



## PHARMACEUTICALS EXPORT PROMOTION COUNCIL

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Date : 23-02-2010

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### Pharma industry pitches for tax incentives on R&D

Reghu Balakrishnan

Posted: Tuesday, Feb 23, 2010 at 2333 hrs IST

Updated: Tuesday, Feb 23, 2010 at 2333 hrs IST

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<http://www.financialexpress.com/news/pharma-industry-pitches-for-tax-incentives-on-r&d/582970/>

**Mumbai:** The Indian pharmaceuticals industry, which is vying for a prominent place in the global research & development (R&D) arena by developing new molecules, is demanding more tax incentives for R&D efforts in the budget the finance minister will present this week. Pharmaceuticals associations across the country are joining hands in raising the demand for more R&D tax incentives.

Quoting report of the Working Group on Drugs and Pharmaceuticals for the Eleventh Five-Year Plan (2007-12), that urges the Indian pharma industry to develop patented products through Indian R&D efforts, Indian Pharmaceuticals Alliance (IPA), the body which has leading Indian pharma firms as members, demanded that the government consider measures such as fiscal incentives under Section 35 (2AB) for carrying out R&D in the pharmaceuticals sector. The pharmaceuticals industry wants the incentives to be valid for at least 10 years and feels that the rate of weighted deduction for the industry should be raised from 150% to 200%.

It felt current provisions for deduction under Section 35 (2AB) should be widened, so as to also encompass within its fold all expenditure incidental to basic research carried on at any outside R&D facility. This includes clinical trials and bio-equivalence studies that are done outside the R&D facility, whether in India or in any foreign country. IPA also called for reducing duty for certain medicines containing alcohol and narcotic substances which are subject to excise duty at a rate (16%) much higher than the rate (4%) applicable to other medicines. Kamal K Sharma, managing director, Lupin Ltd, said, "The government should focus on developing and harnessing the IP potential of the country by incentivising R&D through a weighted reduction in tax breaks – from the current level of 150%, to close to 300% levels." With a mere 2% of the total GDP allocated and spent on healthcare, India is clearly behind most developing and developed nations, where the average is in the range of 6-8%, he added.

According to the Organisation of Pharmaceutical Producers of India, a body for MNCs working in India, the benefits should be provided for units engaged in the business of R&D and contract manufacturing by way of deduction from profits linked to investments. Benefits in the form of research tax credits which can be used to offset future tax liability, similar to those given in developed economies can be introduced. All life saving drugs should be exempted from customs duty and the life saving medical devices should be exempted from customs duty. The Special Additional Duty (SAD) of 4%, levied on all imports at the time

of import should be abolished to facilitate smooth transaction, the body demanded. The excise duty rate of active pharmaceuticals ingredients (API) should be rationalised and made at par with Pharma goods, that is excise duty on the inputs APIs may be reduced from 8% to 4%. Physician samples should be exempted from payment of excise duty, said the OPPI memorandum.

According to Vishal Bali, CEO, Fortis Hospitals, the healthcare sector in Indian should be provided priority or infrastructure status. A direction towards a public and private combined healthcare spend to reach 7% of GDP over the next 3 years is needed in the budget, Bali said, adding, affordable Healthcare parks on the lines of Software Technology parks be started.

Daara B. Patel, secretary-general, Indian Drug Manufacturers Association, said, “Arising from the steep appreciation in the rupee, exporters are severely hurt by the erosion in their profit. By denying the deduction from the assessment year 2012-13, companies the have invested substantial amounts in EOUs will be adversely hit.”.