

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2717

ANSWERED ON:11.03.2011

TAX HOLIDAY PACKAGES

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Will the Minister of FINANCE be pleased to state:

- (a) the details of tax holiday packages available region-wise, industry-wise as on date;
- (b) the company-wise amount of rebate given therefrom during each of the last three years;
- (c) whether the Government plans to put a sunset clause to any such packages;
- (d) if so, the details thereof;
- (e) whether the Government has received requests for extending such packages to more States; and
- (f) if so, the details thereof and the criteria followed in this regard?

Answer

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

(a) to (d): The following region-specific tax holidays are currently available under the Income Tax Act, 1961:-

(i) Deduction in respect of the profits and gains is available under section 80-IB(4) of the Income Tax Act, 1961 at the rate of 100 per cent for five assessment years and 25 per cent for the next five assessment years for eligible 'new' industrial undertakings in the State of Jammu & Kashmir which commence operations between 01.04.1993 and 31.03.2012.

(ii) Deduction in respect of the profits and gains is available under section 80-IC of the Income Tax Act 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 for eligible industrial undertakings/enterprises which commence operations or undertake substantial expansion in the States of Himachal Pradesh and Uttarakhand between 07.01.2003 and 31.03.2012.

(iii) Deduction of the profits and gains from manufacture/production of eligible articles or things, undertaking of substantial expansion for such activities and for carrying on any eligible business during the period 01.04.2007 to 31.03.2017 at the rate of 100 per cent is available to undertakings located in any of the North-Eastern States under section 80-IE of the Income Tax Act for 10 assessment years.

Area based exemptions under central excise currently operate under two mechanisms – Outright exemption and Refund mechanism. In the case of outright exemption, the manufacturer does not pay duty on his final products and manufacturer availing such exemption is not entitled for the Cenvat credit of the duty paid on his inputs/capital goods. Since he does not pay any duty on his final products, he cannot pass on Cenvat credit to his buyers. This scheme is operating in Uttarakhand, Himachal Pradesh. Under the refund mechanism, the manufacturer first pays normal duty at the time of clearance of goods and subsequently claims refund of that portion of duty that represents his value addition. The manufacturer is entitled to the Cenvat credit of the duty paid on his inputs/capital goods, he can pass on full Cenvat to the downstream user notwithstanding the fact that the duty paid by him in cash is subsequently refunded. This scheme is operating in North East, J&K, Kutch and Sikkim.

The details of states given excise duty exemption and the sunset clause for setting up new units or existing units to undertake substantial expansion are as under:-

State/Region	Time limit for new units to be set up or existing units to undertake substantial expansion
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North Eastern States	31-3-2017
Jammu & Kashmir	No time limit
Sikkim	31-03-2017
Uttarakhand	31-03-2010
Himachal Pradesh	31-03-2010

Kutch 31-12-2005 (exemption is for setting up
of new units)

The exemption is available to new units or units undertaking substantial expansion within the dates mentioned in the table above, for a period of ten years from the date of commencement of commercial production except in the case of Kutch where it is available for five years. Central Excise duty Concessions have been given to these states to attract investments in the industrial sector. So far as indirect taxes are concerned, the existing sunset clauses are mentioned in the Table above. There is no proposal to put a sunset clause to any package. So far as direct taxes are concerned, tax holiday incentives already has an inbuilt sunset clause under the provisions of the Income Tax Act, 1961. Data regarding company-wise amount of rebate is not maintained.

(e) & (f): Many other States have also requested for similar packages but it has been consistent the stand of the Government not to extend the scope, area of operation or the sunset date of any profit-linked incentive or announce any fresh package as a matter of policy.