managing Director**

Date:

Place:

## Appendix-II to Annexure-IV

### Details of expenditure incurred on R&D centre/facility approved by Secretary, DSIR under section 35(2AB)

1. **Assessment Year:**
2. **Financial Year:**
3. Location of the R&D facility
4. Details of expenditure: (in Rs. Lakhs)
  - A. (i) Land:  
(ii) Building:
  - B. Capital Equipment \*  
**(attach a separate sheet giving item-wise break-up of items)**
  - C. Revenue Expenditure
    - i. Salaries/wages (including perquisites/other benefits; attach a list of persons along with designation, whose salary has been charged to R&D account along with salaries and other benefits paid.)
    - ii. Material/Consumables/spares  
(Give item-wise details of items costing more than Rs. 50,000/- each in separate sheet)
    - iii. Utilities♣
      1. Steam
      2. compressed air
      3. water
      4. electricity
      5. Any others (specify)
    - iv. Any other expenditure directly related to R&D.  
(Give item-wise break-up of expenditure )

### Total revenue expenditure C(i)to(iv)eligible U/S 35(2AB)

- D. Total expenditure on the approved R&D centre (excluding land and building) (B + C)
- E. Details of amounts received by the R&D Centre in cash and kind for:
  - i. Commercial sale of prototypes/ pilot plant production.
  - ii. Donations/payments for sponsored research programmes
  - iii. Income from contract research.
  - iv. Income from sale of R&D assets.
  - v. Credit for transfer of R&D assets for assets transferred out of the R&D centre based on book value of R&D assets.
  - vi. Others (specify)
- F. Net amount chargeable to R&D expenditure (D – E)

I certify that above expenditure claimed are as per the guidelines issued by DSIR and correct to

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(INDIA)

the best of my knowledge and belief.

**Signature of the Managing Director**

Date :

Place:

#### **AUDITOR'S CERTIFICATE**

I have audited the accounts of the in-house R&D Centre of M/s\_\_\_\_\_ located at \_\_\_\_\_ which is approved U/S 35(2AB) by the Prescribed Authority (Secretary, DSIR).

I certify that:

- A. The company has maintained separate accounts for the R&D Centre approved by DSIR U/S 35(2AB).
- B. The accounts have been satisfactorily maintained. The expenditure certified are also in consonance with DSIR guidelines.
- C. The firm has extended full co-operation to me in carrying out the audit of the accounts of the R&D Centre.

**The expenditure of Rs. ----- reported for the financial year -----relevant to the assessment year ----- as detailed out in Appendix II to Annexure IV of DSIR guideline at para `4' is correct to the best of my knowledge and belief as per the result of the audit of the approved R&D Centre carried out by me. Also R&D capital expenditure is reflected on page ----and revenue expenditure on page ---- in the audited financial statement/annual report**

It is further certified that the expenditure claims do not include the following: -

- I. Expenditure on outsourced R&D activities.
- II. Expenditure purely related to market research, sales promotion, quality control, testing, commercial production, style changes, routine data collection or activities of a like nature.
- III. Lease rent paid for research farms or research labs.
- IV. Capitalized expenditure of intangible nature.
- V. Expenditure on foundation seeds multiplication, demonstration crops and grow out test etc. beyond breeder seed development.
- VI. Foreign patent filing expenditure.
- VII. Consultancy expenditure, retainership, contract manpower / labour.
- VIII. Building maintenance, Municipal taxes and rental charges being paid.
- IX. Any interest component on loans for R&D.
- X. Clinical trial activities carried out outside the approved facilities.
- XI. Contract research expenses duly certified by chartered accountant.
- XII. Expenditure on any payments made to members of the board of Directors or any other part time employees working for R&D.

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Date :

Place:

## **FAQ:**

**Question 1:** We buy raw material X at Rs.100 on which excise duty or VAT is paid which is then claimed as set back (excise or VAT being input cost which is adjusted against output sold by company). So if my cost is Rs.100 + Rs.10 which is Rs.110 on which I claim 5 as setback my actual cost is 105. Should I claim Rs.110 or Rs.105 as my cost?

**Answer:** VAT didn't include in R&D Raw material. So the final claimable expenditure is going to be Rs. 100/- . As company will get the whole set back on VAT if the same is applicable to the company.

**Question 2:** Also if I buy from dealer (who buys directly from manufacturer) for which cost is Rs.100 and excise is Rs.10, the bill is raised by dealer for Rs.110 but excise form for availing benefit is raised by manufacturer which is availed by the company and then claimed for set back of Rs.5. Even in this case should coming claim Rs.110 or Rs.105 as cost

**Answer:** Same as above answer, if company has bought equipment of Rs. 100/- and excise on that is Rs. 10 than anyway Company don't have to pay any excise duty on the equipment as they have excise certificate. Company will get benefit on Rs. 100/- only.

**Question 3:** In case of housekeeping / other agency service for cleaning and maintenance of R&D facility; would this be claimable expense

**Answer:** As per guideline, Expenditure of general nature, such as, expenditure on production, maintenance and quality control departments, manufacturing overheads/ depreciation/ interest/ lease rentals on manufacturing/ quality control equipment, manpower expenditure in manufacturing/ service departments, head office expenditure, expenditure on security, guest house and canteen and other overheads of common nature, shall not be admissible under Section 35(2AB) of I.T. Act. This will not be eligible in R&D.

**Question 4:** Wrt indirect tax benefit provided by recognition, can opex such as consumables be also claimed for custom and excise duty waiver?

**Answer:** As per guideline, (a) Scientific and technical instruments, apparatus, equipment (including computers); (b) accessories, parts and consumables; (c) computer software, Compact Disc-Read Only Memory (CD-ROM), recorded magnetic tapes, microfilms, microfiches; (d) prototypes, are eligible for taking benefits.

**Question 5:** If company has a small pilot plant and if scale up trials have to be taken on production machines and the batch fails, can that be claimed as expense.

**Answer:** Company can't do scale up trails & commercial production on the same plant. After small pilot plant, company has to have dedicated scale up/ batch pilot plant as well for availing the RM benefit on the same, and if a trail on that dedicated pilot plant fails/passes then the company can take the benefit.



But in case of batch success company wish to sell the same batch than that will be treated as income of R&D and the same amount has to be reducing from the expenses for getting tax benefit. E.g R&D expenses is Rs. 100/- sell of batch (income) Rs. 10. Than eligible exp for tax claim is Rs. 90/-

**Question 6:** If company wants to increase the R&D layout, what is the process of requesting the same? Also when can the same are done?

**Answer:** Company has to provide the R&D layout of the new added facility to DSIR along with FORM 3CL after getting certified by R&D head.

**Question 7:** Apart from signing R&D balance sheet to be submitted as part of Form 3CL, what other document does CA need to sign and is a certificate required

**Answer:** Statutory Auditor signs the Balance sheet of the company separately. Apart from that Statutory Auditor needs to provide only Auditor certificate only in prescribed format given by DSIR. Apart from that if reconciliation & metered Utility expenditure of R&D company wants to claim, Statutory Auditor has to sign the documents.

**Question 8:** What is the kind of documents / questions DSIR can ask post submission of Form 3CL.

**Answer:** General details of the manpower, RM, expenses doubts if any. In rare cases DSIR also ask for capital goods bills. Foreign travel details if any.

**Question 9:** What would happen in case DSIR / IT Dept. disallows certain expenses post submission of Form 3CL

**Answer:** On the basis of Statutory Auditor DSIR allows the expenditure. DSIR is the only authority which can disallow the expenditure only if that exp is not falling under guideline of 35(2AB). Than DSIR forward the allowed expenditure to IT department. IT department can't disallow any expenditure if DSIR allows it. And even if DSIR disallow expenditure in rare cases, company has to pay that amount of tax.

**Question 10:** How has the decentralization of power from DG (IT Exemption) to different offices make a difference in processing of Form 3CL

**Answer:** As per act DSIR is the prescribe authority which allows & disallows the expenditure. It's responsibility of DSIR to send the details of approved expenditure of R&D to IT offices.

**Question 11:** Apart from online submission of Form 3CL, is there any offline submission to be made.

**Answer:** Company has to submit the online submitted copy to DSIR in hard copy also.

**Question 12:** How would expense be treated in case of a Scientist participating in a technical conference where company also has a stall for displaying their new products for market feedback?

**Answer:** Such kind of expenditure is not allowed in R&D. If R&D person is attending any kind of R&D workshop, conference, travelling w.r.t to R&D only comes under benefit. Above stated example is from Marketing. R&D person is not allowed to do such kind of marketing of Product, is she/he does that, expenditure of such nature is not allowed.

**Question 13:** Is it a good practice to differentiate between capex and opex in Purchase Order.

**Answer:** Yes

**Question 14:** If a company indents 10kg. to be used in R&D out of which only 5kg. is used; then would it be advisable to use 5kg. in production without accounting for it.

**Answer:** Allocation of RM in R&D is not allowed, if Company has indents 10Kg and only 5 Kg has been used than remaining 5 Kg has to be scraped out. And if company wants to use the same in Production than the same can be shifted to RM store with proper documentation is advisable. But company can use in production without accounting it. (that is not as per guideline & law of 35(2AB), and the same is unhealthy practice.

**Question 15:** The HPLC column which is used in a HPLC machine for detection of impurities has a shelf life of 1 week to few months and needs to be replaced, where should i include this cost in the opex?

**Answer:** Yes, but only if that HPLC is in R&D area and used for R&D purpose only.

**Question 16:** If any note to be included in the annual report while submitting form 3CL or later.

**Answer:** Note on R&D in Director's report is mandatory of the company to put in Annual report. As per guideline The expenditure eligible should necessarily be reported in the audited financial statement prepared for the purpose of published annual report as well as for the purpose of Income Tax returns.

**Question 17:** Technical support if provided by any Gov institute or recognized center, will the cost be covered and where to show such cost.

**Answer:** If technical support/amount given/taken has been taken from Gov institute or recognized center than that can be claimed as per different tax benefits which are available such as 35(1)(ii), 35(2AA) etc.

If company received a grant/loan/funding from any Department/institute than in that case amount will come under income of R&D and the same has to be reduced from the eligible R&D expenditure.

**Question 18:** Do we get any acknowledgement of submission of form 3CL

**Answer:** DSIR gives hard copy receiving of document. Apart from that as per guideline Form 3CL is a Report which needs to be submitted by the prescribed authority (DSIR) to the Director General/Income tax department under section 35(2AB) of the Income-tax Act, 1961.

**Question 19:** Various circumstances where we can go back to DSIR Example- Extension of layout, Disposal of any equipment, change in machinery etc.

**Answer:** Company can show addition during the year (Equipment, Layout manpower etc), by sending the details in FORM 3CL, But in case of Assets acquired and products, if any emanating out of R&D work done in approved facility, shall not be disposed off without approval of the Secretary, DSIR.

Sales realization arising out of the assets sold shall be offset against the R&D expenditure of the R&D Centre claimed under section 35(2AB) for the year in which such sales realization accrues under section 35(2AB) of IT Act, 1961. Expenditure claimed for deduction under the subsection shall be reduced to that extent.

**Question 20:** Do we need auditor's certificate with form 3CL filing?

**Answer:** Yes, in prescribes format mentioned in the guidelines Appendix II page 26 of the Guidelines.

**Question 21:** Can we attach annexure with form 3CL and what all is allowed in the annexure, if yes?

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**Answer:** Annexure are allowed and mandatory to provide in FORM 3CL that are details of R&D expenditure in a specific format.

**Question 22:** Please clarify the annual expense which we submit in Form 3CL for which we shall have a hard copy acknowledgment from DSIR. Is there some acceptance from DSIR end of the Expenditure? Secondly, can we directly claim it in our Income Tax return? And can the expenditure be questioned in Regular Income Tax Assessment for the relevant year by Assessing Officer or DSIR is the only authority who can disallow:

**Answer:** Once company submits the FORM 3CL, DSIR don't give any document in return. Since DSIR already given the FORM 3CM which says that company is eligible to take benefits u/s 35(2AB) i.e company has to follow the procedure stated by DSIR in guidelines and file the FORM 3CL.

It's like self-assessment (Followed by audit from statutory auditor) on basis of the guidelines company takes the tax claim during annual filing u/s 35(2AB) and same reporting of expenses which has been claimed, company submit the FORM 3CL to DSIR.

Generally Regular Income Tax Assessment for R&D happens after two years when scrutiny comes, there COMPANY has to show FORM 3CM to the Assessment officer, and FORM 3CL they already have with them sent by DSIR. It's DSIR's responsibility to send the same (approved FORM 3CL) to relevant Income tax office.

Please for more clarity go through with the guideline attached, which say "Report to be submitted by the prescribed authority to the Director General (Income tax Exemptions) under section 35(2AB) of the Income-tax Act, 1961" on FORM 3CL itself (page no. 27 of guideline)

**Question 23:** Whether DSIR can disallow the expenditure? Do they take up the assessment for each year and what is the timeline upto which intimation can be received for a particular year. Like there are timelines prescribed in Income Tax for Assessment and Assessment notices.

**Answer :** DSIR follows the statutory auditor's certificate for allowing/disallowing the expenditure as per the guidelines. However in special cases DSIR can disallow the expenses but they don't intimate the company. DSIR directly sends the allowed expenditure to income tax offices.

Also DSIR generally process two years FORM 3CLs to Income tax offices by stating that when scrutiny comes Assessment officer will have the FORM 3CL send by DSIR. Company will show Form 3CM for the same on request of assessment officer.