

**GOVERNMENT OF INDIA
DEVELOPMENT OF NORTH EASTERN REGION
LOK SABHA**

UNSTARRED QUESTION NO:4375
ANSWERED ON:17.12.2002
TAX FREE STATUS TO NORTH EAST STATES
M. JAGANNATH

Will the Minister of DEVELOPMENT OF NORTH EASTERN REGION be pleased to state:

- (a) whether the Union Government propose to accord tax free status to the North-Eastern States;
- (b) if so, the details thereof alongwith the steps taken by the Union Government during the last three years in this regard;
- (c) whether the North Eastern States have a potential of generating 57,000 mw of Power;
- (d) if so, the steps taken by the Union Government in this direction for the last three years;
- (e) whether the Union Government are monitoring the spending of 10% by the Ministries of their allocation in North-Eastern Region ;
- (f) if so, the details thereof; and
- (g) the action taken by the Union Government against the Ministries which have not fulfilled this requirements so far?

Answer

MINISTER, DEPARTMENT OF DEVELOPMENT OF NORTH EASTERN REGION (SHRI ARUN SHOURIE)

(a) & (b): No Sir. However, in pursuance of the North-East Industrial Policy (1998-2007), the following tax concessions have been provided under the direct taxes for the North Eastern States:

- (i) 100% tax holiday for 10 years for units located in Industrial Growth Centres and Industrial Infrastructure Development Centres (IIDC);
- (ii) 100% tax holiday for 10 years for units located anywhere in the North-Eastern states but engaged only in manufacturing in thrust sectors.
- (iii) 100% tax holiday for 5 years and thereafter 25% (30% for companies) tax concession for subsequent years, for industrial unit located anywhere in the 8 States engaged in any manufacturing activities (other than thrust sector industries).

In addition, a New Industrial Policy Package was announced in 1999 for the North Eastern States and one of the components of the package was excise duty exemption for industrial units in the North East for a period of 10 years. The details are annexed (Annex I).

(c) & (d): The Central Electricity Authority has carried out preliminary ranking study of all the balance hydro sites in the country including North Eastern region. The details of potential of Hydro-electric schemes/projects in the North Eastern Region and in Brahmaputra basin graded 'A', 'B' and 'C' categories in order of priority for development are indicated below:

Category A B C Total

Nos. MW Nos. MW Nos. MW Nos. MW

Meghalaya	2	178.00	16	1316.00	4	665.00	22	2159.00
Tripura	0	0.00	0	0.00	0	0.00	0	0.00
Manipur	3	135.00	5	335.00	3	1771.00	11	2241.00
Assam	3	247.00	3	108.00	1	33.00	7	388.00
Nagaland	2	111.00	4	251.00	4	1030.00	10	1392.00
Arunachal Pradesh	31	5047.00	55	38999.00	3	5080.00	89	49126.00
Mizoram	0	0.00	3	194.00	3	1870.00	6	2064.00

Total 41 5718.00 86 41203.00 18 10449.00 145 57370.00

For the North Eastern Region, the capacity addition target for the Ninth Plan for hydro projects was 570 MW against which 562 MW was commissioned. The projects which were commissioned during the last three years were the following:

Sl. No.	Project	Capacity
1.	Doyang Hydro Electric Project, Nagaland	3 units of 25 MW each
2.	Ranganadi (Stage 1) Hydro Electric Project Arunachal Pradesh	3 units of 135 MW each
3.	Rangit III Hydro Electric Project, Sikkim	3 units of 20 MW each
4.	Likim Ro Hydro Electric Project (State Sector), Nagaland	2 units of 8 MW each.

In addition to the above, the Kameng Hydro Electric Project (1600 MW) and Lower Subansari Hydro Electric Project (2000 MW) in Arunachal Pradesh have been accorded second stage clearance and are being executed by North Eastern Electric Power Corporation Ltd. and National Hydroelectric Power Corporation, respectively.

(e) to (g): The Department of Development of North Eastern Region (DoNER) monitors that all the Ministries/Departments, barring the ones which have been exempted, provide 10% of their Gross Budgetary Support for the North Eastern Region. In case any Ministry/Department does not fulfill this norm, the balance funds are deposited in a Non-Lapsable Central Pool of Resources. This fund is administered by DoNER for setting up infrastructure projects in the North East.

Annex I

The details referred to in the reply to parts (a) and (b) of Lok Sabha Unstarred Question No. 4375 for answer on 17.12.2002

Notification No.32/99-Central Excise issued on 08/07/1999

(a) Provides exemption from basic excise duty, special excise duty, additional excise duty (Goods of Special Importance) and additional excise duty (Textile & Textile Article), to the extent duty is paid by the manufacturer in cash.

(b) Exemption is available on all goods other than goods falling under chapter 24 of Central Excise Tariff (CET).

(c) It is applicable to new units and the units which have undertaken substantial expansion (25% or more capacity addition).

(d) Applies to goods cleared from units located in specified areas, such as growth centers, Industrial Infrastructure Development Centres, industrial areas etc. in the States of Assam, Tripura, Meghalaya, Mizoram, Nagaland, Manipur and Arunachal Pradesh.

(e) The scheme operates through a refund mechanism where the amount paid by the manufacturer from other than utilization of Cenvat credit, is refunded to him.

(f) The exemption is available to new units starting commercial production on or after 24.12.1997 or units undertaking substantial expansion on or after 24.12.1997.

(g) The exemption is available for a period not exceeding 10 years from the date of publication of notification or from the date of commencement of commercial production, whichever is later.

Thus, the exemption contained in this notification applies to all the goods (other than those in Ch 24) cleared from the units located in specified areas.

NOTIFICATION NO. 33/99-CENTRAL EXCISE ISSUED ON 08/07/1999

(a) It provides exemption from basic excise duty, special excise duty, additional excise duty (Goods of Special Importance) and

additional excise duty (Textile & Textile Article), to the extent duty is paid by the manufacturer in cash.

(b) The exemption is available to new units and the units which have undertaken substantial expansion (25% or more capacity addition).

(c) It is applicable to specified goods only, i.e. thrust industries.

(d) For units located any where in the State of Assam, Tripura, Meghalaya, Mizoram, Nagaland, Manipur and Arunachal Pradesh.

(e) The scheme operates through a refund mechanism where the amount paid by the manufacturer in cash is refunded to him.

(f) The exemption is available to new units starting commercial production on or after 24.12.1997 or units undertaking substantial expansion on or after 24.12.1997.

(g) The exemption is available for a period not exceeding 10 years from the date of publication of notification or from the date of commencement of commercial production, whichever is later.

Thus, the exemption contained in this notification applies to specified goods cleared from units located any where in the seven States of North East.

Some other points

(1) The manufacturer availing benefit of any of these notifications is entitled to avail of the Cenvat credit.

(2) Cenvat Credit Rules 2002 have been amended to provide that Cenvat credit, on such inputs and capital goods where benefit of notification No. 32/99 and 33/99 has been availed, would be available to the user of these inputs and capital goods as if no portion of the duty paid on such inputs/capital goods was exempted under said notifications.

(3) Recently, petroleum products have been excluded from the purview of notification 33/99-CE.