

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:1759

ANSWERED ON:07.03.2011

TAX BENEFITS FOR INDUSTRIAL UNITS IN STATES

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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether tax holiday benefit, transport subsidy and several other kinds of facilities are being given to some States to make them industrially advanced by formulating a new Industrial policy;
- (b) if so, the details thereof, State-wise;
- (c) the details of names of those States where tax benefits have been withdrawn and the reasons therefor;
- (d) whether the Government is likely to review the increasing industrial activities in those States and contemplate on maintaining the said tax benefits; and
- (e) if so, the details thereof and if not, the reasons therefor?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI JYOTIRADITYA M. SCINDIA)

(a) to (e): Yes, Madam.

Various incentives/concessions provided by the Government to Special Category States of North East (including Sikkim), Jammu & Kashmir, Uttarakhand and Himachal Pradesh are as follows:

Excise Duty Exemption

Excise duty exemption have been notified for the States of North East (including Sikkim), Jammu & Kashmir, Uttarakhand and Himachal Pradesh alongwith sunset clause for setting up new units or to existing units on their substantial expansion; which is as detailed below:-

States/Regions	Time limit for new units to be set up or existing units to undertake substantial expansion
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(i) North Eastern States 31.3.2017

(ii) Jammu & Kashmir No time limit

(iii) Sikkim 31.03.2017

(iv) Uttarakhand 31.3.2010

(v) Himachal Pradesh 31.03.2010

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. While there is an outright exemption for such units in Uttarakhand and Himachal Pradesh, exemption by way of refund is available in other States.

Income Tax Exemption

(i) Income Tax Exemption under section 10C of the Income Tax Act, 1961 is granted to industrial undertakings setup between 01.04.1998 to 01.04.2004 in the States of North Eastern Region (including Sikkim) on Income for ten assessment years beginning with the assessment year in which the undertaking begins to manufacture or produce articles or things.

(ii) Under Section 80IC and 80IE of the Income Tax Act, 1961 exemption from payment of income tax is also provided to certain undertakings set up in the States of Sikkim, Himachal Pradesh, Uttarakhand, Arunachal Pradesh, Assam, Mizoram, Manipur, Nagaland and Tripura subject to the conditions mentioned in the Section itself (read with XIII and XIV Schedule).

(iii) Under Section 80IB(4) exemption from payment of income tax was provided to certain undertakings set up in industrially backward states which are mentioned in the Eighth Schedule to the Income Tax Act subject to the conditions and extent mentioned in the Section itself. However, this deduction is not available to any undertaking which is set up after 01.04.2004 except for the State of Jammu and Kashmir. Under Section exemption from payment of income tax was also provided to certain undertakings set up in industrially backward districts as notified in accordance with Rule 11EA of the Income Tax Rules, 1962 vide notification SO. 440(E) dated 15.06.1999 for a period of eight years or ten years depending on the category of the district. However this deduction is not available to any undertaking which is set up after 01.04.2004.

(iv) 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% for five assessment years and 25% 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.

(v) Deduction in respect of the profits and gains is available under section 80-IC of the Income Tax Act at the rate of 100% for five assessment years and 25% (30% 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.

(vi) 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% is available to undertakings located any of the North-Eastern States under section 80-IE of the Income Tax Act for 10 assessment years.

Capital Investment Subsidy:

(i) 30% of the investment by eligible industrial units in private sector, joint sector, cooperative sector as well as the unit set up by the State Governments in plant and machinery or additional investments in plant and machinery in the States North East (including Sikkim). With effect from 6th January, 2011 and upto 31 March, 2017, subsidy will be available to industrial units in Micro, Small and Medium Enterprises in respect of first and every subsequent substantial expansion and on commencing commercial production or becoming operational/functional thereafter subject to a ceiling of Rs.3 crore and Rs.1.50 crore for manufacturing and services sector respectively.

(ii) 15% of the value of plant and machinery in the notified locations in the States of Jammu & Kashmir, Himachal Pradesh and Uttarakhand subject to a ceiling of Rs. 30 lakhs.

(iii) 30% of the investment in plant and machinery in respect of new units or additional such investment on substantial expansion subject to a ceiling of Rs. 3.00 crore and Rs. 1.50 crore for manufacturing and services sector respectively to Micro, Small and Medium Enterprises in the State of Jammu & Kashmir with effect from 06.01.2011 upto 14.06.2012.

Central Interest Subsidy:

3% on working capital loan in the States of North East (including Sikkim), Jammu & Kashmir.

Comprehensive Insurance Subsidy:

100% Insurance premium under Comprehensive Insurance Scheme in the States of North East (Including Sikkim), Jammu & Kashmir is reimbursable.

Transport Subsidy:

The Transport Subsidy Scheme provides for Transport Subsidy for a maximum period of five years from the commencement of commercial production in the States of North East (including Sikkim), Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Darjeeling District of West Bengal and Union Territory of Andaman and Nicobar Island and Lakshadweep.