

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4483  
ANSWERED ON:19.05.2006  
R & D CLAIMS BY PHARMA COMPANIES  
Muqueem Shri Mohammed

**Will the Minister of FINANCE be pleased to state:**

- (a) whether Government proposes to scrap the scheme of weighted average deduction of 150% under section 35(2AB) of the Income Tax Act for R&D in Pharma Industry;
- (b) whether it is a fact the CAG report had indicated Pharma Companies for fraudulent claims under the above scheme;
- (c) if so, the name of these companies and the amount involved which have been found bogus as regards R&D claims; and
- (d) the total amount of claim made and the amount permitted by the Government?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE: (SHRI S.S. PALANIMANICKAM)

- (a) Weighted deduction of 150% of expenditure on scientific research (excluding cost of land or building) on in-house research and development facility in the case of a company engaged in the business of manufacture or production, interalia, of any drugs and pharmaceuticals is available in respect of expenditure incurred by it up to 31st March, 2007 under Section 35(2AB) of the Income-tax Act, 1961.
- (b) The C&AG Report No.13 of 2003 (Direct Taxes) on its page No.91 lists the case of a company where the Assessing Officer irregularly allowed ineligible weighted deductions under section 35(2AB)(1) without the basic conditions prescribed in sub-clause (3&4) of Section 35(2AB) of the Income-tax Act being fulfilled.
- (c) The name of the company is M/s Amrutanjan Ltd. and the amount mentioned as irregularly allowed is Rs.622.48 lakh
- (d) The total amount claimed is mentioned in the Report at Rs.622.48 lakh out of which Rs.497.99 lakh was found eligible for deduction.