

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3386
ANSWERED ON:13.08.2010
TAX REBATE FOR INDUSTRIAL PARK DEVELOPERS
Ahir Shri Hansraj Gangaram

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has extended the date for application of tax rebate to developers of industrial parks;
- (b) if so, the details thereof;
- (c) whether any estimate of the revenue losses likely to be incurred therefrom has been made;
- (d) if so, the details thereof and steps taken/proposed to be taken therefrom; and
- (e) if not, the reasons therefor?

Answer

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

(a) & (b): Section 80-fA(4)

(iii) of the Income Tax Act, 1961 provides for a tax holiday for 10 out of 15 years in respect of profits of any undertaking which develops and operates or maintains and operates an industrial park. The tax benefit is available to such industrial parks subject to the condition that it is notified by the Central Government in accordance with the Scheme framed and notified in this behalf for the period beginning on 1.4.1997 and ending on 31.3.2006. The terminal date, for availability of this tax incentive has been extended upto 31.3.2011 by Finance (No. 2) Act, 2009. As a consequence, the Industrial Park Scheme, 2008 has been notified by the Government in exercise of the powers conferred by the aforesaid section vide Notification number S.O 51 (E), dated 8.1.2008.

(c): The revenue forgone as reported in the Receipts Budget, 2010 on account of the deduction available for development of industrial parks under section 80-IA of the Income Tax Act is projected to be Rs. 426 crores during the year 2009-10.

(d) & (e): Profit-linked deductions under the Income Tax Act lead to considerable tax expenditure. Such profit-linked incentives are inherently inefficient and essentially, regressive in nature. Consequently, there is an inbuilt incentive for laundering and shifting of profits to the exempted activity. Since profit is the basis for exemption, there is no incentive for investment and upgradation during the period of tax holiday. Such profit-linked incentives also encourage rent-seeking behaviour. Therefore, the profit-linked deductions are being gradually phased out of the Income Tax Act.