

**GOVERNMENT OF INDIA  
COMMERCE AND INDUSTRY  
LOK SABHA**

UNSTARRED QUESTION NO:617  
ANSWERED ON:21.02.2003  
INDUSTRIAL INCENTIVE PACKAGE  
RATILAL KALIDAS VARMA

**Will the Minister of COMMERCE AND INDUSTRY be pleased to state:**

- e:
- (a) whether the Government have decided to provide industrial incentive package to some States;
  - (b) if so, the details of such package, State-wise;
  - (c) whether modernisation of industries and new products have not been covered under said packages; and
  - (d) if so, the reasons therefor?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI CH. VIDYASAGAR RAO)

(a) & (b): Yes, Sir. The Union Government has granted Industrial Incentive Packages for North-Eastern States and the States of Jammu and Kashmir, Sikkim, Uttaranchal & Himachal Pradesh. The salient features of packages are in Annexure.

(c) & (d): Modernisation of existing industries and addition of new products resulting in substantial expansion are covered under the policy.

Annexure

Statement referred to in reply of part (a) & (b) of Lok Sabha Unstarred Question No. 617 for answer on 21.2.2003 tabled by Shri Ratilal Kalidas Varma regarding Industrial Incentive Package.

1.Package for North-Eastern States

The new North East Industrial Policy and other concessions was announced on December 24, 1997 for promoting industrialization of the North Eastern Region which inter-alia envisage the following:

A. DEVELOPMENT OF INDUSTRIAL INFRASTRUCTURE:

- 1. The entire expenditure on growth centres would be provided as Central assistance subject to a ceiling of Rs.15 crores.
- 2. In respect of the IID centres the funding pattern would be changed from 2:3 between GOI and SIDBI to 4:1 and the GOI funds would be a grant.

B. TRANSPORT SUBSIDY SCHEME:

- i. Transport Subsidy Scheme has been extended further for N.E. States, upto 31.3.2007 on the existing terms and conditions.

C. FISCAL INCENTIVES TO NEW INDUSTRIAL UNITS AND THEIR SUBSTANTIAL EXPANSION:

- i. Government has approved for converting the growth centres and IIDCs into a total tax free zone for a period of 10 years.
- ii. Industries located in the growth centres would also be given capital investment subsidy at the rate of 15% of their investment in plant and machinery, subject to a maximum ceiling of Rs.30 lakhs.
- iii. The commercial banks and the North Eastern Development Finance Corporation (NEDFi) will have dedicated branches/counters to process applications for terms loans and working capital in these centres.
- iv. An interest subsidy of 3% on the working capital loans would be provided for a period of ten years after the commencement of production.
- v. Similar benefits would also be extended to the new industrial units or their substantial expansion in other Growth Centres or IIDCs or industrial estates/parks/export promotion zones set up by the States in the NE region.

#### D. RELAXATION OF PMRY NORMS :

i. The PMRY would be expanded in scope to cover areas of horticulture, piggery, poultry, fishing, small tea gardens, etc. so as to cover all economically viable activities. PMRY would have a family income ceiling of Rs.40,000 per annum for each beneficiary along with his/her spouse and upper age limit will be relaxed to 40 years. Projects costing upto Rs.2 lakhs in other than business sectors will be eligible for assistance. No collateral will be insisted for projects costing upto Rs.1 lakh. Group financing upto Rs. 5 lakhs will be eligible. Scheme will have a subsidy component @ 15% with an upper ceiling of Rs.15,000. The margin money may vary from 5% to 12.5% of the project cost to make the subsidy and margin contribution at 20% of the project cost. PMRY would continue to have Entrepreneurship Training Component as per the existing rate.

#### E. OTHER INCENTIVES PROPOSED :

- i. A comprehensive insurance scheme for industrial units in the North East will be designed in consultation with General Insurance Corporation of India Ltd. and 100% premium for a period of 10 years would be subsidized by Central Government.
- ii. A one time grant of Rs.20 crores will be provided to the North East Development Financial Corporation (NEDFi) by the Central Government through NEC to fund techno-economic studies for industries and infrastructure best suited to this region.
- iii. State Government may consider setting up of a "Debt Purchase Window" by the NEDFi which buys the debt of the manufacturing units particularly in respect of the supplies made to the government Departments so as to reduce the problem of blocking of funds for these units.
- iv. For development of markets in north east possibilities of exports of products of north east to the neighbouring countries particularly Bangladesh, Myanmar and Bhutan would be explored.
- v. It may be considered to [provide assistance for restructuring State PSUs from National Renewal Fund.
- vi. The community pattern of land holding in large parts of NE region, does not lend itself to providing collateral security as required under conventional bank lending. RBI has constituted a Committee to look into this issue. An appropriate system of "guarantees" will be evolved for NE region.

#### F. PROCEDURE FOR RELEASE OF ASSISTANCE UNDER THE INITIATIVES:

i. It is approved that transport subsidy budget may be released by a designated agency on the basis of the recommendations of the SLC. It is proposed that NEDFi may be designated as the nodal agency for release of transport subsidy in NE States. NEDFi may be paid administrative expenses for this service which may be decided in consultation with IDBI.

#### G. DEVELOPMENT OF VILLAGE & SMALL INDUSTRIES (VSI) SECTOR:

Weavers' Service Centres (WSCs) in NE region and Indian Institute of Handloom Technology at Guwahati would be suitably strengthened to provide technology and training support to the weavers. National Handloom Development Corporation will give priority in supply of hank yarn to the NE region. All the four varieties of silk would be covered under the Mill Gate Price Scheme. Priority would be given to the NE region in scheme of setting up of market complexes and permanent exhibition facilities. A new design centre for development of handicraft would be set up in NE region. To upgrade the skill of artisan, advance training programme through master craftsmen would be organised. New emporia will be set up and financial assistance for renovation of existing emporia would be provided. The Central Silk Board will give priority to NE region in implementation of its schemes.

#### 2. Package for Jammu & Kashmir

Introduction : The Government of Jammu & Kashmir requested for a special package for development of industries in the state on the lines of the North East Industrial Policy. Keeping in view the fact that the State of Jammu & Kashmir lags behind in industrial development, need has been felt for structured interventionist strategies to accelerate industrial development of the state and boost investors' confidence.

Salient features of the package: New Industrial policy and other concessions for the state of J&K was issued on vide OM dated 14th June, 2002. The salient features of the package are :

100% excise duty exemption for a period of 10 years from commencement of commercial production to new industrial units and existing units on their substantial expansion. The Notification regarding the Excise exemptions has been issued by the Ministry of Finance on 14th November, 2002.

Capital Investment Subsidy @ 15% for investment in plant & machinery subject to a maximum of Rs.30 lakhs would be provided to all new units and the existing units on substantial expansion under the Central Capital Investment Subsidy Scheme, 2002 notified on 22nd October, 2002.

Interest subsidy of 3% on working capital loan would be allowed to all new units and the existing units on substantial expansion under the Central Interest Subsidy Scheme, 2002 notified on 22nd October, 2002.

The insurance premium to the extent of 100% on capital investment would be available to all new units and the existing units on substantial expansion under the Central Comprehensive Scheme, 2002 notified on 22.10.2002.

The Income tax exemption would continue as per existing dispensation applicable to Jammu & Kashmir under section 80 IB of Income Tax Act.

The financing pattern of Integrated Infrastructure Development Centres between Govt. of India and SIDBI will change from 2:3 to 4:1.

Design-cum-Resource Centre for footwear and leather industry would be set up with the initial contribution of Government of Rs.1.00 crore.

Ministry of Textiles will extend their package of assistance as applicable to NER, to the State of J&K also.

Industries ineligible for concession under the package are cigarettes/cigars of tobacco, manufactured tobacco and substitutes, distillation/brewing of alcoholic drinks and manufacture of branded soft drinks.

### 3. Package for Sikkim

Introduction : The Government of Sikkim requested for a special package for development of industries in the state on the lines of the North East Industrial Policy. Keeping in view the fact that the State lags behind in industrial development, a need has been felt for structured interventionist strategies to accelerate industrial development of the state and boost investors' confidence.

Salient features of the package: New Industrial policy and other concessions for the state of Sikkim was issued vide OM No. 14(2)/2002-SPS dated 23rd December, 2002. The salient features of the package are:

Incentives under the schemes :

1. 100% excise duty and income tax exemption for a period of 10 years to new industrial units and existing units on their substantial expansion.

Capital Investment Subsidy @ 15% for investment in plant & machinery subject to a maximum of Rs.30 lakh would be provided to all new units and the existing units on their substantial expansion under the Central Capital Investment Subsidy Scheme, 2002 notified on 24th December, 2002.

Interest subsidy of 3% on working capital loan would be allowed to all new units and the existing units on their substantial expansion under the Central Interest Subsidy Scheme, 2002 notified on 24th December, 2002.

The insurance premium to the extent of 100% on capital investment would be available to all new units and the existing units on substantial expansion under the Central Comprehensive Insurance Scheme, 2002 notified on 24th December, 2002.

The financing pattern of Integrated Infrastructure Development Centres (IIDC) between Govt. of India and SIDBI will change from 2:3 to 4:1.

The central assistance under the Growth Centre Scheme is raised from Rs.10 crore to Rs.15 crore per Centre as in the North East Industrial Policy.

The negative list for Sikkim include polluting paper and paper products, cigarettes, tobacco and aerated branded beverages.

### 4. Package for Uttaranchal & Himachal Pradesh

Introduction : The Hon'ble Prime Minister, during the visit to Uttaranchal from 29th to 31st March, 2002, had, inter-alia made an announcement that 'Tax and Central Excise concessions to attract investments in the industrial sector will be worked out for the Special Category States including Uttaranchal. The industries eligible for such incentives will be environment friendly with potential for local employment generation and use of local resources.'

Salient features of the package: New Industrial policy and other concessions for the state of Uttaranchal and Himachal Pradesh was issued vide OM No. 1(10)/2001-NER dated 7th January, 2003. The salient features of the package are:

Incentives under the schemes :

100% excise duty exemption for a period of 10 years to new industrial units and existing units on their substantial expansion.

100% income tax exemption for initial period of five years and thereafter 30% for companies and 25% for other than companies for a further period of five years for the entire state of Uttaranchal and Himachal Pradesh from the date of commencement of commercial production.

Capital Investment Subsidy @ 15% for investment in plant & machinery subject to a maximum of Rs.30 lakh would be provided to all new units and the existing units on their substantial expansion under the Central Capital Investment Subsidy Scheme, 2003 notified on 8th January, 2003.

The financing pattern of Integrated Infrastructure Development Centres (IIDC) between Govt. of India and SIDBI will change from 2:3 to 4:1.

The central assistance under the Growth Centre Scheme is raised from Rs.10 crore to Rs.15 crore per Centre as in the North East Industrial Policy.

The funding pattern between Government of India and both the States would be changed from 50:50 to 90:10 under Deen dayal Hathkargha Protsahan Yojna. Ministry of Textiles would extend its package of incentives, as notified for North-Eastern States, to the states of Uttranchal and Himachal Pradesh also.

Ministry of Food Processing Industries would include Uttaranchal in difficult areas category. The state of Himachal Pradesh is already included in the difficult areas category.

Ministry of Agro & Rural Industries would provide for states of Himachal Pradesh and Uttranchal relaxation under Pradhan Mantri Rozgar Yojana (PMRY) with respect to Age (i.e. 18-40 years from 18-35 years) and Subsidy ( @ 15% of the project cost subject to a ceiling of Rs.15,000/- per entrepreneur).

In order to utilise local resources in an environment friendly manner, certain polluting industries and those not utilising local resources would be excluded from the purview of proposed concessions. In addition, the Doon Valley Notification dated 01.02.1989 as amended from time to time, issued by Ministry of Environment and Forests would continue to operate in the Doon Valley Area and the industries notified under it would be excluded from the proposed concessions, in the Doon Valley Area of the state of Uttranchal.