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{Central Board of Direct Taxes}

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PRESS RELEASE

**CBDT streamlines procedure for approvals to scientific research institutions
under section 35(1)(ii) & 35(1)(iii) of the Income Tax Act.**

Section 35 of the Income-tax Act, 1961 relates to deduction of expenditure incurred on scientific research, research in social science or statistical research. Vide Notification S.O. No. 1856 (E) dated 30-10-2006, the Central Board of Direct Taxes have notified rules to prescribe guidelines, the manner and the conditions subject to which approval is to be granted on an application made under section 35(1)(ii) & 35(1)(iii) by a scientific research association, university, college or other institution. New Rules 5C, 5D and 5E have been inserted in the Income-tax Rules, 1962 and new application Forms No. 3CF-I and 3CF-II, have been inserted in Appendix-II of. Salient features of the new Rules and Forms are:-

- (i) The amended provisions of section 35 **now provide for one time approval**. The one time approval can be withdrawn **only if** the Central Government is satisfied that the scientific research association or university or college or other institution has ceased its activities or its activities are not genuine or are not being carried out in accordance with all or any of the conditions prescribed under Rule 5D or Rule 5E.
- (ii) The amended provision now provides for **time bound disposal** of applications for approval. Approval is to be granted or rejected before expiry of one year from the end of the month in which 'the copy of the application Form' referred to at (iii) above from the applicant is received in the office of Member (IT), CBDT.
- (iii) An application for approval in Form No. 3CF-I or Form No. 3CF-II is to be made, at any time during the Financial Year immediately preceding the Assessment Year from which the approval is sought.

- (iv) The application in the aforesaid Form Nos. should be made to the Commissioner of Income-tax or the Director of Income-tax having jurisdiction over the applicant.
- (v) The applicant should send a copy of the application form in Form No. 3CF-I or Form No. 3CF-II to Member (IT), CBDT along with the acknowledgment receipt of the application form submitted by him to the Commissioner of Income-tax or Director of Income-tax having jurisdiction over the case.
- (vi) Separate Forms for scientific research association and for university/college/other institution have been provided. Form No. 3CF-I is meant for application by a scientific research association and Form No. 3CF-II for application by a university, college or other institution.
- (vii) For approval of a scientific research association, the sole object of the association should be to undertake scientific research and the scientific research activity is to be carried out by the association itself.
- (viii) For approval of a university, college or other institution, the sum paid to it is to be used for scientific research and research in social science or statistical research and such research should be carried out through its faculty members or enrolled students.

The amended provisions take care of the long-standing need of scientific research institutions in raising funds for scientific research. The amended provisions will enable enhanced investment in research and development (R&D) activity in the country.