



Indian Electrical & Electronics Manufacturer's Association
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Director General

SEC/REP/S/081

12th April 2021

Dear Shri Mody Ji,

Sub: Request to Increase Tax Deduction on R&D Expenditure to 200%

Indian Electrical & Electronics Manufacturers' Association (IEEMA), is the apex representative body of electrical industry. IEEMA covers a wide range of electrical, industrial electronics and allied products, encompassing the entire value chain of the sector from power generation, transmission, distribution and downstream to the point of consumption of electricity; thereby covering finished products, parts and components, systems and services.

The Ministry Science and Technology, Government of India, earlier allowed super deduction of 200% of expenses, under Income Tax, for Research and Development (R&D) activities, including high-tech employment and testing of products abroad. This in turn increases export, which has been a big incentive for small and medium enterprises for their spending in R&D.

During the last 3 years, this weighted deduction was reduced to 150%. With the outbreak of unprecedented Covid pandemic, the industry had high expectations and represented to the Government to allow this deduction at 200% again, to support the manufacturing industry to become *Atmanirbhar* and also increase its export.

However, this 150% of weighted deduction was further lowered to 100%, which equals to zero incentives for Research and Development.

Electrical Equipment are significant part of critical power infrastructure of the country, therefore, Government support is needed in the form of attractive incentives for investment in R&D. The Indian electrical industry supplied USD 8.62 billion worth of electrical equipment in 2019-20 to the world. However, this is less than 2% of the entire global trade of electrical equipment. Exports of electrical equipment from India has the potential to go upto 5% of global trade, for which investment in R&D needs to be strengthened.



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In view of the same, IEEMA requests the Government of India to restore its earlier super-deductions of 200% on R&D expenditure for new technology development. Also, spending for R&D may be enlisted under Corporate Social Responsibility to give it a boost.

We look forward to kind consideration of our above request.

Best Regards

Yours sincerely,

Sunil Misra

Shri Pramod Chandra Mody
Chairman
Central Board of Direct Taxes
Department of Revenue
North Block
New Delhi – 110 001