

Bihar industrial Incentive Policy, 2006

BIHAR

India

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Rule BIHAR-INDUSTRIAL-INCENTIVE-POLICY-2006 of 2006

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1.

1. Today there is a requirement to provide a new industrialized shape full of industries to Bihar State. There is a need to establish new industries and to revive the sick and closed units of the State. For this purpose favourable environment should be created to attract the investors of State and from abroad. In this connection the Industrial Policy, 2003 has been reviewed. After reviewing the policy, a decision has been taken to prepare a new industrial policy in the present circumstances so that there may be a balanced industrial growth in the State.

In the light of the aforesaid facts a new Industrial Incentive Policy, 2006 has been prepared in consultation with Bihar Industries Association, Bihar Chamber of Commerce, Confederation of Indian Industry and all concerned Government Departments. In the preparation of this policy the Industrial policies of different states have been kept in view. Under this Industrial Incentive Policy, 2006 there are provisions for granting preproduction incentive of subsidy/exemption from stamp duty and registration fee and post production incentive of grant/exemption for preparation of project reports, purchase of land/shed, technical know-how, captive power generation/diesel generating set, quality certificate. VAT, luxury tax, electricity duty, conversion fee, market fee etc. With the implementation of this Industrial Incentive Policy, 2006, it is expected that there will be growth in the per capita income of the State and industrial growth as well as accelerated employment opportunities.

1.2 Strategy (i) To create favourable circumstances in order to establish industries in the State so that there may be positive communication among the investors. (ii) Bihar Single Window Clearance Act, 2006. - To promote all round development of the State and industrial

growth rapid clearance procedures for establishing industries, to issue license and certificates, to provide a congenial atmosphere to the investors of Bihar State and in this regard and for other concerned subjects Bihar Single Window Clearance Act-2006 has been enacted.(iii)Bihar Infrastructure Development Enabling Act, 2006. - To provide for rapid development of physical and social infrastructure in the State and to attract private sector participation and to provide for a comprehensive legislation for designing, financing, construction, operation, maintenance of infrastructure projects, so that administrative and procedural delays are reduced, for identifying generic project risks, Bihar Infrastructure Development Enabling Act, 2006 has been enacted.(iv)In order to simplify the inspection of factories, provision of self-certification will be made.(v)Industrial growth is adversely affected due to the complicated labour laws. Such labour laws will be made simple and development oriented.(vi)Human resources will be developed in such a way, which can promote and create industrialization of high degree. Besides, different existing institutions will be strengthened to improve skill.(vii)Land Bank. - To meet the requirement of land for industries and development schemes, Land Bank will be established in the State. By this Bank, Land will be made available according to the requirements of different industries and for development schemes.(viii)Marketing arrangements will be made for small, tiny, cottage industries, handloom and handicraft.(ix)For the creation of the basic facilities of international level, to enhance capital investment in the industrial areas and invite the private sector for investment and to encourage public private partnership for this purpose.(x)Development of Infrastructure.(xi)In order to revive sick units, to identify such units and to suggest necessary remedial measures and to prevent sickness by developing a district level monitoring system.(xii)To develop handicraft, handloom, khadi, silk and village industries.Incentives/exemption facilities for Industries in Bihar to accelerate Industrial development and to attract investments

1. Pre-Production Incentive.

Stamp duty and Registration fee. - Tiny, small, medium and large scale industries which are to be established in the industrial area/shed and outside the area of the Authority will enjoy the full (100%) exemption in stamp duty and registration fee in lease/sale/transfer. This facility will be granted only for the first time and thereafter will not be granted.

2. Post-Production Incentive.

(i)Project-report Incentive. - Reimbursement of the cost incurred in the project report preparation by the industrial units at the rate of 50% subject to a maximum of Rs. 75,000/- will be made available, provided, the project report is prepared by any of the firms recognised by the Industry Department. The reimbursement will be made to the unit after commencement of the production.(ii)Incentive granted on land/Shed. - The Industrial Units located in Bihar Industrial Area Development Authority/Export Promotion Industrial Park/Food Park/Agri Export Zone would be eligible for the following incentive/subsidy. These facilities/concession to the industrial units will be made available only after the commencement of production.

S. No. Industry

Grant

1. Small/Tiny units Financial Limit. 50% or 7.50 lacs (maximum)
 2. All large/medium/mega units Financial Unit 25% or 15.00 lacs (maximum)
- (ii) Financial assistance for Technical-know-how. - If an entrepreneur obtains Technical Know-how from any recognised National research centre/laboratory or institution to establish or to expand his industry he will be reimbursed 30% (maximum Rs. 15.00 lacs) of the fee paid to the institution/organization for the technical know-how. This facility will be provided to the unit after commencement of production.
- (iv) Incentive Grant for capital investment on Captive Power Generation/Diesel Generating Set. - 50% (Fifty per cent) of the amount spent on plant and machinery in the establishment of Captive Power Generation/Diesel Generating set will be granted to the industry. No upper limit for this amount has been fixed. This facility will be made available after the unit comes into production.
- (v) New industrial units will be granted relief from payment of electricity duty under the Bihar Electricity Duty Act 1948 for the generation and for own consumption of electricity from D. G. Set and Captive Power Units.
- (vi) Subsidy/Incentive on VAT. - This facility will be available to small/ large/medium industries. The industrial unit will get a passbook from the State Government in which the details to the tax paid under Bihar VAT would be entered and verified by the Commercial Taxes Department in the form prescribed in Appendix-III. The Director, Industries will be authorised to pay the incentive amount on the basis of the verification. The new Units will avail 80% reimbursement against the admitted VAT amount deposited in the account of the Government, for a period of ten years. The maximum Subsidy amount is payable 300% of the capital Invested. Clarification: The incentive would not be payable on the amounts imposed as penalty and the difference of amount between tax assessed and accepted under the Central Sales Tax/Bihar Value Added Tax Act 2005 and Bihar Entry Tax Act.
- (vii) Zero Vat: Zero VAT means the production of items, which do not attract VAT. Such units which produce items attracting zero Vat and pay income tax would be eligible for incentive upto a maximum utilization of 70% of the installed capacity (maximum limit) as per para (vi) above. Incentive will be payable after the inspection/ recommendation by a committee constituted under the chairmanship of the Director Industries on the basis of inspection and recommendation by technical officer of the Department.
- (viii) In addition to aforesaid subsidy/concessions, the following exemptions will be provided: (a) 100% exemption for seven years in luxury tax for seven years. (b) 100% exemption in electricity duty for seven years. (c) 100% exemption in conversion charge. (d) 100% exemption in market Fee for seven years.
- (ix) Facilities granted for the units working under adverse situation. - Working units which have been working under adverse situation for years will be reimbursed 25 per cent of the deposited VAT amount in the account of State Government against admitted VAT amount. This reimbursement will be admissible for five years continuously.
- (x) Industrial Rehabilitation Fund. - A corpus fund will be created in order to revive the sick and closed industry with the co-operation of Commercial Banks, the State Government and Bihar Industries Association.
- (xi) S.C./S.T./Women/Handicapped. - (a) Under this category, entrepreneurs will avail 5% additional grant/exemption/subsidy over the limit fixed under this policy. (b) Up to a turnover limit of Rs. 30 lakhs per annum S.C./S.T./ Women/Handicapped category entrepreneurs who run small and tiny industries will avail 100% subsidy of the deposited amount in the account of Government in the form of VAT for a period of ten years.
- (xii) Exemption from AMG/MMG. - Working units at present and new units will avail exemption from AMG/MMG from the date of declaration of the New Industrial Policy. This facility will be granted for five years.
- (xiii) Central Sales Tax (CST). - Only 1% CST will be payable on the items produced by the registered small and medium

units in Bihar.

3. Industrial Sickness.

3.1 Rehabilitation of Sick Units. - Industrial sickness is a part of the process of industrialization. It leads to unemployment, blockage of capital, loss of State Revenue and non-utilisation of assets. Hence it is necessary to take proper steps in order to rehabilitate the sick industries. The Government is concerned about this and would take the following steps to stem sickness and revive sick industries.

3.2 Small Sector. - (i) State Level Committee. - A State Level Committee under the Chairmanship of Director of Industries will be constituted for the rehabilitation of small industry. Its members comprise representatives from the banks, financial institutions, Reserve Bank of India, Industries Association, experts and Government. (ii) The above committee would be empowered with necessary statutory powers in order to rehabilitate the sick industry so that approved rehabilitation package may be implemented effectively. (iii) The guidelines of the Reserve Bank of India/IDBI/SIDBI would be relied upon to identify sickness in sick and small units. Appropriate rehabilitation package would be approved for their rehabilitation. (iv) The sick industries being revived will not require sickness certificate on an annual basis, instead the revival package shall specify the period of revival of sick units. (v) The industry declared sick by the State Level Committee would be eligible to receive reliefs and concessions from banks and financial institution as per instructions of RBI. These concessions and reliefs will be considered to be given within a definite time frame. (vi) After the identification of sickness within a prescribed time frame the rehabilitation package would be prepared and the state level institutions would monitor the sick industries and their rehabilitation. (vii) Those sick and closed units which have availed the benefits of any Industrial Policy in the past can avail even second time the facilities under this policy. If any sick or closed unit wants to avail the benefits under the Industrial Policy for the second time it will avail only the difference between the prior availed amount and the proposed amount under new policy. But this facility for rehabilitation to the unit will be made available only on the recommendation of the concerned committee constituted by the State Government. Such facility to the unit can be made available maximum of two times only. (viii) Facility provided to the sick and closed units. Exemptions from Annual Minimum Guarantee (AMG), Monthly Minimum Guarantee (MMG) and Delayed Payment Surcharge (DPS) would be available to the unit from the date of declaration of the unit as a sick unit. This facility would be admissible for a period of five years.

3.3 Sickness in Medium and Large Industries. - (i) A Committee would be constituted under the chairmanship of Secretary Industry to explore the possibility and determine remedies for the revival of medium and large scale industries and Public Sector Undertakings (PSUs) which are sick and not referred to the BIFR and have a potential for revival. The recommendations of the above committee detailing the reliefs and concessions shall be placed for approval before the high-powered committee existing under the Chairmanship of the Chief Secretary. (ii) The rehabilitation package envisaged by BIFR/IRBI/BICICO/BSFC/ Bank and State Level inter Institutional Committee shall be placed before the committee under the Chairmanship of the Secretary, Industry for consideration and recommendation of Government. (iii) Sick Industry means such industry which has been registered by the Board for Industrial and Financial Reconstruction (BIFR). (iv) Decision regarding closed industrial units shall be taken by a State Level Committee constituted under the Chairmanship of Secretary, Industries Department. (v) Those sick and closed units which have availed the benefits of

any Industrial Policy in the past can avail even second time the facilities under this policy. If any sick or closed unit wants to avail the benefits under the Industrial Policy for the second time it will avail only the difference between the prior availed amount and the proposed amount under new policy. But this facility for rehabilitation to the unit will be made available only on the recommendation of the concerned committee constituted by the State Government. Such facility to the unit can be made available maximum upto two times only.(vi)Facilities to sick and closed units. - Exemption of Annual Minimum Guarantee (AMG), Monthly Minimum Guarantee (MMG) and delayed payment surcharge to the unit will be granted from the date of declaration of unit as a sick unit. This facility will be available for five years.

4. Facilities for Expansion-Diversification and Modernisation of Unit.

- Existing units which are undergoing Expansion/Diversification/Modernisation will be eligible for incentives, on their incremental production as described in Para 2.

5. Incentive on Quality Certification.

- 75% of cost incurred in obtaining certificate of I.S.O., standard (or equivalent) from reputed national/international level organizations, would be reimbursed by the State Government.

6. Information Technology Mission.

6.1The State Government would launch an I.T. Mission for the development of Information Technology Industries with the following objectives:(i)Economic Development.(ii)Human Resource Development.(iii)To provide simple, effective and transparent administration.(iv)State of the Art Communication System.6.2The State Government will provide the following relief/incentive to the Information Technology Sector for its rapid development.It has been observed that several Rules and Regulations applicable to establish an industry are not required for the I.T. industry. As such, there would be a provision of self-certification and software units would be exempted from the following:(i)Pollution Control Act to be effective only as per Government of India guidelines.(ii)Legal Power Cuts.(iii)Zoning Regulations in respect of location.The following exemptions under the relevant Acts will be applicable to the I.T. industries:(i)The I.T. Industry will be added in schedule-1 of the Bihar Shops and Establishment Act 1953 and concessions under Sections 7, 8 and 12(1) shall be extended to it. By this the industry would be given exemption from the provisions relating to the hours of business and weekly closure.(ii)The hours of work for women employees would be relaxed under Section 66 of the Factories Act, 1948. Accordingly for I.T. establishments. Women would be able to work between 5 am and 10 pm instead of 6 am to 7 pm in such establishments.(iii)I.T. industry will be provided with exemptions under Section 87 of the Employees State Insurance Act, 1948.(iv)The Information Technology industry will be added as an independent employment in the schedule of Minimum Wages Act, 1948 so that the workers may be classified separately.6.3Information Technology and Biotechnology industries established in the State would qualify for the incentives under para-2 of the policy All incentives applicable to industries would also be automatically available to I.T. and Biotechnology Industry.6.4The Industry Department will promote Biotechnology and Information Technology on priority basis in industrial

areas.

7. Handloom Sector.

(i)Electricity Tariff. - In view of the State power loom to be competitive with the power loom sector of other States, there will be a provision of electricity grant of 75 paise per unit off in electricity tariff.(ii)Quality power supply will be made available for powerlooms.(iii)Workshop-cum-residence scheme for weavers - In weavers dominated area, scheme of construction of common facility centre and in case weavers do not have the room, land, construction of Government shed would be implemented. All the facilities available under Cluster Development Programme would be available to weavers. Arrangements for training under the scheme would be made.(iv)Establishment of Integrated Textile Park - Textile Park will be established in the State. By this improvement and design, quality up-gradation and assistance in marketing would be available to the weavers.(v)Establishment of Urban Haat (market) - An Urban Haat will be established in Patna where there will be provision for sale of the handloom and handicraft products.(vi)Revival of Central Processing Plants - State Government will revive the central processing plant Biharsharif and Dye and Finishing plant, Darbhanga. In these, the weavers may avail the facilities of dying, finishing and processing of their products.(vii)Reimbursement of loan due of the weavers - Scheme of reimbursement of old loan dues and interest from weavers in the State would be implemented.

8. Implementation of Reservation Policy.

- Those units which comply with the Reservation Policy of the Government, of Bihar will be given an additional 10% over and above the fiscal incentives for which they are eligible under this Policy.

9. Monitoring and Review.

- All concerned departments and organizations would issue necessary follow-up notifications within a month to give effect to the provisions of this Policy. This will be duly monitored by Government so that the State Government may carry out a mid-term review of this Policy.

10.

The incentives/subsidies/relief's outlined in this policy shall be available to only such new industrial units which commence commercial production within five years from 1.4.2006.

11.

Industries mentioned in the negative list in Annexure-II would not be eligible for any incentive/subsidy.

12.

For incentives contained in this Policy a Committee would be constituted under the Chairmanship of Secretary Industries with the Director of Industries, Director Technical Development, a representative each of the Commercial Taxes Department, and Bihar State Electricity Board (wherever necessary) as well as the concerned M.D. of the Industrial Area Development Authority as its Members. This Committee would decide on post-production incentives to be given to new units.

13.

The definitions given in the Annexure to this policy shall be treated as part of this policy. Annexure-I Definitions

1. Effective Date. - "Effective date" means the date on which the provisions of this Policy come into force i.e. 1.4.2006. This Policy will remain in force for 5 years from the date of issue of orders.

2. Industrial Unit/Industrial Concern. - Industrial unit/concern means any unit/concern engaged or to be engaged in manufacturing/processing/servicing industry under the following categories:

(a) Industries listed under the First Schedule of the Industries (Development and Regulation) Act, 1951 as amended from time to time. (b) Industries falling within the purview of the following Boards/Agencies: (1) Small Industries Board. (2) Coir Board. (3) Silk Board. (4) All India Handloom and Handicrafts Board. (5) Khadi and Village Industries Commission. (6) Any other agency constituted by the Government of India or Government of Bihar for industrial development. (c) Other categories: (1) Mining or development of mines. (2) The maintenance, repair, inspection or servicing of machinery of any description or vehicles or vessels or motorboats or trailers of tractors. (3) The setting up or development of an Industrial Area, Industrial Estate, Integrated Infrastructure Development, Export Promotion Industrial Park, Export Promotion Zone or Growth Centre. (4) Providing special or technical knowledge or other services for the promotion of industrial growth. (5) Providing Engineering, Technical, Financial, Managerial, Marketing or other services or facilities for industry. (6) Providing services relating to Information Technology, Telecommunication or electronics including satellite linkage and audio or visual cable communication. (7) Tourism.

3. Existing Industrial Unit. - "Existing Industrial Unit" means an industrial unit which is in commercial production.

4. New Industrial Unit. - "New Industrial Unit" means an Industrial Unit in which commercial production has commenced within five years from 1.4.2006.

5. Transferred Unit. - "Transferred unit" means an Industrial Unit whose ownership/management has been transferred as per the provisions of the State Financial Corporation Act, 1951 or has been transferred with the approval of Financial Institutions/Banks.

6. Sick Unit. - "Sick unit" means an Industrial Unit declared sick by the Board for Industrial and Financial Reconstruction "under the Sick Industries Companies (Special Provision) Act, 1985 or by the State Apex Committee for SSI headed by the Director of Industries or the High Level Empowered Committee headed by the Chief Secretary for large and medium sector.

7. Closed Unit. - "Closed unit" means an Industrial Unit which has been continuously closed since the last five (5) years from the date of eligibility for applying for incentive under this Policy. Closed means that there should have been no commercial production. The declaration of the unit being "closed" shall be certified as mentioned in Para 3 of this policy.

8. Expansion/Modernisation/Diversification. -

"Expansion/Modernisation/Diversification of an existing unit" would mean additional fixed capital investment in plant and machinery to the extent of 50% or more of the undepreciated value of fixed capital investment in the existing unit leading to incremental production capacity which would not be less than 50% of the initial installed capacity. In order to qualify a unit undertaking expansion/ modernisation/diversification should send prior intimation to the General Manager, District Industries Centers or the Managing Director, Bihar Industrial Area Development Authorities & Deputy Commissioner Commercial Taxes, as the case may be in respect of Small Scale Industry or the Director of Industries/Director, Technical Development and Commissioner, Commercial Taxes in case of medium and large industries before undertaking such expansion/modernisation/diversification Programme, Such intimation should be accompanied by detailed expansion/modernisation/diversification proposal giving the specific period of proposed additional investment.

9. Fixed Capital Investment. - The 'Fixed capital investment' means an investment made in land, building, plant and machinery as well as productive assets of permanent nature.

10. Small Scale Industry. - A "Small Scale Industrial Unit" is an Industrial Unit in which capital investment has been made upto the limit specified by the Government of India from time to time.

11. Ancillary Industrial Unit. - An "Ancillary Industrial Unit" is an industrial unit in which capital investment has been made upto the limit specified by the Government of India from time to time.

12. Date of Production. - The "date of production" of an industrial unit shall mean the date on which the unit actually commences commercial production of the item for which the unit has been registered.

As regard the date of production of a SSI unit, the certificate issued by the respective General Manager, District Industries Centre or Managing Director, Industrial Area Development Authority would be valid. In case of any dispute regarding the date of production, the decision of the Director of Industries shall be final. In case of large and medium industries the certificate issued by the Director Technical Development would be valid. In case of any dispute regarding the date of production, the decision of the Industrial Development Commissioner/Secretary Industries shall be final. Those Industrial Units which commence in production on 1.4.2006 or thereafter, but whose capital investment is prior to 1.4.2006 would be eligible under Industrial Incentive Policy, 2003 (in case they qualify) or under the New Policy as alternative. The units will not be entitled to part benefits of both the policies, Three months from the date of publication of the notification in the Bihar Gazette of this Policy, the units will have to give in writing to Director Industries or Director, Technical Development indicating the preferred alternative. Annexure-II List of Industries not eligible for Incentives

1. Rice Huller.

2. Flour Mills (Including Besan, Dal & Chura Mills) of less than 50 TPD Capacity.

3. Condiments (Masala & Papad) Mills.

4. Confectionery (Excluding Mechanised Confectionery).

5. Preparation of Sweetmeat & Salted Snacks.

6. Bread Manufacturing (Except Mechanized Bakery).

- 7. Production of Ice Candy and Ice Food.**
- 8. Manufacturing and Processing of Betel Nut.**
- 9. Fireworks.and Crackers Units.**
- 10. Coal/Coke Screening.**
- 11. Firewood and Charcoal Manufacture.**
- 12. Painting and Spray Painting Units.**
- 13. Fertilizer Mixing Plants.**
- 14. Brick Manufacturing Units (Except Units Engaged in Manufacturing Refractory Bricks and Bricks from Fly Ash, Red Earth, Raw Industrial Waste Material).**
- 15. Manufacture of Tarpaulins Made of Canvas.**
- 16. Saw Mills and Wood Sawing.**
- 17. Furniture and Wood Sawing.**
- 18. Drilling Rings, Bore Well and Tube Well Establishing Units.**
- 19. Tea Blending/Mixing Units.**
- 20. Units Connected with Cutting of Raw Tobacco and Gul Related Products and Guraku.**
- 21. Bottling and Repackaging of Drugs/Pharmaceuticals/Chemicals without Processing and value addition (Excluding formulation and manufacturing units).**
- 22. Book Binding.**

- 23. Rubber Stamp Making.**
- 24. Notebook and Envelope Making.**
- 25. Photocopying.**
- 26. Stencilling Units.**
- 27. Processing of Stencil Papers.**
- 28. Distilled Water Manufacturing Units.**
- 29. Tailoring (Except Readymade Garment Manufacturing Units).**
- 30. Sewing of Socks with Woven Cloth and their Repacking.**
- 31. Laundry/Dry Cleaning.**
- 32. Photography/Studio Labs.**
- 33. Clinical/Pathological Laboratories/Nursing Homes/Clinics.**
- 34. Beauty Parlours.**
- 35. Video Parlours.**
- 36. Goods Transport.**
- 37. Video/Audio Cassette Recording/Watch Repairing/Vehicle Workshop and Service Stations.**
- 38. Lime Kilns.**
- 39. Petrol Pumps.**
- 40. Narcotic Drugs.**

Note. - 1. Government reserves the right to make any changes in the above Negative list.

2. The decision of Government whether a unit falls in the Negative list or not, shall be final and binding.

Annexure-III Format of Passbook as Detailed In Para 2 (VI) of The Industrial Incentive Policy 2006

1	2	3	4	5	6	7	8
Sl. No.	Month	Amount of Tax admitted under BVATA*/CSTA*/BETA*	Amount paid against the amount admitted under BVATA*/CSTA*/BETA*	Main/Subsidiary headings under which admitted amount deposited	Challan No. & date with Name of Treasury	Name & Designation of certifying officer	Signature with date & seal

Total

*BVATA = Bihar Value Added Tax Act, 2005 *CSTA = Central Sales Tax Act, 1956 *BETA = Bihar Entry Tax Act, 1993
Note. - The passbook entries must be certified by the concerned Commercial Taxes Officer in charge of the circle.