

## **RESEARCH AND DEVELOPMENT CESS ACT, 1986**

**32 of 1986**

**[14th August, 1986]**

### CONTENTS

1. Short title, extent and commencement
2. Definitions
3. Levy and collection of cess on payments made towards import of technology
4. Crediting proceeds of cess to Consolidated Fund of India
5. Venture Capital Fund
6. Application of Fund
7. Power of Central Government to exempt
8. Power to call for information
9. Penalty for non-payment of cess
10. Power to make rules

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STATEMENT OF OBJECTS AND REASONS It was envisaged in the long term fiscal policy announced in December, 1985, that a "Research and Development Cess" would be imposed on all payments made for import of technology. The proceeds of the cess so levied shall be paid to the Industrial Development Bank of India after due appropriation by Parliament by law for being utilised for the purposes of the venture capital fund. The proposed venture capital fund shall be utilised for providing further incentives for the commercial application of indigenously developed technology and to adopt imported technology to wider domestic applications. 2. The Bill seeks to achieve the above objectives. -Gaz. of Ind., 6-5-86, Pt. II, S. 2, Ext., p. 5 (No. 23). Act 45 of 1986.-The Research and Development Cess Act, 1986 provides for the levy and collection of a cess on all payments made for the import of technology for purposes of encouraging the commercial application of indigenously developed technology and for adapting imported technology to wider domestic application and for matters connected therewith or

incidental thereto. The aforesaid Act provides that the proceeds of the cess levied and collected under the said Act shall be first credited in the Consolidated Fund of India and thereafter the Central Government shall make payment out of such proceeds to the Venture Capital Fund of the Industrial Development Bank of India. The Industrial Development Bank of India utilises Venture Capital Fund for providing financial assistance to industrial concerns attempting commercial application of indigenous technology or adapting imported technology to wider domestic application. 2. With the increasing pace of industrialisation in the Indian economy, research, design and development work related to application-oriented technology is vital not only to improve upon our industrial productivity but also to develop new technologies appropriate to our needs. Thus there is a growing need to make science and technology an effective instrument of national renewal. To accelerate the development and application of indigenous technology to production processes, it was announced at the time of presenting the Central Government Budget for 1994-95 that it is proposed to place the proceeds of the cess into a new fund for technology development and application and that the proposed fund will be placed at the disposal of a Technology Development Board which is proposed to be set up as a statutory body by a separate legislation. 3. With a view to achieving the above objectives it is proposed to amend the Research and Development Cess Act, 1986 so as to substitute for the Venture Capital Fund by the Technology Development Board which is proposed to be constituted under a separate enactment, namely, the Technology Development Board Bill, 1995. It is also proposed to make some consequential amendments in the said Act. 4. The Bill seeks to achieve the above objects, -Gaz. of India, 2-4-95, Pt. II, S. 2, Ext., p. 15 (No. 13).

### **1. Short title, extent and commencement :-**

- (1) This Act may be called the Research and Development Cess Act, 1986.
- (2) It extends to the whole of India except the State of Jammu and Kashmir.
- (3) It shall come into force on such date' as the Central Government may, by notification in the Official Gazette, appoint.

### **2. Definitions :-**

In this Act, unless the context otherwise requires,-

<sup>1</sup>[(a) "Board" means the Technology Development Board constituted under the Technology Development Board Act, 1995;

(b) "cess" means the cess levied under section 3 ;]

(d) "import", in relation to any technology, means the bringing into India of, such technology from a place outside India;

(e) "industrial concern" has the meaning assigned to it in clause (c) of section 2 of the Industrial Development Bank of India Act, 1964, and includes any other person in whose favour a foreign collaboration involving the import of technology <sup>2</sup> [is approved or automatically approved in accordance with the Industrial Policy of the Government of India in force from time to time.]

(f) "prescribed" means prescribed by rules made under this Act;

(g) "specified agency" means-

(i) the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934; or

(ii) the State Bank of India constituted under the State Bank of India Act, 1955; or

(iii) such other Bank or institution or may be specified in this behalf by the Central Government;

(h) "technology" means any special or technical knowledge or any special service required for any purpose whatsoever by an industrial concern under any foreign collaboration, and includes designs, drawings, publications and technical personnel.

1. Substituted for Acts (a) to (c) by Research and Development Cess (Amendment) Act (45 of 1975), S. 2 ( 1 -9-96).

2. Substituted for the words "is approved by the Central Government", ibid.

### **3. Levy and collection of cess on payments made towards import of technology :-**

There shall be levied and collected, for the purposes of this Act a cess at such rate not exceeding five per cent. on all payments made towards the import of technology, as the Central Government may, from time to time. specify, by notification, in the Official Gazette.

(2) The cess shall be payable to the Central Government by an industrial concern which imports technology on or before making any payments towards such import and shall be paid by the industrial concern to any specified agency.

#### **4. Crediting proceeds of cess to Consolidated Fund of India**

:-

The proceeds of the cess levied and collected under section 3 shall first be credited to the Consolidated Fund of India and the Central Government may, if Parliament by appropriation made by law in this behalf so provides, pay to the <sup>1</sup>[Board], from time to time, from out of such proceeds (after deducting the cost of collection), such, sums of money as it may think fit for being utilised for the purposes of the <sup>1</sup> [Board].

1. Substituted for the words "Development Bank" and the word "Fund" by Research and Development Cess (Amendment) Act (45 of 1995), S. 3 (1-9-96).

#### **5. Venture Capital Fund :-**

Omitted by the Research and Development Cess (Amendment) Act (45 of 1995) S. 4 (1-9-96).

#### **6. Application of Fund :-**

Omitted by the Research and Development Cess (Amendment) Act (45 of 1995), S. 4 (1-9-96).

#### **7. Power of Central Government to exempt :-**

Notwithstanding anything contained in this Act, if the Central Government is satisfied that it is necessary or expedient so to do in the public interest, it may, by notification in the Official Gazette and subject to such conditions, if any, as may be specified therein, exempt any industrial concern from the payment of the cess payable under this Act for the import of such technology as may be specified in such notification.

#### **8. Power to call for information :-**

The <sup>1</sup> [Board] may require an industrial concern to furnish, for the purposes of this Act, such statistical and other information in such form and within such period as may be prescribed.

1. Substituted for the words "Development Bank" by Research and Development Cess (Amendment) Act (45 of 1995). S. 5 (1-9-96).

#### **9. Penalty for non-payment of cess :-**

(1) If any cess payable by an industrial concern is not paid on or before making payments towards the import of technology, it shall be deemed to be in arrears and the same shall be recovered by the <sup>1</sup>[Board] in such manner as may be prescribed.

(2) The <sup>1</sup> [Board] may, after such inquiry as it deems fit, impose on the industrial concern, which is in arrears under sub-section (1), a penalty not exceeding ten times the amount in arrears : Provided that before imposing such penalty, such industrial concern shall be given a reasonable opportunity of being heard, and if, after such hearing, the "[Board] is satisfied that the default was for any good and sufficient reason, no penalty shall be imposed under this sub-section.

1. Substituted for the words "Development Bank" by Research and Development Cess (Amendment) Act (45 of 1995), S. 5 (1-9-96).

#### **10. Power to make rules :-**

(1) The Central Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act.

(2) In particular and without prejudice to the foregoing power, such rules may provide for the following matters, namely :-

(a) the form in which and the period within which the information under section 8 may be furnished;

(b) the manner in which the arrears of cess may be recovered under sub-section (1) of section 9 ;

(c) any other matter which is required to be, or may be, prescribed.

(3) Every rule made under this section shall be laid, as soon as may be, after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.