

BIHAR INDUSTRIAL INCENTIVE POLICY- 2011

Sub : Bihar Industrial Incentive Policy-2011 for accelerated Industrial Development of the State.

In view of the rapid changes in the Global Industrial Scenario, Bihar Industrial Incentive Policy- 2006 has been reviewed with an objective to attract domestic and foreign investment as well as revival and expansion of business operations of the existing industrial units by providing the right industrial ambience. After reviewing the same, it was felt that in view of the present scenario, it is imperative that a new industrial incentive policy be prepared so as to promote balanced industrial development and enable industries to contribute towards the social and economic development of the State.

In the above background, a new Industrial Incentive Policy -2011 has been prepared based on the suggestions and consultations with the main Industry Associations such as- Bihar Industries Association, Bihar Chamber of Commerce, Confederation of Indian Industry, Bihar, Laghu Udyog Bharti, Hazipur Udyog Sangh etc. and other related organizations and concerned Government Departments. The industrial policies of different neighboring States have also been considered in formulation of this policy.

Under this proposed policy, there are provisions for granting incentives such as, 100% Exemption from Stamp Duty and Registration Fees during the pre-production phase, Capital Subsidy for industrial units, inclusion of Entry- Tax in the re-imburement of 80% of VAT, incentive also to existing units for Captive Power Generation / Diesel Generating sets and subsidy on non-conventional sources of energy production, re-imburement of expenses incurred on project reports, technical know-how fees, Quality Certification, Electricity Duty etc.

With the implementation of Industrial Incentive Policy- 2011, it is expected that the development of the State will get a boost and it will result in rapid industrial development with enhanced employment generation. The industries of Bihar would be able to play a positive role in the overall development of all the citizens of Bihar.

STRATEGY

- (i) In order to establish industries in the state, development of international level of basic infrastructure is necessary so as to attract more and more domestic and foreign investment.
- (ii) Land Bank – Land plays a vital role in the establishment of industry. Action would be taken for establishment of Land Bank in view of the requirement of land for industries and for other development projects. As per the requirements of different industries and development scheme, land would be made available from the land bank.
- (iii) Creation of marketing potential for sales of the products of Small, Micro, Rural units, Handicrafts, Handloom, Khadi, Sericulture etc in order to ensure their development.
- (iv) In order to prevent industrial sickness, timely identification of the reasons for sickness and appropriate actions are to be undertaken. In order to prevent such sickness as far as possible, District level monitoring system needs to be developed and strengthened.
- (v) Setting up of effective single window system, availability of project along with creation of necessary basic infrastructure such as roads, water and un-interrupted power supply.
- (vi) Simplification and transparency in all kinds of allotments, grants and entrepreneurs related procedures and provision of online services as much as possible.
- (vii) Provision of Common Effluent Treatment in industrial areas/Estates.
- (viii) Establishment of industrial parks by BIADA for setting up of new medium and large industries in rural and urban areas.
- (ix) The following would be Thrust Areas of the State Government:
 - 1. Food Processing
 - 2. Agriculture based Industries
 - 3. Tourism related Industries
 - 4. Super Speciality Hospital
 - 5. Higher / Technical Educational Institutions
 - 6. Information Technology based Industries
 - 7. Electronic Hardware Industry
 - 8. Textile Industry
 - 9. Energy / Non-Conventional Energy

Incentives to be provided to industrial units of the state to speed up industrial growth and investment in Bihar.

1.Pre-Production Incentives

Stamp Duty and Registration Fees

- (a) 100% exemption from Stamp Duty / Registration Fees being levied on Lease/ Sale / Transfer of Industrial Land/Shed as also there outside the jurisdiction of Industrial Area Development Authority for new Micro, Small, Medium (MSME) and Large sector industries.

This exemption from Stamp Duty and Registration Fees facility will be granted only for the first time and will not be applicable in subsequent stages of Lease / Sale / Transfer. This incentive will be available to new units only.

- (b) Such existing Industrial Units which have undertaken expansion or diversification thereby leading to an increase of 50% in their production capacity, will also be entitled for the above incentive, only on to the extent of additional land required for Expansion.

- (c) If, for any reason, the above incentive is not availed by the unit and the land is purchased, the above Stamp Duty and Registration Fees will be reimbursed by the department to such units at the post production stage.

2. The following incentives would be given to Industrial Units after commencement of Commercial Production under the New Industrial Incentive Policy.

(i) Post-Production Incentives

Under the present policy, incentives like Project Report Incentive, Incentives on land / shed, financial assistance for acquiring Technical Know-How, Capital Subsidy etc. will be available. The upper limit for such reimbursement will be Rs. 600 lacs (Six hundred lacs). This will be excluding the subsidy on Captive Power Generation / Diesel Generating set. The Incentives specified under Para 2 are as under:-

(ii) Project Report Incentive

Re-imburement of 50% of the cost, subject to a maximum of Rs. two lacs, incurred in the project report preparation by the industrial units will be made. Provided that, the project report is prepared by the consultancy firms recognized by the Industry Department. If the project report has been prepared for Carbon Credit and the unit gets Carbon Credit, 50% of the consultancy charges, subject to a maximum of Rs. 15 lacs, will be reimbursed.

(iii) Incentives on Land / Shed

The following incentives / subsidy will be available to all eligible units for the investment on land/shed located in the Industrial Area Development Authority/ Export Promotion Industrial Park/ Food Park/ Agri Export Zone and also investment on Land/Shed allotted in Industrial Area/ Park developed on Government land or on private land.

Sl.No.	Industry	Grant
1.	Micro / Small units	50% with a ceiling of Rs. 15 lacs
2.	All large / Medium / Mega units	25% with a ceiling of Rs.30 lacs

(iv) Financial Assistance for Technical-Know-How:

If any entrepreneur acquires Technical Know-how from any recognized National Level Institution or State Level Institutions to establish or to expand his industry, he/she will be reimbursed 30% (maximum Rs. 15.00 lacs) of the fees paid to the institution/organization for the technical know-how.

(v) Incentive / subsidy on investment on Plant & Machinery purchased for Captive Power Generation / DG set

- a. 50% (Fifty percent) of the amount spent on plant and machinery in the establishment of Captive Power Generation/Diesel Generating set will be reimbursed to the industry. No ceiling has been fixed for this.
- b. Existing units would also be entitled for grants on the amount spent on plant and machinery in the establishment of Captive Power Generation/Diesel Generating as per the above Para V(a), if such Captive Power Generation/ Diesel Generation set is established after the Industrial Incentive Policy- 2011 comes in force.
- c. This grant would also be given to SPVs constituted for the purpose of captive power generation, subject to the condition that the said SPV should be situated in industrial area or constituted for serving groups of industries and majority members of that SPV should belong to the Industrial group and that such SPV will provide electricity so generated to the Industrial Area / Group located in the Industrial Area where it has been established.

d. In case of energy produced through non-conventional sources, 60% of the expenditure on plant and machinery will be payable as subsidy. No ceiling has been fixed for availing this incentive. This facility will also be available to existing units.

(vi) Exemption from Monthly Minimum Charges/ Minimum Base Energy charge/Demand/Billing Demand

The existing operational units and new units would be granted exemption from Monthly Minimum Charges/Minimum Base Energy Charge/ Demand/ Billing Demand or such charge being levied in any other name in the tariff order of BERC with the effective date of the new Industrial Policy. This facility will be available for five years.

(vii) Capital Subsidy

- a. New MSME industrial units will be granted 20% capital subsidy on the amount spent on plant and machinery subject to a maximum of Rs. 75 lacs (seventy five lacs).
- b. New large industrial units will be granted 20% capital subsidy on the amount spent on plant and machinery subject to a maximum of Rs. 500 lacs (five hundred lacs).
- c. Above Capital Subsidy will be available to such industries which will come into commercial production after the effective date of this policy and the capital subsidy will be available only on the capital investment made on Plant & Machinery by such industries. This facility will be available only after the commercial production of the industrial unit.
- d. Since food processing sector units are already entitled for capital subsidy under food processing policy, therefore such units will not be entitled for above capital subsidy under this policy.

(viii) Incentive on Quality Certification

75% of expenditure incurred in obtaining certificate of I.S.O. standard (or equivalent) from reputed national/international level organizations, would be reimbursed by the State Government to small industrial units to improve the quality of products.

- (ix)** Ceiling will be fixed, on the fees payable in the case of registration of Mortgage documents, when this is being registered for the first time. The Department of Excise and Prohibition will issue separate notification in this regard.

3. Tax Related Incentives

(i) Re-Imbursement of VAT and Entry-Tax

- a) This facility will be available to new MSME/ Large Industries. The eligible industrial units will be issued a passbook (paper / electronic) by the State Government in which the details of the Bihar VAT paid to Finance (Commercial Taxes Department) would be entered. The General Manager, District Industries Centre/ Managing Director BIADA (whichever is applicable) will issue the passbook to eligible Industrial Units and will verify that the unit under consideration is in production and the unit has deposited the amount of VAT. On the basis of such certificate, that the unit is in production, the Finance (Commercial Taxes) Department will reimburse the amount of VAT after certification/verification of the payment of VAT.
- b) All new units will be entitled to avail 80% reimbursement against the admitted VAT amount deposited in the account of the Government, for a period of ten years. The ceiling for this reimbursement will be 300% of the capital Invested.

But new industrial units of Brewery and Distillery will be reimbursed a maximum of only 25% of the paid VAT, which will be applicable for 10 years and the ceiling for this reimbursement will be 300% of the capital invested.

Clarification: This 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 Act,1993 /Bihar Finance Act, 1981.

Entry-Tax

- (i) In the event of adjustment of Entry- Tax against the output tax, the amount paid as Entry Tax by new Industrial units after commencement of commercial production, will be included in the amount of 80% VAT for the purpose of reimbursement. This incentive will also be available to operational existing units and all such units will get this incentive only after the effective date of this Policy. If any decision of exemption in Entry- Tax is taken separately, the concerned notification will be issued by Finance (Commercial Taxes) Department from time to time.

(ii) **Following incentive will be provided to the new industrial units after the commercial production**

- 100% exemption in luxury tax for seven years
- 100% Re-imburement of electricity duty for seven years
- 100% exemption in land conversion charge

(iii) **Re-Imbursement of VAT/Entry-Tax for the unit in operation**

Presently working industrial units will get re-imburement of 25% of the VAT/Entry-tax deposited in the account of Government against admitted VAT. This re-imburement will be valid for only five continuous years. In case of expansion by the working units, the said industrial units will also get re-imburement benefit on VAT/Entry- tax on the expanded portion only. This incentive will be available to existing operational sugar mills provided this type of incentive is not available to them under Sugarcane Incentive Policy.

Central Sales-Tax

MSME industries registered by competent authority will pay only 1% CST on their item of production.

NOTE : After the implementation of GST system, the above incentive will be payable under that arrangement.

4. Other special incentives

i) Industrial Rehabilitation Fund (Corpus Fund)

In order to revive the sick industry, a corpus fund will be created with the co-operation of the Commercial Banks, the State Government, Industry Associations and others. This corpus fund will be utilized for providing financial assistance in least possible time to sick small and medium industrial units for which the rehabilitation package has been approved.

ii) S.C / S.T / Women / Handicapped

- Entrepreneurs under above categories will avail 5% additional grant/exemption/subsidy than the limit fixed under this policy.

- Up to a limit of Rs.30 lakhs as income from sales per annum (as per balance sheet), S.C / S.T. / Women /Handicapped category entrepreneurs who set-up small and tiny industries will avail 100% re-imbueement of the deposited amount in the account of Government in the form of VAT for a period of ten years. This incentive will be available to only such establishment which are fully owned by SC/ST/Women/Handicapped entrepreneurs.
- (iii) **Employment (Subsidy on employment generation):** Any industrial unit, generating direct employment of at least 100 persons after the implementation of this industrial policy, will be paid an incentive by the State Government, the amount of which will be equivalent to the EPF amount paid by such units for new employees for a period of one year from the date of their employment.
- (iv) **Facilities For Expansion/ Diversification/ Modernization of unit :**
- Any such existing units, expanding its capacity/diversifying/modernizing will be given the benefits applicable to new units mentioned in per para 2 & para 3 in the policy, on their incremental production.
- (v) Apart from the incentives envisaged under this Policy, State Govt. will provide additional incentive, to give priority and to attract large capital investment proposals of more than Rs. 500 crores. Such units will get capital subsidy incentive of 20% as described in Para 2 (vii) (b) but the ceiling of the capital subsidy would be Rs. 30 crores in place of Rs.5 crores.

5. Industrial Sickness

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-utilization of assets. Hence it is necessary to take proper steps in order to rehabilitate the sick industries. State Government is anxious about this and would take the following steps to check the sickness and to revive sick industries. Besides, steps will be taken for rehabilitation of such sick units, which have become sick due to natural calamities.

Micro, small and medium (MSME) sector:

- (i) **State Level Committee:** All decisions for the rehabilitation of micro, small and medium industries will be taken by the State Level Committee (Apex Body) constituted under the chairmanship of Director of Industries.
- (ii) The State Level Apex Body would be empowered with necessary statutory powers in order to rehabilitate the sick industry. This Committee will select an

agency for preparing rehabilitation package which will enable effective implementation.

- (iii) The guidelines of the Reserve Bank of India / SIDBI would be relied upon to identify sickness in micro, small and medium units and provide assistance in selecting the agency for preparation of rehabilitation package, so that above mentioned rehabilitation package is approved.
- (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 relief and concessions from banks and financial institution as per guidelines of RBI. These reliefs and concessions and will be considered within a fixed time frame.
- (vi) After the identification of sickness, rehabilitation package would be prepared within 3 months and the state level institutions would monitor the rehabilitation process of sick industries.
- (vii) Those sick units which have availed the benefits of any Industrial Policy in the may avail the facilities under this policy even a second time If any sick 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 a maximum of two times only.
- (viii) The date mentioned in the rehabilitation package will be considered as the cut-off date to determine the facilities.

Sickness in Large Industries

- (i) A committee would be constituted under the chairmanship of Secretary Industry to explore the possibility and to determine remedies for the revival of large scale industries and Public Sector Undertakings (PSUS) which are sick and not referred to the BIFR and have a potential for revival. The committee will recommend required reliefs and concessions necessary for rehabilitation, while considering the policy statement. The recommendations will be placed for final approval before the State Level High Powered Committee existing under the Chairmanship of the Chief Secretary.

- (ii) The rehabilitation package envisaged by BIFR or any statutory body constituted for this purpose such as BICICO/ BSFC / State Level Inter Institutional Committee of Bank shall be placed before the committee under the chairmanship of the Secretary, Industry for consideration of selected relief and concessions and the same will be placed for Government recommendation through existing State Level High Powered Committee under the chairmanship of the Chief Secretary.
 - (iii) Sick Industry means such industry, which has been registered by the Board for Industrial and Financial Reconstruction (BIFR). However, the relief and concession to the unit will be provided from the cut-off date mentioned in the Draft Rehabilitation Scheme (DRS) circulated by BIFR.
 - (iv) Those sick units which have availed the benefits of any Industrial Policy in the past may avail the facilities under this policy even a second time. If any sick 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 a maximum of two times only.
6. Separate incentive policies will be issued by the concerned departments for providing incentives other than the incentives envisaged in this Policy for the industries of thrust area as in Para 9 of this Policy.

BIADA will give preference in allotment of land to all the industries specified in the thrust area.

In order to encourage the industries specified in the Thrust Area, special provisions in 'Udyog Mitra' will be made for technical advice and preparation of Project Reports.

7. Special scheme will be formulated to develop Handloom & Power loom Sector, under which grant in electricity tariff, modern looms and its related machineries, development of clusters (provision of land for work shed if necessary), integrated textile park, urban haat and processing units etc. would be developed.

Loan / Waiver of interest / subsidy scheme will be further expanded for Power loom and Handloom weavers.

8. Separate orders will be issued for simplification of departmental procedures and for fixing time frame for allotment of land and other facilities under this policy.

9. Any unit, new or existing, will be able to avail incentives under the Industrial Incentive Policy-2011 only when the unit has not availed such incentives under any other Government Policy. The units at the time of availing these incentives will have to submit a declaration to this effect.
10. **Implementation of the reservation policy:** Those units, which comply with the Reservation Policy of the Govt. in employment, will be given an additional 10% over and above the fiscal incentives for which they are eligible under this Policy. This facility will be in addition to the maximum limit of Rs. 600 lacs as specified in Para 2 (i).
11. **Monitoring and review:** All concerned departments and organizations would issue necessary matching notification 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.
12. 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 1st July, 2011.
13. Industries mentioned in the negative list in Annexure - II would not be eligible for any incentive / subsidy.
14. In order to clarify or explain any provisions contained in this Policy and for providing solutions, a committee would be constituted under the Chairmanship of Principal 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.
15. The definitions given in the Annexure-I to this policy shall be treated as part of this policy.
16. This Policy will come into effect from 1st July 2011 and will remain in operation till 5 years.

NOTE: This English version of the Industrial Incentive Policy-2011 is mere translation of the Hindi version of Audyogik Protsahan Niti, Bihar- 2011 issued vide sankalp 691, dated 09.06.2011. If any, controversies regarding the meaning and interpretation of any word / statement, the Hindi version of the policy will prevail.

ANNEXURE-I

(Definitions)

1. Effective date: “Effective date” means the date on which the provisions of this Policy come into force i.e. 1st July, 2011 This Policy will remain in force for 5 years from 1st July, 2011.

2. Industrial Unit/Industrial Establishment: 'Industrial unit / Industrial establishment means any unit / establishment 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 Handicraft 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 any type of machinery of any description or vehicles or vessels or motorboats or trailers or 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 1st July, 2011.

5. 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 small and medium industries headed by the Director of Industries or the High Level Empowered Committee headed by the Chief Secretary for large sector.

6. 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.

7. Expansion/Modernization/Diversification:

"Expansion/Modernization/ 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/modernization/ diversification should send prior intimation to the General Manager, District Industries Centers or the Managing Director, Bihar Industrial Area Development Authority as the case may be in respect of Small/

Medium Industry and Director of Industries/Director, Technical Development in case of large industries before undertaking such expansion/modernization/diversification Programme. Such intimation should be accompanied by detailed expansion/modernization/diversification proposal giving the specific period of proposed additional investment.

8. Micro/Small/Medium/Large and ancillary industrial units

These are such industrial units which have been defined by the Government of India fixing investment limits from time to time.

9. 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 regards the date of production of Small and Medium units, the certificate issued by the respective General Manager, District Industries Centre or Managing Director, Industrial Area Development Authority would be valid. For large industries, the certificate issued by Director Technical Development will be acceptable. In case of any dispute regarding the date of production, the decision of the Industries Secretary shall be final.

10. Option to Industrial Units

Such industrial units which have not commenced commercial production on the effective date of this policy, but have made 50% capital investment will have the option for incentives either under the Industrial Incentive Policy -2006 or Industrial Incentive Policy -2011. They will not be eligible for part incentive under both the policies. Such units will have to submit their written option to Director of Industries within 3 months from the effective date of this new policy.

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. Masala & Papad etc. production
4. Confectionery (Excluding Mechanised Confectionery)
5. Preparation of Sweetmeat & Salted Snacks.(Excluding mechanized large/medium units producing namkeens)
6. Bread Manufacturing (Except Mechanized Bakery)
7. Production of Ice Candy and Ice Fruits.
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. Physical Mixing of fertilisers.
14. Brick Manufacturing Units (Except mechanised 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
17. Carpentry
18. Drilling Rings, Bore Well and Tube Well Establishing Units.
19. Tea Blending/Mixing Units.
20. Units Connected with Cutting of Raw Tobacco, chewing material producing unit with the help of Powder Gur & Guraku making units.

21. Bottling and Repackaging of Drugs/Pharmaceuticals/Chemicals without Processing and value addition (Excluding formulation and manufacturing units)
22. Note book and envelop manufacturing
23. Photo Copying
24. Distilled Water Manufacturing Units.
25. Tailoring (Excluding Readymade Garment Manufacturing Units)
26. Sewing of Woven Bags with Woven Cloth and their Repacking.
27. Laundry/Dry Cleaning.
28. Photography Studio and Labs.
29. Clinical/Pathological Laboratories/Clinics
30. Beauty Parlours.
31. Video Parlours
32. Goods Transport.
33. Video/Audio Cassette Recording/Watch Repairing / Vehicle Repairing and Service Stations.
34. Lime Kilns.
35. Petrol Pumps.
36. Intoxicating Substance and Intoxicating Drinks (excluding Breweries and Distilleries)

Note: The State Government shall have the right to make any changes time to time in the above list or to decide whether a unit falls under this list or not.