

**Guidelines for issue of Certificate for Depreciation Allowance under Rule 5(2) of the Income Tax Rules. Third Amendment vide Notification No. 133/342/86-TPL dated 1<sup>st</sup> April 1987.**

**Commencement date**

The Scheme of Depreciation Allowance at the rate of 50% came into force with effect from 2.4.87. Presently the rate is 40%.

**Conditions to be satisfied**

The conditions which are to be satisfied for availing this allowance are:

- a) The article should be manufactured by using technology or the know-how developed in:
  - i) a laboratory owned or financed by Govt.
  - ii) a laboratory owned by public sector company or
  - iii) a University or IIT or institution of similar status
  - iv) any institution recognised in this behalf by the Prescribed Authority.
- b) The right to use the technology (including any process) or other know-how to manufacture or produce such products has been acquired by the tax payer from the owner of such laboratory or any person deriving title from such owner.
- c) The tax payer, furnishes, a certificate from Secretary, Department of Scientific and Industrial Research along with return of income that such article or thing is manufacture or produced by using technology (including any process) or the know-how has been developed in any of the institution referred to at (a) above.
- d) The machinery or plant is not used for the manufacture or production of specified article, listed as per 11<sup>th</sup> schedule referred to in Rule 5(2) of the IT rules. (Appendix 1 to Annexure IX).

**Definition:**

- a) Laboratory financed by the Government means a laboratory owned by any body (including a Society registered under the Societies Registration Act, 1860 (21 of 1860), and financed wholly or mainly by the Government.
- b) Public Sector Company means any corporation established by or under any Central, State or Provincial Act or a Government Company as defined in Section 617 of the Companies Act, 1956 (1 of 1956);
- c) "University" means a University established or incorporated by or under a Central, State or Provincial Act and includes an institutions declared under section 3 of the University Grants Commission Act, 1956 ( 3 of 1956), to be University for the purpose of that Act; and
- d) "Institution" means an institution having adequate infrastructural facilities to undertake research, design and development and approved in this behalf by the Prescribed Authority.

## **Terms and Conditions**

1. This certificate is intended only for the purpose of Depreciation Allowance on plant and machinery installed after 1st April, 1987 and is subject to the provisions of Section 32 of the Income Tax Act in force.
2. The Plant and Machinery certified will be treated as a block of assets qualifying for depreciation allowance.
3. This is subject to the assessee complying with the conditions laid down in Section 32 of the Income Tax Act and Rule 5(2) of the Income Tax Rules as modified vide Ministry of Finance Notification No 133/342/86-TPL dated 1.4.87.
4. In respect of the plant and machinery, the assessee would, as desired furnish to the Income Tax Authorities the particulars required for admissibility of the exact amount of claim.
5. In case the particulars furnished by the assessee regarding the technology/know-how, plant and machinery, the date of installation value etc. are found to be incorrect, the certificate will be cancelled and penal action as provided under the Income Tax Act will be taken against the assessee.
6. The certificate is also subject to the conditions that :
  - a) The right to use the technology/know-how (including any process) has been acquired by the laboratory owned/financed by Government or owned by Public Sector Company, or recognised institution or any person deriving title from such owner.
  - b) The machinery and plant is not used for the purpose of business of manufacture or production of any article or thing specified in the list of the Eleventh Schedule of the Income Tax Act.
7. This certificate is valid for a period of three years from the date of issue.

## **Procedural and other matters**

Applications for Depreciation Allowance may be made to the Secretary, Ministry of Science & Technology, Department of Scientific & Industrial Research, Technology Bhavan, New Mehrauli Road, New Delhi-110 016. The applications are to be made in 4 sets as per proforma given at Annexure IX.

**DEPRICIATION ALLOWANCE**

**APPLICATION FOR GRANT OF CERTIFICATE UNDER RULE 5(2) OF THE INCOME  
TAX RULES 1962 (THIRD AMENDMENT RULES VIDE NOTIFICATION NO. 133/342/86-  
TPL DATED 1.4.1987)**

**PART-I**

1. (a) Name of applicant

(b) Addresses of

- i) Regd. Office
- ii) R&D Laboratory
- iii) Factory

2. (a) In case of existing industrial undertakings,  
whether there is any foreign, financial or  
technical collaboration

(b) If so, give details such as, the product/ services  
covered, name and country of the foreign  
collaborator, date & period of collaboration, (A  
copy of the agreement may be enclosed)

(c) Whether you come within the purview of  
Foreign Exchange Regulation Act. 1973.

3. (a) Item of manufacture for which depreciation  
on plant and machinery is applied.

(b) Date from which item at 3(a) is commercially produced.

4. Other products manufactured by the Company

5. Is the item in 3 above for import substitution?  
Please give details of imports in the country during the last two years.
6. Date of installation of new plant or machinery for which Depreciation Allowance is being claimed.
7. Have you obtained an Industrial Licence for the manufacture of item at 3(a). Please indicate No. and date with small scale units under delicensed sector).
8. (a) Specify the details (such as, specifications, quantity produced) of article in “3” above.  
(b) Selling cost per unit/unit quantity  
(c) Names of major customers  
(d) Is it for your captive use
9. Names of manufacturers producing similar items.
10. Whether the machinery/plant is used for the manufacture or production of articles mentioned in Eleventh Schedule and referred to in Rule 5 (2) of Income Tax Rules (list enclosed)
11. Enclose a copy of the Annual Report of the Company wherein investment on plant and machinery for production of item at 3(a) were mentioned.

### **TECHNICAL INFORMATION**

#### **PART-II**

1. Name and address of Laboratory University/ Institution, whose technology has been adopted.  
Give details (like the period during which research work was carried out in the laboratory, fees paid for development, details of your association during the proposed development)
2. Give a detailed chronological note on the development of technology
3. Whether the laboratory/institution is :
  - i) Owned or financed by Government or
  - ii) Owned by Public Sector Company or
  - iii) It is Laboratory of the University or

iv) Is approved by Government. Give details of approval

4. Whether the right to use technology/process/  
know-how is acquired by the applicant from

- (a) Owner of the laboratory referred to in the above column.
- (b) Any other Agency deriving title from the Owner.
- (c) Was the technology patented and if so, whether commercialised under the patent.

- (d) A copy of the agreement with R&D laboratory/ institution for transfer of technology and material in support of its actual implementation, may be enclosed.
- (e) Did you utilise services of any consultancy organisation if so, give details.

5. Do you have your own R&D Laboratory?

- i) If yes, are you recognised by Ministry of Science and Technology (Department of Scientific and Industrial Research)
- ii) If not, whether you propose to establish your R&D laboratory.

6. Nature of Technology:

(a) Indicate whether it is:

- i) New product, or
- ii) Improved product
- iii) New process, or
- iv) Improved process

(b) Is it basic to the manufacture or production

7. Give details of engineering assistance/services rendered by the laboratory to utilise the know-how commercially.

8. Are you aware of this technology development in any other country

If yes, give details including techno-economic comparison in a separate note

9. What is the superiority in technology/product as compared to existing products, if any.

10. Total Investment: Indicate accounting and assessment year regarding investment made.

- (a) Plant Machinery
- (b) Total value of capital equipment used
  - i) Imported
  - ii) Indigenous

(c) Break up of the above item-wise Viz. Component/equipment purchased/imported

Item Description	Name of supplier	Date of placing order (date of supply)	Date of installation	Cost (C.i.f. value in case of imported equipment)
1	2	3	4	5

(d) Details of Installation

Agency which completed the installation job	Period of work <u>From</u> <u>To</u>	Cost
1	2 3	4

11. Percentage of imported component and raw materials for the manufacture of item at 8(a) part-I.
12. Have you enclosed colour photographs of the plant and machinery installed.
13. Any other information you consider relevant for admissibility of depreciation allowance.



PLACE-----

SIGNATURE-----

DATE-----

DESIGNATION-----

N.B.: Four copies of the application are to be submitted on A-4 size paper, addressed to the Secretary, Department of Scientific and Industrial Research, Ministry of Science and Technology, Technology Bhavan, New Mehrauli Road, New Delhi 110016.

## **LIST OF ITEMS ON WHICH DEPRECIATION @ 50% NOT ADMISSIBLE**

### **The Eleventh Schedule referred to in Rule 5 (2) of the Income Tax Rules**

1. Beer, wine and other alcoholic spirits.
2. Tobacco and Tobacco preparations, such as Cigars and Cheroots, Cigarettes, Bidis, Smoking Mixtures for Pipes and Cigarettes, Chewing Tobacco and Snuff.
3. Cosmetics and Toilet preparations.
4. Tooth Paste, Dental Cream, Tooth Powder and Soap.
5. Aerated waters in the manufacture of which blended Flavouring concentrates in any form are used.
6. Confectionery and Chocolates.
7. Gramophones including Record Players and Gramophone Records.
8. Broadcast Television Receiver Sets; Radios (including Transistor Sets); Radiograms and Tape Recorders (including Cassette Recorders and Tape Decks).
9. Cinematography Films and projectors.
10. Photographic Apparatus and Goods.
11. Electric Fans.
12. Domestic electrical appliances, not falling under any other item in this list.

### **EXPLANATION:**

" Domestic electrical appliances" means electrical appliances normally used in the household and similar appliances used in places, such as Hotels, Restaurants, Hostels, Offices, Educational Institutions and Hospitals".

13. Household furniture, utensils, crockery and cutlery not falling under any other item in this list.
14. Pressure Cookers.
15. Vacuum Flasks and other Vacuum Vessels.
16. Tableware and Sanitaryware.
17. Glass and Glassware.
18. Chinaware and porcelainware.
19. Mosaic tiles and Glazed tiles.
20. Organic Surface Active Agents, Surface Active Preparations and washing preparations whether or not containing soap.
21. Synthetic, detergents.

22. Office machines and apparatus such as Typewriters, Calculating Machines, Cash Registering Machines, Cheque Writing Machines, Intercom Machines and Tele printers.

**EXPLANATION:**

"The expression 'Office Machines and Apparatus' includes all machines and apparatus used in offices, shops factories, workshops, educational institutions, railway stations, hotels and restaurants for doing office work, for data processing and for transmission and reception of message".

23. Steel Furniture, whether made partly or wholly of steel.  
24. Safes, strong Boxes, Cash and Deed Boxes and Strong Room Doors.  
25. Latex Foam Sponge and Polyurethane Foam.  
26. Pigments, colours, paints, enamels, varnishes, blacks and cellulose lacquers.  
27. Crown corks or other fittings of cork, rubber, polyethylene or any other material.  
28. Pilfer-proof caps for packaging or other fittings of cork, rubber polyethylene or any other material.  
29. Amplifiers or any other apparatus used for addressing the public.