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Department for Promotion of Industry and Internal Trade announces operating guidelines for Industrial Development Schemes issued in 2018 for industrial units in North Eastern region and Jammu and Kashmir

Issue no: GBT/02/2019

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Background

Department for Promotion of Industry and Internal Trade (DPIIT)* had vide notification dated 12 April 2018 announced a North East Industrial Development Scheme (NEIDS) 2017, to boost industrialisation in the North Eastern region of India that comprises the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. The Scheme is effective from 1 April 2017 and will remain in force till 31 March 2022.

Eligibility:

- Under the NEIDS 2017, eligible industrial units shall get incentives which would be limited to the total investment in plant and machinery subject to a maximum limit of INR 200 crore per unit;
- Eligible industrial units include all new industrial units in the manufacturing and services sectors, including bio-technology and hydel power generation units up to 10 MW located in the North Eastern region;
- The industrial unit will be required to fulfil the following conditions:
 - It should not be set up by splitting up or re-construction of business already in existence;
 - It should not be formed by transfer to the new unit of plant and machinery previously used for any other purpose;
 - It has not re-located from elsewhere and/ or is not an existing unit reopened under a new name and style.
- NEIDS 2017 requires that all eligible industrial units would have to register under the scheme with DPIIT, Ministry of Commerce and Industry, Government of India, through the [portal](#) prior to being eligible for any benefit under this scheme. Further, units should commence commercial production within 18 months of approval.
- Plant and machinery covers cost of newly purchased plant and machinery and does not include relocated/ refurbished/ recycled plant and machinery.

Incentives:

As per the NEIDS 2017, following incentives will be provided to eligible industrial units on reimbursement basis subject to fulfilment of conditions laid therein:

- **Central Capital Investment Incentive for access to credit (CCIIAC):** Incentive at the rate of 30 percent of investment in plant and machinery with an upper limit of INR 5 crore.
- **Central Interest Incentive (CII):** Incentive at the rate of 3 percent on working capital credit advanced by Scheduled Bank or central/ state financial institution for first 5 years from date of commencement of commercial operation. Working capital requirement is capped at 25 percent of annual turnover.
- **Central Comprehensive Insurance Incentive (CCII):** Reimbursement of 100 percent insurance premium on insurance of building and plant and machinery for a maximum period of first 5 years from date of commencement of commercial operation.

* Earlier known as Department of Industrial Policy and Promotion

- **Goods and Service Tax (GST) Reimbursement:** Reimbursement of GST paid on finished products manufactured in the North Eastern region up to the extent of central share of CGST and IGST for a period of 5 years from date of commencement of commercial operation. Reimbursement would only be applicable for net GST paid ie GST paid in cash after utilisation of input tax credit.
- **Income Tax Reimbursement:** Reimbursement of central share of income tax for first 5 years including year of commencement of commercial production.
- **Transport Incentive:** Incentive on transportation of finished goods through railways, inland waterways or scheduled airlines for a period of five years from date of commencement of commercial operation subject to production of actual receipt.
- **Employment Incentive:** DPIIT shall pay additional 3.67 percent of employer's contribution to EPF in addition to the Government bearing 8.33 percent contribution of the employer in the Pradhan Mantri Rojgar Protsahan Yojana.

The North East Industrial Development Finance Corporation Limited (NEDFi) will be the nodal agency for disbursement of incentives under various components of the scheme. NEDFi will release incentive only through e-transfer to designated bank accounts of the eligible industrial units.

While examining the proposals for incentive, due consideration will be given to factors like cost disadvantage, project viability, bankability, employment generation and promoters' risk capital. Preference will also be given to eligible industrial units under the Micro, Small and Medium Enterprises (MSME).

General operating guidelines for NEIDS, 2017

Incentives:

The following guidelines have been prescribed by DPIIT vide the recent notification dated 11 February 2019 for claiming various incentives under NEIDS 2017:

- **CCIIAC** – The claim for CCIIAC has to be submitted online, latest within one year of commencement of commercial production. Various details regarding investment made in the project, installed capacity, etc have to be filed. Further, the unit should also file online intimation of its readiness to receive field inspection team after it has actually commenced its commercial production. The field unit team shall independently verify the physical availability of plant and machinery in respect of which claim has been filed.
- **CII** – The claimant unit will be required to submit a certificate-cum-recommendation of scheduled bank/ central or state financial institution clearly indicating a credit limit sanctioned by the bank towards the working capital requirement for the claim period, actual drawal by the unit against the credit limit, total interest charged by the bank on working capital utilisation, rate of interest charged by the bank and the marginal cost of fund-based lending rates of the lending institution. Each claim is to be submitted for a complete financial year and within a period of 6 months, from the end of concerned financial year for which claim is made.
- **CCII** – The claimant unit will be required to furnish details of building, plant and machinery insured. Each claim is to be submitted for a complete financial year and within a period of 6 months, from the end of concerned financial year for which claim is made.

- **GST reimbursement** - GST reimbursement on finished goods is applicable only on the central share of the net GST paid, other than the amount of tax paid by utilisation of Input Tax Credit under the Input Tax Credit Rules, 2017. The method of computation of amount of GST to be reimbursed is prescribed. Claim can be made within 6 month from the end of the relevant quarter for which the return (s) were submitted under the relevant Goods and Services Tax Act, 2017, subject to submission of relevant documents. The procedure to be adopted for calculation and approval of claims shall be similar to that adopted for GST reimbursement by the Central Board of Indirect Taxes and Customs (CBIC) under other schemes.
- **Income Tax Reimbursement** – The claimant unit will be required to furnish a copy of the intimation passed under section 143(1) of Income tax Act, 1961 (ITA) along with the amount of claim with reference to concerned unit, which will be taken into account for deciding the claim. The unit will be required to file its claim online within 6 months from the end of the month in which its income tax return was processed under section 143(1) of the ITA. The income tax reimbursement will be approved by DPIIT in consultation with the Central Board of Direct Taxes (CBDT).
- **Transport Incentive** - Claim is to be submitted on quarterly basis and within a period of 6 months from the end of concerned quarter for which claim is made.
- **Employment Incentive:** The claimant unit may register itself on the portal provided by Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) for availing the Employment Incentive.

The aforesaid claims would be approved by various committees consisting of representatives from various Government departments.

Other similar schemes

DPIIT, vide notification dated 1 January 2019, has stated that the industrial units set up in the State of Jammu and Kashmir, get the same benefits which are available to their counterparts in the North Eastern States. Operating guidelines for the Industrial Development Scheme (IDS) 2017 for Jammu and Kashmir have also been issued by DPIIT, which are broadly similar, as above. Further, the DPIIT has also provided the aforesaid CCIAC and CCII incentives to the States of Himachal Pradesh and Uttarakhand to boost industrialization therein.

Conclusion

NEIDS 2017 and IDS 2017 are expected to promote industrialisation in the States of the North Eastern region and Jammu and Kashmir and will boost employment and income generation. The industry expects benefits similar to those of NEIDS 2017 and IDS 2017 be extended to the States of Himachal Pradesh and Uttarakhand. The operating guidelines are welcome as they provide clarity on some of the procedural issues for applicability of NEIDS 2017 and IDS 2017, however, there are many unanswered questions in relation to reimbursement of incentives - such as the manner of determination of income tax reimbursement in case of more than one unit, what will happen in case intimation under section 143(1) of the ITA is not received, etc. It is

anticipated that DPIIT may come up with clarification on questions like these in due course of time.

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