

LOK SABHA

UNSTARRED QUESTION NO. 3419

TO BE ANSWERED ON MONDAY, DECEMBER 09, 2019

AGRAHAYAN 18, 1941 (SAKA)

TAX EXEMPTION TO INDUSTRIES

†3419. SHRI SUKHBIR SINGH JAUNAPURIA:
SHRI ASHOK MAHADEORAO NETE:

Will the Minister of FINANCE be pleased to state:

- (a) the names of the States and areas wherein industries have been given exemption in central taxes as on date;
- (b) whether the Government has extended tax exemption being provided to the industries in the entire country and if so, the details thereof during the last three years and the current year;
- (c) whether the Government has decided to provide the said tax exemption in view of slowdown in industries and the said tax exemption is likely to continue in future also;
- (d) if so, the details thereof along with the concrete steps taken by the Government for the employees retrenched recently from the industries;
- (e) whether the Government has also taken or proposes to take any steps for giving exemption in central taxes including central excise for setting up of industries in tribal, backward, remote and Naxalite affected Gadchiroli-Chimur parliamentary constituency of Maharashtra for its development; and
- (f) if so, the details thereof and if not, the reasons therefor?

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)**

(a) to (f):

In order to promote manufacturing and industrialization in various States/areas of the country Government has formulated various schemes/policies like "Budget Support Scheme", "North East Industrial and Investment Promotion Policy, 2007", "North East Industrial Development Scheme, 2017" and "Industrial Development Scheme, 2017". The relevant details relating to these schemes/policies including the tax exemptions and incentives in respect of these schemes/policies are as per Annexure-I.

Under the Income tax Act 1961 some States wherein industries have been given exemptions are at Annexure-II. In addition to this, various Special Economic Zones (SEZs) and Industrial parks have also been provided exemptions/deductions under Section 80IA and 80IB of the income Tax Act, 1961.

Further, the tax exemptions and other incentives allowed to SEZs are in-built in the SEZs Act, 2005. Main fiscal concessions and duty benefits allowed to SEZ developers and units are as follows:

1. Exemption from Central Sales Tax, Exemption from Service Tax and Exemption from State Sales Tax. These have now been subsumed into GST and supplies to SEZs are zero rated under IGST Act, 2017.
2. Exemptions from Income Tax for 15 years as per Income Tax Act.
3. Duty free import/domestic procurement of goods.
4. Exemption from State Sales Tax and other levies as extended by the respective State Government.

The tax exemptions and other incentives allowed to Export Oriented Units (EOUs) are in-built in foreign Trade Policy 2015-20 read with handbook of Procedure 2015-20. EOUs are eligible for reimbursement of Central Sales Tax (CST). The details of State wise SEZs and EOUs is as per Annexure-III & IV.

BUDGETARY SUPPORT SCHEME

Title of the Scheme:- Scheme of Budgetary Support to the eligible units located in the States/UTs of Uttarakhand, Himachal Pradesh, UT of Jammu & Kashmir, UT of Ladakh and North Eastern States including Sikkim under Goods and Service Tax Regime" dated 05.10.2017.

BACKGROUND

With a view to give boost to industrialization in North Eastern Region and Himalayan States, DPIIT was implementing North East Industrial and Investment Promotion Policy (NEIIPP), 2007 for North Eastern Region States w.e.f. 01.04.2007. Various benefits provided under the policy were:-

- i) Central Capital Investment Subsidy
- ii) Central Interest Subsidy
- iii) Central Comprehensive Insurance Subsidy
- iv) 100% Income tax Exemption
- v) Excise Duty Exemption on Value Addition basis

Special Package Scheme was being implemented for Himalayan States/UTs i.e. for Uttarakhand, Himachal Pradesh, UT of Jammu & Kashmir and UT of Ladakh (erstwhile the State of Jammu & Kashmir). Various incentives/ concession for development of industries in these states were:-

- i) Central Capital Investment Subsidy
- ii) Central Interest Subsidy
- iii) Central Comprehensive Insurance Subsidy
- iv) 100% Income tax Exemption
- v) Excise Duty Exemption on Value Addition basis

All the benefits/ components of both these schemes except Income tax exemption and Central Excise Duty Exemption were being implemented by DPIIT. The components viz. Income Tax Exemption and Central Excise Exemption were being implemented by Department of Revenue, Ministry of Finance. GST Council in its meeting held on 30.09.2016 had approved the following:-

- i) All entities exempted from payment of indirect Tax under any existing Tax incentive scheme shall pay in the GST regime.
- ii) The decision to continue with any incentive given to specific industries in existing industrial policies of States or through any schemes of the Central Government shall be with the concerned State or Central Government.

iii) In case the State or Central Government decides to continue any existing exemption/incentive scheme, then it shall be administered by way of reimbursement mechanism through the budgetary route, the modalities for which shall be worked out by concerned State/Centre.

It was also informed that under GST out of every Rs. 100 collected by the centre, only 58% shall be retained by the centre and 42% shall be devolved to the states. Therefore, the centre shall reimburse only upto 58% of the centre's share of the amount collected from these industries under GST.

GST was implemented w.e.f. 01.07.2017. As GST was a new tax, exemption notification issued for VAT and Central Excise became infructuous. Government was not legally obliged to compensate the affected industrial units in NER and Himalayan States/UTs due to change in tax policy and structure. There is no one-to-one correlation between central excise duty and GST.

Therefore, the GST council left it to the discretion of Central and State Governments to notify Schemes of Budgetary Support to such units.

Accordingly, Department of Revenue had proposed that to mitigate the hardships arising due to withdrawal of excise duty exemption notifications, DPIIT should provide Budgetary Support to the eligible units for the residual period stipulated under the Schemes of NEIIPP/SPS by way of reimbursement of the Goods and Service Tax limited to the Central Government's share of CGST and IGST retained after devolution to the states. Further, only such industrial units, which were currently availing Area Based exemption under Central Excise Act, will be eligible for financial incentive under this Scheme for a definite period not exceeding ten years from the date of commencement of commercial production.

Therefore, keeping in view the likely hardships faced by industrial units, Budgetary Support Scheme was introduced by DPIIT in consultation with Department of Revenue, M/o Finance. The Scheme was notified by DPIIT on 05.10.2017 and will remain in force by 30.06.2027.

The Scheme is for a residual period for which each of the units is eligible and is offered as a measure of goodwill, only to the units which were eligible for drawing benefits under the earlier Excise Duty Exemption/refund Schemes but has otherwise no relation to the erstwhile Schemes.

The total financial outlay of the scheme is Rs. 27,413 crores based on 58% of annual excise duty forgone due to exemption as intimated by Department of Revenue.

CBIC, D/o Revenue is implementing the scheme through its field formations. The budget allocation of DPIIT for Budgetary Support Scheme is authorized to CBIC, D/o Revenue for further disbursement to the eligible industrial units registered under the Scheme.

The year-wise budget disbursement to the industrial under the Scheme of Budgetary Support since inception of the Scheme is as under:-

S.No.	State	F.Y. 2019-20	F.Y. 2018-19	F.Y. 2017-18
		Amount disbursed	Amount disbursed	Amount disbursed
1	Uttarakhand	856.71	721.30	0.00
2	Himachal Pradesh	204.78	271.80	71.45
3	Jammu & Kashmir	173.16	148.90	0.00
4	Assam	160.72	200.39	5.33
5	Sikkim	222.79	121.00	58.52
6	Meghalaya	72.30	32.98	34.11
7	Arunachal Pradesh	3.80	0.00	0.00
8	Tripura	0.40	0.56	0.00
9	Nagaland	0.80	2.89	0.00
10	Mizoram	0.20	0.04	0.00
11	Manipur	0.00	0.00	0.00
Total		1695.66	1499.86	169.41

NORTH EAST INDUSTRIAL AND INVESTMENT PROMOTION POLICY (NEIIPP), 2007

- North East Industrial and Investment Promotion Policy (NEIIPP), 2007 was a revised version of the erstwhile North East Industrial Policy (NEIP), 1997, and was notified for a period of 10 years from 1.4.2007 to 31.03.2017 with the purpose to boost industrialization of the region.
- This policy was effective upto 31.03.2017 but units that commenced commercial production by 31.3.2017 shall continue to receive benefits beyond this date upto the committed number of years for each unit.
- The Scheme covers eight North Eastern States including Sikkim. The scheme provides incentives to all new as well as existing units which go for industrial expansion located anywhere in this region and which commence commercial production within 10 years from the date of notification of NEIIPP, 2007 for a period of 10 years from the date of commercial production. Exceptions are the industries considered hazardous to public health and environment such as tobacco and its substitutes, pan masala, plastic carry bags, refinery products, etc.

Following are the Central Tax Benefits available to the units in NER States under the NEIIPP, 2007 policy :-

- a) 100% Income Tax exemption for a period of 10 years from the date of commencement of commercial production.
- b) Excise Duty exemption on value addition basis for a period of 10 years from the date of commencement of commercial production.

North East Industrial Development Scheme (NEIDS), 2017

- To promote industrialization in NE States and to boost employment and income generation, a new Scheme namely North East Industrial Development Scheme (NEIDS), 2017 has been notified on 12.04.2018 which has come into force w.e.f. 01.04.2017 for a period of five years.
- The scheme will cover manufacturing and service sector. It will give encouragement to MSME in manufacturing, services. Information technology will be leverage to process and approve proposals and release of payment.
- **Following are the Central Tax Benefits available to the units in NER States under the NEIDS, 2017 :-**

1	Income Tax(IT) Reimbursement	Reimbursement of Centre's share of income tax for first 5 years including the year of commencement of commercial production.
2	Goods and Services Tax(GST) Reimbursement	Reimbursement up to the extent of Central Govt. share of CGST and IGST for 5 Years.

INDUSTRIAL DEVELOPMENT SCHEME, 2017

Industrial policy and other concessions for the erstwhile State of J&K were introduced by the DIPP (now DPIIT) on 14th June, 2002 for a period of ten years. The package of incentives for the erstwhile State of J&K came to an end on 14th June, 2012. Thereafter revised scheme of central grant for industrial units in J&K, namely "J&K Package-II" was announced which came into effect from 15.06.2012 and remained in force up to 14.06.2017. Excise Duty exemption not exceeding 10 years was granted by Ministry of Finance vide Notification No. 57/2002-Central Excise dated 14.11.2002 for New Industrial units which have commenced their commercial production on or after 14.06.2002 and industrial units existing before 14.06.2002, but which have undertaken substantial expansion by way of increase in installed capacity by not less than twenty five percent on or after 14.06.2002.

"To boost up industrialization in the Himalayan States, Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry have launched Industrial Development Scheme (IDS) for Union Territory of Jammu & Kashmir and Union Territory of Ladakh w.e.f. 15.06.2017 to 31.03.2020 vide notification dated 23.04.2018 and amendment dated 01.01.2019. Extension of scheme beyond 31.03.2020 will be considered after evaluation of the scheme. The following Tax benefits are provided to the Industrial Units in the Union Territory of J&K and Union Territory of Ladakh.

GST reimbursement

All New industrial units and existing industrial units undertaking substantial expansion shall be eligible for reimbursement of Goods and Services Tax (GST) paid on finished products manufactured in the UT of Jammu & Kashmir and UT of Ladakh up to the extent of Central share of the CGST and IGST for period of 5 years from the date of commencement of commercial production subject to the following condition.

GST reimbursement on finished goods is applicable only on the net GST paid, other than the amount of Tax paid by utilization of Input Tax credit under the Input Tax Credit Rules, 2017.

Income Tax Reimbursement

The industrial unit set up under this scheme can claim reimbursement of Central share of income tax for first 5 years, including the year of commencement of commercial production by the unit.

Annexure-II**States where exemptions have been given under the Income Tax Act.**

S.No.	Name of the State/UT	Section
1	Jammu & Kashmir	80IB
2	North-Eastern States	80IC
3	Sikkim	80IC
4	Uttarakhand	80IC
5	Himachal Pradesh	80IC
6	Sikkim	80IE
7	Andhra Pradesh	32(1)(iia)
8	Telangana	32(1)(iia)
9	Bihar	32(1)(iia)
10	West Bengal	32(1)(iia)
11	Andhra Pradesh	32(AD)
12	Telangana	32(AD)
13	Bihar	32(AD)
14	West Bangal	32(AD)

States/Union Territories-wise distribution of SEZs established in the Country

States/UTs	Central Government SEZs set up prior to the enactment of SEZs Act, 2005	State Government/Private Sector SEZs set up prior to the enactment of SEZs Act, 2005	Formal Approvals granted under the SEZs Act, 2005	Notified SEZs under the SEZ Act, 2005	Total Operational SEZs (Including prior to SEZs Act + under the SEZs Act)
Andhra Pradesh	1	0	32	27	20
Chandigarh	0	0	2	2	2
Chhattisgarh	0	0	2	1	1
Delhi	0	0	2	0	0
Goa	0	0	7	3	0
Gujarat	1	2	28	24	20
Haryana	0	0	23	20	7
Jharkhand	0	0	2	2	0
Karnataka	0	0	62	51	32
Kerala	1	0	29	25	19
Madhya Pradesh	0	1	12	6	5
Maharashtra	1	0	48	42	31
Manipur	0	0	1	1	0
Nagaland	0	0	2	2	0
Odisha	0	0	7	5	5
Puducherry	0	0	1	0	0
Punjab	0	0	5	3	3
Rajasthan	0	2	5	4	3
Tamil Nadu	1	4	54	50	40
Telangana	0	0	63	56	30
Uttar Pradesh	1	1	23	20	13
West Bengal	1	2	7	5	7
GRAND TOTAL	7	12	417	349	238

Updated State-wise distribution of EOUs

SEZ	State/UTs	Functional EOUs as on 30.09.2019
NSEZ	Chandigarh	02
	Delhi	08
	Haryana	52
	Himachal Pradesh	04
	Jammu & Kashmir	01
	Punjab	08
	Rajasthan	53
	Uttar Pradesh	55
CSEZ	Karnataka	380
	Kerala	87
ISEZ	Madhya Pradesh	8
VSEZ	Andhra Pradesh	78
	Telangana	119
FSEZ	West Bengal	31
	Jharkhand	02
	Orissa	01
MEPZ	Tamil Nadu	331
	Pondicherry	21
KASEZ	Gujarat	185
SEEPZ	Maharashtra	224
	Dadar & Nagar Haveli	15
	Daman & Diu, Goa	35
TOTAL		1700