

Proposed FORM 12 is a statutory reporting form through which the prescribed authority submits its findings and certification in respect of an approved in-house research and development (R&D) facility to the Chief Commissioner of Income-tax having jurisdiction over the company. The form plays a central role in the administration of deductions under section 45(2) of the Income-tax Act, 2025.

2. Legislative Framework

Section 45(2) of the Income-tax Act, 2025 provides for deduction in respect of expenditure incurred on approved in-house R&D facilities. RULE 29 of the Income-tax Rules prescribes the approval, agreement, audit and reporting framework. FORM 12 operationalises the reporting and quantification obligations of the prescribed authority under this framework.

3. Role of FORM 12 in the Compliance Lifecycle

FORM 12 represents the post-approval reporting stage in the in-house R&D compliance lifecycle:

1. Application and agreement by the company in FORM 11;
2. Approval of in-house R&D facility by DSIR in FORM 14;
3. Examination and certification by the prescribed authority;
4. Reporting of findings and eligible expenditure through FORM 12;
5. Verification of deduction claims by the Income-tax Department.

4. Authority Responsible for Furnishing FORM 12

FORM 12 is furnished by the Secretary, Department of Scientific and Industrial Research, acting as the prescribed authority under RULE 29. The obligation is institutional and independent of the company.

5. Contents of FORM 12

FORM 12 is divided into two principal parts:

Part A – Evaluation of In-house R&D Facility

This part covers:

- nature of business and alignment with research objectives;
- proposed scientific research objectives;
- details and adequacy of existing in-house R&D facilities;
- DSIR recognition details;
- confirmation of agreement entered under FORM 11;
- production details of eligible products.

Part B – Expenditure and Asset Details

This part reports:

- location-wise details of R&D facilities;
- eligible capital and revenue expenditure incurred;
- total expenditure qualifying under the approved facility;
- details of disposal or transfer of assets, if any.

6. Significance of Expenditure Certification

The expenditure figures reported in FORM 12 provide an objective and technical basis for tax authorities to examine deduction claims under section 45(2). However, the form does not itself confer entitlement to deduction.

7. Time Limit and Mode of Furnishing

FORM 12 is required to be furnished within the time limits prescribed under RULE 29 and is envisaged to be submitted electronically to enable system-driven processing and monitoring.

8. Impact on Deduction Claims

While FORM 12 is a critical input for verification, the allowability of deduction under section 45(2) remains subject to compliance with the Act, Rules and assessment by the Income-tax Department.

9. System-driven Oversight under the Income-tax Act, 2025

Proposed FORM 12 is designed to integrate with electronic compliance systems, enabling standardised reporting, cross-linkage with FORM 11 and audit reports, and improved oversight of in-house R&D incentives.

10. Conclusion

FORM 12 is a cornerstone of the in-house research and development incentive regime under the Income-tax Act, 2025. By providing an authoritative technical report from DSIR to the tax administration, it ensures transparency, accountability and effective administration of deductions under section 45(2).