



Himachal Pradesh

Fiscal Incentives, Exemptions & Subsidies

Incentives Concessions and Facilities Currently Available to Industry in the State:

Availability of incentives and subsidies are important to encourage investment in the State. There are a number of incentives in the form of subsidies, tariff concessions and deferments provided by State Govt. and Govt. of India.

Government Incentives:

1) State Government Package:

Interest subsidy to tiny/small units in priority sector, capital investment subsidy for units being set up in the Priority sector, special incentive for fruit, vegetable and maize based and herbal based units i.e. units based on local raw material, GST exemption and CST at concessional rates, procurement of raw materials at 1% GST, allotments of plots and sheds at reasonable prices/rates in industrial areas and estates, Project specific special package etc. is some of the main incentives/subsidies being offered by the State Govt.

2) Central Government Package of Incentives:

In January 2003 the Govt. of India had announced a special package of incentives to Himachal Pradesh. This includes 100% exemption from payment of Central Excise Duty for 10 years, 100% income tax exemption for 5 years and 25% and 30% exemption for the next block of 5 years (for Individuals and Companies), capital investment subsidy @ 15% of investment in Plant & Machinery subject to a ceiling of Rs. 30 lacs, and, enhancement of funding pattern under centrally sponsored schemes like Deen Dayal Hathkargha Protsahan Yojana and Prime Minister Rojgar Yojana. Apart from these, the Central Transport Subsidy is being provided to industrial units @ 75% of the cost of transportation of their finished goods and for transportation of their raw material from the location of their units anywhere in the State to the nearest, specified broad gauge rail head.

3) The main objective of these incentives, concessions and subsidies has been to encourage investment in the State, to make or to enable the units to become more competitive, and, to establish them at the initial stages of production. In a hilly state like Himachal Pradesh

where the cost of production is higher due to difficult terrain and inadequate industrial infrastructure these subsidies are justified to make the prices and the product competitive with the goods produced by units set up in the neighboring States. It is in this context that it is important to review the existing package of incentive, concessions and facilities so as to spur the growth of Industry uniformly throughout the State and to bring it in line with the felt needs of Industry and the Special Package announced by Government of India for our State.

PACKAGE OF INCENTIVES, CONCESSIONS AND FACILITIES FOR INDUSTRIES UNDER THE 2004 POLICY

1) With a view to encourage investment in our State and to offset the locational disadvantages the State Government has been implementing various Incentive Schemes in tandem with the changing needs and aspirations of Industry. Over a period of time it has been realized that fiscal incentives have invariably led to the creation of inefficient and uncompetitive industry, which has not been able to sustain itself in the long run. In addition, with changes and modifications being introduced in the taxation policy and reforms initiatives like introduction of VAT, incentives to industry need to be looked at afresh. Thus it is imperative that we move towards a policy of gradual phasing out of subsidies. Such initiatives coupled with an increased stress on the provision of quality infrastructure shall help create a conducive environment for industrial growth and attract both foreign and domestic investments.

2) The Centre has recently announced a special package of incentives for Himachal Pradesh and Uttaranchal, broadly along the lines of Jammu and Kashmir. It provides for concessions aimed at attracting new investments to these States. It will be a conscious policy of our Government to supplement this package with certain concessions and facilities from the State Government so as to ensure sustainable industrial development in the long run.

3) A new set of Rules to govern incentives, concessions and facilities will be announced as a part of this Policy which will remain operative till the next Rules governing the incentives, concessions and facilities are announced or these rules amended. It is a conscious attempt of the State Government to phase out all tax-based and other fiscal incentives (deferrals/exemptions etc.) over a period of time keeping in tune with the changing economic scenario of the country and ground realities. While doing so, efforts will, however, be made to enable existing units to avail of the incentives they are already availing for the periods they are entitled to.

4) In order to assure local industry with adequate back-up of Government in international markets and to encourage setting up of innovative industry based on local skills, local raw materials and employing local people, the State Government would give fiscal incentives to Companies set up and having their registered offices in H.P. for patenting their inventions and its commercialization, especially for activities such as drafting the patent application, filing the patent application in India, filing the patent application in Patent Tribunals, prosecution of the patent application outside India, maintenance fee of the granted patent application, and obtaining non-infringement opinion. Fiscal incentive by the State

Government would also be provided to such companies so as to meet with the fees charged by established private lawyers / law firms located within the country having a reference from any Ministry/ Deptt. of Government of India of having successfully assisted such Companies in the country.