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INCOME-TAX ACT, 2025

D: Profits and gains of business or profession

Section 45 - Expenditure on scientific research.

(1) (a) A deduction shall be allowed for any expenditure, being in the nature of––

(i) capital expenditure, but not on acquisition of land which is acquired as such or as part of any property; or

(ii) revenue expenditure,

incurred on scientific research related to the business of the assessee subject to provisions of this section.

(b) A deduction shall also be allowed under this sub-section in respect of the aggregate of expenditure (not being in the nature of capital expenditure), related to business, incurred on—

(i) salary to an employee engaged in such scientific research; or

(ii) purchase of materials used in such scientific research,

where such expenditure is incurred within three years immediately preceding the commencement of business, to the extent certified by the prescribed authority as incurred on such research and such expenditure shall be deemed to have been incurred in the tax year in which the business is commenced.

(c) For the purposes of this sub-section, the aggregate of capital expenditure incurred within three years immediately preceding the commencement of business shall be deemed to have been incurred in the tax year in which the business is commenced.

2) (i) A deduction shall be allowed in respect of any expenditure on scientific research incurred (not being expenditure in the nature of cost of any land or building) by a company engaged in the business of—

(A) bio-technology; or

(B) manufacture or production of any article or thing, which is not specified in Schedule XIII,

on in-house research and development facility as approved by the prescribed authority, subject to the conditions and manner, as may be prescribed.

(ii) No deduction shall be allowed under this sub-section to a company approved under sub-section (3)(b)(ii).

(iii) No deduction shall be allowed in respect of the expenditure mentioned in clause (i) under any other provision of this Act.

(iv) The expenditure under clause (i) shall be allowed subject to such conditions and on furnishing of documents in such form and manner, as may be prescribed.

(v) For the purposes of this sub-section, “expenditure on scientific research”, in relation to drugs and pharmaceuticals, shall include expenditure incurred on clinical drug trial, obtaining approval from any regulatory authority under any Central Act or State Act or Provincial Act and filing an application for a patent under the Patents Act, 1970.

(3) A deduction shall be allowed for any sum, paid to—

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a) (i) a research association having the object of undertaking scientific research or to a University, college or institution to be used for scientific research; or

(ii) a research association having the object of undertaking research in social science or statistical research or to a University, college or institution to be used for research in social science or statistical research;

(b) a company which is––

(i) registered in India having the main object of scientific research and development; and

(ii) approved by such authority, for the purposes of this clause in such manner and subject to such conditions, as may be prescribed;

(c) (i) a national laboratory; or

(ii) a University; or

(iii) an Indian Institute of Technology; or

(iv) a specified person,

with a specific direction that the said sum shall be used for scientific research undertaken under a programme approved in this behalf by the prescribed authority.

(4) For the purposes of sub-section (3),––

(a) the expenditure shall be allowed subject to such conditions and on furnishing of documents in such form and manner, as may be prescribed; and

(b) in respect of clause (a) of the said sub-section, only such association, University, college or other institution shall be eligible for deduction, which for the time being is approved in the manner and subject to such conditions, as may be prescribed, and is specified by the Central Government, by notification.

(5) The deduction for any sum under sub-section (3) shall not be denied merely on the ground that subsequent to the payment of such sum by the assessee, the approval granted to such entities or the programme undertaken by entities as mentioned in sub-section (3)(c), has been withdrawn.

(6) Where a deduction is allowed for any tax year under this section in respect of expenditure, represented wholly or partly by an asset, no deduction shall be allowed under section 33(3) for the same or any other tax year in respect of that asset.

(7) The provisions of section 33(11) in respect of depreciation shall apply in relation to deductions allowable for capital expenditure under sub-section (1).

(8) No deduction in respect of the sum mentioned in sub-section (3)(c) shall be allowed under any other provision of this Act.

(9) If any question arises under this section as to whether, and if so, to what extent any activity constitutes or constituted scientific research, or any asset is or was being used, for scientific research, the Board shall refer the question to—

(a) the Central Government, when such question relates to any activity under sub-section (3)(a), and its decision shall be final;

(b) the prescribed authority, when such question relates to any other activity other than the activity specified in clause (a), whose decision shall be final.

(10) When an amalgamating company, in a scheme of amalgamation, sells or otherwise transfers to the

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amalgamated company (being an Indian company) any asset representing capital expenditure on scientific research, the provisions of this section shall apply to the amalgamated company as they would have applied to the amalgamating company if the latter had not so sold or otherwise transferred the asset.

(11) For the purposes of this section,—

(a) “National Laboratory” means a scientific laboratory functioning at the national level under the aegis of the Indian Council of Agricultural Research, the Indian Council of Medical Research, the Council of Scientific and Industrial Research, the Defence Research and Development Organisation, the Department of Electronics, the Department of Bio-Technology or the Department of Atomic Energy and which is approved as a National Laboratory by such authority and in such manner, as may be prescribed;

(b) “salary” has the meaning assigned to it in section 16 read with section 18 subject to the following modifications:

(i) in section 16, clauses (e) and (j) shall be omitted;

(ii) in section 18, the references to “assessee” shall be construed as references to “employee of former employee” and the reference to “his employer or former employer” and “an employer or a former employer” shall be construed as reference to “the assessee”;

(c) “specified person” means such person approved by the prescribed authority; and

(d) “land”, for the purpose of sub-section (1)(a)(i), includes any interest in land.

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