



Pondicherry

Fiscal Incentives, Exemptions & Subsidies

Incentives and Concessions

We have often heard it said that many industries came to establish themselves in Pondicherry because of low sales tax rates that had been maintained by the government there. It is further stated that since the Pondicherry has had to adopt uniform floor rates for sales tax in accordance with an all-states agreement, the advantage of low rates has gone, many industries are closing down and consequently there is not much prospect of future industrial growth. While low rates of local sales tax would have some advantage, since Pondicherry comprises a small territory, in many industries local sales tax would have constituted only a small share. However, low local sales tax rates would also help to some extent inter-state sales because CST has a ceiling of 4 per cent. The five year income tax holiday given to industries in Pondicherry must have been of much greater help. Pondicherry should bring down its CST rate to an average of 1 per cent.