FICCI's Suggestions

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- FICCI proposes that the new Biotech inventions or products manufactured for the first time in India should be given tax exemption for at least two years after the commercial launch of the product.

- In terms of Section 80-IB (8A), any company carrying on scientific research and development is allowed a deduction of 100 percent of the profits and gains of such business for a period of 10 consecutive assessment years, if such company is for the time being approved by the prescribed authority after March 31, 2000 but before April 1, 2005. With a view to promote scientific research and development in the country, it is proposed to allow the deductions to companies carrying on scientific research and development approved by the prescribed authority till April, 2010 as against March 31, 2007 at present.

- Expenditure incurred on patents filed in India and abroad by companies should be treated as R&D expenses.

- Customs duty exemption on capital goods and raw materials be extended to all biotechnology companies engaged in R&D irrespective of the fact whether it is funded by the government or not.

- Reduction in customs duty should be extended to all the equipment used by the biotechnology sector.

- Most of the biotech products and formulations are new to our country. So they are not appearing under a specific heading in central excise tariff, but central excise duty is charged at 16.32 percent basing on broad nature of the product being manufactured. Whereas most of the time the same product is being imported in to the country under NIL duty under Customs tariff. This NIL duty may have been incorporated in Customs tariff on account of criticality of the product for human health care and non availability of the same in India earlier. But most of these products are now manufactured in India and the continuity of such NIL duty concession is causing lot of hardship to Indian biotech manufacturers since the imported product has a price advantage due to NIL rate of customs duty.

- The government mayconsider and equalize the duty structure for imported and locally manufactured biotech product.

- The Central excise tariff currently provided for exemption of central excise duty on products, which are patented in more than two countries (one in India and other in the US or Europe). But the normally patent granting is a highly time consuming and costly process, and it normally takes 4-5 years to get a patent in the specified countries. So we propose that the rule should be amended to as application of the Patent rather than the actual grant of Patent with a condition that if the Patent is not granted the central excise duty need to paid with retrospective affect.

- FICCI strongly suggests that biotech industry need to be provided with support of tax holiday for at least for first two to three years after the product commercialization to sustain heavy capital and R&D expenditure made during product development.

- Some State Governments in India have already waived the sales tax on vaccines and bio-pharma products. Similarly, central sales tax too could be waived off.

- Another area where government should look into for giving maximum concessions is that of food technology segment. India has enough agriculture outputs but there are not adequate facility to store/process agricultural products or its derivatives. So the waiver of import duties on food storage and processing equipment will improve the economic condition of the former.

- The R&D segment should be given all the possible incentives like allowing all the inputs and equipment, if not produced in India, free of any taxes and duties. This should include the import of animals for trial purposes.

- To consider and extend any of these suggestion the government may have to authorize a single administrative authority to grant, as well as monitor the use of incentives and to avoid misuse of the benefits given.