

**Brief on North East Industrial and Investment Promotion Policy (NEIIPP), 2007/
FREIGHT SUBSIDY SCHEME 2013 (FSS) and
North East Industrial Development Scheme (NEIDS), 2017.**

1. NORTH EAST INDUSTRIAL AND INVESTMENT PROMOTION POLICY (NEIIPP), 2007

North East Industrial and Investment Promotion Policy (NEIIPP), 2007 was a revised version of the erstwhile North East Industrial Policy (NEIP), 1997, and was notified for a period of 10 years from 1.4.2007 to 31.03.2017 with the purpose to boost industrialization of the region.

2. This policy was effective up to 31.03.2017 but units that commenced commercial production by 31.3.2017 shall continue to receive benefits beyond this date up to the committed number of years for each unit.

3. The Scheme covers eight North Eastern States including Sikkim. The scheme provides incentives to all new as well as existing units which go for industrial expansion located anywhere in this region and which commence commercial production within 10 years from the date of notification of NEIIPP, 2007 for a period of 10 years from the date of commercial production. Exceptions are the industries considered hazardous to public health and environment such as tobacco and its substitutes, pan masala, plastic carry bags, refinery products, etc.

4. Benefits available under the policy are:

- **Central Capital Investment Subsidy Scheme, 2007:-**The Scheme provided for subsidy @ 30% of the investment in plant and machinery or additional investment in Plant and Machinery by way of substantial expansion to all new units as well as existing units which go in for substantial expansion. The scheme was revised on 22.11.2016 and the subsidy was limited to Rs. 5.00 crore per industrial unit operating in manufacturing sector and Rs. 3.00 crore per industrial unit operating in services sector.

- **Central Interest Subsidy Scheme:-** The Scheme provided for interest subsidy @ 3% on the working capital loan availed by an eligible unit from scheduled banks or Central/State financial institutions for a maximum period of 10 years from the date of commencement of production. The scheme has been revised w.e.f. 22.11.2016 and the interest subsidy was available only on term loans of 5-10 years maturity taken to finance capital expenditure on setting up of industrial units or for capital expansion on substantial upgradation/ modernization. The interest subsidy was limited to term loans up to Rs. 10.00 crore to subsidize cost of borrowing above Prime Lending Rate (PLR) to the extent of up to 3% p.a. so as to ensure that post-subsidy interest rate does not fall below the PLR of the concerned bank or financial institution.

- **Central Comprehensive Insurance Scheme:** - The Scheme provided for reimbursement of 100% insurance premium for a maximum period of 10 years from the date of commencement of production.

- 100% Income Tax exemption for a period of 10 years from the date of

commencement of commercial production.

- Excise Duty exemption on value addition basis for a period of 10 years from the date of commencement of commercial production.

Progress made during the tenure of NEIIPP, 2007 (w.e.f. 01.04.2007 to 31.03.2017):

| State | No. of Industrial units benefited | Investment made (Rs. in crore) | Employment Generated (no.) |
|-------------------|-----------------------------------|--------------------------------|----------------------------|
| Assam | 18079 | 9145.77 | 160135 |
| Arunachal Pradesh | 547 | 494.9 | 13237 |
| Manipur | 1178 | 1192.8 | 12703 |
| Meghalaya | 101 | 3807.326 | 3470 |
| Mizoram | 2214 | 304.18 | 18834 |
| Nagaland | 6273 | 282.53 | 25987 |
| Sikkim | 153 | 3263.33 | 14425 |
| Tripura | 2926 | 606.85 | 32811 |
| Total | 31471 | 19097.686 | 281602 |

Progress made during the last 5 years:

| State | Subsidy Disbursement (Rs. in crore) | | | | |
|-------------------|-------------------------------------|---------------|---------------|------------|---------------------------|
| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 (till 05.09.2019) |
| Assam | 111.10 | 124.34 | 352.8 | 350.67 | 155.35 |
| Arunachal Pradesh | 0 | 0.01 | 16.09 | 16.42 | 0 |
| Manipur | 0 | 0.26 | 3.77 | 0 | 12.48 |
| Meghalaya | 67.20 | 33.38 | 313.18 | 34.07 | 0 |
| Mizoram | 0 | 1.69 | 11.1 | 5.03 | 0 |
| Nagaland | 0 | 0 | 0.01 | 0 | 1.82 |
| Sikkim | 0 | 3.72 | 73.28 | 115.05 | 0 |
| Tripura | 21.70 | 6.60 | 12.76 | 6.76 | 0.65 |
| Total | 200.00 | 170.00 | 782.99 | 528 | 170.30 |

2. FREIGHT SUBSIDY SCHEME 2013 (FSS)

1. In order to facilitate the process of industrialization in hilly, remote and inaccessible areas, in terms of subsidizing industrial units for transportation of their finished product and raw material FSS was introduced in 2013 it has replaced Transport Subsidy Scheme, 1971. The scheme is applicable to all industrial units (barring plantation, refineries and power generating units both in public and private sectors irrespective of their size). The incentives under the scheme are available for all 8 States of North East, Himachal Pradesh, Uttarakhand, J&K, Darjeeling District of West Bengal, Andaman & Nicobar Administration and Lakshadweep Administration.

2. Subsidy on the transport cost for transportation of raw material and finished goods to and from location of the unit and the designated rail-head is admissible. For North East states, J&K and UTs, subsidy is 90%. For HP, Uttarakhand and Darjeeling Districts of West Bengal it is 75% of transport cost. However, for movement of goods within NER, subsidy is 50% on finished goods and 90% on raw material. No subsidy is available for intra state movement of goods. The benefits of subsidy are for five years from commencement of commercial production by units.

3. The Freight Subsidy Scheme (FSS), 2013 has been discontinued, with effect from 22.11.2016. However, industrial units registered under the scheme prior to the date of issue of DIPP's notification dated 22.11.2016 are eligible for the benefits of the scheme for committed number of years post-commencement of commercial production up to 21.11.2021.

4. Progress made during the last 5 years under TSS/FSS:

| State | Subsidy Disbursement (Rs. in crore) | | | | |
|-----------------------------------|-------------------------------------|--------------|---------------|---------------|---------------------------|
| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 (till 09.09.2019) |
| Assam | 34.63 | 43.68 | 374.96 | 483.95 | 275.88 |
| Arunachal Pradesh | 0 | 0 | 44.85 | 44.55 | 0 |
| Manipur | 0 | 2.02 | 20.23 | 0 | 4.70 |
| Meghalaya | 25.18 | 23.70 | 130.86 | 308.75 | 1.99 |
| Mizoram | 0 | 0 | 11.30 | 0.23 | 1.79 |
| Nagaland | 0 | 0 | 0 | 0 | 0 |
| Sikkim | 0 | 0 | 0 | 0 | 0 |
| Tripura | 0.19 | 0.60 | 0.39 | 0.12 | 0.01 |
| Himachal Pradesh | 0 | 0 | 17.12 | 94.67 | 0 |
| Jammu & Kashmir | 0 | 0 | 0 | 0 | 0 |
| Uttarakhand | 0 | 0 | 0 | 0 | 0 |
| Andaman & Nicobar Islands | 0 | 0 | 0.58 | 0 | 0 |
| Lakshadweep | 0 | 0 | 0 | 0 | 0 |
| West Bengal (Darjeeling District) | 0 | 0 | 0 | 0 | 0 |
| Total | 60.00 | 70.00 | 599.71 | 932.26 | 284.37 |

3. North East Industrial Development Scheme(NEIDS),2017:

To promote industrialization in NE States and to boost employment and income generation, a new Scheme namely North East Industrial Development Scheme (NEIDS), 2017 has been notified on 12.04.2018 which has come into force w.e.f. 01.04.2017 for a period of five years. (After closure of NEIIPP, 2007 on 31.03.2017).

The scheme covers manufacturing and service sector. It will give encouragement to MSME in manufacturing, services. Information technology is leveraged to process and approve proposals and release of payment.

Various benefits provided under the Scheme are as under:

| | | |
|---|--|--|
| 1 | Central Capital Investment Incentive for access to credit(CCIAC) | 30% of the investment in Plant & Machinery with an upper limit of Rs.5 Cr. |
| 2 | Central Interest Incentive(CII) | 3% on working capital credit advanced by Scheduled Banks or Central/State financial institutions for first 5 years from the date of commencement of commercial production/operation. The incentive will be so restricted as to ensure that subsidized interest rate is not below the Marginal Cost of funds based Lending Rates (MCLR) of the lending institution. |
| 3 | Central Comprehensive Insurance Incentive(CCII) | Reimbursement of 100% insurance premium on insurance of building and Plant & Machinery for 5 years from the date of commencement of commercial production. |
| 4 | Income Tax(IT) Reimbursement | Reimbursement of Centre's share of income tax for first 5 years including the year of commencement of commercial production. |
| 5 | Goods and Services Tax(GST) Reimbursement | Reimbursement up to the extent of Central Govt. share of CGST and IGST for 5 Years. |
| 6 | Employment Incentive(EI) | Additional 3.67% of the employer's contribution to Employees' Provident Fund (EPF) in addition to Government bearing 8.33% Employee Pension Scheme (EPS) contribution of the employer in the Pradhan Mantri Rojgar Protsahan Yojana (PMRPY). |
| 7 | Transport Incentive(TI) | <ul style="list-style-type: none"> • 20% of the cost of transportation including the incentive currently provided by Railways/ Railway PSU for movement of finished goods by rail from the railway station nearest to industrial unit to railway station nearest to the location of the buyer. • 20% of cost of transportation for finished goods for movement through Inland Waterways Authority of India from the port nearest to the location of industrial unit to the port nearest to the location of the buyer • 33% of cost of transportation of air freight on perishable goods (as defined by IATA) from the airport nearest to place of production to any airport within the country, nearest to the location of the buyer. |

Overall Cap of Rs.200 Cr per unit for benefits under all components subject to investment in Plant and Machinery.

Progress made:

1. Interactive sessions with stakeholders in the North Eastern Region states for familiarization on NEIDS were held in Guwahati, Itanagar and Tripura.
2. Web portal for registration under NEIDS has been developed & operational.
3. Total no. of applications received on NEIDS web portal are 311 as on 17.09.2019.
4. 62 industrial units have been granted registration under the scheme by Empowered Committee till 17.09.2019.

Brief Note on Special Package Schemes for industrial development of Himalayan States – J&K, Himachal Pradesh and Uttarkhand'

Earlier Scheme

Jammu & Kashmir (Package I&II)

Industrial policy and other concessions for the State of J&K were introduced by the DIPP on 14th June, 2002 for a period of ten years. The package of incentives for the State of J&K came to an end on 14th June, 2012. Thereafter revised scheme of central grant for industrial units in J&K, namely “J&K Package-II” was announced which came into effect from 15.06.2012 and remained in force up to 14.06.2017

2. The package provided the following incentives:-

- a. **Central Capital Investment Subsidy Scheme:** All new industrial units and existing industrial units on their substantial expansion, would be eligible for Capital Investment Subsidy @ 15% of the investment of Plant & Machinery, subject to a ceiling of Rs. 30 lakhs.

In II the new benefit added i.e. Micro, Small and Medium enterprises would be eligible for Capital Investment Subsidy of 30% of the investment of plant & machinery, subject to ceiling of Rs. 3.00 crore and Rs. 1.50 crore for manufacturing and service sector respectively.

- b. **Central Interest Subsidy Scheme:** An interest subsidy of 3% on the average of daily working capital loan would be provided to all new industrial units from the date of commencement of commercial production.

- c. **Central Comprehensive Insurance Subsidy Scheme:** An Insurance subsidy to the extent of 100% would be admissible during the extended package to all new units and to the existing units on substantial expansion from the date of commencement of commercial production.

Himachal Pradesh and Uttarakhand (Package I&II)

Industrial policy and other concessions for the States of Himachal Pradesh and Uttarakhand were introduced by the DIPP on 7th January, 2003 for a period of ten year from 7.1.2003 to 6.1.2013. The scheme came to an end on 06.01.2013. Thereafter revised scheme of central grant for industrial units in Himachal Pradesh and Uttarakhand, namely Package-II was announced which came into effect from 07.03.2013 and remained in force up to 31.03.2017.

The package provided the **Central Capital Investment Subsidy**. All new industrial units and existing industrial units on their substantial expansion, would be eligible for Capital Investment Subsidy @ 15% of the investment of Plant & Machinery subject to a ceiling of Rs. 30 lakhs.

In package II the new benefit added i.e Micro, Small and Medium enterprises would be eligible for Capital Investment Subsidy of 15% of the investment in plant & machinery subject to a ceiling of Rs.50 lakh.

Progress in last 4 years:

| Name of State | Number of Units benefited | Subsidy Disbursement (Rs. in cr.) | | | |
|------------------|---------------------------|-----------------------------------|---------------|---------------|--|
| | | 2016-17 | 2017-18 | 2018-19 | 2019-20 (till 11 th June, 2019) (Vote on Account Budget of Rs. 42.86 cr.) |
| Jammu & Kashmir | 714 | 10.17 | 46.62 | 101.58 | 1.71 |
| Himachal Pradesh | 665 | 8.85 | 40.37 | 18.67 | 25.26 |
| Uttarakhand | 340 | 5.71 | 26.94 | 24.71 | 14.61 |
| Total | 1719 | 24.73 | 113.93 | 144.96 | 41.58 |

Ongoing Schemes

Industrial Development Scheme for J&K and Himachal Pradesh & Uttarakhand.

To boost up industrialization in the Himalayan States, DPIIT have launched new Industrial Development Scheme (IDS) for J&K w.e.f. 15.06.2017 up to 31.03.2020 and IDS for H.P. and Uttarakhand w.e.f. 01.04.2017 to 31.03.2022. For J&K extension of scheme beyond 31.03.2020 will be considered after evaluation of the scheme.

The Scheme includes the following incentives:-

(i) Central Capital Investment Incentive for access to credit (CCIAC)

All eligible new industrial units and existing industrial units on their substantial expansion in the manufacturing and service sector located anywhere in Jammu & Kashmir will be

provided Central Capital Investment Incentive for access to credit (CCIIAC) @ 30% of the new investment in plant and machinery with an upper limit of Rs.5.00 crore.

(ii) Central Comprehensive Insurance Incentive (CCII)

All eligible new industrial units and existing industrial units on their substantial expansion located anywhere in the State of Jammu & Kashmir will be eligible for reimbursement of 100% insurance premium on insurance of building and Plant & machinery for a maximum period of 5 years from the date of commencement of commercial production/operation.

(iii) Central Interest Incentive (CII)(Only for J&K)

All eligible new industrial units and existing industrial units on their substantial expansion located anywhere in the Jammu & Kashmir shall be given an interest incentive @ 3% on working capital credit advanced by the scheduled banks or central/state financial institutions for the first 5 years from the date of commencement of commercial production/operation. The incentive will be so restricted as to ensure that subsidized interest rate is not below the Marginal Cost of funds based Lending Rates (MCLR) of the lending institution.

The Govt. of India has extended the following additional benefits for the State of J&K. vide notification 2(2)/2018-SPS dated 01.01.2019 with effect from 15.06.2017.

(iv) GST reimbursement

All New industrial units and existing industrial units undertaking substantial expansion shall be eligible for reimbursement of Goods and Services Tax (GST) paid on finished products manufactured in Jammu & Kashmir up to the extent of Central share of the CGST and IGST for period of 5 years from the date of commencement of commercial production subject to the following condition:

GST reimbursement on finished goods is applicable only on the net GST paid, other than the amount of Tax paid by utilization of Input Tax credit under the Input Tax Credit Rules, 2017.

(v) Income Tax Reimbursement

The industrial unit set up under this scheme can claim reimbursement of Central share of income tax for first 5 years, including the year of commencement of commercial production by the unit.

vi) Transport incentive

All eligible new industrial units and existing industrial units undertaking substantial expansion can avail incentive on Transportation of only finished goods through railways or the railway public sector undertaking, inland waterways or scheduled airlines for a period of 5 years from the date of commencement of commercial production / operation, subject to production of actual receipt. The terms and conditions of transport incentive through different modes are as follows:-

(a) Upto 20% of the cost of transportation including the incentive currently provided by railways or the railway PSUs for movement of finished goods by rail from the railway station nearest to the location of industrial unit to the railway station nearest to the location of the buyer.

(b) 20% of the cost of transportation for finished goods for movement through Inland Waterways Authority of India from the port nearest to the location of industrial unit to the port nearest to the location of the buyer.

(c) 33% of the cost of transportation of Air Freight by scheduled airlines and non-scheduled operator permit (NSOP) holders approved by DGCA for perishable items/ goods (IATA) from the airport nearest to the place of production to any airport within the country, nearest to the location of the buyer.

(vii) Employment Incentive

DIPP shall be paying additional 3.67% of the employer's contribution to Employees' Provident Fund (EPF) in addition to Government bearing 8.33% Employee Pension Scheme (EPS) contribution of the employer in the Pradhan MantriRojgarProtsahanYojana (PMRPY), to the extent the claim is not already covered under PMRPY.

In case of J&K, a single unit can avail overall benefits uptoRs. 200 Crore.
