

## Business sector needs to enhance its share in R&D expenditure

Government of India's Economic Survey 2020-21, which was tabled ahead of the Union Budget 2021-22, raised concern about the poor share of the business sector in the total investment in research and development (R&D) projects. According to the Survey, the business sector contributes hardly 37% to the gross R&D spending of the country in India. This is far lower than 68%, which is the contribution of business sector in the top 10 countries in the Global Innovation Index (GII).

Global Innovation Index (GII) is a leading reference for measuring an economy's innovation performance and it is co-published by Cornell University, INSEAD, and the World Intellectual Property Organization (WIPO), a specialized agency of the United Nations. The 13<sup>th</sup> edition of this index was published in 2020 and it ranked 131 countries on various parameters of innovations. India made significant progress on this index since 2015, by improving its ranking from 81 (in 2015) to 48 in 2020.

The Economic Survey points out that 56% of the total expenditure on R&D in India is carried out by government organizations and this is three times the average contribution of governments in top 10 countries, ranked in GII. The top 10 countries ranked in this index are: Switzerland, Sweden, USA, UK, Netherland, Denmark, Finland, Singapore, Germany and South Korea.

The Global Innovation Index also ranks countries based on their level of economic development, as indicated by their income level. Under this ranking, India is positioned third after Vietnam and Ukraine in terms of top 10 countries in the lower middle income category.

The share of business sector in total R&D spending in India is lower compared to other top ranking countries even though Indian government provides more liberal tax incentives for R&D than what is provided in the top ten economies, the Survey notes.

<b>Tax deduction for expenditure on scientific research</b>					
	<b>Corporate Taxpayers</b>			<b>Non-Corporate Tax Payers</b>	
<b>Year</b>	<b>Amount of tax revenue foregone (Rs. Crore)</b>	<b>Total tax revenue foregone from all deductions (Rs. Crore)</b>	<b>Amount of tax revenue foregone (Rs. Crore)</b>	<b>Total tax revenue foregone from all deductions (Rs. Crore)</b>	
2013-14	7527.1	57793.0	23.9	4,482.3	
2014-15	8401.97	65,067.21	23.31	4,319.78	
2015-16	10107.4	76,857.70	11.8	4779.9	

2016-17	11,263.91	86,144.82	8.22	4,847.28
2017-18	6,832.02	93,642.50	11.77	6,109.28
2018-19	8,094.08	1,08,113.04	11.30	6,804.28
2019-20	7,474.87	99,842.06	10.43	6,283.87
<b>Total</b>	<b>59701.35</b>	<b>587460.3</b>	<b>100.73</b>	<b>37626.69</b>
<b>Union Budget Documents tabled on Parliament since 2015-16; Compiled by MVIRDC</b>				

Government of India allows tax deduction of income against expenditure incurred towards scientific research projects carried out by Corporate India and unlisted firms under Section 35(1), (2AA) & (2AB) of the Income Tax Act. As the above table shows, Government of India has lost tax revenue worth Rs. 59,701 crore in the last seven years ending 2019-20 because of deductions claimed by Corporate India against expenditure towards scientific research. This amounts to 10% of the total tax deduction of Rs. 5.87 lakh crore claimed by Corporate India under various heads, such as exports under SEZ Act, accelerated depreciation, deduction towards donation to charitable trusts, development of infrastructure projects etc. On the other hand, non-corporate entities, who include Associate of Persons (AoP), Body of Individuals (BOIs) and other firms have claimed tax deduction to the tune of Rs. 100 crore against spending towards scientific research in the last seven years ending 2019-20. The Economic Survey of India notes that despite providing tax incentives, Corporate India and other firms are sluggish in investing on research and development projects.

According to the survey, the amount of R&D spending as a proportion of GDP in India is low at 0.65%, compared to 1.5%-3.0% in the top 10 countries ranked by GII. According to the Survey, India's business sector needs to enhance its share in total research and development projects if India should become the third largest economy in the coming years, from fifth largest economy today.

## Notifications

### PIB

PM addresses NASSCOM Technology and Leadership Forum

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1698114>

Capex utilization in DFC rises by 21%

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1698180>

Minister inaugurates certified jute seed distribution program

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1698178>

## DGFT

Introduction of online e-certification management system for imports

<https://content.dgft.gov.in/Website/dgftprod/b03618c6-2a74-430b-b2ea-764ebf3b0fcf/Trade%20Notice%2041-%20e-Certificate%20Management.pdf>

Provision for verification of the exporters declaration under GSP system

<https://content.dgft.gov.in/Website/dgftprod/8c5eb37b-c8a6-4b76-b697-fb3556d1ed8e/PN%2039%20dt%2015-02-21%20English.pdf>

## CBIC

Tariff Notification

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2021/cs-nt2021/csnt16-2021.pdf;jsessionid=CA5C718086C8772AFF3B26E197EA2669>