BioSpectrum the business of Bio & Health Sciences

Weighted tax exemption on R&D

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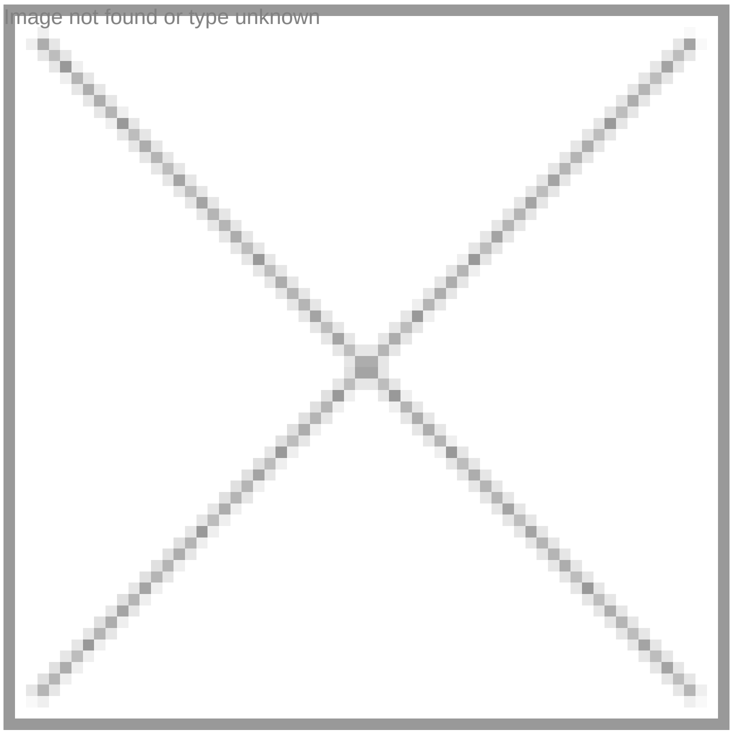

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The Biotechnology Sub-Committee of the Confederation of Indian Industry (CII) has over 40 members from all verticals of biotechnology, including small and medium-sized enterprises and multinational corporations in vaccine, agri and biopharma industry

Access to funds and tax exemptions for R&D: The biotech industry should have access to cheaper funds with longrepayment terms for R&D investments. The government must create a budget through which 50 percent of the total income tax paid by a company in the last 10 years can be paid back as loan to an R&D organization for 20 years at two percent annual interest.

The weighted tax exemption of 200 percent on R&D expenses should be continued for at least the next five (preferably 10) years. This will help R&D-oriented companies to take long-term strategic decisions on R&D projects. It will also act as a booster for further investment in R&D.

Extension of time limit for investment and tax exemption period at notified areas for biotech industry: The Coverresearch Image not found or type unknown current time limit for investment at the notified areas for biotech industry is expiring on 31st March 2012. It should be extended by another 10 years and since the gestation period is very long in biotech industry, therefore a 100 percent tax exemption should be allowed for initial 10 years.

R&D programs should be encouraged, and hospitals need to be included in R&D programs of Government of India apartfrom that of universities and the industry. It will help academic institutions (as it will give access to market relevant research, R&D processes and product delivery focus) and the industry (as it will give access to human resource ensuring continuity, bright minds essential for innovation and unfulfilled needs for doctors and patients)

Inclusion of outhouse clincal trials for weighted tax exemption: At present, 200 percent tax exemption is allowed on revenue and capital expenses incurred by approved R&D centers on in-house projects. Clinical trials conducted through CROs are not eligible for 200 percent weighted tax deduction, nor even 100 percent.

Since clinical trials conducted through CROs are important and are an integral part of overall R&D programs and account for two-third of R&D cost, weighted tax exemption of 200 percent should be allowed on all clinical trials irrespective of whether conducted in-house or through CROs. This will ensure the goal of Government of India to make drugs affordable.

Multiple Research Project Funding: Currently, the research grants or funding are generally allowed for up to two projects per company. There should be no limit to the number of projects or it should be applicable on each R&D center recognized by the DSIR instead of keeping it per company.

Waiving off sales tax and excise on all pediatric products: The government should consider exempting all products which are specifically used for pediatric purposes (for all children up to the age of 12 years) from sales tax and excise duty.

Extend scope of life-saving medicines and exempt them from sales tax/excise/custom duty: The government should considering extending the scope of life saving medicines and also exempt these medicines from sales tax/excise/custom duty. This will help make critical medicines affordable to end users.

Dr Rajesh Jain, chairman,
Biotechnology Sub-Committee, CII, & JMD, Panacea Biotec