



NITYA'S INSIGHT:

Issue 82 | Incentives available to taxpayers in Himachal Pradesh under Industrial Investment Policy 2019

January 2, 2020

Himachal Pradesh Government has introduced **Industrial Investment Policy 2019 ('Scheme')** vide **Notification No. Ind.-A(F)2-2/2019-I dated August 16, 2019**. The Scheme covers varied enterprises ranging from Large to Micro, Small and Medium; and different sectors like handlooms, handicrafts etc. The Scheme grants significant financial incentives to new units set up as well as existing units undertaking substantial expansion post **August 15, 2019**.

The Scheme outlines multifarious benefits for eligible enterprises. An illustrative list of such benefits, is given below:

- SGST reimbursement
- Subsidy towards cost of preparation of detailed project report and obtaining certification
- Incentives related to allotment of land and industrial sheds
- Concessional rate of stamp duty and registration fee
- Interest subvention
- Assistance for transportation of plant and machinery
- Transport subsidy
- Concessional rate of electricity duty
- Assistance to encourage water conservation; compliances of environment, health and safety standards

The key features along with prominent incentives available under this Scheme, have been discussed as under:

Applicability of Scheme

Incentives are available from later of following dates:

- Date of commencement of commercial production; or
- Date on which respective administrative department issues enabling notification under the relevant statute / law to operationalize notified incentives

Eligible category

Following categories of taxpayers are eligible to avail the benefit under this Scheme:

- All 'New Industrial Enterprises' **except** Industrial Enterprises engaged in manufacturing activity as specified in 'Negative List' (*refer Annexure – 2*)
- 'New Enterprises' engaged in 'Specified category of Service Activities' (*refer Annexure – 3*)
- All 'Existing Industrial Enterprises' undertaking substantial expansion (*refer Annexure – 1*) **except** the ones in Negative List.
- All 'Existing Service Enterprises' engaged in specified category of service activities and undertaking substantial expansion

Conditions:

- Fulfilment of eligibility criteria and conditions as defined under the Rules (*relevant criterion have been plotted in the respective head of incentive*)

- Employment of minimum 80 percent bonafide Himachlies at the time of commencement of production. In case of existing enterprise, employment of atleast 80 percent of bonafide Himachlies out of additional employment generated due to substantial expansion

Incentives available

A. SGST Reimbursement

Category of Enterprise	Area wise net SGST reimbursement			Admissible Period
	A	B	C	
MSME	50%	80%	90%	7 years
Large	50%	70%	80%	5 years
Anchor	100%	100%	100%	7 years

**Above benefit is available subject to a cap of 80 percent of fixed capital investment*

Points to be noted:

- ‘**Net SGST**’ means Net State Goods and Services Tax paid and deposited to the State government per annum under Himachal Pradesh SGST Act.

NITYA Comments – Generally, on plain reading of word ‘Net SGST’ means SGST paid in cash after adjusting input tax credit. However, the Scheme used the word ‘deposited to the State government’. Hence, an argument may be taken that this deposition can be either through cash or input tax credit.

- Penalty / Interest applicable: In case of false declaration, misrepresentation, suppression of facts, amount granted shall be recovered along with interest at the rate of 12 percent per annum or penalty as decided by the State Government.
- Eligible unit must obtain verified Udyog Aadhar Memorandum or commencement of commercial production certificate from the Department of Industries, Government of HP. Also, unit shall apply for the certificate, mentioning amount of net SGST paid to HP State from the Department of State Excise and Taxation.
- Time limit: Claims should be submitted (financial year wise) to the Department of Industries before August 31 of the next financial year.

B. Interest subvention:

- Amount of benefit: Benefit is available on term loan at the rate of 3 percent (simple interest) for a period of 3 years from the date of disbursement of first instalment. Period of eligibility of 3 years needs to be counted from the date of disbursement of first instalment of term loan.
- Maximum available benefit:

Category of Enterprise	Area wise maximum amount per annum (Rs.)		
	A	B	C
MSMEs	2 Lakhs	4 Lakhs	6 Lakhs
Large	10 Lakhs	15 Lakhs	20 Lakhs

- Time limit:

The claim along with interest certificate (issued by concerned Financial Institution) needs to be submitted to Director of Department of Industries, HP within 1 year from the date of commencement of commercial production or completion of substantial expansion. The claim needs to be submitted on annual basis.

- Penalty: The period in which the taxpayer defaults in making the payment, will be counted in the period of 3 years for which incentive is available.

C. Transport Subsidy:

Category of Enterprise	Area wise subsidy (on transportation of raw materials and finished goods within State)	
	B	C
MSMEs, Large and Anchor enterprises	Lower of – <ul style="list-style-type: none"> • Actual expense; or • 3% of annual turnover Subject to maximum of: <ul style="list-style-type: none"> • Rs.10 Lakhs p.a. for 3 years in case of MSMEs • Rs.20 Lakhs p.a. for 3 years in case of Large and Anchor enterprises 	Lower of – <ul style="list-style-type: none"> • Actual expense; or • 5% of annual turnover Subject to maximum of: <ul style="list-style-type: none"> • Rs.10 Lakhs p.a. for 5 years in case of MSMEs; or • Rs.30 Lakhs p.a. for 5 years in case of Large and Anchor enterprises

Time Limit: The claims need to be submitted manually before November 30 of every succeeding year. Such claims shall pertain to period within 1 year from the date of incurring such expense within the State.

Note: We have captured only specific incentives. For other incentives available, you may refer the attached notification.

Annexure – 1: Key definitions:

1. **Anchor enterprise:** Means first Industrial Enterprise set up in Industrial Area with FCI of more than Rs.200 Crores, employing more than 200 bonafide himachlies on regular basis.
2. **MSME:** Enterprises having the following investment:
 - In case of manufacturing enterprises, up to Rs.10 Crores in plant and machinery
 - In case of specified category of service enterprise, up to Rs.5 Crores in equipments
3. **Large enterprise:** Enterprises having the following investment:
 - In case of manufacturing enterprises, above Rs.10 Crores in plant and machinery
 - In case of service enterprises, above Rs.5 Crores in equipments
4. **Fixed capital investment:**
 - For new enterprise: Cost of land, actual investment made in technical civil works, plant and machinery, equipments, additional investment on account of substantial expansion
 - For existing enterprise: Cost of additional land purchased, additional investment in technical civil works, plant and machinery
5. **Substantial expansion:** Increase by not less than 25 percent in the value of plant and machinery

Annexure – 2: Negative List of Industries

- Tobacco and Tobacco Products including Cigarettes and Pan Masala
- Thermal Power Plant (Coal / Oil based)
- Coal Washeries / Dry Coal Processing
- Tanning and Dyeing extracts, tannins and their derivatives, Dyes, Colours, Paints and Varnishes, Putty, Fillers and other Mastics, Inks
- Foundries using Coal
- Minerals Fuels, Mineral Oils and products of their Distillation; Bituminous Substances, Mineral waxes
- Cement Clinker and Asbestos Raw including Fiber
- Explosive (including Industrial explosives, detonators & fuses, Fireworks, Matches, Propellant Powders etc.)
- Mineral or Chemical Fertilizers
- Insecticides, Fungicides, Herbicides & Pesticides (basic Manufacture and Formulation)
- Manufacture of Pulp-Wood Pulp, Mechanical or Chemical (including Dissolving Pulp)
- Production of Firewood and Charcoal

Annexure – 3: List of Specified Category of Service Activities

- Information Technology / Information Technology enabled Services, BPO
- Warehouse
- Marketing Yard for Fruits & Vegetables Products
- Reefer Vehicle
- Instant Quick Freezing and Irradiation Facilities
- Ripening Chambers
- Cold Chain Facility
- Equipment / Vehicle Maintenance, Repair and Overhaul (MRO)
- Equipment Rental and Leasing
- Industrial R&D Labs, Industrial Testing Lab
- Laboratories Engaged in Testing of Raw Materials, Finished Products
- Weigh Bridge
- Designs Studio
- Battery Charging Stations for Electric Vehicles
- Packaging Activities
- Laundry Services
- Desktop Publishing
- Research and Development / Industrial Testing Facilities
- Photographic Lab
- EDP Institute Established by Voluntary Associations / NGO's
- Event Management and Audio-Visual Services

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