Chapter - IV

Incentives for NRI Investment
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INCENTIVES FOR NRI INVESTMENT

Incentives of sorts are provided to woo NRI investors into the land. Investments flow to a land where taxes are lower, incentives are larger, returns are higher and so on. Keeping these in mind, several incentives are extended to NRIs. These are elaborated here.

1. TAX INCENTIVES FOR NRIS

The Indian tax laws give many concessions to NRIs that virtually make India a tax haven for NRIs.

(i) INCOME-TAX BENEFITS

Section 10 of the Income-Tax Act enumerates various incomes which are excluded in computing the total income of a person. This section also contains specific exemptions given to non-residents. The investment incomes totally exempt for NRIs are as under:

(a) Deposits by non-resident Indians whether individuals or OCBs in NRE Accounts or FCNR Accounts are exempt from income-tax.

(b) Investments in Unit Trust of India made in foreign currency are also exempt from Income-tax. These investments yield a return of over 14% including capital appreciation.

(c) Investments in National Savings Certificates VI and VII Issues in foreign exchange are also exempt from income-tax and yield a net return of over 12%:
(d) Interest in such securities or bonds as the Central Government may by notification in the Official Gazette, specify in this behalf including income by way of premium on the redemption of such bonds. The NRI Bonds first and second series as well as the India Development Bonds issued by the State Bank of India come under this category. Capital Investment Bonds issued by the Reserve Bank of India (RBI) in 1982 with a maturity period of 10 years also qualify as income-tax free bonds.

To encourage the flow of foreign exchange remittances to India and investment in the country by NRIs, the Finance Act, 1983 introduced a new chapter XII A. The following are the features of the special tax provisions applicable to NRIs under this section:

The income arising from the following assets owned by a non-resident Indian is subject to income-tax at a concessional rate of 20%, if investment is made in these specified assets in convertible foreign exchange.

(a) Shares in an Indian company.

(b) Debentures issued by or deposits with an Indian company which is not a private company.

(c) Securities of the Central Government.

The concessional rate is to be applied to gross income. No deduction in respect of the expenditure or allowance is to be allowed. The assessee need not file the return of income under the Income - Tax Act, if his income which is taxable under the Act arises only from the aforesaid assets. The benefit would continue to be available even after the assessee returns to India till he holds such assets and he has not transferred or converted them into money.
In case it is beneficial to the assessee and he wants to declare his income and pay tax in accordance with the other provisions of the Act, he can choose and thereafter file a return with the Income - Tax Department. He can exercise the option of either being assessed at a concessional rate or at normal rates for every year. Once an option is exercised it is not final. He can opt for any of the scheme which is beneficial to him every year.

In case these assets are sold and the gain arising as a consequence thereof, which is a long term capital gain that is on the sale of the assets after a period of three years, in case of assets other than shares and after one year in case of shares, the tax on such capital income is to be paid at the rate of 20%.

No capital gain tax is leviable if the assessee has within a period of six months of the transfer invested or deposited the whole of the net consideration received by him in any of the specified assets or in any saving certificate as notified by the government. If the net consideration could not thus be invested or deposited and only a portion thereof is done, the exemptions could be calculated proportionately. The new asset should not be transferred or converted into money within a period of three years from the date of its acquisition. If it is so done, exemption is forfeited.

(ii) WEALTH-TAX BENEFITS

The concept of wealth under Wealth-Tax Act has undergone a sea change. The Finance Act, 1992 has virtually abolished wealth-tax on all assets except a few specified assets, e.g., guest house and residential properties with certain exemptions, car, urban land, jewellery, bullion, cash in hand above Rs 50,000, yacht, boats and aircrafts. Basic exemption limit has been raised to Rs.15 lakhs and a flat 1% rate of duty on net wealth will apply. Various individual exemptions have been withdrawn. Money and the value of assets brought by an NRI to India when he comes to India with the intention of permanently residing here and the value of assets acquired by him within one year immediately preceding the date
of his return are exempt from wealth-tax levy for a period of seven successive years. Moneys standing to the credit of such person in a non-resident (external) account on the date of his return in India would also be exempt for seven years.

(iii) GIFT-TAX BENEFITS

The following are exempt from gift-tax:

(a) Gift out of moneys standing to the credit of the NRIs' A/Cs in any Indian bank.

(b) Gifts of foreign currency sent by NRIs to any of their relatives in India.

(c) Gifts by NRIs of property in the form of specified foreign exchange assets acquired with convertible foreign exchange.

(d) Gifts in the form of Capital Investment Bonds made by the NRIs subject to a maximum of Rs. 10 lakhs as well as gifts of NRI Bonds and India Development Bonds (any amount).

2. FINANCIAL ASSISTANCE FOR NRIS

Apart from the various financial institutions established by the Government of India and State Governments, commercial banks also offer a range of schemes to NRIs as detailed below:

(i) Loans abroad against securities provided in India

Banks may grant through their overseas branches and correspondent banks to NRIs' established business or trade, loans and overdrafts against the security of fixed deposits, shares or debentures of Indian companies, India Development
Bond or other assets in India provided they are satisfied that such asset represent funds which have been previously remitted to India in any approved manner.

(ii) Loans in India to non-residents against share/securities/ properties held by them in India

(a) Grant of loans/overdrafts in India to non-residents against shares and securities held by them requires prior approval of Reserve Bank of India irrespective of whether the shares/securities were purchased out of remittances from abroad or local funds.

(b) Reserve Bank has granted general permission to certain financial institutions providing housing finance, e.g., Housing Development Finance Corporation, LIC, Housing Finance Ltd. and so forth to grant housing loans to NRIs for acquisition of a house for self occupation subject to certain conditions.

(iii) Loans in India to NRIs against security of NRI Bonds, India Development Bonds issued by SBI

Banks may grant rupee loans to individual non-resident bondholders of Indian nationality/origin against the security of State Bank of India NRI Bonds (Both series) held by them for the following purposes.

(a) For purchase of house/flat required for the bonafide residential use of the non-resident bondholders or members of their families in India.

1 M. Velmurugan, Incentives and Facilities for Attracting NRI Investments, Tamil Nadu Industrial Guidance and Export Promotion Bureau, Madras, 1994, p.52.

2 Ibid., p.53.
(b) For purchase of immovable properties in India which are necessary for or incidental to carrying on trading, commercial or industrial activities by the non-resident bondholders.

(c) For making direct investment on non-repatriation basis in the capital of Indian companies engaged in manufacturing/industrial activities, export oriented trading activities, hospitals, hotels of 3 star and higher grades, shipping, development of computer software and oil exploration services.

(d) For purchase of shares/debentures of Indian companies through recognised stock exchanges in India on non-repatriation basis.

(e) For meeting any other bonafide personal financial requirements in India of these bondholders.

The amount of loan should not exceed 75% of the value including accrued interest, if any, of the bonds accepted as security. The rate of interest payable on the loan should be 4% above the bank rate prevailing on the date of granting the loan. The period of loan should not exceed the period of unexpired maturity of bonds accepted as security.

(iv) Loans in India against guarantees by non-residents

Authorised dealers may grant loans and overdrafts to persons, firms and companies in India against the guarantee of individuals, firms and companies (including Banks) outside India provided no direct or indirect out-go of foreign exchange is involved by way of guarantee, commission or otherwise.
(v) Loans to residents against shares/securities/properties in India of non-residents

Authorised dealers may grant loans to resident family members of NRIs who have gone abroad for employment for land based agricultural activities against the security of land held by them in India either singly or jointly with other residential members of the family subject to certain conditions. The loan should not exceed Rs.3 lakhs.

(vi) Loans from non-resident relatives

Applications from persons resident in India for permission to obtain loans from non-resident relatives or friends who have taken up permanent residence abroad or by resident firms/companies to avail loan from them, non-resident partners, shareholders/directors of other corporate bodies require prior approval of the RBI.

(vii) Guarantee for non-residents

Reserve Bank has granted general permission to authorised dealers to give guarantee in favour of persons resident in India in respect of any debt or other obligations or liability of a person resident outside India subject to such instructions as may be issued from time to time.

(viii) Loans against foreign currency balances/foreign securities

Authorised dealers after obtaining approval of the RBI grant loans and overdraft whether in India or abroad to resident/non-resident against foreign currency balances or foreign securities held by them.
(ix) Loans/overdraft to NRI account holders in India

Authorised dealers may grant loans/overdrafts in India to the account holders themselves for the purposes other than investment in India provided that the advances are fully secured by the fixed deposit and regulations relating to normal margin interest rate and related things are complied with. Loans/overdrafts can be given for direct investment in India on non-repatriation basis by way of contribution to the capital of Indian firms/companies engaged in manufacturing/industrial activities, export oriented trading activities, hospitals, hotels of 3 stars or higher grades, shipping, development of computer software and oil exploration services and banks may grant loans to NRIs for the purpose of acquisition of flats/houses for their own residential purpose against their NRI deposits.

(x) Loans/overdraft to NRE A/c holder outside India

Authorised dealers may allow their overseas branches/correspondents to grant any type of fund based and/or non-fund based facilities to or in favour of non-resident depositor or to third parties at the request of the depositor for bonafide purpose against the security of funds held in the NRI a/cs and also agree to remittance of the funds from India if necessary for liquidation of the outstanding loans subject to report to RBI.3

3. MISCELLANEOUS FACILITIES

(i) IMPORT OF GOLD/SILVER

Non-Resident Indians or persons of Indian origin have been allowed to bring into India as a part of their baggage, gold and silver in any form including ornaments or articles but excluding those studded with stones or pearls upto 5kgs. and 100 kgs. respectively. A customs duty of Rs.220 per 10 gms. and Rs.500 per

kg., is payable respectively in the case of gold and silver. The passenger should be coming to India after a period not less than six months' stay abroad and the duty on the rates specified above shall be paid in convertible foreign currency.

(ii) PRIORITY ALLOTMENT OF TELEPHONE/TELEX

Indian Investment Centre has been nominated by the Department of Telecommunication, Ministry of Communication to recommend for the provision of each one telephone/telex connection on priority basis (temporary/permanent) provided the non-resident Indians fulfil the following requirements regarding investment in India.

(a) The NRI may be holding letter of intent or acknowledgement of Industrial Entrepreneur Memorandum Approval of Investment of the Secretariat for industrial approval or by the RBI as obtained or provisional registration from the State Director of Industries subject to the condition of a minimum NRI investment in foreign currency equivalent to US$ 2,00,000 for implementation of the project.

(b) A certificate either from the RBI or any other authorised dealer to the effect that the NRI has surrendered an amount in foreign exchange for telephone and for telex connection on non-repatriation basis equivalent to US $ 6,000 for a telephone connection in metro cities US $ 4,000 for a telephone connection in other cities/towns and US $ 8,000 for a telex connection.

(c) The demand for telephone connection and telex connection has been registered with the Director/Manager of telephone.

Telephone and telex connection under the priority allotment shall be provided temporarily and shall be converted into permanent facility on implementation of the project.
(iii) APPOINTMENT AS DIRECTOR IN INDIAN COMPANY

NRIs holding equity of 26% or more in the Indian company are allowed to appoint one Managing Director or whole time director in the company.

(iv) VISA

Persons of Indian Origin can visit India on multi entry visa provided they hold letter of intent, acknowledgement of Industrial Entrepreneur Memorandum, Licence or provisional registration with the Director of Industries to establish industry. Persons of Indian Origin may approach the Consulate General/High Commission/Embssasy of India for getting endorsement on their passport for single/multi entry purposes. The spouses of person of Indian origin can also be granted multi entry visa upto 5 years.

(v) INDIAN INVESTMENT CENTRE

The Indian Investment Centre is a service organisation of the Government of India set up three decades ago for the promotion of foreign private investment in India. It provides authentic information on various aspects of Government’s policies, procedures and regulations. The Centre is the nodal agency for non-resident Indians and provides them the necessary escort services in this connection.

It advises overseas investors on setting up industrial projects in India by providing information regarding investment opportunities in India, the government’s industrial policy including that relating to foreign/non-resident Indian investment and technology transfer, licensing procedures, taxation laws and facilities and incentives available. It also helps them in finding partners in India.

It is represented in various Central Committees and Boards dealing with the grant of approvals/licence and in State level Review Committees which monitor the implementation of the projects.
It operates through designated officers in the Indian Diplomatic Missions for undertaking promotional work and guiding non-resident Indian enterprises abroad. It is a service agency providing assistance in the establishment of joint ventures and technical collaborations in India and abroad and third country ventures between Indian and foreign enterprises.4

4. INCENTIVES FROM STATE GOVERNMENTS

Invariably all the State Governments in India are vying with each other to woo the NRIs to make investment in their region by providing incentives and facilities. The various incentives and concessions for setting up industrial units offered by selected States in India are presented below.

HIMACHAL PRADESH

Industrialization in the State of Himachal Pradesh is comparatively a recent phenomenon. The State Government realizing the locational disadvantage and topographical constraints provides an attractive package of incentives and facilities to entrepreneurs who are keen to set up industrial unit in the State. These are enumerated below.5

(i) Subsidy for preparation of feasibility reports

New small scale industrial units are eligible to get 75% subsidy of the cost of the feasibility report subject to a maximum of Rs. 15,000 in each case.


(ii) Industrial areas and allotment of land

The land in industrial areas is allotted on lease-hold basis for a period of 95 years subject to other terms and conditions. The maximum area of land which can be allotted to one individual is 5,000 sq.metres. The industrial areas have been categorized under A, B and C grade and are located in various development blocks.

(iii) Allotment of sheds in industrial estates

Industrial sheds are also made available to entrepreneurs in areas/estates on rental and hire purchase basis at concessional rate.

(iv) Subsidy on rate of interest to tiny/small units

Tiny units and small scale business establishment are extended 3% subsidy on the rate of interest on term loan available from State financial institution/scheduled banks.

(v) Sales tax Exemption/Deferment scheme

The State has sales tax incentives and sales tax deferment schemes. Under this scheme, the exemption/deferment has been linked to fixed capital investment. For this, the districts have been categorised and rebate would be 125%, 150% and 175% to category A, B and C respectively.

(vi) Special facilities for non-resident Indians

Apart from the above said facilities, the State Government has formulated certain special package of incentives and facilities for NRIs. The Department of Industries has formulated a special cell to aid, guide, advise and provide speedy assistance to NRIs willing to set up their ventures in the State. The cell is manned
by senior officers of the department who provide total guidance and assistance to
the NRIs in identifying investment opportunities liaisioning with financing institutions
and other departments. The following facilities are extended:

Out of turn allotment of land in the industrial areas being promoted by the
Department of Industries or any Corporation of the State Government to NRI project
is provided. All new NRI projects are entitled to the sales tax incentives as
applicable to small scale industrial units irrespective of their scale of project. NRI
projects are given expeditious approval/clearance by the Department in case of
medium and large scale projects within the overall policy of the government.
However, NRI promoters must have the majority ownership of the company/unit.
Managing Director, Himachal Pradesh Financial Corporation/Himachal Pradesh
State Industrial Development Corporation expedite the approval of NRI projects
subject to the prescribed norms.

HARYANA

The State of Haryana, during the last three decades has made rapid strides
in the sphere of development of industries. The number of small and rural industries
has increased from 4,520 to 1,14,143. These units provide employment to about
6.85 lakh persons. The number of large and medium industries has also risen
from 162 to 579 with investment about Rs 4,000 crores. These units provide
employment to 1.58 lakh persons. About 80 new, large and medium units are in
the pipe-line.

In order to create more employment potential, encourage flow of more
investment into the State and to exploit the State's strategic advantage of proximity
to the capital city, Delhi and to give a boost to industrial development in the State,
a new industrial policy was announced which is effective from 1st May, 1992. In
the new policy, special thrust has been given to agro based and food processing
industries and to the electronic industry. The State Government has also provided
special incentives to the pioneer industries having investment of more than Rs. 10
crores.
In order to promote tiny units in the rural areas, under Rural Development Scheme, capital investment subsidy shall be made available at 25% of the investment in fixed assets, subject to a ceiling of Rs.2 lakhs. The investment limit in plant and machinery for such units have been raised from Rs.2 lakhs to Rs.5 lakhs.

To ensure balanced regional development, 72 development blocks which do not have any large and medium industry at present, ten industrial estates and two growth centres proposed to be set up have been identified as State declared backward areas. In these backward areas, capital investment subsidy will be provided to the units at the rate of 15% subject to a maximum of Rs.15 lakhs.

Besides capital investment subsidy, the State Government is also providing subsidy on the cost of generating set to the maximum of Rs 15.lakhs. In addition, the State is also providing electricity duty exemption for a period of five years and Octroi exemption on the building material, machinery and raw material for a period ranging from 5 to 9 years depending upon the zone in which the unit is set up.

The Haryana Government under 1988 Industrial policy has been providing sales tax exemption/deferment to the new industrial units as well as to the units undergoing expansion/diversification. The following decisions have now been taken to promote industry in the State:

(i) The capping limit which was earlier upto Rs.6 crore has been removed. Now, sales tax exemption/deferment incentive is only linked with fixed capital investment.

(ii) Earlier, the benefit of sales tax exemption/deferment was admissible only for one expansion to the existing units, whereas now all expansions/diversifications have been made available for the benefit of sales tax exemption/deferment.

(iii) To facilitate the industrial units seeking sales tax deferment, the State Government has introduced a scheme of converting sales tax deferment into interest free loan. This will benefit the industrial units in seeking exemption from income-tax which is taxable on deferred sales tax under section 43-B of the Income-Tax Act.

To attract non-resident Indians/persons of Indian origin in addition to above, special incentives such as exclusive reservation of plots in all industrial estates, built up houses, residential plots and effective escort services are being provided. The State Government has reserved 20% of the total plots in industrial estates for NRIs.

The State Government has announced a special package of incentives and concessions including a capital investment subsidy upto Rs.50 lakhs for attracting NRI entrepreneurs particularly for setting up electronics and food processing units. The State Government is trying to introduce new work culture by simplifying procedures and cutting down red-tapism. Powers have been delegated to the officers of all concerned department at the district level as far as possible. By and large, all sanctions / clearances / approvals are given within 30 days.

RAJASTHAN

Rajasthan is a land known for its rich cultural heritage which is now poised to make a break-through in the arena of industrialization too. In fact, the bold
industrial policy incentives by the government are indicative of climate conducive to growth and relatively free from controls and procedural hassles. The incentives offered for industries are:

(i) Investment Subsidy

The scheme is applicable to the new and existing industrial units at the following rates:

All large and medium scale industries are given 15% subsidy, subject to maximum Rs.15 lakhs.

All small scale industries, 100% export oriented units and units based on resources available in Rajasthan are given 20% subsidy, subject to maximum Rs.20 lakhs.

2% additional subsidy is available for labour intensive units.

(ii) Sales tax Incentives

A lucrative incentive is available by way of sales tax exemption/deferment for a period of 9 to 11 years to industries. All new electronic units have no bar on fixed capital investment for sales tax incentive. Additional sales tax is also available for export oriented units and labour intensive units. The 100% export oriented units are entitled for additional benefits in the form of relief in purchase tax, electricity tariff and sales tax.

*Brochure issued by, Bureau of Industrial Promotion, Rajasthan, Jaipur.*
(iii) Octroi Exemption

New industries established during 1992-97 are exempt from octroi duty on plant and machinery and on raw materials for a period of 5 years from the date of commencement of commercial production. Plant and machinery procured for expansion will also be exempt from octroi duty. New units are also exempt from power cuts.

(iv) Price Preference

Upto 15% to Indian Standard Institute (ISI) mark products of small scale industries of Rajasthan and 10% to non-ISI mark products of SSI, units price preference is given as against the units located outside the State.

(v) Subsidy for non-resident Indians

Besides, substantial additional advantage in the capital investment subsidy is available to non-resident Indians for setting up industrial units. A project set up by NRIs is eligible for fixed capital investment subsidy limited to 20% of the eligible fixed capital investment subject to a maximum of Rs. 35 lakhs. A unit set up by NRIs means an industrial unit in which NRIs have atleast 40% equity (in foreign currency) of the total equity.

The Rajasthan State Industrial Development and Industrial Corporation Limited and Rajasthan Finance Corporation have separate cells in their respective organisations to provide single window service to NRI entrepreneurs.

ORISSA

For the purpose of incentives, depending upon industrial backwardness of different areas and no-industry areas, the State is divided into three zones, i.e., A, B and C. Maximum subsidy of 30% of the fixed capital is allowed by the government
to A zone. In respect of zones B and C, subsidies of 20% and 10% respectively are paid. New industrial units as well as expansion/modernization/diversification projects shall also be allowed capital investment subsidy.

Pioneer units will be allowed 5% extra capital investment subsidy subject to an upper limit of Rs. 10 lakhs over and above the limits specified above. Capital investment subsidy will be released within 30 days after the unit completes trial production. In addition, capital investment subsidy for installation of pollution control and monitoring equipment will be given 20% of the cost of the equipment subject to a ceiling of Rs. 20 lakhs.

The incentives in the form of sales tax concession under this head are available to all existing industrial units and also for expansion/modernization/diversification from the date of commercial production.

Machinery and equipment required to set up new industrial units are exempt from payment of octroi.

New industrial units with contract demand upto 500 KVA will be exempt from payment of electricity duty for a period of 5 years from the date of power supply. Stamp duty and registration fee will be waived for industrial units.

The policy of the State Government is to ensure that State Government departments and agencies under the control of State Government purchase their requirements of stores items available from industry located inside the State. Products of local small scale industrial units and khadi and village industries will be entitled to a price preference of 5%. Any local small scale industrial unit having ISI certification for its products will get an additional price preference of 2%.
However, Orissa State Government has no special facilities or incentives for NRIs for setting up industrial units in the State. The above mentioned general industrial incentive schemes will also be applicable to NRIs.\(^8\)

**UTTAR PRADESH**

New industrial units set up in backward areas will be entitled to the State capital subsidy in respect of fixed capital investment as follows: Category 'A' areas 20% (maximum Rs. 20 lakhs.), Category 'B' areas 15% (maximum Rs.15 lakhs.) and Category 'C' areas 10% (maximum Rs.10 lakhs.)

On undertaking substantial expansion/modernisation/diversification, all eligible units shall be entitled for the subsidy. The units set up in hill areas over 1,000 metres above sea level or 50 kms., away from the foot hills will be eligible for the special capital subsidy of 10% on fixed capital investment (maximum Rs.10 lakhs). New industrial units set up in hill districts (more than 100 kms. away from the foot-hills) are given special State capital subsidy of 15% on fixed capital investment (maximum Rs.15 lakhs).

Land will be made available at subsidised rates in notified industrial areas/estates in industrially backward districts.

New units of all categories are exempt from power cuts for 5 years provided they have independent feeders of their own. All industrial areas will be exempt from power cuts. All new units would be exempt from minimum demand charge for 5 years from the date of commencement of their production.

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8 *Brochure issued by Industrial Promotion and Investment Corporation Orissa Limited, Bhubaneswar.*
20% rebate on electricity bills would be given to the notified industrial estates and the notified industries in the 10 selected districts for 5 years from the date of production. Special rebate in electricity bills at the rate of 33 1/3% shall be available for a period of 5 years which are set up in hill districts at a height of 610 metres or more.

Under the sales tax exemption scheme, exemption / deferment has been linked to fixed capital investment. For this scheme, the districts have been divided and rebate would be 125%, 150%, 175% to category A, B and C respectively.

75% subsidy on the cost of transportation of raw materials and finished goods from the site of the industrial unit to the specified ‘Rail head’ and vice versa is available in hill-areas under the scheme of Central Government.

Industrial units situated in the border districts of Uttarkasi, Chamoli, Pithoragarh will get an additional special transport subsidy of 25% from the State Government.

A special transport subsidy of 50% on the cost of transportation of raw materials and finished goods within the hill shall also be provided.

**Special Incentives to non-resident Indians**

Allotment of plots /sheds to the NRI industrialists in industrial areas /estates would be done on priority. The developing authorities and Housing Boards would also give top most priority for allotment of residential houses /plots to the NRIs under their residential scheme. These facilities will be available to those NRIs who make payment in foreign currency. Uttar Pradesh will extend equity participation to the tune of 15% of the total project cost to technically qualified NRI entrepreneurs.9

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'Udyog Bandhu' would function as a nodal agency for the NRIs, through which all facilities/incentives will be made available. It provides single window assistance to industrial units.

MADHYA PRADESH

Madhya Pradesh offers a package of incentives tailored to the needs and in relative terms the most attractive package offered anywhere else in India. The package of concessions includes investment subsidy, power subsidy, sales tax exemption/deferment, entry tax exemption and concessions in premium of plots in industrial growth centres.

All India financial institutions like IDBI and IFCI have set up their regional offices at Bhopal for the benefit of setting up larger projects. For smaller projects upto 3 crores, term lending is done by State level institutions like Madhya Pradesh Audyogik Vikas Nigam (MPAVN) and Madhya Pradesh Finance Corporation (MPFC). They normally give term loans upto Rs.90 lakhs and Rs.60 lakhs respectively. MPAVN offers term loans for the creation of capital assets for industries. The loans also cover the margin element for working capital. MPAVN’s term lending wherever needed is in tandem with MPFC. The loan sanction and disbursement procedures have been streamlined, and the average time taken for loan sanction is 10 weeks.

Special Facilities for NRIs

Exemption/deferment from payment of sales tax/Central sales tax on sale of finished products, by-products and waste products is provided.
MAHARASHTRA

In accordance with the liberalisation of the economic and trade policies of the Government of India, the Government of Maharashtra also announced its new industrial policy on 22nd April, 1993. With global competitiveness uppermost in its mind, the State Government through many bold and decisive thrusts has attempted to accelerate industrial growth.

NRI Package scheme

The State Industrial and Investment Corporation of Maharashtra Ltd., (SICOM) established by the Government of Maharashtra to promote balanced industrial development in the State, whose package of services for the NRI include: Project identification, Plant location, Varied financial assistance (terms loans, seed capital, direct subscription and underwriting.) industrial escort, merchant banking and equipment leasing.

SICOM has so far been able to attract 855 NRI projects into Maharashtra with an investment of over Rs. 3,600 crores. SICOM implements the package scheme of incentives of the Government of Maharashtra and the Central Government subsidy relating to development of backward areas. Underdeveloped areas in Maharashtra have been categorised into four grades A, B, C and D according to their degree of backwardness. The Government of Maharashtra has in an effort to decentralise and disperse industries to underdeveloped areas in the State, identified thirty industrial location where infrastructural facilities such as power, labour, educational institutions, hospitals, clubs and theatres are available. Industrial units set up in these areas are eligible for incentives and grants like interest free term loan, exemption from sales tax and octroi and tax concessions/10

holidays. There is a special incentive scheme for the development of the electronic industry in the State. Sales tax on various electronic goods is just 4%, the lowest in the country. SICOM formulated two special schemes for the NRI businessman technocrat, viz., the Venture Capital Scheme and the Market Development Assistance Scheme.

The Venture Capital Scheme has been conceived for technically qualified NRIs wishing to start industrial projects in Maharashtra but lacking adequate promoters' capital to finance their schemes. SICOM participates in the share capital of such projects to the extent of 24% of the total share capital outlay, inclusive of margin money for working capital. This scheme will be generally applicable to projects having a total capital outlay upto Rs. 75 lakhs. Among the projects which SICOM may consider assisting under this plan are those involving use of sophisticated technology and manufacture of import substitution or export oriented projects. These should be located outside Bombay and Pune metropolitan zones. The NRI promoter should bring in atleast 50% of the share capital.

Sicom's Market Development Assistance Scheme aims at assisting the NRIs to generate demand for their products. To this end, SICOM offers financial assistance to cover certain expenses incurred for market development and sales promotion. As far as possible, SICOM will consider such expenses as pre-operative expenses in the company's regular term loan application. The assistance granted could be upto 100% subject to a maximum of Rs.5 lakhs.

SICOM has, in the last few years, supported a wide range of NRI projects with investment ranging from Rs.3 lakhs to Rs.250 crores. These projects of the value of Rs.3,600 crores are in various fields like engineering, electronics, domestic appliances, micro-computers and pharmaceuticals. Most of them have gone into production.
GUJARAT

Gujarat is one of the industrially highly developed States in the country. In terms of foreign direct investment and NRI Investment, it stands in the second position next only to Maharashtra State. The International Division of Industrial Extension Bureau, a Government of Gujarat organisation caters to NRI entrepreneurs as a single point contact and helps them to set up industries in Gujarat. The Gujarat Government also has announced a package of incentives comprising cash subsidy and sales tax exemption or deferment to promote industrialisation in 16 districts in the State. The areas reserved for electronic industries eligible for the maximum (100%) sales tax incentive and investment subsidy are Vyara in Surat District, Kashipura in Baroda District, Tamnagar in Tamnagar District, Mehsana in Mehsana District, and Bhavanasagar in Bhavanasagar District.

GOA

In the State of Goa, NRI entrepreneurs like their local counterparts are eligible for several incentives.

Goa allows subsidy up to a maximum of 25% of the total capital investment or Rs. 25 lakhs whichever is less. To encourage tourism infrastructure for economy class tourists, smaller hotels have also been made eligible for capital investment subsidy at 25% with maximum subsidy of Rs. 10 lakhs, provided the total capital investment is upto Rs. 5 crores.

Exemption from sales tax on the sale of finished products is available for a period of 15 years for small scale units and for a period of 12 years for medium and large scale units.
New small, medium and large scale units are eligible for deferment of payment of sales tax collected by the unit on the sale of finished products. The industrial unit can either opt for sales tax deferment-cum-interest free sales tax loan scheme or sales tax exemption.

Water and power will be supplied to new units at the concessional tariff of 25% below the commercial tariff. The aforesaid incentives are also available to the units which go for substantial expansion.

The government is remitting 50% of the stamp duty payable by Small Scale Industrial (SSI) units under the Stamp Act, 1899.

The Government of Goa offers subsidy to the extent of 50% in respect of the cost of preparation of feasibility studies. The feasibility study covers market survey, selection of suitable site and selection of particular project. These incentives are available for small scale units only.

Price preference at the rate of 15% on the purchase made by the government department is available to the registered small scale units.

ANDHRA PRADESH

Investment subsidy of 20% on the fixed capital investment subject to a limit of Rs. 20 lakhs in three districts of Srikakulam, Ananthapur and Adilabad and 15% subject to a limit of Rs. 15 lakhs in all other districts for small, medium and large industries is offered by the State Government.

Deferment of sales tax upto 100% of the fixed capital on products manufactured in a new industrial units for a maximum period of 10 years in respect of Srikakulam, Ananthapur and Adilabad and 50% to 75% of the fixed capital for a maximum period of 10 years in respect to other districts for medium and large scale industries is provided.
Sales tax holiday is offered to small scale industries in all the districts of Andhra Pradesh for a period of 5 years upto a ceiling of Rs. 35 lakhs.

Andhra Pradesh State Non-Resident Indian Investment Corporation Limited (ANRICH), a State Government under-taking, serves as a nodal agency for NRI investment in the State. ANRICH plays a pivotal role and offers invaluable guidance for the establishment of industrial units by NRIs. The multivarious services rendered by ANRICH to NRI investors are given below:

ANRICH serves NRI entrepreneur against general power of attorney in their absence on payment of nominal charges in obtaining all required clearances and approvals. ANRICH also provides telephone, fax, conveyance and other secretarial services to NRIs during their transit stay at Hyderabad through a counselling centre specially set up in its premises. Bulk booking of telephones is made by ANRICH and kept at its disposal for allotment to NRIs who set up projects costing more than Rs.50 lakhs and urgently require such a facility for their offices in Hyderabad. To secure that the problem of NRIs are reflected adequately and to have a feed back of their problems, NRI entrepreneurs have been inducted into the ANRICH Board by the government. This helps ANRICH provide apt services to NRIs. ANRICH is registered with the Government of India as a recognised agency for export of manpower.

ANRICH provides the following additional services for the benefit of NRIs: Housing schemes linked with investment, resource mobilisation through venture capital scheme for NRIs, venturing into leasing activity, development of tourist resorts, involving NRIs in deep sea fishing and exports, and establishing industrial estates in all important districts of Andhra Pradesh.

Brochure titled, "NRIs Open Your Eyes to Investment Opportunities in Andhra Pradesh", ANRICH, Andhra Pradesh State Non-Resident India Investment Corporation Limited, Hyderabad.
KARNATAKA

Capital investment subsidy at 25% and 30% is offered to tiny/SSI units. Sales tax exemption/sales tax deferral is offered to tiny/small/medium and large scale industries. Entrepreneurs are allowed the option of availing sales tax exemption or sales tax deferment as per their convenience.

Industrial units in specified categories set up in developed areas and the units in developing areas including growth centres, new industrial investment for expansion/diversification/modernisation shall be eligible for sales tax exemption.

Mega projects with investments in excess of Rs. 100 crores shall be considered for special incentive package, depending on the merits of each case like scale of investments, scope for down stream industries, employment potential and so forth.

Incentives available for 100% export oriented units as thrust sector would also be available for other export oriented units that are exporting a minimum of 50% of their turnover. Such EOUs shall be eligible for exemptions from payment of entry tax on raw materials, components, packaging materials, consumable capital goods, spares material, handling equipments, intermediates, semi-finished goods and sub-assemblies procured within the State, limited to proportionate consumption for export production purposes.

All the new tiny and SSI units would be exempt from power cut for a period of 5 years from the date of commencement of commercial production in some zones. The above incentives and concessions available to local entrepreneurs are also available to NRIs. However no special package of incentives being offered by the State Government to NRIs for setting up industrial units in the State.
KERALA

Kerala is a 100% literate State and offers an intelligent work force with an innate genius to absorb the most sophisticated technology in the shortest possible time. Hence, they possess the capacity for achieving high levels of productivity. The State ranks third in the index of relative development of infrastructure.

Investment subsidy is given at 15% of fixed capital investment with a ceiling of Rs. 15 lakhs for the manufacturing sector. Investment subsidy for thrust industries, electronics, rubber processing, food processing, pharmaceuticals, leather and so forth will be 15% of fixed capital investment subject to a ceiling of Rs. 20 lakhs. Existing units undertaking expansion, diversification and modernisation will also be eligible for investment subsidy. Subsidy at the rate of 15% of the cost of installation subject to a ceiling of Rs. 5 lakhs will be given for generation of power by industrial units for captive consumption.

New units will be exempt from all sales taxes for the first seven years. All new industrial units in the medium and large scale sectors will have the option of exemption from sales tax for the first 7 years subject to a ceiling of 100% of the fixed capital investment or deferment of sales tax for 10 years subject to a ceiling of 100% of fixed capital investment. Central sales tax on inter-State sales for new units will be 2% for the first 7 years. New industrial units will be exempt from power tariff for the first 5 years.

50% of the cost of market and feasibility studies for large and medium industries will be given as required. A price preference of 15% for the products of SSI units located in Kerala and 10% for the products of medium and large industries located in the State will be given for all departmental purchase.
Kerala State Industrial Corporation (KSIDC) will provide escort services to all entrepreneurs who propose to set up projects of Rs.50 crores or more in the State. A market information cell is operated by KSIDC to collect price and demand data from all over the world. All the above facilities are available to NRIs as well.\(^{12}\)

**PONDICHERY (UNION-TERRITORY)**

The government provides developed plots to the entrepreneurs in the industrial estates on lease basis for a period of 99 years.

10% investment subsidy is available from Industries Department for the fixed capital investment subject to a maximum of Rs.10 lakhs.

Both Central sales tax and local sales tax are waived for a period of 5 years for units set up in Pondicherry and Yanam regions and for 10 years for units set up in Karaikal and Mahe regions. Central sales tax is charged at a concessional rate of 1% for SSI units for a period of 14 years for Pondicherry and Yanam and nine years for Karaikal and Mahe after completion of the above holiday periods. Stamp duty for mortgage deed executed by industry availing loan for acquiring developed plots in the industrial estates and for the lease deed is waived.

The above facilities are available to NRIs as well who intend to set up industrial units in Pondicherry. However, no special incentives are offered to NRIs for setting industrial units in the union-territory of Pondicherry.

\(^{12}\) *Brochure titled, "Kerala A Presentation", Kerala Industrial Development Corporation Ltd., Trivandrum.*
TAMIL NADU

With the objective of fostering the pace of industrialisation, Government of Tamil Nadu has launched its New Industrial Policy in January, 1992, in the new era of economic liberalisation encompassing the entire gamut of industrial development. Government of Tamil Nadu offers a range of incentives as given below:

(i) Capital Investment Subsidy

(a) Investment subsidy will be given at the rate of 20% on fixed assets subject to a maximum of Rs.20 lakhs for all new industries set up in the 31 most backward taluks.

(b) Investment subsidy will be given at the rate of 15% on fixed assets subject to a ceiling of Rs.15 lakhs for new industries set up in 82 backward taluks of the State and in all industrial estates and complexes developed by the government agencies.

(c) A higher rate of investment subsidy will be extended to certain thrust industries located anywhere in the State.

Electronics: 20% of fixed assets subject to a maximum of Rs.35 lakhs
Leather: 20% on fixed assets subject to a maximum of Rs. 20 lakhs.
(d) A special capital subsidy of 10% of fixed assets subject to a ceiling of Rs. 15 lakhs will be extended to medium and large industries set up anywhere in the State in the following categories: Automobile spare parts, Drugs and Pharmaceuticals, Solar energy, Pollution control equipment, Export oriented gold jewellery and diamond processing units, Jute industries, Sports goods and accessories, Food processing industries and Cost effective building materials.

Small scale industrial units in the above thrust industry groups are eligible for the above special capital subsidy at a higher rate of 20% of fixed assets subject to a maximum of Rs. 15 lakhs, irrespective of their location.

(e) Tourism and related industries are eligible for various concessions, incentives and subsidies as applicable to other industries. New tourism projects will be extended a capital subsidy at the rate of 10% of total investment excluding cost of land subject to a maximum of Rs. 10 lakhs per project. Besides, capital subsidy at 15% for purchase of generators to be installed in new tourism project with a separate ceiling of Rs. 5 lakhs is also given.

(f) New industrial units which employ more than 30% women in their work force will be eligible for an additional subsidy of 5% upto a ceiling of Rs. 5 lakhs.

(g) A pioneer industry capital subsidy of Rs. 25 lakhs will be given to new units with a fixed capital investment exceeding Rs. 5 crore in a single project proposed, being set up as a first unit in declared backward and most backward areas.

New units with fixed capital investment in eligible fixed assets in a single project proposed exceeding Rs. 25 crores being set up anywhere in Tamil Nadu as also existing industrial units expanding and/or diversifying with
an additional fixed capital investment in a single project proposed exceeding Rs. 25 crores will be eligible for higher capital subsidy of Rs. 25 lakhs.

(h) In order to encourage units to have reliable power supply, subsidy for installation of new generation for captive use to the extent of 15% of cost upto a ceiling of Rs. 5 lakhs is also extended.

(i) To attract mega projects into the State, attractive capital subsidies have been introduced as hereunder to industries set up anywhere in the State:

For projects with an investment of Rs.50 crores and above but below Rs.100 crores - Rs.25 lakhs.

For projects with an investment of Rs.100 crores and above but below Rs.200 crores - Rs.50 lakhs.

For projects with an investment of Rs.200 crores and above - Rs.1 crore.

(j) A power subsidy with following tariff concessions has been introduced for new industries set up in Tamil Nadu:

1st Year - 40%; 2nd Year - 30%; and 3rd Year - 20%.

(k) A special subsidy of 10% the value of assets created towards setting up of effluent treatment plant with a ceiling of Rs.2 lakhs will be made available for installation of effluent treatment plant by the existing tanneries. The above subsidy is also extended to existing industries, industries undertaking expansion / diversification / modernisation.
(ii) Sales tax Concessions

(a) New units set up in 31 most backward taluks in the State are eligible for full waiver of sales tax dues for a period of 5 years or deferral for 9 years subject to a ceiling of total investment made in fixed assets.

(b) Existing industrial units undertaking expansion in most backward taluks and above industrial estates/complexes are also eligible for the above concessions of waiver/deferment.

(c) New industrial units set up in 82 backward taluks are eligible for sales tax deferral for a period of 9 years subject to a ceiling of 100% investments made in eligible fixed assets.

(d) Existing units in the 82 backward taluks undertaking expansion/diversification are eligible for deferral of sales tax for 9 years subject to a ceiling of 80% of the additional investment made in fixed assets.

(e) New units set up in other areas (industrially forward) will be eligible for deferral of sales tax for 5 years, subject to a maximum of 60% of total investment made in fixed assets. Existing units undertaking expansion in other areas (industrially forward) are eligible for deferral of sales tax for 5 years upto 50% of the additional investment in fixed assets made.

(f) New mega projects being set up in the State are eligible for larger period of sales tax concessions like waiver/deferral as follows:
For projects with an investment of Rs.50 crores and above but below Rs.100 crores, sales tax waiver for 5 years or 10 years deferral.

For projects with an investment of Rs.100 crores and above but below Rs.300 crores, sales tax waiver for 6 years or 12 years deferral.

For projects with an investment of Rs.300 crores and above, sales tax waiver for 7 years or 14 years deferral.

Above concessions of waiver/deferral are subject to a ceiling of 100% value of investment made in eligible fixed assets. Sales tax deferral and waiver will include Tamil Nadu General Sales tax, Central Sales tax, surcharge, additional surcharge and additional sales tax.