

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1541

ANSWERED ON:27.11.2009

TAX HOLIDAYS

Hassan Dr. Monazir ;Sharma Shri Jagdish

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has been announcing tax holidays from time to time with a view to giving impetus to the industrial and business growth in the last few years;
- (b) if so, the tax rebates announced during the years 2006-2007, 2007-2008 and 2008-2009;
- (c) the extent of decrease in revenue of the Government as a result of announcement of tax holidays during each of the above said years; and
- (d) the benefits which accrued to the industries through such tax holidays sector-wise?

Answer

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

(a): Yes, Sir.

(b): The Government has notified Central Excise duty exemption for the North East Region (including Sikkim) based on North East Industrial Investment Promotion and Policy (NEIIPP), 2007 with effect from 25.4.2007

This exemption is available for new units in the region provided they commence commercial production on or after 1st day of April, 2007 but not later than 31st day of March, 2017.

It is also available to the Industrial units existing before the first day of April, 2007 but which have undertaken substantial expansion by way of increase by not less than 25% in the value of fixed capital investment in plant and machinery for the purposes of expansion of capacity / modernization and diversification and have commenced commercial production from such expanded capacity on or after the 1st day of April, 2007 but not later than 31st day of March, 2017.

Tax rebates announced by the Government in Budget 2006-07 to 2008-09 relating to direct taxes are highlighted in Annexure.

(c): The extent of estimated decrease in revenue of the Government as a result of tax rebates during last three years is as under:

(Rs. in crore)
2006-07 2007-08 2008-09

Indirect Taxes 7000 8073 10327
Direct Taxes 5460 8762 9317

(d): No such information is maintained by this Ministry.

Annexure

Tax rebates announced by the Government in Budget 2006-07 to 2008-09 relating to Direct Taxes are as under

1. Tax rebates announced in Budget 2006-07:

i) Budget 2006-07 amended sub-clauses (a) (b) and (c) of clause

(iv) of sub-section (4) of section 80 IA to extend the time limit from 31.3.2006 to 31.3.2010 for deduction available to undertakings which start generation, or transmission or distribution by laying a network of new transmission or distribution lines or undertaking substantial renovation and modernisation of the existing network of transmission or distribution lines. This amendment has taken effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

ii) The above Budget amended clause

(iii) of sub-section (4) of section 80IA to extend the time limit from 31.3.2006 to 31.3.2009 for deductions in respect of profits and

gains from industrial undertakings or enterprises engaged in develops, developing and operating or maintaining and operating an industrial park or special economic zone notified by the Central Government in accordance with the scheme framed and notified by it. This amendment has taken effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

2. Tax rebates announced in Budget 2007-08:

i) A new clause

(vi) in the said sub-section (4) of section 80-IA was inserted in the above budget so as to provide that any undertaking carrying on the business of laying and operating cross-country natural gas distribution network, including gas pipelines and storage facilities being an integral part of the network, shall be eligible for deduction under the said section if it fulfils the conditions specified in the given clause.

ii) Budget 2007-08 inserted a new section 80-ID in Income tax Act to provide for 100% deduction in respect of profits and gains from the business of hotels and convention centres in specified areas of the National Capital Territory of Delhi and districts of Faridabad, Gurgaon, Gautam Budh Nagar and Ghaziabad for five consecutive assessment years beginning from the initial assessment year. This amendment has taken effect from 1st April, 2008 and will, accordingly, apply in relation to the assessment year 2008-2009 and subsequent years.

iii) The terminal date for setting up of industrial undertakings and commencement of eligible business in the State of Jammu and Kashmir was extended in the above Budget by five more years, i.e., from 31.3.2007 to 31.3.2012 as per the provisions of section 80-IB(4). This amendment has taken effect from 1st April, 2008 and will, accordingly, apply in relation to the assessment year 2008-2009 and subsequent years.

3. Tax rebates announced in Budget 2008-09:

i) A new sub-section (11C) was inserted in Section 80-IB to grant a five year tax holiday to hospitals located in any place outside the urban agglomerations especially in tier-2 and tier-3 towns; this window will be open for the period April 1, 2008 to March 31, 2013.

ii) Five year holiday from income tax was granted to two, three or four star hotels established in specified districts having UNESCO-declared 'World Heritage Sites'; the hotel should be constructed and start functioning during the period April 1, 2008 to March 31, 2013.