

CHAPTER - VI

INCENTIVES TO INDUSTRIAL UNITS IN H.P.

6.1 INDUSTRIAL POLICY HIGHLIGHTS

To spread and speed up the industrialisation process in the State and to woo indigenous and foreign investment so as to generate employment opportunities for local persons, the State Govt. has enacted new Industrial Policy Guidelines, 1999, which have been notified on 31st March, 1999 and made operational w.e.f. 01.04.1999. However, the main highlights & incentives of the policy applicable for the industrial units are as under:

Objectives of the Policy:

- i) To focus on development of quality infrastructure particularly in the high potential industrial growth centres, to attract more units into the state with the objective of increasing employment and income and to enhance revenue generation for overall development.
- ii) To strive to achieve balanced economic and social growth in all regions of the State through a process of planned industrialisation in different regions particularly the industrially backward areas.
- iii) To attract investment into various sectors of the state's economy through financial institutions at a national and international level and also to encourage NRI investment.
- iv) To encourage and sustain the cottage and tiny industrial sector which employs a large number of persons in the state with low investment and contributes significantly to the States industrial produce.
- v) To encourage the participation of the private sector in infrastructure development like power, roads, transportation, development and maintenance of industrial townships.
- vi) To provide gainful employment opportunities to the unemployed Himachalis both in rural and urban areas.
- vii) To promote and regulate industrialisation in a manner which ensures environmental protection and pollution control.

- viii) To create an environment of mutual trust between the Government and the business persons, industrialists and entrepreneurs.
- ix) To create a supportive environment with transparency and easy access to information, technology and financial resources in which the industry can flourish.
- x) Identify thrust areas of industry which would be most suited to the special geographical location of Himachal Pradesh and provide an attractive package of incentives to promote the growth of such thrust industries.
- xi) To take adequate steps in the field of Human Resource Development so as to make available skilled/technical manpower as per the need of industry.

6.2 INCENTIVES

The entire State is industrially backward except some development on the periphery of the State. The State has been classified basically into two categories namely “Industrially developing areas” and “Industrially backward areas”. The development blocks of Paonta Sahib and Nahan in district Sirmour and Nalagarh, Dharampur & Solan in district Solan, excluding backward panchayats as notified by the Government of Himachal Pradesh from time to time would fall in the category of “industrially developing areas.” The rest of the State including backward panchayats in the industrially developing areas referred to above will be in the category of “industrially backward areas”. Tribal areas of the State, as notified from time to time have been treated as tax free industrial zones. The eligibility of incentives is also linked with the minimum criterion of employment to Himachalis in the industrial units which is 80% in industrially backward areas and 65% for industrially developed areas.

6.2.1 PRIORITY SECTOR

The following categories of industrial units have been kept in the Priority Sector:-

- i) Units based on agriculture/horticulture produce including hops, food products and mineral water bottling except breweries, distilleries, non-fruit/vegetable wineries and bottling plant (both for country liquor and Indian Made foreign liquor).
- ii) Tea factory in the tea plantation area in the State which commenced production on or after 29.11.2000.

- iii) Cold storage units.
- iv) Fruit/vegetable based wineries.
- v) Herbs based industries and aromatic industries.
- vi) Wool (including Angora wool) based industry.
- vii) Sericulture related industrial activities.
- viii) Electronic units except assembling units where value addition is less than 14% and all Information Technology related units including Computer Software, Service units as well as training institutions in Information Technology, which commenced production on or after 29.11.2000.
- ix) 100% export oriented units except breweries, distilleries, non-fruit/vegetable wineries and bottling plant (both for country liquor and Indian Made foreign liquor).
- x) Units set up by Non-resident Indians except breweries, distilleries, non-fruit/vegetable wineries and bottling plant (both for country liquor and Indian Made foreign liquor).

6.2.2 PACKAGE OF CONCESSION, INCENTIVES & FACILITIES TO VILLAGE INDUSTRY, TINY, SSSBE's AND SMALL SCALE UNITS (EXCLUDING UNITS IN PRIORITY SECTOR) :

Sr.No	Concessions, Incentives & Facilities	Period/Nature	Rule No. of the Industrial Policy Guidelines, 1999
i)	a) GST exemption for new village industries with investment upto Rs.10 lacs and wholly assisted by HPKVIB/KVIC. b) For other new village industries and new Tiny units, GST @ 25% of the applicable rate. GST deferment in case of new SSI units. Industrially backward areas Industrially developing areas	8 years 5 years	7.1.1 & 7.1.2
ii)	GST @ 1% on raw material processing and packaging material except timber, shale and limestone.	upto 31-03-2009	7.1.4
iii)	CST @ 1% for new and existing units.	upto	7.1.5

		31-03-09	
iv)	Electricity Duty exemption on captive power generated from D.G.Set/ Hydel plant		7.2.3
v)	Price preference upto 15%		7.5
vi)	Subsidised land/shed in industrially backward areas.		6.1
vii)	Subsidy on the cost of preparation of feasibility report.		7.6
viii)	Exemption from payment of State taxes and duties (excluding levies in the shape of cess, fees, royalties etc) in tax free zone.	10 years	9

6.2.3 PACKAGE OF CONCESSIONS, INCENTIVES & FACILITIES TO UNITS IN MEDIUM/LARGE SCALE SECTOR. (EXCLUDING UNITS IN PRIORITY SECTOR) :

Sr.No.	Concessions, Incentives & Facilities	Period/Nature	Rule No. of the Industrial Policy Guidelines, 1999
i)	GST deferment to new units. Industrially backward areas Industrially developing areas.	8 years 5 years	7.1.2
ii)	GST @ 1% on raw material, processing and packaging material except timber, shale and limestone.	upto 31-03-2009	7.1.4
iii)	CST @ 1% both for new and existing units.	upto 31-03-2009	7.1.5
iv)	Exemption from Electricity Duty on captive power generated from D.G. set/hydel plant.		7.2.3
v)	Price preference upto 3%.		7.5
vi)	Subsidised land/shed in industrially backward areas.		6.1
vii)	Exemption from the payment of State taxes and duties (excluding levies in the shape of cess, fees, royalties etc) in tax free zone.	10 years	9

6.2.4 PACKAGE OF CONCESSION, INCENTIVES & FACILITIES TO PRIORITY SECTOR EXCEPT FRUIT, VEGETABLE & MAIZE BASED UNITS CONSUMING LOCAL PRODUCE AND LOCATED IN INDUSTRIALLY BACKWARD AREAS.

Sr.No	Concessions, Incentives & Facilities	Period	Rule No. of the Industrial Policy Guidelines, 1999
i)	GST exemption for new village industries with investment upto Rs.10 lacs and wholly assisted by HPKVIB/KVIC. For other new village industries and new Tiny units, GST @ 25% of the applicable rate. GST deferment to other new industrial unit(s).	8 years	7.1.1 & 7.1.2
ii)	GST @ 1% on raw material processing and packaging material except timber, shale and limestone.	upto 31-03-2009	7.1.4
iii)	CST @ 1% both for new and existing units.	upto 31-03-2009	7.1.5
iv)	Exemption from payment of Electricity Duty. Industrially backward areas Industrially developing areas	8 years 5 years	7.2.1
v)	Exemption from Electricity Duty on captive power generated from D.G. set/hydel plant.		7.2.3
vi)	Interest subsidy to tiny/SSI units in industrially backward areas.	6 years	7.3
vii)	Price Preference of upto 15% to Tiny/SSI sector and upto 3% to Medium & Large sector.		7.5
viii)	Out of turn allotment of land/shed.		6.3
ix)	Subsidised land/shed in industrially backward areas.		6.1
x)	Capital Investment subsidy to tiny units in industrially backward areas.		7.4
xi)	Subsidy on the cost of preparation of feasibility report to tiny and SSI units.		7.6
xii)	Exemption from payment of State taxes and duties (excluding levies in the shape of cess, fees, royalties etc) in tax free zone.	10 years	9

6.2.5 SPECIAL PACKAGE OF CONCESSIONS, INCENTIVES & FACILITIES TO FRUIT, VEGETABLE AND MAIZE BASED UNITS CONSUMING ATLEAST 60% OF THEIR TOTAL CONSUMPTION FROM LOCAL PRODUCE AND LOCATED IN INDUSTRIALLY BACKWARD AREAS (EXCEPT BREWERIES, DISTILLERIES, NON-FRUIT/ VEGETABLE WINERIES AND BOTTLING PLANT BOTH FOR COUNTRY LIQUOR AND INDIAN MADE FOREIGN LIQUOR) :

Sr.No	Concessions, Incentives & Facilities	Period	Rule No. of the Industrial Policy Guidelines, 1999
i)	GST exemption.	10 years	8.2
ii)	GST @ 1% on raw material processing and packaging material except timber, shale and limestone.	Up to 31-03-2009	8.3
iii)	CST @ 1% for new and existing units.	Up to 31-03-2009	8.4
iv)	Exemption from Electricity Duty	10 years	8.5
v)	Electricity Duty exemption on captive power generated from D.G.Set/ Hydel plant.		8.5
vi)	Exemption from Excise Duty to new units.	7 years	8.6
vii)	Interest subsidy on term loan from financial institutions.	6 years	8.8
viii)	Capital Investment subsidy.		8.9
ix)	Price Preference up to 15% to Tiny/SSI and up to 3% to Medium/Large units.		8.10
x)	Allotment of land/Shed on out of turn basis at nominal price/rent.		8.1
xi)	Subsidy on the cost of preparation of feasibility report.		8.10
xii)	Exemption from payment of State taxes and duties (excluding levies in the shape of cess, fees, royalties etc) in tax free <u>zone</u> .	10 years	9

6.3 CENTRAL GOVERNMENT INCENTIVES

The Ministry of Commerce & Industry, Department of Industrial Policy & Promotion (IP&P) notified the following Package of Incentives for the States of Uttaranchal and Himachal Pradesh on 7/1/03. The main highlights of the Package are as under:-

6.3.1 Fiscal Incentives to new Industrial Units and to existing units on their substantial expansion:

(I). New industrial units and existing industrial units on their substantial expansion as defined, set up in Growth Centres, Industrial Infrastructure Development Centres (IIDCs), Industrial Estates, Export Processing Zones, Theme Parks (Food Processing Parks, Software Technology Parks, etc.) and notified as thrust industries and other areas as notified from time to time by the Central Government, are entitled to :

(a) 100% (hundred percent) outright excise duty exemption for a period of 10 years from the date of commencement of commercial production.

(b) 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 states of Uttaranchal and Himachal Pradesh from the date of commencement of commercial production.

(II) All New industries in the notified location would be eligible for capital investment subsidy @ 15% of their investment in plant & machinery, subject to a ceiling of Rs.30 lakh. The existing units will also be entitled to this subsidy on their substantial expansion, as defined.

(III). Thrust Sector Industries as mentioned in as notified are entitled to similar concessions as mentioned in para 3(I) & (II) above in the entire state of Uttaranchal and Himachal Pradesh without any area restrictions.

6.3.1.1. The locations notified for the grant of Incentives:-

The locations notified for the grant of incentives stated above fall in four categories. These are:-

- A. Existing Identified Industrial locations where infrastructure has been developed through Govt./Govt. owned Corporations/Boards.

Sr.No.	Name of the District.	Name of the industrial area/ Estate.
1.	Bilaspur.	Bilaspur, Goalthai (IID), Behal, Gehrwin
2.	Chamba.	Sultanpur, Hatli, Parel, Shivnagari (Holi), Garnota.
3.	Hamirpur.	Hamirpur, Nadaun
4.	Kangra	Nagrota-Bagwan, Sansarpur Terrace (growth Center), Nagri, Dhaliara, Bain Attarian, Kangra, Dehra, Jawali, Nargala, Raja – ka- Bag.
5.	Kinnaur.	Recong-Peo.
6.	Kullu.	Shamshi, Ramabai
7	Lahul –Spiti.	Keylong
8	Mandi.	Mandi (Saulikhad), Ratti, Maigal, Bhambla, Saigloo, Pali (Paddar)
9.	Solan.	Baddi, Parwanoo, Chambaghat, Barotiwala, Export Promotional Industrial Park Jharmajri-Thanna, Dharampur, Neri (Mamlig), Vakanaghat, Rachhiana, Banalgi, Dhabota, Katha- Bhatholi.
10.	Shimla.	Shoghi, Raighat. Pandranoo, Jais, Shilli- Bagi, Mehandli, Sunda Bhaura, Chargaon, Nogli, Nerwah (Chopal)
11	Sirmour	Gondpur, Johron.

B. Proposed extension of Existing Industrial Areas:-

Sr.No.	Name of the District.	Name of the industrial area/ Estate.
1.	Bilaspur.	Bilaspur Sadar
2.	Hamirpur.	Hamirpur, Nadaun.
3.	Mandi.	Perri, Baldwara
4.	Solan.	Doon, Mamligh, Nalagarh.
5.	Sirmour	Nahan.
6.	Una.	Dulehar.
7	Kangra	Kangra, Jawali , Nagrota Bagwan , Dehra

C. Commercial Estates on private land/leased land throughout the State.

Sr.No.	Name of the District.	Name of Commercial Estates.
1	Kangra	Indora, Gagal, Dharamshala, Gangath.
2	Kinnaur	Tapri, Nichar
3	Kullu.	Bhunter , Ujhi, Kullu.
4	Mandi.	Aut , Dehar, Bagshar.
5	Solan.	Darlaghat, Kasauli, Dharampur.
6	Sirmour	Paonta Sahib, Rajgarh.
7	Una.	Gagret.
8	Shimla	Rawla Kwar, Sarahan, Sunni.
9	Chamba	Salooni

D. NEW LOCATIONS:

Sr. No.	Name of the District	Locations.
1.	Bilaspur.	Bahadurgarh, Ghumarwin, Kuthera, Balseena.
2.	Chamba.	Panjala, Banikhet , Chowari, Sihunta.
3.	Hamirpur	Bijri, Nalti, Taal, Sujampur-I, Bamson.
4.	Kangra.	Raja Ka Talab, Palampur.
5.	Kinnaur.	Moorang.
6.	Kullu.	Banjar, Sainj.
7.	Mandi.	Dhellu , Sundernagar, Chauntra, Gopalpur, Nachan, Tungal, Darang Sira.
8.	Shimla.	Theog, Jutogh, Rohru.
9.	Sirmour.	Majra, Kamrao.
10.	Solan.	Changar, Solan, Kandaghat, Arki, Patta.
11.	Una.	Daulatpur, Ishpur, Una , Chururu.

6.3.1.2 THRUST INDUSTRIES FOR STATES OF UTTANCHAL AND HIMACHAL PRADESH

Thrust industries are eligible for incentives as stated at 6.3.1 above when set up anywhere in the State. These industries are as listed below:-

SI.No	Activity	4/6 digit Excise Classification	Subclass under NIC classification 1998	ITC(HS) classification 4/6 digit
1	Floriculture	-	-	0603/060120/06029020

2	Medicinal herbs and aromatic herbs etc. - processing	-	-	/ 06024000
3	Honey	-	-	040900
4	Horticulture and Agro based industries such as	21.03	15135 to & 15137 15139	
	a. Sauces, Ketchup, etc.	2202.40		
	b. Fruit Juices & fruit pulp	20.01		
	c. Jams, Jellies, vegetable juices, puree, pickles etc.			
	d. Preserved fruits and vegetables			
	e. Processing of fresh fruits and vegetables including packaging			
	f. Processing, preservation, packaging of mushrooms.			
5	Food Processing Industry excluding those included in the negative list.	19.01 to 19.04		
6	Sugar and its by-products	-	-	17019100
7	Silk and silk products	50.04 50.05	17116	
8	Wool and wool products	51.01 to 51.12	17117	
9	Woven fabrics (Excisable garments)	-	-	6101 to 6117
10	Sports goods and articles and equipment for general physical exercise and equipment for adventure sports/activities, tourism (to be separately specified)	9506.00		
11	Paper & paper products excluding those in negative list (as per excise classification)	-	-	-

12	Pharma products	30.03 to30.05		
13	Information & Communication Technology Industry Computer hardware Call centres	84.71	30006/7	
14	Bottling of mineral water	2201	-	-
15	Eco-tourism Hotels, resorts, spa, entertainment/amusement parks and ropeways	-	55101	
16	Industrial gases (based on atmospheric fraction)			
17	Handicrafts			
18	Non-timber forest product based industries			

6.3.1.3 NEGATIVE LIST FOR HIMACHAL PRADESH

Negative industries are not eligible for incentives as stated at 6.3.1 above when set up anywhere in the State. These industries are as listed below:-

Sl.No	Activity	Excise classification	Sub-class under NIC Classification 1998
1	Tobacco and tobacco products including cigarettes and pan masala	24.01 to 24.04 & 21.06	1600
2	Thermal Power Plant(coal/oil based)		40102/40103
3	Coal washeries/dry coal processing		
4	Inorganic Chemicals excluding medicinal grade oxygen (2804.11), medicinal grade hydrogen peroxide (2847.11), compressed air (2851.30)	Chapter 28	
5	Organic chemicals excluding Provitamins/vitamins, Hormones (29.36), Glycosides (29.39), sugars* (29.40)	Chapter 29	24117
6	Tanning and dyeing extracts, tanins and their derivatives, dyes, colours, paints and varnishes; putty, fillers and other mastics; inks	Chapter 32	24113/24114
7	Marble and mineral substances not classified elsewhere	25.04 25.05	14106/14107
8	Flour mills/rice mill	11.01	15311

9	Foundries using coal		
10	Minerals fuels, mineral oils and products of their distillation; Bituminous substances : mineral waxes	Chapter 27	
11	Synthetic rubber products	40.02	24131
12	Cement clinkers and asbestos, raw including fibre.	2502.10 2503.00	
13	Explosive (including industrial explosives, detonators & fuses, fireworks, matches, propellant powders etc.)	36.01 to 36.06	24292
14	Mineral or chemical fertilisers	31.02 to 31.05	2412
15	Insecticides, fungicides, herbicides & pesticides (basic manufacture and formulation)	3808.10	24211/24219
16	Fibre glass & articles thereof	70.14	26102
17	Manufacture of pulp - wood pulp, mechanical or chemical (including dissolving pulp)	47.01	21011
18	Branded aerated water/soft drinks (non-fruit based)	2201.20 2202.20	15541/15542
19	Paper Writing or printing paper, etc. Paper or paperboard, etc. Maplitho paper, etc. Newsprint, in rolls or sheets Craft paper, etc. Sanitary towels, etc. Cigarette paper Grease-proof paper Toilet or facial tissue, etc. Paper & paper board, laminated internally with bitumen, tar or asphalt Carbon or similar copying paper Products consisting of sheets of paper or paperboard, impregnated, coated or covered with plastics, etc. Paper and paperboard, coated impregnated or covered with wax, etc.	4801 4802.10 4802.20 4802.30 4801.00 4804.10 4818.10 48.13 4806.10 4803 4807.10 4809.10 4811.20 4811.40	21011 to 21019
20	Plastics and articles thereof	39.09 to 39.15	

*Serial No.5; Reproduction by synthesis not allowed as also downstream industries for sugar

6.3.2 Development of Industrial Infrastructure:

- (i) The funding pattern under the Growth Centre Scheme currently envisaging a Central assistance of Rs.10 crore per centre is raised to Rs.15 crore per centre.
- (ii) The financing pattern of Integrated Infrastructure Development Centres (IIDC) between Government of India and SIDBI will change from 2:3 to 4:1, and the GOI funds would be in the nature of a grant, so as to provide the required infrastructural support.

6.2.3 Other Incentives:

- (i) **Deen dayal Hathkargha Protsahan Yojna and other incentives of Ministry of Textiles:** The funding pattern between Government of India and both the States would be changed from 50:50 to 90:10 under this Scheme. Ministry of Textiles would extend its package of incentives, as notified for North-Eastern States, to the states of Uttaranchal and Himachal Pradesh also.
- (ii) **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.
- (iii) **Pradhan Mantri Rozgar Yojana (PMRY) :** Ministry of Agro & Rural Industries would provide for states of Himachal Pradesh and Uttaranchal relaxation under 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).

6.3.4 Central Transport Subsidy

In addition, units located in H.P. are reimbursed 75% of the cost of transportation of their finished goods and for raw material from the location of their units anywhere in the State to the nearest specified broad gauge rail head under the **Central Transport Subsidy scheme**.

This subsidy is available for a period of the first 5 years from the date of commencement of production. With the efforts of the State Government the Central Government has extended the transport subsidy scheme up to 2007.