

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

LOK SABHA
UNSTARRED QUESTION NO. 2179
TO BE ANSWERED ON FRIDAY, THE 11TH DECEMBER, 2015
AGRAHAYANA 20, 1937 (SAKA)

TAX REBATE FOR BACKWARD AREAS

†2179. SHRI LAXMAN GILUWA:

SHRIMATI SAKUNTALA LAGURI:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has made only provision for providing tax other rebates for development of backward areas so that by developing backward areas migration to cities could be stopped;
- (b) if so, the details thereof; and
- (c) the other action taken by Government in this regard?

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF FINANCE
(JAYANT SINHA)**

(a) to (c) : Development of backward areas is a part of the policy of the Government. In order to encourage the setting up of industrial undertakings in notified backward areas of the State of Andhra Pradesh or the State of Bihar or the State of Telangana or the State of West Bengal, the Income-tax Act was amended vide Finance Act, 2015 to provide tax incentives under direct taxes. Details of tax incentives under direct taxes recently provided to backward areas of above States are given in Annexure-I.

A statement indicating the details of exemptions under indirect taxes to various States is also given in Annexure-II.

Annexure-I

Details of tax incentives under direct taxes recently provided to backward areas of State of Andhra Pradesh, State of Bihar , State of Telangana, the State of West Bengal are as under:

(A) Investment Allowance

Investment allowance of an amount equal to 15% of the cost of specified plant and machinery acquired and installed by an assessee is provided as per section 32AD of the Income-tax Act, if—

(a) he sets up an undertaking or enterprise for manufacture or production of any article or thing on or after 1st April, 2015 in any notified backward areas of these states; and

(b) the specified plant and machinery are acquired and installed for the purposes of the said undertaking or enterprise during the period beginning from the 1st April, 2015 and ending with 31st March, 2020.

This deduction is available over and above the existing deduction for investment allowance available under section 32AC of the Act. Accordingly, if a company sets up an undertaking in the notified backward areas in these States, it shall be eligible to claim deduction under the existing provisions of section 32AC of the Income-tax Act as well as under this newly inserted section 32AD of Income-tax Act subject to fulfilling of specified conditions.

(B) Higher Additional Depreciation

For investment in new plant or machinery, additional depreciation of 20% is allowed under the existing provisions of section 32(1)(iia) of the Income-tax Act in respect of the cost of plant or machinery acquired and installed by certain assesseees. The provisions of section 32(1)(iia) of the Act was amended to allow higher additional depreciation at the rate of 35% (instead of 20%) in respect of the actual cost of new specified machinery or plant acquired and installed by a manufacturing undertaking or enterprise which is set up in the notified backward areas of the State of Andhra Pradesh or the State of Bihar or the State of Telangana or the State of West Bengal on or after the 1st day of April, 2015. This higher additional depreciation shall be available in respect of acquisition and installation of any new machinery or plant for the purposes of the said undertaking or enterprise during the period beginning on the 1st day of April, 2015 and ending before the 1st day of April, 2020.

Annexure-II

A statement indicating the details of exemptions given under indirect taxes to various States are as under:

Exemption from excise duty has been provided to new units and units undertaking substantial expansion in the North Eastern States including Sikkim, Jammu & Kashmir, Uttarakhand and Himachal Pradesh, wherein the exemption is available for a period of ten years from the date of commencement of commercial production. These exemptions are based on a package of incentives under the Industrial Policies formulated by Department of Industrial Policy and Promotion for these States, and excise duty concession is one of the elements in such policies.

The details of Exemption from excise duty are given in the table below:

S. No	Area	No. and Date of exemption notification	Cutoff date for setting up/substantial expansion of unit and start of commercial production	Period of exemption
1.	North East Region	32/99-CE dated 08.07.1999, 33/99-CE dated 08.07.1999	31.3.2007	10 years from the date of commencement of production
2.	State of Sikkim	56/2003-CE dated 25.06.2003 71/2003-CE dated 09.09.2003	31.3.2007	-do-
3.	North East Region including Sikkim	20/2007-CE dated 25.04.2007	31.3.2017	-do-
4.	State of Jammu & Kashmir	56/2002-CE dated 14.11.2002, 57/2002-CE dated 14.11.2002, 01/2010 CE dated 06.02.2010	No sunset clause No sunset clause No sunset clause	-do-
5.	States of Uttarakhand & Himachal Pradesh	49/2003-CE dated 10.06.2003 50/2003-CE dated 10.06.2003	31.3.2010	-do-