

# **INDUSTRIAL POLICY 1997**

## **OBJECTIVES OF POLICY**

With a view to take advantage of the liberalised economic scenario in the country, and also to keep pace with developments in the national industrial sector, Government of Meghalaya has decided to frame a new Industrial Policy. The Objectives of this new policy are as follows: -

- Generate employment opportunities for the local people in the industries and allied sectors.
- Develop human resources and bring about improvements in the quality of life by promoting industries in sectors where the state has comparative advantage.
- Achieve a balanced and growth oriented development covering the entire state through promotion of village and small scale industries.
- Create a conducive environment for industrial development by creation of the basic Infrastructural facilities and by setting up of industrial areas, growth centre and export promotion industrial park.
- Encourage the setting up of selective medium and large industries by utilising the resource base of the state thereby ensuring sustainable industrial growth but compatible with ecological imperatives and hence encourage positive efforts towards the regeneration of the environment.
- Provide preference to local Entrepreneurship in setting up of large, medium and small-scale units.
- Promote local interests through joint ventures with external investors so as to facilitate technology transfer and capital flow by a package of suitable incentives.
- Encourage need based development of local entrepreneurial skills through intensive motivation and training programmes at district, Sub-division and block levels.
- Provide guidance to prospective entrepreneurs by building up a data bank of project-profiles and other connected information.
- Simplify rules and procedures by providing a single-window clearance facility at the District Levels for the Small Scale Sector and at the State Level for Medium and Large Scale Industries.
- Promote the setting up of ancillary units for catering to the requirements of large and medium scale industries.
- Identify sick units that can be made viable and provide a comprehensive package of assistance for their revival.
- Promote and encourage high-value, low-volume products, in view of the transportation-bottlenecks in the State.
- Encourage setting up of export-oriented, Agro based, Mineral-based, Horticultural based and Electronic units as thrust area.

## **SALIENT FEATURES OF THE INDUSTRIAL POLICY**

The following are the salient features of the policy on industrial promotion :

- State Government welcomes the advent of advanced technologies and external investments, preferably in the joint sector, which would promote the economic development of the region.
- State Government considers the public sector as an important agency to promote social justice and balanced growth. However in the context of on-going changes in the

policies of the Government of India, the need for mitigating the growing unemployment and constraints on budgetary resources, State Government welcomes private sector investment for rapid industrialisation and accelerated growth in the State. To encourage industrialisation along these lines. Government would provide need based budgetary support where required.

- Along with the public and private sectors, the state Government looks upon the joint and assisted sectors as well as for mobilisation of necessary resources and expertise in vital areas of economic activity.
- State Government recognises that improvement and up gradation of industrial infrastructure is essential for accelerated growth of industries. Emphasis would be on improvement in roads, construction and up gradation of airport, construction of ropeways, improvement in communications and power supply and development of export promotion industrial park and growth centres with all connected facilities.
- State Government would expedite suitable approval under the Meghalaya Land Transfer Act so as to facilitate investment in the Industrial sector.
- In case of sick/closed industrial units, State Government would assist in conducting diagnostic studies to enable a view to be taken, within a specific time frame regarding the future of such units.
- State Government has set up a Single Window Agency under the Chairmanship of the Chief Secretary to provide time-bound decisions and clearances in respect of investment proposals. The Government will also constitute similar district level Committee (s) for the concerned District (s) under the chairmanship of the Deputy Commissioners to ensure quick decision making for enabling effective setting up of industries.
- State Government has decided that Meghalaya Industrial Development Corporation (MIDC) will provide escort services for the large and medium scale Industries under suitable terms and conditions.
- In order to develop human resources through the upgradation of skills, training institutions would receive due attention. Association of Private Sector in this important activity would be encouraged.
- Government will provide suitable assistance to prospective or deserving entrepreneurs (s) for gaining knowledge about advanced technologies as also acquiring training for the same.

## **INDUSTRIES IDENTIFIED AS THRUST AREAS**

Based upon the industrial opportunities and potential available in Meghalaya the following industrial sectors have been identified as thrust area : -

### 1. Agro Based Industries :

Meghalaya has a competitive advantage in agro-based industries. State Government is also implementing various development programmes for improving the production of horticulture and agricultural produces. In tune with this emphasis State Government will continue to give priority to agro-based industries, which will not only further strengthen the agricultural base of the State but also enhance employment opportunities. Further, State Government will assist in establishing appropriate linkages between the growers and the processors of agricultural produce.

The following agro-based units will be encouraged to come up in Meghalaya.

a. Horticulture – Based Units

Such horticulture based units in the state will include food processing, mushroom cultivation and processing. All these products have a good market not only in the State and the rest of India but also in the neighbouring countries.

b. Biotechnology Based Units

There exists a high potential for the setting up of select, bio-technology based industries in Meghalaya. This industry is essentially knowledge-based and can function with minimum resources and limited transportation infrastructure.

c. Tissue Culture and Orchid Units

India accounts for 1300 species of orchids of which 150 are found in Meghalaya. Orchid cultivation can be taken up viably as an industry in the State. Orchids have a high value realisation in the international markets. Encouragement will be given to large-scale commercial exploitation in a systematic and scientific manner through tissue culture. Floriculture will also be encouraged on a similar basis.

d. Spices Oleoresin and other Essential Oils Units

A number of spices and aromatic plants grow in different parts of Meghalaya. This can be used for the production of high value export items such as spice oils, oleoresin and other essential oils. State Government will encourage the setting up of units in this sector.

e. Medicinal Plants, Tea and Rubber

Medicinal Plants have a good potential for development in Meghalaya. Commercially viable medicinal plants will be identified and their potential assessed, based on which drugs and pharmaceuticals units would be encouraged.

Meghalaya has a good potential for cultivation of tea and rubber although their processing through large scale plantation activities has not been taken up on an organised scale. Government will provide necessary support for development in this area.

2. Animal Husbandry and Meat Processing Industries

Given the large demand-supply gap of meat in the North Eastern Region, Meghalaya needs units for hygienic and scientific processing of poultry, piggery and other meet products.

Meghalaya has a high potential for development of dairy and allied products as well as for processing of animal hides and skins and for setting up leather industries.

Units in the above sectors would be encouraged.

3. Development of Mineral based Industries

Meghalaya is rich in minerals like high-grade limestone, Coal, granite, silimanite, Industrial clay, quartz, feldspar, etc. The following mineral based industries will be encouraged.

a. Coal-Based Industries

Meghalaya produces large quantities of coal of very high calorific value with low ash content but high sulphur content. This coal can be used for production of several chemicals and other industrial products.

b. Limestone Based Industries

Meghalaya has large deposits of limestone. The quality of these deposits varies from cement grade to chemical grade. The following projects can be set up by utilising the limestone deposits of the state.

- Cement Plants.
- Lime Plants.
- Calcium Carbide Plants.
- Precipitated calcium carbonate units and
- Bleaching Powder units

c. Other minerals/based Industries

d. A few other industries that can come up in this sector in Meghalaya are as follows:

- Silimanite refractory and other allied.
- Industries.
- Clay Washery.
- Ceramic glazed tiles.
- Cement based mosaic tiles.
- Ceramic crockery and
- Ceramic low tension insulators.

4. Electronics & Information Technology

The State government will encourage setting up of electronic – based industries and complexes in the sphere of information technology in private sector and / or joint sector.

## **SUBSIDIES AND INCENTIVES**

Government of Meghalaya will provide a package of subsidies, incentives and assistance to the small scale as well as medium and large categories of industry in Meghalaya under "The Meghalaya Incentives Scheme 1997.

Further a 'Tourism unit' as defined at Annexure of this policy, will also be entitled to the above package of subsidies, incentives and assistance.

D. 1. Criteria For Eligibility

D.1.1 Validity Period

This new package of incentives herein after referred to as ' Meghalaya Incentive Scheme 1997' shall remain in operation for a period of 5 (five) years commencing from Fifteen August 1997 or till such time as the Government may deem fit. Government also reserves the right

to make any amendments to the scheme from time to time. However, in such case, proper notice will be given and also final commitments already made will not be affected by such amendments.

#### D.1.2 Effective Date

Effective date of implementation of Meghalaya Incentive Scheme 1997 is Fifteenth August 1997 and from this date the Meghalaya Package Scheme of Incentives 1988 and other relevant Industrial Policy resolutions will cease to be operative unless specifically provided for hereinafter.

Those Industrial units which have been committed to by Government for incentives under the Meghalaya Package Scheme of incentives 1988 will continue to avail such Incentives under the said scheme for the period of commitment.

Units enlisted under Meghalaya Package Scheme of Incentive 1988, but completing final effective steps after the effective date of Meghalaya Incentive Scheme 1997 will be covered by the Meghalaya Incentive Scheme 1997.

D. 1.3 Incentives under the Meghalaya Scheme 1997 will be available to eligible units in the private sector, Assisted Sector, Joint Sector, State Public Sector and the Co-operative Sector.

#### D.2 Eligible Unit

D.2.1 Only new units set up on or after Fifteenth August 1997 and existing units, undertaking expansion, modernisation or diversification at the same location or at any other place in the State of Meghalaya will be eligible for incentives under Meghalaya Incentive Scheme 1997 provided that;

- a. A unit employs local tribal people of not less than –
  - i. Sixty percent in non-managerial cadres at the inception stage
  - ii. In the managerial cadre, sixty percent employment of local tribal people in non-technical posts and fifty percent in technical/supervisory/skilled categories.
  - iii. The unit should further give an undertaking that if these conditions are violated, State Government Subsidies/Incentives so availed by them would be fully refunded.
- b. In exceptional cases where an unit can prove to the satisfaction of the Single Window Agency that persons with required skill and expertise are not locally available, relaxation of the above clause will be allowed for a specified period.

#### D.2.2: Non-eligible Unit

- a. All types of Saw Mills and Veneer Mills.
- b. Atta - Chakki / Rice Mills.
- c. Forest Based Industries not approved by Govt.
- d. A Unit shall not be eligible if the location of its registered office is not within the state of Meghalaya.

Provided that the Single Window Agency may permit suitable relaxation of clause (d) above, under appropriate circumstances.

D.2.3 Central Public Sector Undertakings will not be considered as eligible for incentives under Meghalaya Incentive Scheme 1997.

D.3: Definition

D.3.1 New unit: An Industrial or Tourism unit, which has taken all the initial effective steps on or after Fifteenth August 1997, will be considered as a new unit.

D.3.2 Existing Unit: A unit which is or was in commercial production at any time prior to Fifteenth August 1997 will be considered as an existing unit for the purpose of the Meghalaya Incentive Schemes 1997.

D.3.3 Effective Steps : Effective steps for implementation of the project will comprise of initial effective steps and final effective steps.

i. A Unit will be deemed to complete the initial effective steps if all the following have been achieved.

- a. Effective possession of land.
- b. Registration of the firm or the company or the society or the trust with the appropriate authority.
- c. Provisional registration with the appropriate authority.
- d. Preparation of Project Report.
- e. Sanction of Power Connection.
- f. Settlement of the means of finance for the project including sanction of the terms loan.

Provided that in case of a Tourism unit, the registration authority will be the Directorate of Tourism.

ii. A unit will be deemed to have completed the final effective steps if the following have been achieved-

- a. Total disbursement of term loan.
- b. Receipt of all relevant approvals and clearances from the appropriate authorities.
- c. Connection of power.
- d. Allotment of raw materials wherever applicable.
- e. Sanction of the plant.
- f. Commissioning of the plant.
- g. Receipt of local employment certificate.

Provided that in case of a Tourism Unit, step (f) above will not apply and will be replaced by the following 'fit to render services for which the unit is set up'.

D.3.4. The incentives under the Scheme cannot be claimed unless the Eligible Certificate has been issued under the Scheme by the implementing Agency concerned and the unit has complied with the stipulations and conditions of Eligibility.

D.3.5. Eligibility Certificate: Eligibility Certificate is the certificate, which will be issued by the implementing Agency, which is the Directorate of Industries for the SSI Sector and the Meghalaya Industrial Development Corporation Ltd. (MIDC) for the medium and large units. This certificate will be issued after ensuring that all the norms for eligibility have been fulfilled.

- a. Local Employment Certificate will also be issued by the concerned Implementing Agency where necessary.
- b. Completion of initial effective steps will qualify the unit for issue of a provisional eligibility certificate based on which sanction and disbursement of subsidy for feasibility study cost as well as the development subsidy can be made.
- c. Completion of the final effective steps will be required for issue of the final eligibility certificate and disbursement of the remaining incentives under the Scheme.
- d. For benefits of remission/exemption of Meghalaya Sale Tax, a separate eligibility certificate shall be obtained from the State Sale Tax Authorities in accordance with the Meghalaya Sale Tax Act and Rules.

Provided that in case of a Tourism Unit the implementing Agency shall be the Directorate of Tourism except that the disbursement of all subsidies, incentives and assistance will be made by Meghalaya Industrial Development Corporation.

D.3.6. Fixed capital investment: means investment made in land, buildings and plants and machinery of the approved project of the eligible unit on after the Fifteenth August 1997 subject to other conditions laid down in the Scheme.

D.3.7 Hundred percent Export Oriented Unit is a unit, which has been approved under the EOU scheme of Ministry of Commerce Government of India.

## **PACKAGE SCHEME OF INCENTIVES 1997 - SMALL SCALE INDUSTRIES**

### **1. State Capital Investment Subsidy**

1. State capital investment subsidy on cost of land, buildings, plant and machinery will be provided to tiny and SSI units at the rate of fifteen percent of the fixed capital, subject to a ceiling of Rs.3.5 lakhs.
2. In the event of Central Government granting similar such subsidy and State Government subsidy as above being greater than the same, subsidy of the State Govt. would be limited to the difference between the two subsidies.
3. Any unit with an export commitment at not less than twenty five percent of the total turnover will be eligible for an additional five percent investment subsidy subject to an overall ceiling of Rs.5 lakhs.

### **2. Development Subsidy**

2.1 Development Subsidy will be provided at a rate of ten percent of the fixed capital investment, as defined in para 1.1 above subject to a ceiling of Rs.1.5 lakhs, for the actual expenditure on items listed below.

- i. Charges payable to statutory bodies for any permission or registration
- ii. Cost of pollution control equipments etc.
- iii. Fifty percent of the fees (excluding recurring royalty) paid for the procurement of know-how from a well established and approved Research and Development Organisation.

2.2. This development subsidy will be reimbursed only after actual expenditure is made by the units.

### 3. Subsidy on the cost incurred for the Feasibility study and project reports

Subsidy will be provided at hundred percent for meeting the cost incurred on the preparation of feasibility/project report subject to a maximum of Rs.25,000 provided that the report is prepared by a Government approved agency.

### 4. Interest subsidy.

4.1 A Subsidy on interest payments to banks/financial institutions will be provided at the rate of four percent on term loans (Excluding working capital loans) availed by an entrepreneur for setting up of approved industrial units subject to a maximum of Rs.10, 000 per month for a period of 5 (five) years from the date of disbursement of the loan.

4.2 This subsidy will be in the form of re-imbusement of actual repayments made.

### 5. Local Employment Promotion Grant

5.1 Government will reimburse annually up to thirty percent of the realistic wage bill for local tribal employees over and above the stipulated number of local tribal employees in the Industrial Policy as specified in the eligibility criteria (para D.2 1) (a)

D.2.1 This grant would be for a period of three years from the date of entertainment of such staff and would only be given to those units where either investment in plant and machinery exceeds Rs.5 lakhs. Or the number of employees engaged in manufacturing sector exceeds 20 (twenty) numbers. The grant will be subject to a ceiling of Rs.50, 000 annually.

5.2 Fifty per cent of the cost incurred on the training of local tribal employees will be reimbursed subject to the following.

- a. Such trained person being absorbed in the unit failing which the unit will refund the subsidy amount paid for the same.
- b. Training is conducted in an Institute approved by the State Government.

### 6. Subsidy on Power.

6.1 Subsidy on power tariff will be provided at the rates of thirty percent and twenty five percent for loads upto 2 MW and loads above 2 MW respectively for a period of 5 (five) years from the date of commercial production. The subsidy will be limited to a maximum of Rs. Two lakhs annually. This subsidy will be granted on the basis of actual consumption of power for the manufacturing process substantiated with requisite details and diagrams.

6.2. Subsidy up to fifty percent of the cost of generating sets including non-conventional energy generating sets, subject to a ceiling of Rs.50, 000/- per unit will be granted to SSI units in the non-electrified rural areas provided the unit produces a Certificate from Me.S.E.B.

6.3 In case of project is located in an area, which requires the drawal of the power line of 1 KV and above, then the Government will reimburse the cost incurred on the drawal of such a power line including the cost of transformers, if any, subject to a maximum limit of Rs. One lakh and provided that the location has been approved by the Government.

6.4 Fifty percent of the cost incurred on service connection will be reimbursed subject to a maximum of Rs.20, 000/- for each industrial unit.



7. Subsidy on cost incurred on quality control measures

7.1. Cost of Laboratory Equipment for the purpose of quality control and ISI certification, subject to a maximum of Rs.10, 000/- per unit will be reimbursed in cases where it does not form part of the project cost.

7.2 Export oriented units committing to export at least fifty percent of the value of the turn over will be eligible for an additional reimbursement of Rs.1,00,000/- against such quality control measures.

8. Sales Tax Exemption [Replaced by The Meghalaya Industries (Tax Remission) Scheme, 2006]

Meghalaya Sale Tax will be exempted on sale of finished products for a period of 9 years from the date of commercial production.

9. Lower rate of Meghalaya Finance Tax [Replaced by The Meghalaya Industries (Tax Remission) Scheme, 2006]

To encourage the local manufacturers in the State, the rate of Meghalaya Finance Tax will be lowered down from 12% to 4%, bringing it at par with CST rate so that such manufacturers can compete with products coming from outside the State. Such reduction will be limited to only such selected items which are being manufactured or likely to be manufactured locally within the State as may be notified by the Government from time to time

10. Additional Sale Tax incentive [Replaced by The Meghalaya Industries (Tax Remission) Scheme, 2006]

10.1. An approved project may, in lieu of State capital investment subsidy, be granted Sale Taxes remission for an additional period of 4 years but limited to the amount of capital investment subsidy otherwise eligible. This additional assistance will be in the form of reimbursement.

10.2. Approved 100% export-oriented units (EOUS) will be entitled to receive an additional sales tax exemption for 1 (one) more year over the above the eligible period as indicated in para 8 and 10. above.

11. Price Preference

Price preference in accordance with the existing Meghalaya Preferential Stores Purchase Rules 1978 will be allowed for all eligible units.

12. Exemption from Stamps Duty

An exemption on Seventy-five percent of the applicable stamp Duty for the Small/tiny scale units will be provided to assist an entrepreneur in executing deed (s) for financial assistance from Banks and Financial Institutions.

## PACKAGE SCHEME OF INCENTIVES 1997 - LARGE & MEDIUM SCALE INDUSTRIES

### 1. State Capital Investment Subsidy

1.1 State Capital investment Subsidy will be provided at the rate of thirty percent of the fixed capital investment subject to a ceiling of Rs. 20 lakhs.

### 2. Subsidy for the Cost incurred on preparation of Feasibility Study and preparation of Project Report

Subsidy will be provided at ninety percent of the cost of preparation of feasibility/project reports subject to a ceiling of Rs.2 lakhs provided that the report is prepared by a Government approved agency.

### 3. Interest subsidy

3.1 A subsidy on interest payments to Banks/Financial institutions will be provided at the rate of four percent on term loans (excluding working capital loans) availed by an entrepreneur for setting up of approved industrial units. This is subject to a maximum of Rs.20,000/- per month for 3 years from the date of disbursement of the loan and to be applicable only for new units.

3.2. This subsidy will be in the form of re-imbusement of the actual repayments made.

### 4. Local Employment Promotion Grant

4.1. Government will reimburse annually up to thirty percent of the realistic wage bill for local tribal employees over and above the stipulated number of local tribal employees in the industrial policy as specified in the eligibility criteria. This would be for three years from the date of entertainment. The maximum limit of such subsidy is Rs. One lakh annually.

4.2 Twenty percent of the cost incurred on training of local tribal employees will be reimbursed subject to the following :

- a. Such trained person being absorbed in the unit, failing which the unit will refund the subsidy amount paid for the same.
- b. Training is conducted in an Institute approved by the State Government

### 5. Subsidy on Power

5.1. Subsidy on power tariffs will be provided at the rates of thirty percent and twenty five for loads upto 2 MW and loads above 2 MW respectively, for a period of five years from the date of commercial production and the maximum limit of such subsidy is Rs.7 lakhs annually. Power subsidy will only be allowed on actual consumption of power for the manufacturing process substantiated withal requisite details and diagrams etc.

Provided that in case of a Tourism unit, the power subsidy will be allowed on actual consumption of power by such a unit.

## 5.2. Drawal of Power Line

In case a project is located in an area which required the drawal of a power line of 33 KV and above, then State Government will reimburse the cost incurred on the drawal of such power, including the cost of transformer, subject to a ceiling of Rs.5 lakhs and provided that the location has been approved by State Government.

## 6. Subsidy on cost incurred on quality control measures

Cost of Laboratory equipment for the purpose of quality control and ISI certification, subject to a maximum of Rs. 40,000/- per unit will be reimbursed in cases where it does not form part of the project cost.

## 7. Subsidy on cost incurred on Pollution Control Measures

Fifty percent of the cost of approved pollution control measures will be reimbursed upto a maximum of Rs.75,000/- per unit.

## 8. Sales Tax Exemption [Replaced by The Meghalaya Industries (Tax Remission) Scheme, 2006]

Sales Tax will be exempted on sales of finished products for a period of seven years from the date of commercial production.

Provided that in case of a Tourism Unit, such Sales Tax Exemption will relate to the applicable tax payable on services rendered by the unit.

## 9. Refund of Central Sales Tax (CST) [Replaced by The Meghalaya Industries (Tax Remission) Scheme, 2006]

Units will be reimbursed the amount of CST actually paid on purchases of such machinery and equipments as is installed upto the date of commissioning of the unit.

## 10. Additional Sales Tax Incentives [Replaced by The Meghalaya Industries (Tax Remission) Scheme, 2006]

Approved project may, in lieu of State Capital investment subsidy, be entitled for a remission of State Sales Tax for an additional period of 4 years but limited to the amount of capital investment subsidy, otherwise eligible. This additional incentive will be in the form of reimbursement.

## 11. Exemption from Stamp Duty

Approved projects with fixed capital investment not exceeding Rs.5 crores will be exempted from Stamp Duty upto 75 % of the applicable amount to assist execution of deeds of conveyance / mortgage pertaining to loans from financial institutions and banks.

## 12. Special incentives for Export Oriented Units

### a. 100 % Export Oriented Units (EOUs)

- i. An additional 5 % capital investment subsidy subject to a maximum of Rs. 5 lakhs.
- ii. Sales Tax exemption for an additional period of one year.

b. Other Units with an export commitment of 25% and above of the total turn over.

i. An additional 5% capital investment subsidy subject to a maximum of Rs. 5 lakhs.

Provided that in case of a Tourism Unit, the export commitment shall be replaced by "commitment to earn Foreign Exchange"

13. Pioneer Units Scheme

13.1. A new industrial unit with fixed capital investment exceeding Rs.3 crores set up in district where there are no medium/large scale industries will be given pioneer status. A pioneer unit will be entitled to an additional capital investment subsidy of five percent, subject to a ceiling of Rs.15 lakhs.

13.2. Only the first three units for any district will be eligible for the pioneer unit status.