

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5888  
ANSWERED ON:30.04.2010  
TAX HOLIDAY TO INDUSTRIES IN H.P.  
Gowda Shri D.B. Chandre

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

- (a) the details of tax related incentives given to industries located in the State of Himachal Pradesh;
- (b) whether the period of such concession has ended/is coming to an end;
- (c) if so, the details thereof alongwith details of requests for extension of the same to a further period;and
- (d) the response of the Union Government to such requests alongwith reasons therefor?

**Answer**

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

(a) & (b): Industries located in the State of Himachal Pradesh were granted full exemption from central excise duty for a period of 10 years from the date of commencement of commercial production to specified goods manufactured by new units and units undertaking substantial expansion. Such relief was granted to those industrial units in Himachal Pradesh that were either set up or expanded by 31-03-2010. So far as direct taxes are concerned, a deduction has been allowed at the rate of 100 per cent for five assessment years and 25 per cent (30 per cent in the case of companies) for the next five assessment years under section 80-IC of the Income-tax Act in respect of the profits or gains derived by the assessee from specified business of undertakings set up in specified areas in the State of Himachal Pradesh. This deduction is also available to any undertaking or enterprise which has begun or begins to manufacture or produce specified articles or things or which manufactures or produces specified articles or things and undertakes substantial expansion during the period beginning on the 7th day of January, 2003 and ending before the 1st day of April, 2012, in specified areas in the State of Himachal Pradesh.

(c) & (d): Requests were received for extension of time frame of central excise duty concessions upto 31st March, 2013. However, it has not been found feasible to accede to these requests due to following reasons:

- {i) Region specific exemptions are difficult to administer and invariably lead to misuse and loss of revenue.
- (ii) Such exemptions lead to shrinkage of tax base and adversely affect buoyancy in revenue collection.
- (iii) Area based exemptions also create economic distortions, resulting in shifting of industry from non exempted area to exempted areas.

Further, in view of Government's intention of implementing GST with effect from 1st April, 2011, it was not found feasible or possible to further extend the central excise duty exemption beyond the stipulated period.