



Fiscal Incentives, Exemption & Subsidies

Tax Concessions and Other facilities

- Continuous improvement in the quality of infrastructure and human resources is an essential element for accelerating the pace of industrialisation. Tax concessions and other facilities also have an important role to play in laying down the priorities for industrialisation.
- The Industrial unit getting facilities and concessions under existing schemes will continue to get these facilities and concessions for the remaining period of eligibility according to the provisions of these schemes. After the abolition of sales tax, eligible units will continue to get the same concessions of commercial tax as per their eligibility for remaining period of the existing schemes. Facilities and concessions at present available to industrial units will remain in force unless expressly modified by the Industrial Policy and Action plan, 1994.
- The scheme of State Capital Investment Subsidy, 1989 will continue to be available for small scale units. Industrial units in the cooperative sector with a minimum investment of Rs. one crore in plant and machinery and a membership of a minimum of one hundred persons, will also be eligible.
- The facilities and concessions announced in the policy shall be available to industrial units which go into commercial production after the date of announcement of the Industrial Policy and Action Plan, 1994. Industrial units which have taken the prescribed effective steps prior to the announcement of this policy will have the option of availing various facilities under the provisions of earlier schemes in force, instead of the facilities available under the new policy and Action Plan, provided that, such units go into commercial production before 1-4-95. Such large and medium scale industrial units, which have got gone into commercial production but have obtained advance subsidy under the then operational scheme of State Capital

Investment Subsidy will be required to refund to the State Government, before 1-4-95, the amount of subsidy thus obtained if they desire to avail the facilities under the Industrial Policy and Action Plan, 1994.

- "Effective Steps" mean fulfilling a minimum of two of the following conditions:-
 - Possession of land has been taken.
 - At least 50% of expenditure has been incurred of the estimated expenditure on building, as per the project report.
 - Firm orders of atleast 50% of plant and machinery have been placed of the estimated plant and machinery as per the project report.
- The following Sales Tax/Commercial Tax concessions will be available to industries:-

Category of the District	Exemption from payment of Sales/Commercial tax		Deferment from payment of Sales/Commercial tax	
	Maximum amount of benefit	* Eligibility of period	Maximum* amount of benefit	Eligibility period
Advanced	125%	3 years	175%	4 years
Backward	(A) 150%	5 years	200%	7 years
	(B) 200%	6 years	250%	8 years
	(C) 250%	7 years	300%	9 years

* The maximum amount of benefit will be limited to the percentage of capital investment in fixed assets as shown in the above column.

- a) At present units having capital investment in fixed assets Rs ten lakhs get tax concessions limited to the extent of 90% of the fixed capital investment. In the new scheme the ceiling has been raised to 100% for exemption and 150% for the deferment facility.
- b) These concessions will be available on finished products, by-products, waste products, raw materials, incidental goods and packaging material.
- c) Payment of tax will be deferred for a period of five years. In the sixth year the deferred amount will be due without any interest as per rules. If the deferred amount is not paid within the stipulated time limit, the unit's eligibility for the balance period is liable to be cancelled and interest will be charged on such mount, as per rules.
- d) Units set up by Women Entrepreneurs, persons belonging to Scheduled Castes. Scheduled Tribes and Backward Classes will be entitled to one year's additional concession.

- e) After accounting for all special eligibilities, a unit will get a maximum benefit of upto an additional five years, over and above the concession normally available.
- f) Given the capping on the quantum of commercial/sales tax concessions it has become necessary to define capital in investment in fixed assets. Capital Investment in fixed capital assets is defined as follows:
 - I. Investment made in land, building, plant and machinery, electric installations and pollution control equipment.
 - II. Expenditure on land development, limited to 10% of the investment made in land and building.
 - III. Investment made for laboratory, research and on administrative building.
 - IV. Investment made in machinery and equipment for laboratory and research
 - V. Capital investment made on the establishment of railway siding.
 - VI. Expenditure on godown, storage tank, etc.
 - VII. The value of leased machinery and equipment required for production. (In this regard detailed definition will be issued separately).

All items, except item (v) and (vii) will be taken into account for the small scale industries sector. In calculating the maximum allowable tax concessions for large and medium scale units with an investment upto Rs. one hundred crore, the investment made by them within three years from their going into commercial production will also be taken into account. For industrial units with an investment of more than Rs. one hundred crore, the investment made by them within five years from their going into commercial production will also be taken into account.

- With a view to balance regional development, small scale, medium and large scale units set up in "No Industry Blocks" of all the districts in the State will get the same commercial tax concessions of exemption or deferment, available in "C" category districts. In "No Industry Blocks" of Backward "C" category districts, an additional one year's concession will be available. "No Industry Blocks" will be those which do not have any large or medium scale units on the date of announcement of the Industrial Policy and Action Plan, 1994. Such small scale industrial units (with an investment of over Rs. five lakhs on plant and machinery) and medium and large scale units which go into commercial production after the date of announcement of the Industrial Policy and Action Plan, 1994 will be eligible for the special facilities being made available in the "No Industry Blocks".
- Industrial units which will be established in areas declared as rehabilitation areas for persons displaced by submergence on account of large dams and projects will get the same concession, as available to units in "C" category districts. Units to be set up in such areas in "C" category district will be allowed an additional two year's concession. Such units will be required to provide employment to a prescribed number of displaced persons.
- Units to be established in Growth Centres developed by M.P. Audyogik kendra Vikas Nigams with the approval of the State Government, where expenditure on

development of infrastructure has been made, from time to time shall be eligible for commercial tax concession, either by way of exemption or deferment for an additional period of two years. This concession will also be available in Growth Centres which are approved in the future.

- Units which will be set up within five kms from the boundary of a Growth Centre due to non-availability of land within that Growth Centre will be eligible for an additional one year's tax concession over and above the period normally allowed in that area.
- Industrial units commencing commercial production after the announcement of Industrial Policy and Action Plan, 1994 are defined as "New Units".
- A new scheme will be launched with a view to providing more opportunities of employment to bonafide residents of the State for which additional facilities will be provided to industries. It will be incumbent upon the industrial unit for which land has been specifically acquired, to provide employment to one member of the family whose land has been acquired, provided that the family has ownership of that land for atleast twelve years. Rules for this will be framed separately.
- In order to develop human resources, special financial concessions will be given to those units which train and employ bonafide residents of the State. Such units will be especially encouraged to provide employment to handicapped persons.
- The scope of the "Thrust Sector" has been enlarged. The thrust sector will now include automobiles, agricultural implements, agro based industry, agricultural inputs, mineral resource based industry fish canning, automobile components, white goods, telecommunication and petro-chemicals down stream projects, readymade garments, sport goods and leather and silk industry. The list of industries covered under this thrust sector will be declared by the State Government from time to time. There shall be no capping on the quantum of tax concessions available to such industries, provided that an investment of at least Rs. one crore is made in plant and machinery.
- New industrial units set up in the cooperative sector with an investment of atleast Rs. one crore in plant and machinery and a membership of atleast one hundred persons shall be eligible for three years additional commercial tax concession of exemption or deferment.
- Additional investment of units undertaking expansion will be eligible for commercial tax concession, for the same period and with the same capping as applicable to new units. This facility will be available to units with an investment of more than Rs. ten lakhs. Small scale units will be required to invest atleast an additional 50% in plant and machinery, of the investment made in the existing plant and machinery. In order to obtain the concession for expansion, large and medium scale units with an investment upto Rs. ten crore will be required to invest atleast an additional Rs. one crore in plant and machinery. Units with an investment of more than Rs. ten crore will need to invest atleast an additional Rs. five crore. The above facilities will be available for production which is over and above % of the installed capacity.

- During the period of eligibility, units undertaking modernisation/diversification and producing new items, will also be eligible for tax concession on the new items for the remainder of the eligibility period.
- Incidental goods and capital goods will also be brought within the scope of entry tax concessions.
- 100% Export Oriented Units will be specially encouraged. These units will get commercial tax concessions for an additional period of two years and exemption from payment of entry tax for a period of eight years. Industrial units being set up by Non-Resident Indians (NRIs) with a capital investment of at least Rs two crore shall get similar concessions which are available to EOUs, provided that the NRI investment is at least 50% of the equity invested by the promoters.
- The Power Subsidy Scheme, 1989 stands withdrawn and the financial resources thus saved will be spent in developing infrastructure.
- From the date of declaration of Industrial Policy and Action Plan, 1994, the maximum limit under the scheme of interest subsidy applicable to the small scale sector stands raised to Rs. twenty five thousand per year from the existing limit of Rs. ten thousand per year, for general category entrepreneurs. At present, interest subsidy is available at the rate of 4% to entrepreneurs belonging to the Scheduled Castes and Scheduled Tribes category. From the date of announcement of the Industrial Policy and Action Plan, 1994, the rate of interest subsidy for Scheduled Castes and Scheduled Tribes entrepreneurs shall be increased to 6% and as was the case earlier, this will be without any ceiling.
- Large and medium scale units will be encouraged to promote ancillary units. An attractive scheme shall be announced towards this end.
- In order to increase exports products manufactured in the State need to be made more competitive. Assured quality is the key to competitiveness. Obtaining an ISO 9000 is an important step in this direction. In this context the State Government will provide assistance by reimbursing upto 50% of the fee paid to a recognised certification institution.
- The State Government is keenly aware of the need for environmental protection along with rapid industrial development. In order to encourage installation of environmental protection equipment, such equipment will be exempt from commercial taxes.
- The existing list of units ineligible for various facilities and concession will be revised.
- Special packages of concession will be prepared to attract mega investments.
- A special incentive scheme will be prepared for all types of new units with an investment of Rs five hundred crore or more. Concessions, on the lines of the special incentive scheme for the establishment of integrated steel plants with capital investment of more than Rs. one thousand crore, excluding state capital investment subsidy, and with modified conditions of land allotment, etc. will be provided as incentives under this scheme.
- A special package of concessions will be prepared for all types of new units set up with an investment of over Rs. ten crore and upto Rs. one hundred crore and another

package for new units with an investment of over Rs. one hundred crore but less than Rs. five hundred crore.

- A special scheme will be prepared for the establishment of plants processing agricultural and urban waste.