



सत्यमेव जयते

Department of Science and Technology
Government of India



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Interdisciplinary Research*

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“ FICCI's Recommendations for the Science, Technology & Innovation Sector ”

1. Tax Benefits & Subsidies:

- (i) Currently tax benefits for expenses incurred on R&D are applicable only for expenses incurred in India. The same should be extended to expenditure incurred by Indian companies out-of-India (this could be by way of sponsored research projects at overseas Institutes, Universities or Joint Development agreements with companies).
- (ii) Income tax benefits are not available on R&D infrastructure (eg. Buildings) even if the facility is DSIR approved. Expenses incurred for creating R&D infrastructure should also be allowed same benefits.
- (iii) Whereas the government has regulation in place to encourage R&D activities in India by providing tax incentives, there is a definite lack of pro-active approach on government's part to popularize such measures. Many entrepreneurs, for example, shall not be knowing that the government provides a weighted tax deduction @200% on expenditure (other than land & buildings) incurred on approved in-house R&D facilities of companies (Section 35(2AB) of the IT Act.) There is a strong need to bring forth the incentives offered by the government to the know-how of the entrepreneurial community.
- (iv) Getting DSIR/DST to recommend that service tax on R&D services be also exempt on DSIR recognized institutes (along the lines of excise and customs duty). Industry will stand to benefit from such an exemption.
- (v) Existing tax benefits available to businesses including - tax exemption on R&D investment at flat rate and accelerated depreciation on capital investment for R&D etc. are attractive for relatively large businesses who are encouraged to make higher R&D investments to avail such incentives, however, these are not 'meaningful' for small entities/ individual inventor-cum innovators. Grants/subsidies for capital equipment are required for SME sector.

2. Customs & Excise Regulations:

- (i) Currently excise duty exemption is available only for products that are based on valid Indian patents. It is not clear whether same is applicable for products whose manufacturing process is patent protected. If not the same should be introduced.
- (ii) Simplified process for custom clearance of tailor-made pilot plants or prototypes that are being imported.

3. IPR Environment & Regulations:

- (i) Recent changes in patent system include the 3 tiered fees structure (for individuals, companies and small entities) with relaxation of patent filing fees for small entities. More such changes are needed to encourage small entities in filing IP rights. For example, mechanisms such as utility models and inventors' certificates will provide hassle-free protection to ideas from inventors, who cannot afford the time and cost involved in patent prosecution or enforcement.

- (ii) Awareness regarding IPRs and enforcement of IP rights is crucial to ensure the sustainability of enterprises. Many creative industries have been affected by piracy, low quality and lack of branding / product identity. Appropriate mechanism for protection will stimulate production of quality goods that can find market acceptance in India as well as abroad.

4. Innovative Institutional Mechanisms:

- i. Government should develop grant funding models to encourage high risk research/technology development efforts for large organizations. Today the grant funding is primarily available for small companies. My understanding is that for large companies only Debt funding models are available. In many instances large companies are not willing to fund risky project not because of lack of funds but because of the perceived "risk". Hence extending grant funding mechanism for projects run by large companies will bridge this gap.
- ii. To attract best and brightest students for PhD/M.Tech programs, stipends should be competitively benchmarked to market salaries.
- iii. Research and technology development programs at publicly funded institutes need to have strong alignment with needs of the industry. Today many institutes lack any formal feedback mechanism. Such mechanism may be institutionalized at all publicly funded research institutes. Creation of formal advisory boards comprising members from industry could be one such way.
- iv. It is not clear how the performance of public funded research institutions is measured (or whether it is measured at all). Measurement metrics should be designed such that they will encourage development of technologies/solutions to problems of relevance to the industry.
- v. Many public funded research institutes are poor at marketing their technologies. US universities have overcome this problem by setting up dedicated technology transfer offices whose job it is to actively market technologies & inventions that are coming out of the universities. Setting up of such organizations with professional experts should be encouraged.
- vi. Academic institutions should be advised to link industry funded research as part of their post graduate programs (eg. M.Tech/Phd). Since these programs are inherently time-bound and have a continuous flow of bright and talented students, industry will get faster delivery of research results.
- vii. Government should provide attractive tax benefits to industry for setting-up Centre of Excellence (CoE) in their chosen academic institution /university. These centres will carryout industry-guided R&D and find solutions for real life problems. Also, these centres should be set up jointly with industry such that implementation issues can be completely avoided.
- viii. Provisions should be put in place to allow such CoEs to import certain critical / restricted items/equipment from abroad and use them as a common facility for supporting industrial research. Industry should also be allowed to position a small team in these CoEs to directly participate/monitor their ongoing research. (Based on solutions developed at CoEs, industry should carryout necessary engineering and commercialization leading to new products and services. Industry and academic institutions should be given liberty to mutually decide IPR and business models of such CoEs as per their requirements and suitability.

- ix. Government should promote create incubators, clusters and R&D/technology parks in close proximity of established universities/engineering colleges to provide necessary stimulus for rapid development of technopreneurship and innovation.

5. PPP & New Business Models:

- (i) Government should recognise funding and operational support for R&D infrastructure at public research institutions as a valid CSR spend for corporates.
- (ii) Industry scholarships to encourage higher studies (Masters/PhD) in sciences/engineering should also count towards valid CSR spend of corporates.
- (iii) Government should introduce favorable schemes to encourage, support and promote for-profit, social enterprises based on innovative technologies and new business models. Examples of such ventures include the Sarvajal (distributed water supply technology for the benefit of remote communities) initiative by Piramal Foundation, the use of patented low cost technology for arsenic removal in drinking water by Bangladeshi scientist Dr. Abdul Hussam; Mr. Uddhab Bharali's (an innovator based in Assam) grassroots-level serial innovations in the area of food processing technologies etc.

6. Other Factors:

- (i) The latest Global Competitiveness Report published by WEF places India at 60th position. India's economy is factor-driven (dependent on factors of production such as labor and natural endowments such as land, natural products or minerals), rather than innovation-driven. Business cycles and calamities (natural or manmade) frequently make high negative impact. Calamities are perceived as 'divine acts'. Apart from relief and rescue measures, the only action taken after disasters is monetary compensation to victims. Such mindsets need to be changed. S&T interventions can avoid or minimize impacts of hazards such as erosion, floods, landslides, earthquakes, building collapse, fires, train and road accidents, etc. Government should create appropriate policies and programs to facilitate joint research initiatives between public, private and academic sector to find sustainable solutions for disaster preparedness and mitigation.
- (ii) Government funding agencies have initiated gross discrimination for funding academic research projects. For private universities, they have imposed 50% project contribution for buying instrument and other expenses. This has happened, in spite of the fact that some private universities are doing better quality research than many government funded universities/ institutions. Government should relook at this aspect and create a more rational ground for funding decisions.