



**DIRECT AND INDIRECT TAX BENEFIT  
FOR INDUSTRIES  
WITH  
SPECIAL INCENTIVE SCHEME FOR  
GUJARAT**

**5<sup>th</sup> April, 2017**

# **Industrial policy 2015- Scheme for incentive to industries - Gujarat**



## **Scheme for incentive to industries 2016-2021**

- The Government of Gujarat issued scheme for incentive to industries 2016-2021 with focus on industrial development and investment destination.
- Scheme is valid from 25<sup>th</sup> July, 2016 to 31<sup>st</sup> March, 2021.
- In scheme, talukawise classification of different areas of the state done as 1,2,3 etc zone
- Vapi is in 3<sup>rd</sup> category.

## **Applicability of scheme**

- Applicable to new industrial unit or an existing industrial unit that undertakes expansion and commence production during the operative period of scheme

## **Time period for eligible investment**

- For Large industrial undertaking (between 10 crore to 1000 crore) : asset acquired and paid from 1/1/15 to 18 months from date of commencement of production
- For MSME (up to 10 crores): asset acquired and paid from 1/1/15 to 12 months from date of commencement of production

## **Eligible fixed Capital investment**

Investment made on or after 1-1-2015 and on or before the date specified for completion of investment:

- Land
- New Building: new building constructed or acquisition of new unused building including administrative building – old building or expenditure incurred on repairing a building
- Other construction: compound wall and gates, security cabins, internal roads, water tank.
- Plant and machinery: new plant and machinery and imported second hand P & M having usable life for at least further ten years which is certified by chartered engineer, utilities, dies, moulds, including cost of transportation, foundation, erection, installation, sub-station and transformers capitalized under P & M

## **Eligible fixed Capital investment**

- Plant for non-conventional energy
- Vehicles used for transportation within premises of industrial units
- Plant for captive power generation / co-generation
- Technology, design and drawing, patents limited to 10% of project cost

## **Ineligible fixed Capital investment**

- Working capital
- Royalty
- Preliminary and pre-operative expenses
- Indigenous second hand plant and machinery
- Interest capitalized
- Power generation except for captive use

# Quantum of incentive

## incentives available as follow:

Category of taluka	% of eligible investment	% of net VAT reimbursement	Incentive period (no. of years)
1	100%	90%	10
2	80%	80%	10
3	70%	70%	10

- Net VAT reimbursement in one financial year will not exceed 1/10<sup>th</sup> of total amount of eligible incentive
- Carry forward of incentive is not available

## Incentive mechanism for category 3

<b>Capital investment</b>	<b>50 crores</b>
eligible fixed capital investment – 70%	$50 * 70\% = 35$ crore
Eligible maximum refund per year	3.50 crore

<b>VAT</b>	<b>(in crore)</b>
(A) VAT collected	Rs. 10.40
(B) VAT paid on purchase	Rs. 4.00
(C) VAT Paid (A-B)	Rs. 6.40
VAT eligible @ 70% of C	Rs. 4.48
Maximum refund available	Rs. 3.50



## **Additional conditions**

- Undertaking shall be required to employ persons domiciled in Gujarat to extent of at least 85% of its total number of employees
- Managerial and supervisory capacity person shall not be less than 60% domiciled in Gujarat

# Application procedure

Apply for registration certificate after purchasing land



Obtain RC (it will be valid upto 180 days from commencement of production)



After commencement of production - Apply for provisional eligibility (it will make eligible for 20% vat incentive)



On completion of project obtain final eligibility certificate

# DIRECT TAX BENEFITS TO INDUSTRIES



## **Deduction of employment of new employees**

- Any assessee derives income from business or profession shall be allowed 30% deduction of additional employee cost incurred – deduction available for 3 years subject to following condition:
- Business not formed by split up but re-establishment is allowed
- CA report to be furnished
- For new business – first year- total employees emoluments is eligible for deduction subject to other condition
- For existing business: additional any new employees employed during year subject to other conditions

# Deduction of employment of new employees

- Condition of additional employee:
  - Amount should be paid by cheque or electronic transfer
  - Employee emoluments should be less than 25000
  - Worked for more than 240 days in year
  - Employee should be part in recognized provident fund
  - Emoluments doesnot include amount paid by employer as PF, pension, VRS, gratuity

## **Additional Depreciation @20% - sec. 32(1)(ia)**

- If any new machinery or plant which has been acquired and installed.
- By assessee engaged in business of manufacture or production of any article or thing.
- A sum equal to 20% of the actual cost of such machinery or plant shall be allowed as deduction.



For any query:

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