

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2931
ANSWERED ON:29.08.2012
LOCATION BASED EXEMPTION
Joshi Shri Pralhad Venkatesh

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has given certain tax concessions and other tax related exemptions to industries located in States and areas of hill stations, etc.;
- (b) if so, the details of such concessions and the financial implications during the last three years, year-wise and State-wise; and
- (c) the details of the total burden on the exchequer by such exemptions and special treatments?

Answer

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

(a): Yes, Madam.

(b) & (c): So far as direct taxes are concerned,

(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 the eligible 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 or production of eligible articles or things, or from carrying out substantial expansion for their manufacture or production, or from carrying on any eligible business during the period 01.04.2007 to 31.03.2017 at the rate of 100 per cent is available for 10 assessment years to undertakings located in any of the eight North- Eastern States under section 80-IE of the Income Tax Act.

The financial implications or burden on the exchequer on account of various tax concessions are maintained in the form of the Revenue Foregone statement ('Revenue forgone under the Central Tax System') in the Receipts Budget, which is a part of the Annual Budget. The estimates of revenue forgone in corporate and non-corporate (excluding individuals) sectors on account of direct tax deductions available for businesses located in the above-mentioned hill States during the last three years are as under:-

State Revenue Foregone (Rs. In crore)

2008-09 2009-10 2010-11

Jammu & Kashmir	254	301	272
Himachal Pradesh	2316	2504	2123
Uttarakhand	1746	2452	3094
North-Eastern States	769	1911	2158

So far as indirect taxes are concerned, in pursuance of the New Industrial Policy and other concessions, announced by the Department of Industrial Policy and Promotion, the Ministry of Finance, Department of Revenue has issued excise duty exemption notifications for the States of North East, Sikkim, Jammu and Kashmir, Uttaranchal and Himachal Pradesh. 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:-

States/Regions	Time limit for new units to be set up or existing units to undertake substantial expansion in order to be eligible for the exemption
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Jammu & Kashmir No time limit
Himachal Pradesh 31.03.2010
Uttarakhand 31.3.2010
North-Eastern States 31.03.2017

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. Central Excise duty Concessions have been given to these states to attract investments in the industrial sector. Details of revenue forgone due to exemptions given to these states are as follows:-

(Rs. In crore)

Revenue Forgone due to Area Based Exemptions given for North Eastern States, Uttaranchal, Himachal Pradesh, Jammu & Kashmir and Kutch district of Gujarat	2009-10	2010-11	2011-12
	8553	10246	12880