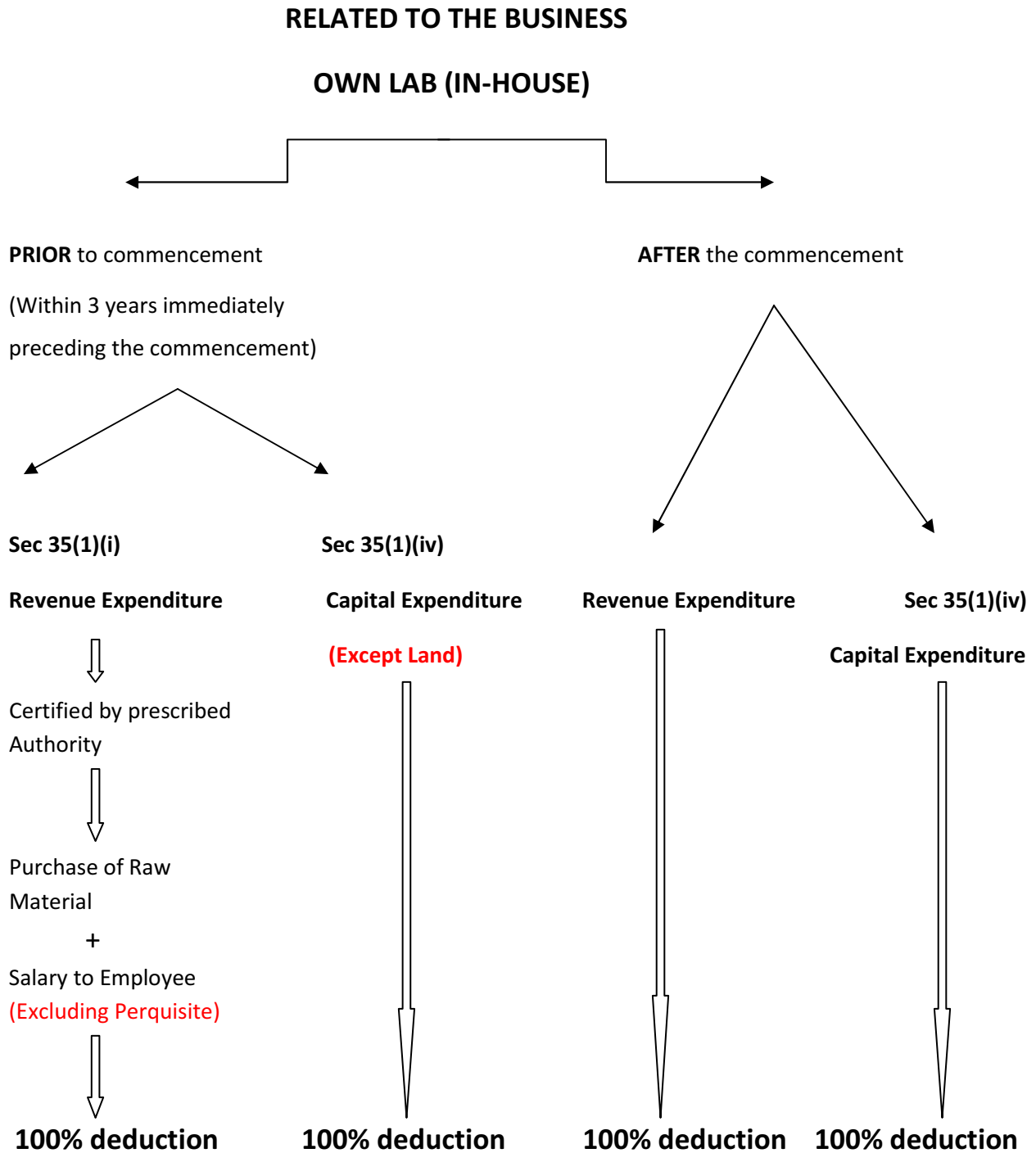


TAX TREATMENT OF SCIENTIFIC RESEARCH EXPENDITURE (for A.Y. 2011-12) in India



Sec 35(2AB)**Any Expenditure (except land or building)****In house (Own laboratory)****Company**

Engaged in business of manufacturing or production of article or thing
(except article or thing specified in the 11th schedule)

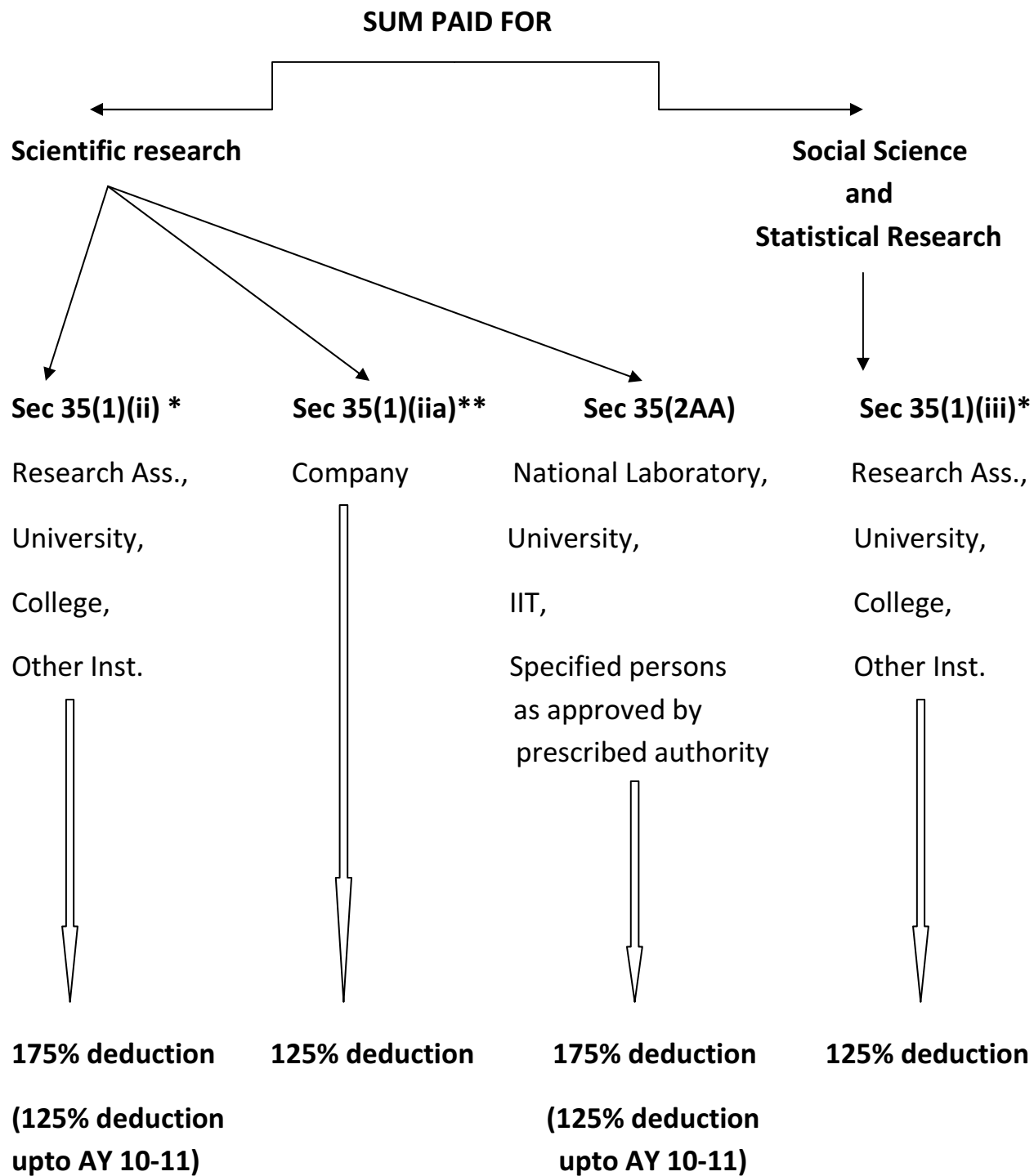
+

Agreement with the prescribed authority for cooperation
in such Research and Development facility

and

for audit of accounts maintained for the facility

**200% deduction****(150% deduction upto AY 10-11)**



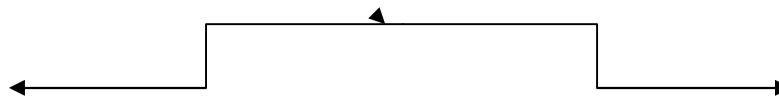
*Approved and Specified as such by Central Government in the Official Gazette

**Registered in India, Main object is Scientific Research and Development, Approved, Fulfills such other conditions as may be prescribed

COMMON POINTS

- No Depreciation on assets.
- The set off and carry forward of unabsorbed scientific research capital expenditure is in the same way as that of unabsorbed depreciation.
- Even if the business of the assessee is being carried out by some other person, the payment for the expenditure shall be treated as the scientific expenditure.
- If land and building is purchased under the same agreement, cost of land will not be allowed as a deduction under section 35(1)(iv) and cost of building will be allowed as a deduction under section 35(1)(iv).

SCIENTIFIC RESEARCH ASSET CEASES TO BE USED FOR THE SAME PURPOSE AND IT IS SOLD



Sold **without** using for the purpose of business



Taxable as **PGBP**

Sec 41(3) shall apply
Least of the following:

- 1.Sale price
- 2.Deduction allowed under section 35(1)(iv)

Taxable as **CG**

If sales price exceeds the cost of asset

Sold **after** using for the purpose of business



Taxable as **PGBP**

Explanation 1 of section 43(1) shall apply. Actual cost shall be nil

Taxable as **CG**

Sec 50 and 43(6) shall apply