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MINISTRY OF COMMERCE & INDUSTRY
(Department of Industrial Policy & Promotion)

NOTIFICATION

New Delhi, the 27th July, 2007

F.No.10(3)/2007-DBA-II/NER – In pursuance of the North East Industrial and Investment Promotion Policy, 2007 (NEIIPP, 2007) issued by the Ministry of Commerce and Industry (Department of Industrial Policy and Promotion) vide O.M. No.10 (3)/2007-DBA-II/NER, dated the 1st April, 2007, the Government of India is pleased to make the following Scheme of Capital Investment Subsidy for industrial units in the North Eastern Region (NER) comprising the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura with a view to accelerating the industrial development in the NER.

1. **Short Title:**-This Scheme may be called the ‘**Central Capital Investment Subsidy Scheme, 2007**’.
2. **Commencement and duration:** - It will come into effect from the *1st April, 2007* and remain in force upto and inclusive of *31.3.2017*.
3. **Applicability:**- Unless otherwise specified, all new industrial units as well as existing units which go in for substantial expansion and are located anywhere in NER, will be eligible for capital investment subsidy under this Scheme. The Scheme will also be applicable to the following service sector activities/industries: -

I. Service Sector:

- (i) Hotels (not below Two Star category), adventure and leisure sports including ropeways ;
- (ii) Medical and health services in the nature of nursing homes with a minimum capacity of 25 beds and old-age homes ;
- (iii) Vocational training institutes such as institutes for hotel management, catering and food crafts, entrepreneurship development, nursing and para-medical, civil aviation related training, fashion, design and industrial training.

II. Bio-technology industry

III. Power Generating Industries:

Power Generating plants upto 10 MW based on both conventional and non-conventional sources.

- 3.(a). The Scheme shall not be applicable to the industries listed in **Annexure-I**

4. Definitions:

- (a) 'Industrial unit' means any industrial undertaking, suitable servicing unit other than that run departmentally by Government.
- (b) 'New industrial unit' means an industrial unit for the setting up of which effective steps were not taken prior to *1.4.2007*
- (c) 'Existing Industrial Unit' means an industrial unit for the setting up of which effective steps were taken prior to *1.4.2007*.
- (d) 'Substantial expansion' means increase in the value of fixed capital investment in plant and machinery of an industrial unit by not less than 25 %, for the purpose of expansion of capacity /modernization and diversification.
- (e) 'Effective steps' means one or more of the following steps:-
 - (i) that 10% or more of the capital issued for the industrial unit has been paid up.
 - (ii) that any part of the factory building has been constructed.
 - (iii) that a firm order has been placed for any plant and machinery required for the industrial unit.
- (f) 'Fixed Capital Investment' means investment in 'plant and machinery', for the purpose of this scheme.

5. Extent of admissible Subsidy

All eligible industrial units located anywhere in the North Eastern Region shall be given capital investment subsidy at the rate of 30% of their investment in Plant and Machinery or additional investment in Plant and Machinery. Such subsidy will be applicable to units in the private sector, joint sector, cooperative sector as well as the units set up by the State Governments concerned of the North Eastern Region. The limit for automatic approval of subsidy at this rate would be Rs.1.5 crore. For grant of capital investment subsidy higher than Rs.1.5 crore but upto a maximum of Rs.30 crore, there will be an Empowered Committee set up vide O.M. F.No.10(3)/2007-DBA-II/NER dated the 21st May 2007. **(Annexure-II)**

Proposals which are eligible for a subsidy higher than Rs.30 crore will be placed by Department of Industrial Policy and Promotion before the Union Cabinet for its consideration and approval.

6. Plant and Machinery (for manufacturing sector)

- (i) In calculating the value of plant and machinery, the cost of industrial plant and machinery as erected at site will be taken into account which will include the cost of productive equipments, such as tools, jigs, dies & moulds, insurance premium etc.
- (ii) The amount invested in goods carriers to the extent they are actually utilized for transport of raw materials and marketing of the finished products, will be taken into account.
- (iii) Working capital including raw materials and other consumables stores, will be excluded for computing the value of plant and machinery.

6(a). Definition of 'Plant and Machinery' and 'components' which should be taken into account for the purpose of this Scheme in respect of Service Sector, Bio-technology industry & Power Generating industries referred to in para 3 (I), (II) & (III) above would be notified separately.

7. Designated Agency for disbursement of subsidy

North Eastern Development Financial Corporation (NEDFi), Guwahati shall be the designated nodal agency for disbursement of capital investment subsidy under the Scheme on the basis of the recommendation of State Level Committee (SLC) of the concerned State Government, the Empowered Committee and the Union Cabinet, as the case may be.

8. Procedure for claiming capital investment subsidy

Industrial units eligible for subsidy under the Scheme will be required to get themselves registered with the State Industry Department concerned prior to taking effective steps for setting up new industrial units or undertaking substantial expansion of existing units and to indicate their assessment of the total new or additional fixed capital likely to be invested by them in the plant and machinery.

9. Procedure for disbursement of capital investment subsidy

Each State Government concerned will set up a State Level Committee (SLC) consisting of a representative of each of the State Finance Department, State Industries Department, State Directorate of Industries, NEDFi and the Financial Institution concerned (if the industrial unit is to be assisted by a financial institution), to go into details of each case to decide whether the unit qualifies for the grant of subsidy and also about the quantum of subsidy.

10. In respect of a new industrial unit set up without assistance from a Financial Institution or the State Government concerned, the subsidy will be disbursed to the unit by NEDFi on the recommendation of the State Government, the Empowered Committee and the Union Cabinet, as the case may be, at the time the unit goes into production. Similarly, in respect of substantial expansion by an existing industrial unit without assistance from the financial institutions or the State Government concerned, the subsidy will be disbursed to the unit by NEDFi on the recommendation of the State Government concerned, the Empowered Committee and the Union Cabinet, as the case may be after substantial expansion has been effected and the unit has commenced enhanced commercial production.

However, in such cases where the concerned State Government is satisfied about the safety of the public funds, not more than half of the amount of the estimated subsidy may be released prior to the unit going into production on the entrepreneur's furnishing a proof of having taken effective steps to the satisfaction of State Director of Industries and the remaining amount be released only after the unit goes into production.

11. In respect of an industrial unit assisted/ to be assisted by a Financial Institution or the State Government concerned, the subsidy will be disbursed to the unit by NEDFI on the recommendation of the State Government concerned, the Empowered Committee and the Union Cabinet, as the case may be. However, in such cases, the contract/agreement to be drawn up between the Financial Institution/ State Government and the unit concerned, may cover mortgage, pledge, hypothecation of the assets upto the amount of the subsidy payable/paid to the units. In respect of new industrial unit or in respect of substantial expansion of an existing industrial unit to be assisted by a financial institution, the subsidy will be disbursed to the unit by NEDFi in as many instalments in which the loan is disbursed by the financial institution and simultaneously claimed by the Financial Institution/State Government from NEDFi.

12. Rights of the Centre/State Government/Financial Institutions

If the Central Government/State Government/Financial Institution concerned is satisfied that the subsidy to an industrial unit has been obtained by misrepresentation as to an essential fact, furnishing of false information or if the unit goes out of production within 5 years after commencement of commercial production, the Central Government/State Government/NEDFi may ask the unit to refund the grant or subsidy after giving an opportunity to the unit of being heard.

13. Without taking prior approval of the Union Ministry of Commerce & Industry (Department of Industrial Policy and Promotion) /State Government/Financial Institution concerned, no owner of an industrial unit after receiving a part or the whole of the subsidy will be allowed to change the location of the whole or any part of industrial unit or effect any substantial contraction or dispose of a substantial part of its total fixed capital investment within a period of 5 years after its going into commercial production.

14. In respect of all units to whom the subsidy is disbursed by the NEDFi, certificate of utilisation of the subsidy for the purpose for which it was given shall be furnished to the Central Ministry of Industry (Department of Industrial Policy and Promotion) by the financial institution/State Government concerned, within a period of one year from the date of receipt of the last instalment/full amount.

15. After receiving the subsidy, each industrial unit shall submit Annual Progress Report (APR) to the Union Ministry of Industry (Department of Industrial Policy and Promotion)/ State Government concerned, about its working for a period of 5 years after going into production.

16. A High Level Monitoring Committee has been set up as in **Annexure-III** which would monitor implementation of the Scheme.

(N.N.Prasad)
Joint Secretary

ANNEXURE-I

Negative List:

The following industries will not be eligible for benefits under NEIIPP, 2007:-

- (i) All goods falling under Chapter 24 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) which pertains to tobacco and manufactured tobacco substitutes.
- (ii) Pan Masala as covered under Chapter 21 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986).
- (iii) Plastic carry bags of less than 20 microns as specified by Ministry of Environment and Forests Notification No.S.O. 705(E) dated 02.09.1999 and S.O.698 (E) dated 17.6.2003.
- (iv) Goods falling under Chapter 27 of the First Schedule to the Central Excise tariff Act, 1985 (5 of 1986) produced by petroleum oil or gas refineries.

Value Addition

Benefits under NEIIPP, 2007 will not be admissible to goods in respect of which only peripheral activities like preservation during storage, cleaning operations, packing, re-packing, labelling or re-labelling, sorting, alteration of retail sale price etc. take place.

ANNEXURE-II

Empowered Committee:

(i)	Secretary, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India	...	Chairman
(ii)	Secretary, Ministry of Development of North Eastern Region, Government of India.	...	Member
(iii)	Secretary, Department of Expenditure, Ministry of Finance, Government of India.	...	Member
(iv)	Representative of Planning Commission.	...	Member
(v)	Secretary of the concerned Ministry/ Department of Government of India dealing with the subject matter pertaining to the proposal under consideration of the Empowered Committee.	...	Member
(vi)	Chief Secretary/ Secretary (Industry) of the concerned North East State where the claiming unit is located/ proposed to be located.	...	Member
(vii)	Chairman-cum-Managing Director, North Eastern Development Finance Corporation (NEDFi), Guwahati.	...	Member
(viii)	Joint Secretary, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India.	...	Member Secretary

High Level Committee/Advisory Committee

(i)	Secretary, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India.	...	Chairman
(ii)	Secretary, Department of Revenue, Ministry of Finance, Government of India.	...	Member
(iii)	Secretary, Department of Banking and Insurance, Ministry of Finance, Government of India.	...	Member
(iv)	Secretary, Ministry of Development of North Eastern Region, Government of India	...	Member
(v)	Adviser (Industry), Planning Commission	...	Member
(vi)	Adviser (NE), Planning Commission	...	Member
(vii)	Chairman-cum-Managing Director, North Eastern Development Finance Corporation (NEDFi), Guwahati.	...	Member
(viii)	Principal Secretary/Secretary (Industry), of all the State Governments of North Eastern Region.	...	Member
(ix)	Development Commissioner, Small Scale Industries, Government of India.	...	Member
(x)	Additional Secretary & Financial Adviser, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India.	...	Member

(xi)	Chief Controller of Accounts, Department of Industrial Policy and Promotion, Government of India	...	Member
(xii)	Joint Secretary, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India	...	Member Secretary
