CHAPTER - VII

INCENTIVES, CONCESSIONS AND SUBSIDIES

Since India is a developing country with a developing economy, major portion of the country is economically and or industrially backward. This has resulted in much of regional imbalances. Some steps have been taken through the five year plans to wipe out such imbalances. A number of schemes have been implemented for this purpose both by the Central and State Governments through various financial/promotional institutions, with a view to achieving an accelerated rate of industrial growth in backward areas. As the role of the promotional institutions has been dealt with in a separate chapter the present analysis is confined to a study of the various schemes launched on the industrial development of backward Rayalaseema region.

Since, incentives involve cost to the public exchequer, they should be so designed to induce industrial growth without leading to the dissipation of resources unnecessarily. Then the problems of identification of backward areas and the formulation of a rational strategy for their development are to be solved in order to achieve maximum benefits.

Infact the nature and design of the package of incentives should depend upon the levels of development
required and the strategy to be followed. Since strategy to be followed depends upon the nature of the resources available in the region and their potentialities for development, there cannot be a blanket prescription of incentive schemes for all the backward areas uniformly. In short, a rational application of package of incentives pre-supposes the formulation of a well thought out regional plan.

Identification of Backward Areas:

Accelerated development of backward areas with a view to reducing the regional imbalances has been one of the important national objectives during the plan period.

At the meeting of the National Development Council held on September 13, 1968, it was decided that two working groups should be constituted to study the question of regional imbalances. This marks a serious beginning of regional approach to the planning process aimed at the removal of regional disparities in the country. In pursuance of this decision, two working groups were set up by the planning commission in November 1968 (during the third Five Year Plan).

One for recommending the criteria for the identification of backward areas, and the other for recommending fiscal and financial incentives for industries to be set up in backward areas.
The Committee for the identification of backward areas, popularly known as the 'Pande working Group', evolved certain criteria in pursuance of its terms of reference.¹

The criteria included:

a) Total per capita income

b) Per capita income from industry and mining

c) The number of workers in registered factories

d) Per capita consumption of electricity

e) Length of surfaced roads in relation to population and area

f) Railway mileage in relation to population and area.

¹The relationship between the two aspects, viz., identification of backward areas and incentives, has been explained in the terms of reference of the Pande working group, as under:

"To recommend the objective criteria to be followed in the identification of backward regions which would qualify for special treatment by way of incentives for industries to be set up in such regions. Among others, the broad techno-economic factors which are relevant to the establishment of industries on regional basis should be taken into account so that the grant of special concessions does not lead to irrational growth in industrial development" - Report of the working group on Identification of Backward areas, Planning Commission, Government of India. page 1.
Besides, the states of Assam, Jammu and Kashmir and Nagaland, the aggregate percentage and backwardness of the States of Andhra Pradesh, Bihar, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh is lower than the national average as per the above criteria. These states were therefore identified as industrially backward. The Pande working group also suggested certain criteria for the identification of backward districts in industrially backward states and union territories.¹

¹The criteria suggested by the Pande working group for identification of backward districts in backward States are:

1) Districts outside a radius of about 50 miles from large cities or large industrial projects;

ii) Poverty of the people as indicated by their low per capita income starting from the lowest to 25 percent below the state average;

iii) High density of population in relation to utilisation of productive resources and employment opportunities indicated (a) the low percentage of population engaged in secondary and territory activities (25% below the average may be considered as backward), and (b) the low percentage of factory employment (25% below the State average may be considered as backward).

iv) Adequate availability of electric power or likelihood of their availability in 1 to 2 years.

v) Availability of transport and communication facilities or likelihood of their availability in 1 to 2 years.

vi) Adequate availability of water.

The planning commission has not implicitly adopted the criteria suggested by the Pande working group. But based on the criteria evolved by it, it has recommended certain criteria\(^1\) in consultation with the National Development Council (Consisting among others of Chief Ministers) and financial institutions for the identification of backward districts for the purpose of providing concessional finance. One point of contrast between these two sets of criteria, viz., (1) Pande working group, (2) Planning Commission, is that according to the Pande working group, districts with in a radius of 50 miles of

\(^1\)The criteria recommended by the planning commission are:

a) The districts (which are normally said to be economically and industrially backward) should possess a minimum level of infrastructure facilities essential for development of Industries.

b) Per capita food grains

c) Ratio of population to agricultural workers

d) Per capita Industrial output

e) Number of factory employees per lakh of population

f) Per capita consumption of electricity

g) Length of surfaced roads and length of railway mileage in relation to population.

(Only those districts with indices well below the state averages in respect of the above indicators are to be selected as backward)

Source: "Industrial development of Backward Regions" Published by IDBI.
large cities and large industrial projects should not be considered as backward. But they can be considered so, according to the set of criteria recommended by the planning commission.

In pursuance of the criteria evolved by the Planning Commission, 14 districts in the State (Andhra Pradesh) were declared backward and these districts were eligible for concessional financial assistance in terms of lower rates of interest and underwriting commission, longer initial moratorium, longer repayment period etc., offered by such public financial institutions as the IDBI, the IFCI and included in this list.

With a view to achieve rapid industrial development, Government of India announced a central scheme of outright grant/subsidy in the year 1970 for industries set up in selected backward districts/areas.

The enlarged incentive scheme came into force from 1-4-1983. Under central subsidy scheme backward districts/areas have been divided into 3 categories.

1The fourteen districts include (i) Seven districts of Telangana (excluding Hyderabad and Adilabad), (ii) all the four districts of Rayalaseema, (iii) the districts of Srikakulam, Prakasam and Nellore in Coastal Andhra.

2"Guidelines for setting up Small Scale Industries in Andhra Pradesh" - Commissioner of Industries, Government of Andhra Pradesh, p. 97.
Category 'A':

Areas classified as 'No Industries District' (Or Zero industry districts) have been made eligible for 25% subsidy subject to a maximum of Rs. 25 lakhs. In Andhra Pradesh no district comes under this category.

Category 'B':

Areas hitherto eligible for central subsidy continue to be eligible for 15% central subsidy subject to a ceiling of Rs. 15.00 lakhs. Under this scheme 19 Panchayath Samithis spread over the Rayalaseema (4 backward districts) get the benefit.

Category 'C':

Areas eligible for concessional finance in all the four districts excluding those included in the Category 'B' have been made eligible for 10% of central subsidy with effect from 1-4-1983 subject to a maximum of Rs. 10 lakhs. 39 Panchayath Samithis spread over all four (backward) districts of Rayalaseema which fall under this category.

No Subsidy Block:

Panchayath Samithis in which the investment in industry has exceeded Rs. 30 crores have been made ineligible for central subsidy with effect from 1-4-1983. In Rayalaseema the Region/following 2 blocks are not eligible for central subsidy.

1. Kurnool, and 2. Kamalapuram

The following statement furnishes more details on this issue.

1Detailed picture of 19 Panchayat Samitis are listed in P. 368.
Panchayat Samithi Blocks (as existed on 1-10-70) eligible for Central Subsidy on Central Capital Investment (Under Revised Scheme) effective from 1-4-83.

<table>
<thead>
<tr>
<th>Blocks under Category 'B' (15%)</th>
<th>Blocks under Category 'C' (10%)</th>
<th>No Subsidy Block</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Rayalseema Region:</strong></td>
<td></td>
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<tr>
<td>Anantapur District</td>
<td>Hindupur</td>
<td></td>
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<tr>
<td>Singanamala</td>
<td>Madakasira</td>
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<td>Gooty</td>
<td>Dharmavaram</td>
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<tr>
<td>Kudair (Kadiri)</td>
<td>Penukonda</td>
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<td>Tadepatri</td>
<td>Rayagund</td>
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<td></td>
<td>Uruvakonda</td>
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<td></td>
<td>Kalyanadurg</td>
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<td>Kanekal</td>
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<td>Kambadur</td>
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<td>Chinekothapalle</td>
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<td></td>
<td>Kadiri (East)</td>
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<td></td>
<td>Kadiri (West)</td>
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<td><strong>2. Chittoor District:</strong></td>
<td></td>
<td></td>
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<tr>
<td>Chittoor</td>
<td>Madanapalli</td>
<td></td>
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<tr>
<td>Bangarapalem</td>
<td>Vayalpad</td>
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<td>Pulichela</td>
<td>Punganur</td>
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<tr>
<td>Puttur</td>
<td>Choudepalli</td>
<td></td>
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<tr>
<td>Kalabasti</td>
<td>Palemaner</td>
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<tr>
<td>Chandragiri</td>
<td>G. B. Nellore</td>
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<td></td>
<td>Satyavedu</td>
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<td>Chinnagottigallu</td>
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<td>Karvetinegar</td>
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<td>Thotambahdu</td>
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<td>Pitchtour</td>
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<td></td>
<td>Kuppa</td>
<td></td>
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<tr>
<td><strong>3. Cuddapah District:</strong></td>
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</tr>
<tr>
<td>Praddattur</td>
<td>Jammalamedugu</td>
<td>Kamalapuram</td>
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<tr>
<td>Cuddapah</td>
<td>Lakkireddy Palle</td>
<td></td>
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<tr>
<td>Pulivendla</td>
<td>Musidanur</td>
<td></td>
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<tr>
<td>Rajampet</td>
<td>Raichoti</td>
<td></td>
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<tr>
<td>Kodur</td>
<td>Porummamilla</td>
<td></td>
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<tr>
<td>Sidbhot</td>
<td></td>
<td></td>
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<tr>
<td><strong>4. Kurnool District:</strong></td>
<td>Yemmiganur</td>
<td>Kurnool</td>
</tr>
<tr>
<td>Dhone</td>
<td>Adoni</td>
<td></td>
</tr>
<tr>
<td>Nandyal</td>
<td>Alur</td>
<td></td>
</tr>
<tr>
<td>Baramaganapalli</td>
<td>Pattikonda</td>
<td></td>
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<td></td>
<td>Kodur</td>
<td></td>
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<td></td>
<td>Allagadda</td>
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<td></td>
<td>Atmakur</td>
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<td></td>
<td>Nandikotkur</td>
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<td></td>
<td>Koil Kuntla</td>
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</tbody>
</table>

Source: Commissioner of Industries, Govt. of Andhra Pradesh "Guidelines for Setting up Small Scale Industries in Andhra Pradesh".
Besides subsidy on investments, the central financial institutions\(^1\) also provide finance at concessional rates for investment in backward areas.

**Impetus to Nucleus Plants and Ancillaries:**

An industrial unit will qualify to be a 'Nucleus Unit', if it can promote a chain of ancillaries. The status of Nucleus unit will be conferred on an unit that will fulfil certain specifications laid down by the Government.

**Increased rate of Central Investment Subsidy:**

As against investments, a nucleus plant will get preferential subsidy at the following rates.\(^2\)

- Category 'A' - 25% upto a ceiling of Rs. 2.5 million
- Category 'B' - 20% upto a ceiling of Rs. 2.0 million
- Category 'C' - 15% upto a ceiling of Rs. 1.5 million.

However MHP and PHIA companies will not be entitled to Central Investment Subsidy in respect of Nucleus plants in category 'C' areas.

\(^1\) An elaborate study is made of this aspect in Sixth Chapter.

\(^2\) Ibid. p. 97.
Tax Concessions: ¹

A number of other incentives have been offered to industries by Government of India. They are enumerated hereunder.

a) **Tax Holiday:**

The taxable income of new industrial undertaking (including hotels) will be exempted up to 25% for a period of 8 years.

b) **Depreciation Allowance (DA):**

Depreciation allowance is granted up to 100% value of plant and machinery depending upon the nature of the project. Plant and machinery installed in hotels is granted an extra depreciation allowance of 15%.

c) **Additional Depreciation Allowance (ADA):**

The plant and machinery installed after 31.3.1980 but before 1.4.1985 is granted ADA of 50% of the normal DA.

d) **Investment Allowance:**

It is granted at 25% of the value in plant and machinery.

e) **Export Market Development Allowance:**

An amount equal to 133% of the expenditure incurred on export promotion is allowed for deduction from the total income.

f) **Amortisation of Preliminary Expenses:**

Preliminary expenses incurred for setting up new industrial units or for expansion of existing units are amortised against profits in 10 equal instalments. For this purpose the following types of expenses are taken into consideration.

- Preparation of feasibility report/project report, conducting market surveys, engineering surveys etc.
- Legal charges for drafting agreements.
- Legal charges for drafting and printing of Memorandum and Articles of Association, fees for registering the company etc.

The aggregate amount qualifying for amortisation is subject to the following limits.

25% of the actual cost of the fixed assets Or

25% of the capital employment in the business (i.e. the aggregate of issued share capital, debentures, and long term borrowings including money borrowed from abroad for purchase of capital goods).
The other important concessions including a complete tax holiday for a period of 5 years for units set up in Free Trade Zone, are Central Subsidy and concessional finance for units set up in the specified backward areas.

g) Avoidance of Double Taxation:

Double taxation of income arises when a person who is a resident in one country derives income from a source in another country and the income so derived is taxed at both places i.e., the place of its accrual and the place where it is received. To avoid double taxation of an income, the Government of India has entered into bilateral arrangements with a number of countries.

India has bilateral arrangements for avoidance of double taxation with 27 countries whereas arrangements with Austria, Belgium, Denmark, FRG, Finland, France, Greece, Japan, Malaysia, Norway, Sri Lanka, Sweden, UAR, Tanzania, U.K. are comprehensive in nature and cover all types of incomes. The arrangements with Afghanistan, Czechoslovakia, Bulgaria, Ethiopia, CILR, Iran, Italy, Lebanon, Romania, Switzerland, USA and USSR are confined to the incomes from shipping and aircraft industries only.
Concessions offered by Central Financial Institutions:

The Central Financial Institutions offer some additional benefits to industries situated in backward areas. These include -

(i) differential interest rates
(ii) lower margins
(iii) longer moratorium period
(iv) seed and risk capital assistance, and
(v) lower commitment charges.

Incentives and Concessions offered by the State Government

In addition to the incentives offered by the Central Government and All-India Financial Institutions, the State Government has also devised various measures of incentives and facilities for attracting industries to backward areas. The incentives offered by the State Government are either directly or indirectly through the State level institutions, such as State Financial Corporation, State Industrial Development Corporation, Small Industries Development Corporation, etc. In addition to the above, the State Government offers the following incentives to new industries which went into regular production on or after 1-1-76.

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1 It is dealt in detail in the Chapter VI.

2 "Guidelines for setting up Small Scale Industries in Andhra Pradesh". - Commission of Industries, Government of Andhra Pradesh, Hyderabad, p. 100.
1. Investment subsidy at 10% of the fixed capital cost subject to a ceiling of Rs. 10,00 lakhs in non-scheduled areas.

2. 20% investment subsidy on the fixed capital cost subject to maximum of Rs. 15,00 lakhs in all scheduled areas.

3. Interest subsidy at 3% for industries set by educated unemployed under self employment schemes to technocrats.

4. Interest free sales tax loan for a period of 5 years subject to a maximum of 10% of the fixed capital cost.

5. 25% rebate on power tariff.

Details of the various incentives offered by the state government either directly or indirectly are enumerated below:

**Government Land:**

Where Government land has to be acquired for setting up an industrial unit the application has to be sent to the General Manager of the District Industries Centre concerned. The General Manager sends proposals to the Commissioner of Industries with his detailed comments along with the remarks/recommendations of the concerned
District Collector. The Commissioner of Industries examines these proposals and if satisfied, recommends the same to the Department of Industries and Commerce. A State level committee approves the acquisition of land on the basis of which Government Orders (GOs) are issued. After the G.O. is issued and the necessary formalities are completed by the District Collector, the Land Acquisition Officer hands over the plot to the entrepreneur.

Acquiring Plots and sheds in Industrial Development Areas/Industrial Estates of APIIC:

The APIIC, which acquires land at strategic growth centres, develops them and provides plots and sheds to entrepreneurs on either hire-purchase basis or outright sale within 30 days from the date of allotment. 10% of the cost of the land and 5% of the cost in the case of sheds, less EMD already paid, is to be remitted to APIIC. 40% of the land/15% cost of the shed to be paid on execution of the lease-cum-sale agreement before the possession is obtained. A nominal rent of Rs. 30/- per annum in the case of land and Rs. 20/- per annum per shed is levied by the APIIC.

The balance of the cost of land/shed is to be paid within a period of a year from the date of possession. Interest at the rate of 14% in backward areas, and 16% in non-backward areas is leviable on the balance amounts.
In case of delayed payments 2% additional interest is chargeable. Where there is a change in the name, line of manufacture, constitution of the unit the same should promptly be intimated to APIIC. In all the cases the production is to be started within a period of 6 months.

**Water:**

Bulk consumers of water are advised to approach the Water Supply and Sewage Board and arrange to draw their requirements directly.

To meet the requirements of small scale units located on the IDAs/IBs, APIIC supplies the required quantity of water by drawing the same from the Public Health Department or from its own water supply system.

The following table provides details of the water tariff.
### TABLE - 7.2

Water Supply Tariff for Industrial use in Rayalseema

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the Municipality</th>
<th>Rs.</th>
<th>Per</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Adoni</td>
<td>6-00</td>
<td>1000 litres</td>
</tr>
<tr>
<td>2.</td>
<td>Anantapur</td>
<td>6-00</td>
<td>1000 Gallons</td>
</tr>
<tr>
<td>3.</td>
<td>Chittoor</td>
<td>4-50</td>
<td>1000 Gallons</td>
</tr>
<tr>
<td>4.</td>
<td>Cuddapah</td>
<td>6-00</td>
<td>1000 Gallons</td>
</tr>
<tr>
<td>5.</td>
<td>Dharmavaram</td>
<td>10-00</td>
<td>1000 Gallons</td>
</tr>
<tr>
<td>6.</td>
<td>Guntakal</td>
<td>5-00</td>
<td>1000 Gallons</td>
</tr>
<tr>
<td>7.</td>
<td>Hindupur</td>
<td>5-00</td>
<td>1000 Gallons</td>
</tr>
<tr>
<td>8.</td>
<td>Kurnool</td>
<td>6-50</td>
<td>1000 Gallons</td>
</tr>
<tr>
<td>9.</td>
<td>Nandyal</td>
<td>5-00</td>
<td>1000 Gallons</td>
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<tr>
<td>10.</td>
<td>Proddatur</td>
<td>6-00</td>
<td>1000 Gallons</td>
</tr>
<tr>
<td>11.</td>
<td>Rayadurg</td>
<td>15-00</td>
<td>1000 Gallons</td>
</tr>
<tr>
<td>12.</td>
<td>Tadipatri</td>
<td>5-00</td>
<td>1000 Gallons</td>
</tr>
<tr>
<td>13.</td>
<td>Tirupati</td>
<td>8-00</td>
<td>1000 Gallons</td>
</tr>
</tbody>
</table>

Source: Ibid. p. 89.

**Power:**

In the case of power intensive units, the entrepreneurs should approach Andhra Pradesh State Electricity Board (APSEB) seeking assured power supply. Requests for such assurances shall be made together with the information in a prescribed form (appropriate form) so that the demand for power is taken into account by the APSEB.

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1Ibid. p. 82.
while planning for power generation. The application for assurance together with the detailed information shall be furnished to the Chief Engineer (operation) APSEB, Vidyuth Soudha, Hyderabad under copy to the Commissioner of Industries, Andhra Pradesh, Hyderabad.

**Concessional Tariff:**

A rebate of 25% in power charges is allowed to industrial units for a period of 3 years from the date of their going into production. This facility is allowed to all types of Industries except the industries indicated below:

**Power Tariffs in Andhra Pradesh:**

**H.T. Tariffs:**

Contracted demand of not less than 70 KVA or connected load of 75 H.P.

**H.T. Tariffs - Category - I:**

a) Demand Charges: Per KVA of Billing Demand ₹ 30/- per KVA/Pm. Plus

b) Energy Charges: For all the units consumed per month 48 paisa per unit.

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1. List of Industries which are ineligible for the 25% concession in Power Tariff, is notified in appendix - T

Important:

i. The billing demand shall be the maximum demand recorded during the month or 80% of the contracted demand whichever is higher.

ii. Energy charges will be billed on the basis of actual consumption or 50 units per KVA of billing demand whichever is higher.

Seasonal Industries: Like Sugar or Ice or Salts etc.

**Maximum Demand Charges:**

Based on the actual recorded maximum demand or 30% of the contracted Maximum demand whichever is higher

Plus

**Energy Charges:** On the KWH of energy actually consumed.

**H.T. Category - II:**

All HT Consumers other than those covered under HT category - I.

a) Demand charges: per KVA of billing Demand: Rs. 30/- P.m.

   Plus

b) Energy charges: For all units consumed P.m. 56 Paise/unit.

Important:

i. The Billing demand shall be the maximum demand recorded during the month or 80% of the contracted demand whichever is higher.
ii. Energy charges will be billed on the basis of actual consumption or 25 Units per KVA of billing demand, whichever is higher.

LT - Category I:

Low Tension A.C. 415/240 V/3 phase/Single Phase/50 Cycles

First 100 Units/Month ...... 45 Paise per unit.
Above 100 Units/Month ...... 50 Paise per unit
subject to monthly minimum charges of Rs. 5/- P.M.

LT - Category II - Non-Domestic & Commercial:

For all units consumed 95 paise per unit
Subject to monthly minimum charges of Rs. 15/- P.M.

LT - Category III - Industrial:

Contracted load is not less than 3 H.P. or 2.38 KW and not more than 75 H.P. or 56 KWH.

For all units consumed ...... 55 Paise per unit
Minimum charges .................Rs. 12/- per H.P. of contracted load P.M.

LT - Category IV - Cottage Industries:

Bonafied small, cottage industries having contracted load not exceeding 5 HP. for all units consumed 35 paise per unit, minimum charges Rs. 5/- per month per H.P. of contracted load.
**Incentives and Concessions for Non-Resident Indians**

The Government of Andhra Pradesh has set up an exclusive corporation called Andhra Pradesh State Non-Resident Indian Investment Corporation limited (ANIRCH) to exclusively serve Non-Resident Indians (NRIs) in their investment plans for industries.

**Tax Incentives:**

To promote industrial development, new industrial undertakings being set up in backward areas are allowed a deduction of 20% (25% in the case of corporate tax payers i.e., companies) of their profits for a period of 10 years. The company seeking exemption should have a minimum paid up capital of ₹5 lakhs and the necessary approval from Central Government.

Under section 80 J of Income Tax Act, a deduction of 7½% per annum on capital employed in a newly set up industrial undertaking is allowed for a period of 10 years in backward areas.

In all the above cases, the business/industry should be new and not reconstructed out of any business/industry.

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1 ANIRCH - "Bull's eye! a sure-shot with ....... come and invest for a bright future" - Andhra Pradesh State Non-Resident Indian Investment Corporation Ltd. (ANIRCH), Hyderabad, Andhra Pradesh.
and should not be manufacturing non-priority items. The tax concessions of 20% of profits is allowed for a period of 10 years in backward areas.

**Investment Allowance:**

A deduction by way of investment allowance at the rate of 25% of the actual cost of the eligible assets is admissible to an NRI on a business of which the profits are taxable in India. Where the production is with the aid of technology or know-how developed in certain laboratories, the admissible rate of investment allowance is 35%.

**Depreciation:**

Special rates of depreciation are allowed on capital assets and the rates admissible vary from 5% to 100% depending upon the nature of the asset.

**Tax Incentives for Exports:**

To encourage large exports of certain goods, Indian companies and non-corporate tax payers are entitled to a deduction of 5% of excess export turnover that of the previous year.

**Concessions on Inter-Corporate Dividends:**

Domestic companies are allowed to deduct 60% of their income on account of inter-corporate dividends in the computation of total income.
Wealth Tax Holiday:

Any investment by NRIs in equity shares of companies engaged in priority industries is totally exempted from wealth tax for 5 assessment years provided such shares form part of initial issue of equity share capital.

Special Facilities to NRIs for Import of Capital goods and Raw Materials:

1. Import of capital goods is allowed for an NRI in respect of used items of machinery provided the machinery has been used abroad by the applicant for at least one year before returning to India.

2. The CIF value should not exceed more than 10% of the CIF value of the total machinery being imported.

3. Import of prototypes as well as cement for construction of factory buildings are allowed provided they are purchased from their own foreign exchange earnings.

4. Import of professional equipment, new or second hand, purchased out of their own foreign exchange earnings limited to Rs. 0.1 million.

5. Import of generating set of about 15 KVA rating purchased out of own foreign exchange earnings.
6. Import of raw materials, components, consumables and spares purchased out of the foreign earnings of the applicant for meeting the requirements for three years subject to a maximum of Rs. 0.5 million every year.

7. Scooters and Agricultural Tractors on a priority allotment.

8. Import of Office Equipment not exceeding Rs. 0.1 million it used by the applicant.

Conclusion:

Incentives, concessions and subsidies are provided by the Central and State Governments, are put to discussion in this chapter. These facilities are designed in such a way to attract prospective entrepreneurs, who would commence their industrial activities in backward regions.

But unfortunately, the people in the region do not have the full knowledge about the various facilities available. As a result these facilities are not being used properly.
SUMMARY

On the basis of Pande Committee reports and Planning Commission recommendations, backward areas were identified and classified into categories of A, B and C. This classification is made as base for granting subsidy on Central Capital Investment.

A number of tax facilities are also offered to entrepreneurs to faster the industrialisation of state/region. Such as Tax holiday, Depreciation Allowance, Additional Depreciation Allowance, Investment Allowance, Export Market Development Allowance, Amortisation of preliminary expenses, Avoidance of double taxation etc.

The State Government has devised various measures of incentives subsidies and facilities for attracting industries to backward areas. These incentives are provided directly and indirectly through state level institutions, such as SFC, SIDCs, SSIIDC, etc.

Government, acquires land for entrepreneurs, and grants it on the basis of requirements. Water is supplied to industrial units at concessional rates, concessional power is also supplied to entrepreneurs for a period of 3 years from the date of their going into production.