

Industrial Subsidies: Role of States

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Actionable subsidy – link with specificity

- ASCM provides that a subsidy shall be actionable only if such a subsidy is **specific and causes adverse effects**

Andhra Pradesh

- ▶ Incentives for setting up of New Industrial Enterprises in Andhra Pradesh – Industrial Investment Promotion Policy (IIPP) – 2010–15
- ▶ G.O. No. 61 dated 29 June 2010 covers:
 - SMEs
 - Medium Enterprises and Large Enterprises
 - SC and ST Entrepreneurs
 - Women Entrepreneurs
 - Mega Projects

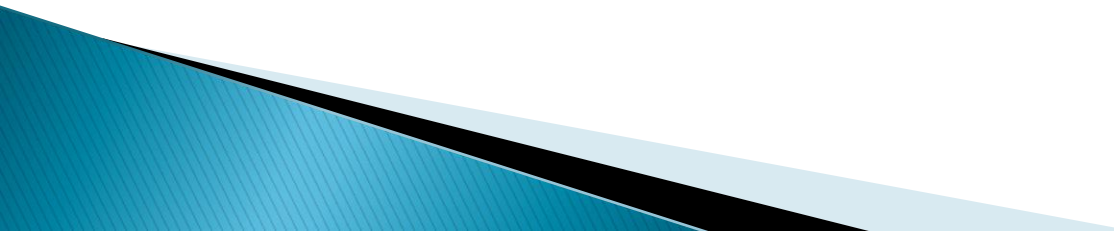
Andhra Pradesh– subsidies for SMEs

- ▶ 100% reimbursement of Stamp duty on purchase of land
- ▶ 25% rebate in land cost limited to Rs. 10 Lakh
- ▶ 25% land conversion charges
- ▶ Fixed power cost reimbursement @ Rs. 0.75 per unit for 5 years from the date of commencement of commercial production
- ▶ 15% investment subsidy on fixed capital investment subject to maximum of Rs. 20 Lakh
- ▶ Reimbursement of 100% VAT/CST or State GST for a period of 5 years – for Micro enterprises (50% for small enterprises)
- ▶ Seed Capital Assistance to First Generation Entrepreneurs to setup Micro enterprises @ 10% machinery cost
- ▶ 50% subsidy on expenses incurred for quality certification/patent registration limited to Rs. 2 Lakh for SMEs

Andhra Pradesh– subsidies for medium enterprises and large industry

- ▶ Subsidies available to SMEs also similarly available to medium enterprises and large industry

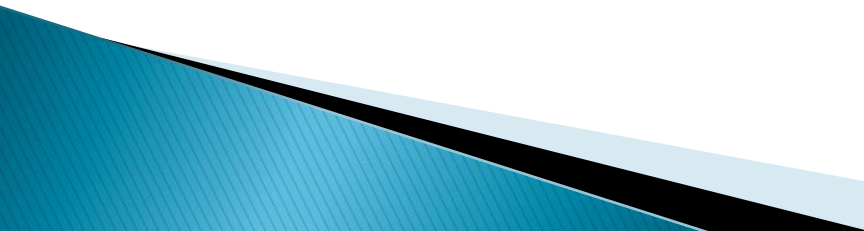
Andhra Pradesh– Other subsidies

- ▶ Infrastructure support
 - ▶ Provision of Rs. 100 crore every year for quality infrastructure like roads, power, water, waste management under Industrial Infrastructure Development Fund (IIDF)
 - ▶ Promotion of National Manufacturing Investment Zone (NMIZ)
 - ▶ Promotion of industrial corridors
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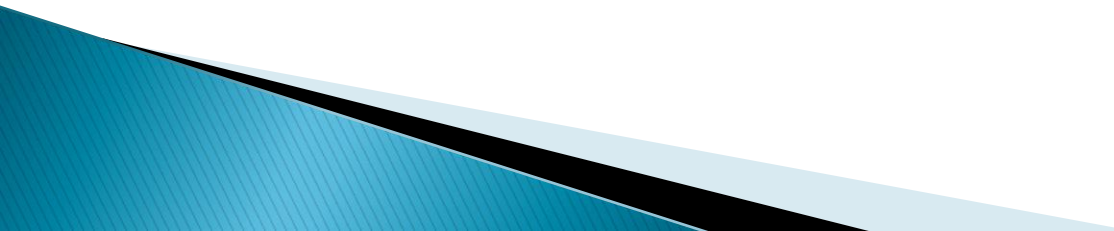
Andhra Pradesh–subsidies for Textile Sector

- ▶ To continue the benefits of existing incentive under Textile and Apparel Policy 2005–10 for another 5 years

Whether subsidies of Andhra Pradesh are specific as per ASCM?

- ▶ Annexure III of AP Industrial Investment Promotion Policy – list of 44 ineligible industries
 - ▶ By virtue of exclusion of certain industries, the subsidies to remaining industries/enterprises become specific
 - ▶ There are subsidies specific to textiles industry
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Gujarat

- ▶ State sales tax incentive scheme 1995–2010
 - ▶ Sales Tax incentive available to certain industries and in some regions
 - ▶ Industrial Policy 1995–2000
 - ▶ Cash subsidy upto 40% for Tiny Industry
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Gujarat

- ▶ Gujarat Special Economic Zone Act (30 March 2004) allows benefits such as exemption from:
- ▶ Stamp duty and registration fees on transfer of land
- ▶ Sales Tax, Purchase Tax, Motor Spirit Tax, Luxury Tax, Entertainment Tax and other taxes on sales and transactions.
- ▶ Sales Tax on inputs supplied from DTA to SEZ units
- ▶ As these exemptions are in the nature of revenue forgone and are meant for SEZ units, **these can be treated as export subsidies and therefore specific**

Jharkhand

- ▶ Capital Investment Incentive
- ▶ Capital power generating subsidy
- ▶ Interest Subsidy
- ▶ Above subsidies can be treated as specific where these are limited to certain industries/regions/districts

- ▶ Stamp duty and registration of eligible industrial units irrespective of location entitled to exemption from 50% stamp duty and registration fees:
 - ▶ This subsidy may not be treated as specific