TAMIL NADU

Incentives offered in Tamil Nadu

The incentives offered by the government for industrial development are comparable to the best in the country. A recent study by the National Council of Applied Economic Research (NCAER) made a comparison of the incentive packages of all Indian states. This study reveals that Tamil Nadu offers the most attractive package among industrialised states. The following are the incentives offered:

- ❖ Structured assistance package for investments exceeding $70 million to be made in a maximum of three years;
- ❖ 50 per cent stamp duty concession for projects located in government promoted industrial parks;
- ❖ Effluent treatment plant subsidy;
- ❖ 50 per cent stamp duty concession for projects located in government promoted industrial parks;
- ❖ Electricity tax exemption up to a maximum of five years.

Certain specific incentives are offered to SEZ developers as well as units.

• 100 per cent income tax exemption for five years and 50 per cent of income tax exemption for the next five years and reinvestment allowance to the extent of 50 per cent of ploughed back profits for the next five years;

• Stamp duty exemption on purchase/lease of land;

• Electricity tax exemption on power supplied by Tamil Nadu Electricity Board;

• Dividend distribution tax exemption for developers.

Some of the non fiscal incentives offered by the state include:

• Prompt allotment of land in the industrial parks with supporting infrastructure;

• Single window facilitation to complete pre-project documentation;

• Assistance in land procurement;

• Power and water supply, access roads and other supporting infrastructure;

• Common Application Form and Single Window facilitation for all regulatory approvals;

EXPORT ASSISTENCE SCHEME IN TAMILNADU

Small Enterprise products contribute a major share in the total exports from India which indicates that the Indian SSIs are capable of meeting world class quality and competition. Though there is lot of scope for Indian Small Enterprise products to enter the global market, a sustained support for the initiative of such units is needed. It becomes imperative to provide facilities and information to such potential SSI units to enter into the global market.

Realising the need to be proactive and innovative in taking new initiative, TANSIDCO introduced Export Assistance Scheme to Small Enterprises.

The main objective of the scheme is to provide assistance to SSI units in Tamilnadu to identify export opportunities by creating a web presence for each member unit.

TANSIDCO has launched the web site www.sidcoexports.com to the registered units for displaying their products, company profile, etc. on this web site so that potential buyers can have contact with the concerned units and establish business.

TANSIDCO also searches various trade web sites, finds potential foreign buyers for the registered units' products and informs the same to the concerned unit to have further contacts for business.

Units are registered under this scheme by collection of a one time registration fee of Rs.500/-. The necessary application for registering under this scheme can be available at the offices of TANSIDCO, free of cost.

Medium and Large Industrial units, Merchant Exporters and Trading Organisations are also eligible to join this scheme.

Export Promotion Schemes Centraly Sponsored :

Target Plus: A new scheme to accelerate growth of exports called “Target Plus” has been introduced. Exporters who have achieved a quantum growth in exports would be entitled to duty free credit based on incremental exports substantially higher than the general actual export target fixed.(Since the target fixed for 2004-05 is 16%, the lower limit of performance for qualifying for rewards is pegged at 20% for the current year). Rewards will be granted based on a tiered approach. For incremental growth of over 20%, 25% and 100%, the duty free credits would be 5%, 10% and 15% of FOB value of incremental exports

EPCG:

a) Additional flexibility for fulfillment of export obligation under EPCG scheme in order to reduce difficulties of exporters of goods and services.

b) Technological up gradation under EPCG scheme has been facilitated and incentivised.

c) Transfer of capital goods to group companies and managed hotels now permitted under EPCG.

d) In case of movable capital goods in the service sector, the requirement of installation certificate from Central Excise has been done away with.

e) Export obligation for specified projects shall be calculated based on concessional duty permitted to them. This would improve the viability of such projects. An EPCG licence can also be issued for import of capital goods for supply to projects notified by the Central Board of Excise and Customs under S.No.441 of Customs Exemption Notification No.21/2002 dated 01-03-2002 wherein the basic customs duty on imports is 10% with a CVD of 16%.The export obligation for such EPCG licences would be eight times the duty saved. The duty saved would be the difference between the effective duty under the aforesaid Customs Notification and the concessional duty under the EPCG Scheme. (Details can be seen at Paragraph 5.1B of the Policy).

Export Obligations:

When Capital Goods are imported for pre/post – production or license is taken for import of spares, the license holder shall fulfill the export obligation by export of products manufactured from the plant/project to which the pre/post-production capital goods/spares are related.

The licencee can also opt for the re-fixation of the balance export obligation based on 8 times of the duty saved amount for the CIF value in proportion to the balance Export obligation under the scheme.

The aforesaid facilities shall only be available to manufacturer/exporters/service provider on all the licences where export obligation period including extended export obligation period is valid on the date of application. In this regard, exports made only on or after submission of application for alternate item and/or re-fixation of the export obligation based on duty saved amount will be taken into account for fulfillment of export obligation

As per the provisions of para 5.4(i), the EPCG licence holder would have to maintain the average level of exports equivalent to the average of the exports in the preceding three licencing years for the same and similar products except for exempted categories given in Handbook (Vol. 1) during the entire period of export obligation.

The agro units in the agri export zones would also have the facility of moving the capital good(s) imported under the EPCG within the agri export zone. (Details can be seen at Paragraph 5.5.2 of the Policy). Service provider in Agri export zone shall have the facility to move or shift the capital goods within the zone provided he maintains accurate record of such movements. However, such equipments shall not be sold or leased by the licence holder

DFRC:

Import of fuel under DFRC entitlement shall be allowed to be transferred to marketing agencies authorized by the Ministry of Petroleum and Natural Gas.

DEPB:

The DEPB scheme would be continued until replaced by a new scheme to be drawn up in consultation with exporters.

New Status holder Categorization:

The Scheme of status holders continues but the categorization of status holders from Export House, Trading House, Star Trading House and Super Star Trading House has been changed to one Star Export House, two Star Export House, three Star Export House, four Star Export House and five Star Export House. Star Export Houses shall be eligible for a number of privileges including fast-track clearance procedures, exemption from furnishing of Bank Guarantee, eligibility for consideration under Target Plus Scheme etc. The revised threshold limit for the recognition has also been lowered as can be seen from the table below:

TotalNo. Category Performance over three years

1. One Star Export House 15 crores
2. Two Star Export House 100 crores
3.Three Star Export House 500 crores
4. Four Star Export House 1500 crores
5.Five Star Export House 5000 crores

EOUs:

1. EOUs shall be exempted from Service Tax in proportion to their exported goods and services.

2. EOUs shall be permitted to retain 100% of export earnings in EEFC accounts.

3. Income Tax benefits on plant and machinery shall be extended to DTA units which convert to EOUs.

4. Import of capital goods shall be on self-certification basis for EOUs.

5. For EOUs engaged in Textiles & Garments manufacture leftover materials and fabrics upto 2% of CIF value of quantity of import shall be allowed to be disposed of on payment of duty on transaction value only.

6. Minimum investment criteria shall not apply to Brass Hardware and Hand-made jewellery EOUs (this facility already exists for Handicrafts, Agriculture, Floriculture, Aquaculture, Animal Husbandry, IT and Services).

Free Trade and Warehousing Zone:

1. A new scheme to establish Free Trade and Warehousing Zone has been introduced to create trade – related infrastructure to facilitate the import and export of goods and services with freedom to carry out trade transactions in free currency. This is aimed at making India into a global trading-hub.

2. FDI would be permitted up to 100% in the development and establishment of the zones and their infrastructural facilities.

3. Each zone would have minimum outlay of Rs.100 crores and five lakh sq.mts. built up area.

4. Units in the FTWZs would qualify for all other benefits as applicable for SEZ units.

Import of Second hand Capital Goods:

1. Import of second-hand capital goods shall be permitted without any age restrictions.

2. Minimum depreciated value for plant and machinery to be re-located into India has been reduced from Rs.50 crores to Rs. 25 crores.

Common Facilities Centre:

Government shall promote the establishment of Common Facility Centres for use by home-based service providers, particularly in areas like Engineering & Architectural design, Multi-media operations, software developers etc., in State and District-level towns, to draw in a vast multitude of home-based professionals into the services export arena.

Procedural Simplifaction & Rationalisation Measures:

1. All exporters with minimum turnover ofRs. 5 crores and good track record shall be exempt from furnishing Bank Guarantee in any of the schemes, so as to reduce their transactional costs.

2. All goods and services exported, including those from DTA units shall be exempt from Service Tax.

3. Validity of all licences/entitlements issued under various schemes has been increased to a uniform 24 months.

4. Number of returns and forms to be filed have been reduced. This process shall be continued in consultation with Customs & Excise.

5. Enhanced delegation of powers to Zonal and Regional Offices of DGFT for speedy and less cumbersome disposal of matters.

6. Time bound introduction of Electronic Data Interface (EDI) for export transactions. 75% of all export transactions to be on EDI within six months.

Pragati Maidan:

In order to showcase our industrial and trade prowess to its best advantage and leverage existing facilities, Pragati Maidan will be transformed into a world-class complex. There shall be state-of-the-art, environmentally-controlled, visitor friendly exhibition areas and marts. A huge Convention Centre to accommodate 10,000 delegates with flexible hall spaces, auditoria and meeting rooms with high-tech equipment, as well as multi-level car parking for 9,000 vehicles will be developed within the envelope of Pragati Maidan.

Legal Aid:

Financial assistance would be provided to deserving exporters, on the recommendation of Export Promotion Councils, for meeting the costs of legal expenses connected with trade – related matters.

Grievance Redressal:

A new mechanism for grievance redressal has been formulated and put into place by a Government Resolution to facilitate speedy redressal of grievances of trade and industry

Quality Policy:

1. DGFT shall be a business-driven, transparent, corporate oriented organization.

2. Exporters can file digitally signed applications and use Electronic Fund Transfer Mechanism for paying application fees.

3. All DGFT Offices shall be connected via a central server making application processing faster. DGFT Head Quarters has obtained ISO 9000 certification by standardizing and automating procedures.

Bio Technology Parks:

Biotechnology Parks to be set up which would be granted all facilities of 100% EOUs.

Co-Acceptance/Avalisation:

Co-acceptance/Avalisation is introduced as equivalent to irrevocable letter of credit to provide wider flexibility in financial instrument for export transaction.

Board of Trade:

The Board of Trade shall be revamped and given a clear and dynamic role. An eminent person or expert on trade policy shall be nominated as President of the Board of Trade, which shall have a Secretariat and separate Budget Head, and will be serviced by the Department of Commerce.

Key Nodal Agencies in Tamil Nadu

Tamil Nadu Industrial Development Corporation Ltd. (TIDCO)

- E stablished in 1965 as a Government of Tamil Nadu Enterprise to promote Large and medium scale industries in Tamil Nadu

- Currently focusing on promoting infrastructure projects, Industrial Parks and Special Economic Zones

State Industries Promotion Corporation of Tamil Nadu (SIPCOT)

- Focuses on developing, marketing and maintaining industrial complexes/parks and growth centres and implementing Infrastructure Development Schemes

Tamil Nadu Industrial Investment Corporation Ltd. (TIIC)

- Provides financial assistance by way of Term loans for purchase of land, plant and machinery and construction of buildings for setting up of new industrial units as well as for expansion, modernisation and diversification of existing units anywhere in the state

- Also extends term loans to the service sector in the state

Tamil Nadu Urban Development Fund (TNUDF)

- Provides project advisory, financial advisory and consultancy services to various Urban Local Bodies through its fund manager, Tamil Nadu Urban Infrastructure Financial Services (TNUIFSL)

Tamil Nadu Urban Finance Infrastructure Development Corporation (TUFIDCO)

- Extends financial assistance to urban infrastructure schemes in Tamil Nadu POLICY