

**Government of Jammu & Kashmir
Industries and Commerce Department**

Sub: New Industrial Policy 2004 and Package of Incentives for development of Industries in J&K.

Ref: Cabinet Decision No. 19/1 Dated 23-01-2004.

**Government Order No. 21-Ind. of 2004
Dated: 27-01-2004**

1. Sanction is hereby accorded to the new Industrial Policy 2004 as per annexure appended in this order.
2. All Industrial units to be established after 31-01-2004 shall be entitled to the incentives provided at Annexure II to the Industrial Policy, 2004. All existing units shall be entitled to the incentives specifically provided in Annexure-II to the Industrial Policy 2004 subject to guidelines/procedures issued in respect of such incentives.
3. It shall be ensured that the incentives are given to genuine industrial units.
4. Maximum employment of local people shall be a precondition with all new approvals of industrial projects. For special skills not available in the state, such requirements shall be assessed by Industries & Commerce Department both for existing and new industrial units. In cooperation with Technical Education Department, necessary skill up gradation training shall be provided to local youth.
5. The Industries and Commerce Department shall issue appropriate instruction and guidelines consistent with the new Industrial Policy and the Package of Incentives. Such guidelines and instructions shall be issued in consultation with the Finance Department wherever financial implications are involved.
6. All instructions / orders and procedures issued by the Industries and Commerce Department from time to time for implementation of earlier Package of Incentive sanctioned vide Government Order No. 10-Ind. of 1995 dated 19-01-95 and Government Order No. 202-Ind. of 1998 dated 27-05-1998 shall continue to apply *mutatis mutandis* in respect of the new package of incentives. Where such instructions/order are inconsistent with any provision of the new Industrial Policy 2004 and package of incentives, further modifications to the existing instructions, orders and procedures shall be notified.
7. The negative lists referred to in the package of incentives shall be notified by the Government separately.

By order of the Government of Jammu & Kashmir.

Sd/-

(A. Sahasranaman)

Principal Secretary to Government
Industries & Commerce Department

No. Ind/DIC/160/2002

Dated : 27-01-2004

Copy to :-

1. All Financial Commissioners,
2. All Principal Secretaries to Government
3. All commissioner/Secretaries to Government
4. Divisional Commissioner, Jammu / Kashmir
5. Director, Industries & Commerce Department<J&K Jammu.
6. Managing Director, SIDCO?SICOP/HDC/JKML/JKI/JK Cement Handicrafts (S&E) Corp/HWCL/ State Finance Corp/Secretary KVIB
7. All Deputy Commissioners
8. Resident Commissioner, J&K Govt., 5-Prithvi Raj Road, New Delhi.
9. All Private Secretaries to Hon'ble Ministers /Ministers of State
10. Private Secretary to Hon'ble Chief Minister.
11. Private Secretary to Hon'ble Deputy Chief Minister.
12. Private Secretary to Hon'ble Minister of State for Industries & Commerce.
13. Principal Private Secretary to Chief Secretary
14. All General Managers of DIC's
15. President, Chamber of Commerce & Industries, Jammu / Kashmir and other associations
16. General manager, Govt. Press , Jammu for publication
17. Private Secretary to Principal Secretary to Industries & Commerce.

Sd/-

(R.S.Sharma)

Under Secretary to Govt
Industries & Commerce Department

Annexure to Government Order No. 21-Ind. of 2004 Dated: 27-01-2004

INDUSTRIAL POLICY 2004*

1.0 Introduction

- 1.1 Despite attractive fiscal incentive under the State's Industrial Policy (1998-2003), the rate of growth of industrial sector could not be accelerated primarily on account of the disturbed conditions in the State. Competition from cheaper imported products, coming into the country as a result of the policy of globalization and economic liberalization pursued by the Government of India, has also forced many local SSI units to down their shutters. With the problem of unemployment, particularly of the educated, being high, the **Industrial Policy 2004** has been evolved keeping in view the experience gained in the last five years and some new positive elements that have entered the scene.

Duration

- 1.2 Industrial Policy 2004 will remain in operation from 1st February, 2004 until 31-03-2015.

2.0 Advantage J&K

Some specific advantages enjoyed by the State are:

- 2.1 Introductions of incentives for industries based on the package for the North-Eastern State in Jammu & Kashmir by the Government of India has created a new window of opportunity. This package of incentives is attached at Annexure - I.
- 2.2 Centrally sponsored schemes available for development of infrastructure and common facility Centres are fully utilized to strengthen and broaden the infrastructure base of the State in general and for industries in particular.
- 2.3 Refinance facilities are available from the prime leading financial institutions.
- 2.4 Infrastructure in the State for handicrafts and handloom sectors is being strengthened to further hone the already superb craftsmanship available in the State by providing professional assistance in design, product development, quality control, marketing and human resources development, with emphasis on active private sector participation.
- 2.5 The state is endowed with rare agriculture and horticulture germplasm. The State has three distinct agro-climatic zones, each with its characteristic products, thus offering a wider choice for establishing agro-industries. With 57% of apples and 92% of walnut produced in the country being from the State, besides a host of other horticulture produce such as almonds, pears, plums and cherry, the availability in terms of quantity and quality of a wide range of agricultural and horticultural products signifies good potential for value addition through food processing. Besides, the state is ideally suited for growing aromatic and medicinal plants that can be the raw material for a wide range of essential oils and herbal medicines. A special package of incentives has been offered for this sector by the Ministry of Food Processing, Government of India. The State Government has also kept this sector in its thrust area.
- 2.6 The State is endowed with rich mineral wealth of excellent quality, Limestone, gypsum, quartzite, dolomite, magnesite and bauxite, besides sapphire are available in the State.

- 2.7 Technical, managerial and other knowledge based resources available in government departments, universities and professional colleges, R&D institutions like the Regional Research Laboratory of CSIR can be networked and utilized for the growth of the Industry.
- 2.8 There is a large scope for the commercial banks to push up investment within the state. The current credit deposit ratio is much lower compared to the national average.
- 2.9 There is a clear recognition by the state government of the fact that the industrial sector has a prominent role to play in its economic development and is an effective vehicle to reduce pressure on the strained employment opportunities in the government and public sectors.
- 2.10 A perceptible improvement in the law and order situation, generated by the sincere desire of the people of the State for peace, has created a favourable atmosphere for investors. This has also created a new hope in the local educated youth.
- 2.11 The state has a long history of excellent labour-management relations; mandays lost due to labour problems are minimum.
- 2.12A wide network of roads, telecommunication and other infrastructure existing in the State is constantly improved. Railhead at Jammu will be extended to the valley of Kashmir by 2007.

3.0 Objectives

The primary objectives of the Industrial Policy 2004 are :

- i) To achieve sustainable industrial development in all regions for increasing the rate of growth, value of output, employment, income and overall economic development of the State;
- ii) To strive towards balanced economic and social development in all regions of the State by promoting industrialization particularly of the industrially backwards areas;
- iii) To encourage and sustain the cottage and tiny industrial sector which, with law investment, is able to provide employment to a large number of people in the state.
- iv) To create a supportive environment with transparency and easy access in information, technology and financial resources.
- v) To revive potentially viable sick industrial units so as to put to optimum use the capital and other resources already employed in such enterprises.
- vi) To promote the growth of thrust and export-oriented industries and encourage high-tech and knowledgeable based industries including information technology.
- vii) To take necessary steps in the field of Human Resources Development to make available skilled / technical manpower as per the needs of industry.

4.0 Approach and Strategy

- 4.1 The strategy for achieving the objectives, and the main elements, of the Industrial Policy 2004 are:
- i) Providing improved infrastructure and support services, with emphasis on regular and uninterrupted power supply.
 - ii) Attractive incentives of the Government of India and of the state government.
 - iii) Single window clearance system for power, pollution control, land allotment and registration of industrial unit.
 - iv) Closer interaction with financial Institution and commercial banks, to ensure regular and adequate flow of finances to the industrial sector.

- v) Rehabilitation of potentially viable sick industrial units.
- vi) Improving competitiveness of existing industrial units by facilitating modernisation aimed at enhancing productivity, energy efficiency and better environment management.
- vii) Enabling manufacturers of quality consistent products to augment their sales within and outside the state by brand promotion.
- viii) Reorienting Industries and Commerce Department.
- ix) Export promotional measures to augment export of products of the state outside the country.
- x) Permanent Grievance Redressal System to remove bottlenecks in import and export of products to and fro the state.
- xi) Environment protection, to conform to state, national and global regulations.
- xii) Entrepreneurship development in the state, to provide opportunities to educated unemployed.
- xiii) Encouraging Research & Development.
- xiv) Focussing on thrust areas with natural advantages in the state and facilitating large investments in prestigious projects.

4.2 **Improved infrastructure and support services :**

The government will strive to improve general infrastructure of the state. In respect of infrastructure for industries, the policy emphasises the following :

- i) Development of modern industrial areas and estates, growth centres, Integrated Infrastructure Development Centres (IID) etc. will be done in a time bound manner. These focal points of industry will meet all the basic requirements of a competitive industrial environment. An action plan with specific implementation model and time frame will be adopted.
- ii) Operational management of the major industrial estates will be rationalised, involving local industrialists through a suitable local self managed model both for development works and management of the estates including regulation of power and water supply.
- iii) The State Government will encourage private sector participation in infrastructure development and such private sector participation will be treated as an industry for the purpose of availing incentives. The Government will also facilitate acquisition of land for such private sector initiatives.
- iv) Efforts will be made to ensure that the power supply within industrial areas, estates, IIDCs, etc. is regular, reliable and of good quality.
- v) Private sector investment in generation and distribution of regular power supply in industrial areas, estates, IIDCs etc. will be actively encouraged. The government will provide necessary support for such ventures on a case to case basis to assure their sustainability.
- vi) Micro-hydel projects are already open for private sector investment. A separate policy on the subject has been announced and implemented by the Power Development Department of the government.

4.3 **Incentives for Industries**

Incentives for industries provided by the Government of India are presented at Annexure I. A revised package of incentives, offered by the state government, is at Annexure-II. Industries availing the incentives must always strive to plough back resources to constantly upgrade products and productivity, design and quality, so that after the incentives cease, they are able to survive on their own competitiveness.

4.4 **Single Window Clearance System**

With the objective of facilitating a new entrepreneur in getting necessary clearances within a short time, a Single Window Clearance System, for registration of the Industrial Unit, allotment of land, clearance of pollution control Board for commencing construction and certificate of power availability, at the State and District levels, has been set up. A separate notification in this regard will be issued.

4.5 **Institutional/Commercial Bank funding**

Industrial Policy 2004 recognizes that Financial Institutions/Commercial Banks have to play an important role in the industrial development of the State. An environment has to be created to arrest the present trend of flight of capital from the State. The procedures presently followed have not withstood the test of time. There have been glaring instance of delay and under-financing of projects resulting in cost and time over run. It will also be necessary to strengthen the state owned Financial Institutions. Moving in this direction, the government will adopt the following course of action :

- i) The present arrangement of credit flow monitoring through State Level Banker's Committee (SLBC) and State Level Inter Institutional Committee (SLIIC) forums will be actively utilized.
- ii) State owned development financial institutions shall be reoriented to facilitate availing of refinance facilities from national level institutions optimally; and, encouraged to raise finance from the market.
- iii) Divisional and district level co-ordination committees will be constituted to monitor expeditious settlement of the loan cases within prescribed time limit.

4.6 **Rehabilitation of Sick Units**

An enormous amount of capital is locked in sick/closed industrial units in the form of infrastructure and investment. Though industrial sickness is a wide spread phenomenon, its impact is comparatively high in J&K. The initiative for rehabilitation of sick units should primarily come from the concerned industrial unit, financial institutions and the commercial banks, the government playing a catalytic and supportive role. Government Order No. 47-Ind of 1999 dated 10-02-1999, currently in vogue, will continue. Besides, the Government will separately announce an debt relief package too. This sick industrial units shall have the option of taking advantage of either of the two packages.

4.7 **Improving Competitiveness - Modernization**

Industrial units operating in the State must realize that with globalization and economic liberalization, the inflow of cheaper and better quality products into the country and eventually into the state cannot be halted. In order, therefore, to encourage such industrial units as are desirous of modernizing themselves with a view to increase productivity, energy efficiency and environment protection, the capital investment subsidy of the state will be extended to them all over the state. The procedure for availing this incentive has been separately prescribed.

4.8. Brand Promotion

With increasing competition in the market, manufacturers of quality consistent consumer products can sustain themselves only if they adopt an intelligent marketing strategy and build a brand of their own. In order to encourage efforts of such manufacturers who are desirous of developing and propagating their own brands within and outside the state, the government will extend assistance to them. Details are provided in the package of incentives of the state government.

4.9 Re-Orientation of Industries & Commerce Department

In the liberalized economy, it is imperative that the capacity of Industries & Commerce Department and related PSUs is strengthened to meet the challenges of the new era. In the area of information technology, the process of computerization will be accelerated at the cutting edge level. Accordingly, the computerizations of Directorate of I&C will be further expedited with a view to not only provide all relevant policy and information on the web site but also data relating to status of applications for registration, incentives etc. An investor and industry friendly atmosphere will be created.

4.10 Export Promotion

Exports have come to be regarded as an engine of economic growth. However, the share of J&K in the overall exports of the country is very low, limited mostly to handicrafts and dry fruits processed by the SSI sector. The State has a vast potential for exports, both in traditional and non-traditional items. With a view to promote exports of the State, two Special Economic Zones (SEZs), one each in Jammu & Kashmir, Province, are under finalization. An Inland Container Depot is ready at Bari Brahmana which will cater to the needs of the exporters. Various projects under the Assistance to States for Developing Export Infrastructure (ASIDE) Scheme of Government of India, Ministry of Commerce are under implementation in the state to strengthen export infrastructure. Air cargo complexes in Srinagar and Jammu will also be taken up in the near future.

4.11 Permanent Grievance Redressal System

In the past, despite provisions in the Industrial policy, there have been many instances of consignments of raw materials, capital goods, fuels, etc. being detained in the entry point of the state, often resulting in delays and payment of fines and penalties. With a view to ensure that the industrial policy is honoured in letter and spirit, an order will be issued by the Finance Department that no consignment for industries, covered by the industrial policy, will be detained at the entry point for more than 24 hours. In the event of any doubt, a notice will be issued by the concerned authority to the firm outlining the objections but the consignment will be instantly

released. A Permanent Grievance Redressal Committee, consisting of Director Industries and Commerce, Commissioner Sales Tax and Commissioner Excise, to be set up by the Finance Department, shall meet once every fortnight to consider all such notices and pass orders which shall be final and binding on all concerned. In emergent situations, such meetings could be called at shorter notice too. This procedure is expected to check alleged arbitrary actions at the entry point of the State.

4.12 Environment Protection

Pollution Control and environment protection will be accorded high priority. The Pollution Control Board shall give necessary clearances to new units to start construction only after satisfying itself that the required pollution control measures have been included in the project by the promoter. The State Government will assist setting up of Common Effluent Treatment Plants and providing sites of solid waste disposal etc. availing of the existing schemes of the Government of India as well as the States own resources. Procedures for environment clearances will be streamlined to achieve speedy disposal. Environment friendly projects will be accorded greater priority. Incentive for procurement of pollution control devices has been provided in the state government's package.

4.13 Entrepreneurship Development

Lack of entrepreneurial skills of the local youth has been identified as an impediment for sustained industrial growth, **J&K Entrepreneurship Development Institute (J&KEDI)**, a society registered under the J&K Societies Registration Act, has recently been activated to provide entrepreneurship training to youth of the state. Universities will be encouraged to include comprehensive entrepreneurial education in the course curriculum both at the undergraduate and postgraduate levels in the state. The state will encourage setting up of training institutions in the private sector, in the areas of Information Technology, Biotechnology and Communication. Educational and research institutions of international standards related to business/industry shall be provided land in industrial parks/growth centres at a concessional rate of 50%.

4.14 Thrust Areas and Prestigious Projects

The following industries will be the Thrust Areas of the government:

1. Electronics (integrated circuits and micro assemblies)/computer hardware and software.
2. Food processing including agro-based industries (excluding conventional grinding/extraction units)
3. Floriculture
4. Handicrafts.
5. Leather processing and leather goods.
6. Sports goods, articles and equipments for general physical exercise.
7. Forest based industry.
8. Processing of aromatic and medicinal plants and herbs.
9. Pharmaceuticals including bulk drugs.
10. Silk reeling, weaving, processing printing and made-ups, Yarn and yarn spun from silk waste.
11. Cutting and polishing of stones, gems and jewellery.

12. Precision engineering.
13. Wool processing, Spinning, weaving and finishing, woven fabrics of wool.
14. Woven fabrics of cotton.
15. Industries related to the promotion of tourism e.g., units manufacturing camp equipments, fibre boats etc. souvenirs for tourists.
16. Knowledge industry, including information technology, bio-technology etc.
17. Auto ancillaries.
18. Exploration of minerals.
19. Green houses (only Ladakh)

The government may add new industrial activities to the thrust areas from time to time. The industrial projects in these areas will be accorded priority in the matter of allotment of land, sanction of power and other clearances as also in the matter of grant of incentives.

With regard to Prestigious projects, with investment above Rs.25 crores, the government may consider special package of incentives, to be documented in the form of a MOU, on a case to case basis, on merits. Notification of a prestigious project shall be made by State Level Committee - I for granting Capital Investment Subsidy.

4.15 Research & Development

Encouraging Research & Development (R&D) in important economic sectors and transferring the results of these to the industrial sector are the needs of the hour. This is particularly necessary in agriculture, forest mining and mineral sectors, medicinal and herbal plants which provide a substantial base for value addition. Design cum Resource centres shall be set for supporting Handicrafts/Handloom sector. Central government assistance for such purposes shall be fully availed. National level organisations of excellence shall be pursued to provide support for these programmes.

5.0. Implementation

Effective and efficient implementation of the policy must be ensured. In order to achieve this and also to provide for a regular interaction between the government at the highest level and the industry at large, the government will set up an Advisory Committee for Industries with the Hon'ble Chief Minister as the Chairman. Besides the Hon'ble Deputy Chief Minister in charge of Industries and Commerce and Hon'ble Minister of State for Industries and Commerce, this committee will consist of all Principal Secretaries in charge of economic departments such as agriculture, consumer affairs, environment, forests, finance, information technology, planning and power development. Representatives of Chambers of Commerce of Industry and Federations of Industries of Jammu and Kashmir Divisions and also senior officials of the Ministry of Commerce and Industry, Government of India, will be invited to join this committee. Principal Secretary I&C will act as the Member Secretary of the Committee. This committee will meet at least once in three months and provide a forum for timely discussion on major issues agitating the industry and arriving at prompt decisions, a dire necessity in these days of high level of competition among the states of promoting industrialisation.

6. Conclusion

It is earnestly hoped that the Industrial Policy 2004 will receive the support of the existing industry of the state as well as potential entrepreneurs. It is also expected that this will be able to attract entrepreneurs from other parts of the country and also from other countries. The government will endeavour to implement the policy in right earnest and do all it can to make the atmosphere for investment in the industrial sector of the state inviting and invigorating.

PACKAGE OF INCENTIVES*

1.0 Definitions.

Under this package unless the context otherwise requires :

- i) **“Capital Investment”** shall mean and include investment on land/premium on leased land, cost of all civil engineering works including buildings and sheds, cost of plant and machinery, cost of installation of plant and machinery, control panels, quality control equipment, cost of consultancy during the execution of project and cost of technical know-how.
- ii) **“Effective steps”** means one or more of the following steps :-
 - a) that 10% or more of the capital issued for the industrial unit has been paid up.
 - b) that any part of the factory building required for manufacturing activity has been constructed.
 - c) that a firm order has been placed for any plant and machinery required for the industrial unit.
- iii) **“Existing unit”** means an industrial unit, which had gone into trial/commercial production prior to 01-02-2004.
- iv) **“Fixed capital investment”** means investment in land, building, plant and machinery.
- v) **“Government”** means Government of Jammu & Kashmir.
- vi) **“Industrial Backward Blocks”** means the blocks with boundaries to be notified by the State Government.
- vii) **“New industrial unit”** means an industrial unit which has started/gone into trial/commercial production after 31-01-2004 and is formally registered.
- viii) **“Prestigious unit”** means an unit having capital investment of Rs.25 Crores or above and declared as Prestigious unit by the State Level Committee - I constituted for sanctioning Capital Investment Subsidy.
- ix) **“Substantial Expansion”** means an existing unit which increases its installed capacity, with prior approval of competent authority, in terms of the relevant Government of India notification.

2.0 Eligibility

- i) All existing and new industrial units unless otherwise explicitly provided in this package and subject to fulfillment of such requirements as may be specified by the Government from time to time shall be eligible for the incentives.
- ii) Provided that wherever an identical scheme of Government of India exists, the unit would draw the incentives from Government of India scheme first, if eligible. The balance amount of the incentives, if any, under the State Government scheme would be sanctioned if otherwise eligible under the state scheme.
- iii) The incentives under this policy are provided under the discretionary powers of the State Government. The State Government may decide to amend, alter, delete or revise any or all of the incentives notified under this policy and no claim on account of such a decision will be entertained.
- iv) The Industrial Policy shall cover all the new industrial units that may be established in the State. In respect of units where the promoter may have taken effective steps for implementation of the project as on 01-02-2004 and as such may claim to avail incentives under the old package which was in force immediately before announcement of this policy, he will be given option to do so.

However, such option shall have to be explicitly communicated to the Director, I&C within 3 months of announcement of this policy. This option shall, however, be not applicable to tax related incentives, for which the new policy will apply.

3.0 For achieving the objectives of the industrial policy, the State Government extends the following incentives:-

3.1 Land allotment

The government shall allot land on long lease of 90 years in the industrial estates and developed areas on first come first serve basis. In case of large area requirements, land may be acquired in specific locations selected by the entrepreneur, and allotted on lease.

- a) The allotment of land/industrial plots/sheds and flats shall be on lease basis for a period of 90 years.
- b) The rent charged for the period of lease shall be invested in maintenance of facilities in the industrial estate. In case of lands outside the industrial estates, where no maintenance is required to be done by any Government Agency, only a nominal lease rent shall be chargeable if the entire expenditure on the cost of land and its development has been incurred by the promoter.
- c) Premium rates shall be notified by the Government from time to time and shall not change after the land has been allotted to the promoter and a lease deed signed by him after paying the amount of premium. The current rates of premium are as follows :

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	Class/Area	A-Class	B-Class	C-Class
1.	For land/plot not exceeding four kanals.	60,000/-	45,000/-	30,000/-
2.	For land/plot not exceeding eight kanals.	90,000/-	67,500/-	45,000/-
3.	For land/plot not exceeding twenty kanals	1,20,000/-	90,000/-	60,000/-
4.	For land / plot exceeding twenty kanals	Cost of Acquisition plus Cost of Development plus 10% Surcharge		

* Subjected to change without any prior notice.

For this purpose the industrial estates/growth centres/export promotion parks etc. have been classified as follows :

A CLASS

Bari Brahmana, Kartholi, Gnagyal, Birpur, Digiana, Zainakote, Barzulla, and Baghe-Ali-Mardhan Khan.

B CLASS

Rangreth, Khunmoh, Zakura and Kathua.

C CLASS

All other Estates which are not included in A&B class above.

- d) Land allotment on lease shall be transferable subject to some stipulations and also subject to the condition that the transferee shall not use the land for any purpose other than setting up or running another industrial unit in the area with due statutory clearances.

3.2 Capital Investment Subsidy (CIS) and Financial Support on Investment :

1. Government of India has announced a new scheme of capital investment subsidy for the State of Jammu & Kashmir. The existing Capital Investment Subsidy (CIS) of the State government shall stand replaced by the Government of India scheme for CIS.
2. In the **Industrially Backward Blocks**, which will be notified separately, the existing state government scheme would continue. However, in such Blocks the industrial units will first draw CIS of the Government of India scheme, if applicable. Balance amount, if any, as per State Government scheme would be sanctioned by the competent authority, if other-wise eligible under the state scheme.
3. In such locations (which do not fall within backward blocks) where the CIS scheme of GOI does not apply, the State Government will extend the benefits as per the norms of Central Scheme.
4. **The CIS applicable to the notified backward blocks of the State is as follows :**
 - a) CIS shall be available if the item of manufacture does not figure on the negative list.
 - b) CIS shall be available to the new SSI, Medium and Large units, @ 30% of the capital investment subject to upper limit of Rs.30 lakhs.
 - c) In case of prestigious unit, the upper limit of CIS shall be Rs. 60 lakhs.
 - d) In case of the thrust areas, the upper limit of the CIS shall be Rs.45 lakhs and Rs. 75 lakhs in case the unit also falls in the prestigious category.
5. In areas where CIS under the central scheme is available the Government does not want to place the thrust area units, prestigious units and prestigious units in thrust areas in a disadvantageous position. In such areas if the eligible amount of CIS under the central scheme exceeds Rs.30 lakhs for an industrial unit, which is maximum limit under that scheme, the State Government shall provide the amount exceeding Rs.30 lakhs subject to a ceiling of Rs.15 lakhs, Rs.30 lakhs and Rs.45 lakhs, in case of thrust area units, prestigious units and prestigious units in thrust areas, respectively.
6. In the entire state, **75% subsidy** shall be allowed on cost of construction of a captive tube-well or building a captive water lifting plant incurred by a prestigious unit in any of the thrust areas. The

maximum amount of subsidy shall be Rs.22.50 lakhs. This shall be in addition to the financial limits for CIS prescribed above.

3.3 Modernisation of existing units

With a view to encourage modernisation of existing small scale industrial units, to enable it to achieve higher productivity, energy efficiency and better environment protection, and thus improve its sustainability in the competitive environment, capital investment subsidy of the state government will be applicable to such units all over the state subject to a limit of Rs.30 lakhs. Units availing incentives under the definition of 'substantial expansion' shall not be entitled to this. Application for modernisation must be submitted to the Director, Industries and Commerce, in the prescribed form, obtainable from his office and only after the scheme is approved by a committee consisting of Principal Secretary (Finance), Principal Secretary (Planning) and Principal Secretary (Industries and Commerce), the applicant shall commence work thereon. Approval and disbursement of the incentives will be done on the same pattern as the CIS of the state government.

3.4 Brand Promotion

In order to help such manufacturers of consumer products who are in a highly competitive market, the government will provide assistance to them in promoting brands within and outside the state. The assistance will be in the shape of subsidy at the rate of 50% of expenses incurred in the first year subject to a limit of Rs.20 Lakhs, 30% of expenses incurred in the second year, subject to a limit of Rs. 15lakhs and 10% of expenses incurred in the third year subject to a limit of Rs.10 lakhs. Application in prescribed form obtainable from the office of the Director Industries and Commerce must be submitted prior to undertaking the activity. Such applications shall be scrutinised by a committee consisting of the Principal Secretary (Finance), Principal Secretary (Planning) and Principal Secretary (Industries and Commerce), and only after the scheme is approved, the applicant may begin its implementation, if the incentive is to be availed. A system of monitoring shall be instituted and if the applicant deviates from the approved scheme, without prior approval, the incentive will be denied to him and the moneys already paid to him may be recalled at the discretion of the approving authority.

3.5 Pre-Investment Studies/Feasibility reports

- a) Project profiles shall be prepared by the Directorate of I&C, SIDCO and SICOP and made available off the shelf to the promoters at a nominal price.
- b) The promoters may get a project feasibility report prepared from J&K, ITCO, SIDCO, SISI or any other agency as may be approved by the Director, I&C from time to time. The expenditure incurred on such feasibility reports shall qualify for 100% subsidy at the time of execution of the project subject to a limit of Rs.2.00 lakhs. The promoter may get a report prepared also from any other specialist agency/reputed consultants with prior approval of Director, I&C.

3.6 Power tariff/DG sets

Power tariff for the industrial sector is subsidised. The Power Development Department shall revise and announce the tariff from time to time. Keeping in view the policy of the government to encourage the development of industry in the State and till such time as assured power supply is made available to industrial units 100% subsidy shall be allowed on new DG sets from 10KW to 1000 KW capacity purchased from reputed/standard companies subject to the maximum limit of Rs. 25 Lakhs. The subsidy shall be available to the unit after it has been verified that the DG set has been actually installed.

- a) The amount of subsidy on purchase of DG set shall be paid only through a bank (or the concerned financing agency, if any) even if the promoter may not have taken any loan for purchase of the DG set.
- b) 50% of the amount of subsidy on DG set shall be paid on verification of installation and the remaining 50% shall be paid after expiry of one year of installation.
- c) The DG set shall not be shifted from the State for a period of ten years counted from the date of installation or to any other unit except with the approval of the Director I&C. If the unit makes any such request to shift the DG set to outside the State, the same shall be considered only in case the unit deposits the entire amount of the subsidy availed of together with interest thereon at the prevailing rate of interest on term loans.
- d) The amount of subsidy claimed as part of Government of India's CIS scheme for this item shall be deducted from the amount to be calculated under the state government scheme.
- e) Government shall allow setting up of Captive Power Generating units and also mini/micro power generating unit anywhere in the state, subject to obtaining usual clearances required including from the State Pollution Control Board. There shall be no electricity duty/state excise on generation of electrical energy through such Power Generating Stations for a period of 25 years. The station may be set up by an individual promoter or a group of promoters and the energy thus generated may be shared by them or sold to other consumer(s). In case the energy thus generated is given to the State Government at the point of production, the promoter shall be eligible to draw an equivalent amount of energy for his own bona fide industrial purpose, from the PDD anywhere else in the State. If his requirement is less than what is generated by him, the excess power can be sold to the state as per the policy of Power Development Department.

3.7 Price /Purchase Preference

- i) Upto 15% Price Preference shall be available on the landed cost of the product to the local SSI units, in all government purchases. The price preference shall also apply in case of any goods purchased by the public sector undertakings/boards purchased for their own non-commercial use.

Explanation :

A local SSI units will be entitled to upto 15% price preference vis-a-vis lowest tendered rates by an out side unit, which means that if the rates quoted by a local SSI unit is within the difference of 15% between the rates as quoted by local units and lowest outside tender, the orders shall be placed with local unit. In other words a unit holder shall be entitled to payment as per his quoted

rate provided the same is within the maximum limit of 15% of the lowest quoted rate by an outside unit holder.

- ii) The price preference shall not cover items purchased by the public sector undertakings and boards who may use such goods as raw material, consumables, or packaging materials, which are, in turn meant to be sold on commercial basis either to the government departments or to the private consumers or to the private consumers or in the open market. The Government to the local SSI unit departments/public sector under takings Board etc. shall give preference to the local SSI unit over an outside state unit for purchase of items if otherwise of equivalent quality and if it has enough registered capacity.
- iii) Nothing contained in a proceeding para shall, mean to restrain the government from purchasing or allowing any of its departments/boards corporations to purchase any consumption commercial goods from another manufacturing organizations of the Government such as JKI, JKML, SIDCO, Agro Industries Corporation, J&K Handloom Development Corporation, KVIB etc. whether without or after inviting tenders.
- iv) In all other cases, where the price preference applies, the following procedure shall be followed, in suppression of any other government departmental instructions, if issued to the contrary, to encourage the sustainability and growth of SSIs in the State :-
 - a) Every purchase committee of the Government departments shall include a member from the Directorate of the I&C, not below the rank of a General Manager. Any Committee constituted without any such representative of DIC shall be void ab initio.
 - b) If the goods offered by a registered SSI unit carry quality mark for example of BIS, FPO etc. or if the goods otherwise are of standard quality, duly verified and certified by the user department, and if the rate quoted by the SSI unit is within 15% of the lowest rate quoted by any other tender not being another local registered SSI unit, then the Purchase Committee shall decide to place order on such local registered SSI units without further negotiating the price. If the local SSI unit has the requisite registered capacity to meet the tendered requirement.
 - c) If the rate quoted by the local registered SSI unit(s) is not within 15% of the Committee may negotiated rate with the local registered unit (s) and place orders on such negotiated rate.
 - d) No tender from a local registered SSI unit shall be rejected in contravention of the aforementioned instruction. In case the purchase committee faces any difficulty in carrying out these instructions, in will refer the matter to the I&C Department in the secretariat and the decision of the Department in the matter shall be final and binding on the purchase committee/the department.
 - e) If a local registered SSI unit is on rate contract with the DGS&D, DG QA, NSIC etc. for a particular item needed by a Government department, it may purchase the item from such SSI unit without inviting tenders.
 - f) It would be lawful for any local registered SSI unit to quote through SICOP or to seek supply order through SICOP or to request/authorize SICOP to represent its case before the purchasing department. In all cases, SICOP shall be treated at par with the SSI unit or units whose case it may be representing for all matters connected with the finalization of the contract, delivery of supplies and the price preference.

- g) No purchasing department shall force or cause any local registered SSI unit to get more quality tests conducted at its own cost if such limit is registered with the BIS, DG S&D, DG QA etc. for ISI/ISO 9000/FPO mark.
- h) No purchasing department shall tender for purchase of any item with branded/patented name of any manufacturer or supplier if such items of acceptable specifications are available from the local industry.
- i) If the department supplies raw material to a local registered SSI unit, directly or through SICOP, such as steel billets, wire rods for conversion into the end product required, such as structural steel, crate wire etc. the conversion rate may be worked out by the concerned administrative department (such as PWD) and a rate contract sanctioned.
- j) For any item where the market price for the goods manufactured by mills are controlled by statutory orders, which are not applicable to the SSI units, the price preference may be negotiated on the basis of such statutory rates.

3.8 **Earnest Money Security Deposit**

- a) SSI unit shall be required to pay only 50% of the amount of earnest money prescribed by the tendering authority or Rs.5000 whichever is lower.
- b) Tender documents shall also be supplied to the SSI units @ 50% of the price of the documents or Rs.100 whichever be lower.
- c) SICOP shall be treated at par with the SSI units for the purpose of the aforementioned provisions.

3.9 **Stamp Duty**

Mortgage deeds in favour of the financing institutions required to be signed by the promoter, shall be exempted from payment of stamp duty. The state government has already enabled equitable mortgage in the state.

3.10 **Exemption of Court Fee**

Exemption from court fee for registration of documents relating to lease of land will be granted to registered industrial units.

3.11 **Toll Taxes**

- i) There will be **no additional toll tax** on the raw materials, fuel and consumables, procured from outside the state by the existing or new SSI units till 31-01-2015 except for items brought on the negative list from time to time.
- ii) There will be no additional toll tax on finished goods manufactured by the existing or new SSI, Medium and Large units and sent outside the state upto 31-03-2015 except for items brought on the negative list from time to time.
- iii) There will be no additional toll tax on the Raw materials, fuels, consumables brought from the existing new medium and large units upto 31-03-2015 except in case of items brought on the Negative list from time to time.
- iv) There will be no additional toll tax on components, machinery, plant and other equipments procured from outside the state for building the factory, for a period of five years from the date of registration of the unit in SSI, Medium or large sector.

- v) There will be no additional toll tax on 100% export oriented units on the goods exported under proper export documents from the state to any foreign country.
- vi) There will be no additional toll tax on empty containers brought into the state which are used for stuffing products of industry for export out of the state.

3.12 **General Sales Tax**

The State Government is proposing to implement Value Added Tax (VAT). The existing GST exemption will continue for existing and new units till VAT is implemented in the state or upto 31-3-2015, whichever is earlier, except for items brought on the negative list from time to time. However, GST exemption on the raw material procured locally will be available only to the Small Scale Industrial Units.

3.13 **Central Sales Tax**

The existing and new SSI, Medium & Large industrial units shall be exempt from charging and payment of CST on sale of their finished goods outside the state upto 31-3-2015 except for the items on the negative list.

3.14 **Special Provision for Prestigious Units**

Prestigious units shall avail of full exemption from payment of GST (Till VAT is implemented)/CST and additional toll tax untill 31-3-2015 or until such amount of exemption reaches the levels of 150% of capital investment in the project whichever occurs earlier. It may be clarified that negative lists issued for various tax related incentives for medium and large industries shall also be applicable *mutatis mutandis* to prestigious units.

3.15 **Interest Subsidy**

- i) The Government of India has announced a new scheme for Interest subsidy in the state of Jammu & Kashmir. The existing incentive of Interest subsidy of the State Government will be replaced by the Government of India scheme, except for existing and any other new units which are not otherwise eligible for claim or interest subsidy under the Government of India scheme.
- ii) 3% subsidy shall be payable on the working capital facilities available from the commercial banks to all existing units for the remaining period of their eligibility, subject to the conditions prescribed, under the Government Order No. 202-Ind of 1998 dated 27-5-1998.
- iii) This incentive will be extended to any new unit not covered by the Central Government Package by the state Government, on the same terms as contained in the Central Package.
- iv) No interest subsidy shall be available on penal interest or on default payments.

3.16 **Testing Equipment**

100% Capital subsidy shall be provided by the Government on installation of Testing Equipment, subject to a maximum amount of Rs.25 Lakhs and also restricted to 25% of the total capital investment if the cost of testing equipment exceed 25% of the total investment provided that the same is installed with in 31-3-2015.

- ii) The incentive shall be disbursed only after the unit availing this incentive obtains a national/international quality mark.

- iii) To the extent incentive for such equipment is availed under the CIS scheme of Government of India, deductions will be made from the amount due under the state scheme.

3.17 Air Freight Subsidy

Air Freight subsidy shall be available on finished goods and raw materials for any destination (a) 50% subject to a maximum of Rs.5 Lakhs per year per unit.

3.18 30% Subsidy on Pollution Control Equipment

30% subsidy shall be extended for purchase of pollution control equipment subject to ceiling of Rs.20.00 lac per unit and this will be in addition to the entitlement of CIS under G.O.I scheme if it exceeds Rs.30.00 lacs limit of CIS notified by G.O.I. If subsidy on such equipment is availed under CIS notification of GOI, to that extent, the amount shall be reduced out of the entitlement under the state scheme.

3.19 Interest Subsidy for Technocrats

5% interest subsidy on term loan shall be available for Engineering Graduate/MBA's/postgraduates on term loan availed from financing institutions.

3.20 Research & Development (R&D)

- i) 50% subsidy shall be available on expenditure incurred on R&D through any reputed organisation, in the public or private sector, duly approved by the government, for any project undertaken on sponsorship of any existing or new unit subject to a maximum of Rs.5 Lakhs for each such project duly approved by the Government.
- ii) 25% subsidy shall be available on R&D expenditure of any unit on non-recurring items of expenditure subject to prior approval by the Government upto a maximum limit of Rs. 5 Lakhs.

3.21 Human Resource Development

- i) 50% of the cost of training shall be borne by the Government subject to Rs. 5000 per trainee and subject to Rs. 1 lakh per annum for any unit for a period of five years. In case of women trainees the corresponding figures shall be 75%, Rs.7,500 and Rs.1.50 lakhs respectively.
- ii) For programmes of skill development leading to employment of trainees, 50% of the cost of training shall be borne by the Government on approved programmes subject to maximum of Rs. 5 lakhs per unit. In case of women trainees, the corresponding figures would be 75% and 7.5 lakhs.

3.22. Transport Subsidy:

This is a Government of India scheme and shall continue as such.