

## **1. SHORT TITLE AND COMMENCEMENT :**

These rules shall be called “Rules Regarding Grant of Incentives, Concessions and Facilities to Industrial Units in Himachal Pradesh, 2004” and shall come into force w.e.f. the Thirty First day of December, 2004, hereinafter referred to as the appointed day.

## **2\*. OBJECTIVES :**

The objectives of the incentives, concessions and facilities being provided under these Rules are: -

- i)** To achieve the aims and objectives announced by the Government in the Industrial Policy Guidelines from time to time.
- ii)** To spell out the extent to which the State Government proposes to provide benefits, incentives, concessions and facilities to industrial enterprises to be set up in the State, on or after the appointed day.
- iii)** To supplement and support the Special Package of Incentives and Concessions announced by the Government of India on 7<sup>th</sup> of January, 2003 for industrial enterprises to be set up in Himachal Pradesh.
- iv)** To encourage investment and optimum utilisation of the resources of the State namely power, land, capital, manpower and raw material in terms of revenue generation and generation of employment opportunities for local populace within the physical and environmental carrying capacities of the State .
- v)** To facilitate the ease of doing business by simplifying the Rules and to promote transparency of procedures governing the establishment of Industrial Enterprises in the State.
- vi)** To encourage the maximum gainful employment of bonafide Himachalis in the Industrial Enterprises set up in the State.

## **3\*. DEFINITIONS :**

Under these Rules, unless the context otherwise requires: -

- (a)** An “allottee” means an Industrial Enterprise in whose favour an allotment of a land/ plot/ industrial shed/ shop etc. has been made under these Rules.
- (b)** ‘Bonafide Himachali’ means a resident of the State of Himachal Pradesh as defined by the Government from time to time.
- (c)** “Commencement of commercial production” means the date on which the Industrial Enterprise actually commences commercial production as certified by the Director /Deputy Director of Industries/ General Manager, District Industries Centre/ Member

Secretary, Single Window Clearance Agency or any other officer authorized by the Director to do so.

- (d) "Department" means Department of Industries, Government of Himachal Pradesh.
- (e) "Director" means Director of Industries, Government of Himachal Pradesh and will also include Commissioner of Industries, Government of Himachal Pradesh, as the case may be.
- (f) "Electricity Duty" means the electricity duty levied by the Government from time to time, on the consumption of power by Industrial Enterprises set up in the State.
- (g) "Existing Industrial Enterprise" means an Industrial Enterprise, which have been set up in the State and is duly registered or acknowledged by the Department as Tiny, Micro, Small Scale, Medium or Large Scale Industrial units or Industrial enterprises in accordance with the procedure prescribed, and has commenced commercial production before the appointed day.
- (h) "Export Oriented Unit" or "Export Oriented Enterprise"(EOU) means an Industrial Enterprise set up for the purpose of exporting its produce as defined in the Import/Export policy of the Government of India, from time to time, and duly approved /registered/ acknowledged as such by the competent authority.
- (i) "100% EOU" means Enterprise (s) defined as such by the Government of India from time to time.
- (j) "Feasibility Report" means a report on the economic and technical feasibility of an industrial project prepared by an approved Consultant or an Agency approved/recognised by the Director.
- (k) "Financial Institution" means all scheduled commercial banks, Himachal Pradesh Financial Corporation (HPFC); Himachal Pradesh State Industrial Development Corporation (HPSIDC), I.C.I.C.I, I.D.B.I, S.I.D.B.I, NABARD, Co-operative Bank(s) in the State of H.P, State KVIB, KVIC or any other institution declared to be a "financial institution" by the Government of India under the relevant statute. It will also include corporation(s)/institution(s) set up by the State /Central Government specifically to assist and extend loan assistance to specific categories of entrepreneurs such as women, SCs/STs, ex-servicemen, physically handicapped, backward classes etc..
- (l) "Fixed Capital Investment," (FCI) means the actual investment made in land, building, plant and machinery by an Industrial Enterprise.
- (m) "Government" means the Government of Himachal Pradesh.
- (n) "Industrial Area" means an area developed/earmarked by the Government or any of its Agencies like Himachal Pradesh State Industrial Development Corporation Ltd. (HPSIDC), Himachal Pradesh Housing & Urban Development Agency (HIMUDA),

Himachal Pradesh State Electronics Development Corporation Ltd. (HPSEDC) etc. itself or in participation with private entrepreneur(s) for the establishment of Industrial Enterprises.

- (o) "Industrial Estate " means an area comprising sheds constructed by the Government or any of its agencies like HPSIDC, HIMUDA, HPSEDC etc. itself or in participation with private entrepreneur(s) for the establishment of Industrial enterprises.
- (p) "Industrial Enterprise" will include Micro, Small, and Medium Enterprise as defined under Section 7(1) (a) or Section 7 (1)(b) of the 'Micro, Small and Medium Enterprises Development Act, 2006' [MSME Act 2006 No. 27 of 2006] or any such "Specified Category of Activities" so declared by the Government under these Rules or "Small Scale Service Business Establishment (SSSBE)", "Tiny", "Small", "Ancillary", "Medium and Large units" which are located within the State and have been registered/ taken on record by the Department.
- (q) "Large Industrial Enterprise" shall mean those enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 set up in the State in which the investment in plant and machinery exceeds Rs 10 Crores or exceeds such investment level as may be prescribed under Section 7 (1) (a) (iii) of the 'Micro, Small and Medium Enterprises Development Act, 2006'( No. 27 of 2006) [MSME Act 2006 No. 27 of 2006] by the Government of India, from time to time.
- (r) "Negative List" includes the Industrial Enterprises mentioned in Annexure III of these Rules.
- (s) "New Industrial Enterprise" means Industrial Enterprise registered/ acknowledged/ taken on record by the Department, located within the State of Himachal Pradesh which commences commercial production on or after the appointed day.
- (t) "Person(s) with Disabilities" means person(s) determined as such under clause 2 (t) of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995.
- (u) "Power Tariff" means, only the basic rate of electricity per unit charged for the consumption of power, as specified from time to time under the relevant schedule of tariff by H.P. State Electricity Board (HPSEB) and shall not include electricity duty, surcharge, peak load exemption charge, winter charge, fuel adjustment charge, service charge or any other charge under any name in the Tariff Schedule as may be levied by the competent authority, under its Schedule of Tariffs.
- (v) "Rural Area" means an area as defined in clause 46 of Section 2 of the H.P. Panchayati Raj Act, 1994.
- (w) "State" means the State of Himachal Pradesh.

- (x) "State Level Single Window Clearance and Monitoring Authority" means the Authority as constituted vide notification No. Ind. A (F) 2-1/2000 dated 22-01-04 of the State Industries Department, as amended from time to time.
- (y) "Specified Category of Activities" means the activities as specified in Annexure-IV of these Rules.
- (z) "Special Category of Entrepreneurs" means entrepreneurs belonging to the Scheduled Caste, Schedule Tribe, Women, Ex-serviceman, Physically Handicapped person (with the level of disability as notified by the Government from time to time), Below Poverty Line category who set up Industrial Enterprise(s) themselves.
- (aa) 'Substantial Expansion' means the industrial enterprises existing before 7.1.2003, but which have undertaken substantial expansion by way of increase in installed capacity of the existing enterprises by not less than 25% of the capacity, which should be the result of installation of additional plant and machinery and which comes into commercial production from such expanded capacity not later than 31.3.2007 with further fulfillment of following condition:  
It will be obligatory for the Industrial enterprises undergoing substantial expansion to employ at least 70% bonafide Himachalis on regular/contractual/sub-contractual/ daily basis or any other mode of employment against the additional manpower which may be generated as a result of substantial expansion.
- (bb) 'Tax Free Zone' means all Tribal areas notified by the competent authority of the State Government and include all Tribal Development Blocks and Development Blocks mentioned under this category in these Rules. It will also include all Backward Panchayats categorized as C category areas under these Rules which may be located in Blocks categorized under the 'A' and 'B' Category Area of these Rules.
- (cc) "Thrust Enterprises" means the Industrial Enterprises as specified in Annexure-II of these Rules.
- (dd) "Tribal areas" means the Tribal area as notified by the Government from time to time.
- (ee) "Village Enterprise" means any micro enterprise, located in "rural area" which produces any goods or renders any service with or without the use of power and in which the fixed capital investment per head of a full time artisan or worker i.e. capital expenditure on workshop/ work shed, machinery and furniture divided by full time employment created by the enterprise does not exceed Rs. 1, 50,000/-.

#### **4. ELIGIBILITY :**

- 4.1 (a) All 'new industrial units' and "specified category of activity" will be eligible for incentives as provided for under these rules subject to fulfillment of such

requirements as may be specified under these rules or as may be specified by the Director of Industries from time to time.

- (b) Under these Rules, 'existing industrial units' will not be eligible for any incentives unless a specific provision has been made for providing a specific incentive to such 'existing industrial units' such as those undertaking substantial expansion.
- (c) Provided further that the incentives as provided for under these rules will be available to the eligible units as at (a) and (b) above, set up in the State only if it employs at all levels, at least seventy percent of its total manpower, employed whether on regular/contractual/sub-contractual/daily basis/ or any other mode from amongst the bonafide Himachalis in 'A' 'B' & 'C' category of Area respectively. The employment condition shall not be applicable to units employing only one employee, located anywhere in the State and in the self-employed ventures where the owner is running the unit without employing any manpower. In case of violation of this condition at any point of time during the period of admissibility of these incentives by any industrial unit no further incentive under these Rules will be admissible to the industrial unit and in such an event all incentives already availed by such units will be recovered and the unit will be liable for stringent action including withdrawal of power connection to such defaulting units.
- (d) Provided further that no unit (existing or new) shall be eligible for grant of incentives and concessions provided for under these Rules, if it has any outstanding dues of the Department of Industries and if it is not registered with the duly authorized officer of the Department of Industries. Director of Industries will be the duly authorized person in case of medium and large Industrial Unit and in case of other eligible units Director Industries or any such officer authorized by him will be the authorized officer.
- (e) Incentives provided under these Rules will be made available to the eligible industrial units from the date of commencement of production, as defined under these Rules, or from the date of notification issued by the concerned Government Departments under the relevant statute/ law to operationalise the relevant provisions of incentive's as provided herein, whichever is later.

**4.2** The incentives under these rules are provided under the discretionary powers of the State Government. They do not create any claim against the Himachal Pradesh Government enforceable in any court of law. The State Government in its wisdom

may decide to amend, alter, delete or revise any or all of the incentives notified under these rules and no claim on account of such a decision will be entertained.

## **5. CATEGORISATION OF THE STATE :**

- a) The State is being now classified into three categories of Areas as "A", "B", "C", as per Annexure I of these Rules or as may be specified from time to time by the Government for the purpose of incentives, depending upon its location; distance from the border of adjoining States; extent of industrial development; extent of overall backwardness of the block; resource availability and potential for employment generation for local people. The categorization into three Categories is as per Annexure-1 of these Rules.
- b) Category "A" Areas are areas under the Kanungo Circles falling within the respective development blocks but excludes any Backward Panchayats which may fall under the specifically mentioned Kanungo Circles listed as Category "A" Areas. Category "B" Areas includes the entire area falling under the Development Blocks indicated in the list and includes any left out areas of the Development Blocks indicated under Category 'A' Areas but excludes any Backward Panchayat. Category "C" Area (Tax Free Zones) includes all Tribal Development Blocks and Development Blocks mentioned under this category and includes all Backward Panchayats located in Blocks under the 'A' and 'B' Category Area

## **6\*. ALLOTMENT AND TRANSFER OF LAND IN INDUSTRIAL AREAS :**

- 6.1 Need based land in Industrial Areas /Estates and in other areas wherever available with the Department for the establishment of Industrial Enterprise(s), Public Utilities, Social Infrastructure and such other purposes as are deemed fit by the Govt. will be allotted on leasehold basis for a period of 95 years.
- 6.2 The premium for the allotment of land in Industrial Areas/Estates and Government Land in other areas for setting up of Industrial Enterprise(s) will be fixed on a year-to-year basis and made effective from 1<sup>st</sup> of April every year. The rate of premium will be fixed by the Committee consisting of the Secretary (Industries) to the Government, Director and the Managing Director, HPSIDC Ltd.
- 6.3 The Government Land available with the Department may also be allotted, for the development & setting up of public utilities such as shops, commercial complexes,

recreational facilities, etc. on lease hold basis by inviting bids from the public, over and above the reserve price, to be fixed by the Committee as constituted under Rule 6.2.

**6.4** The Government Land available with the Department may be allotted for the development of social infrastructure like banks, post offices, educational institutions, medical institutions, captive housing facilities etc. on lease hold basis at the premium to be fixed by the Committee as constituted under Rule 6.2.

**6.5** Developed/ undeveloped Land for setting up of Industries and other activities as mentioned in Rule 6.1, 6.3 & 6.4 above subject to a maximum area of 10,000 sq. meters in industrial areas or wherever available with the Department shall be allotted on lease hold basis by the Director or any other officer authorized by him. Developed/ undeveloped Land exceeding 10,000 sq. meters in industrial areas/estates or wherever available with the Deptt. of Industries shall be allotted on lease hold basis with the prior approval of the Secretary (Industries) to the Government.

**6.6** The application for allotment of plot(s)/ land shall be made to the concerned Deputy Director of Industries(DDI)/ General Manager, District Industries Centre(GM,DIC)/ Member Secretary, Single Window Clearance Agency (MS,SWCA), as the case may be, on a prescribed form alongwith other requisite documents and earnest money in the shape of a bank draft. The earnest money shall be equivalent to 10% of the premium of land, prevalent at the time of making the application, which shall be adjusted initially in the premium in the event of allotment of land/plot or refunded in the event of non-allotment of plot. Applications received without earnest money payable and incomplete documents will not be considered.

**6.7**

- a) Plot(s)/ land shall be allotted by the Director or any other officer authorized by him on the recommendation of a Committee constituted for the purpose on first come first serve basis, unless the Committee decides otherwise for reasons to be recorded in writing. However, plot/land may be allotted on out of turn basis to eligible categories for which such a provision has been specifically made under these Rules.
- b) In case any land/ plot is available for allotment consequent upon its having been resumed after execution of lease deed or has been surrendered by the allottee himself, it shall only be re-allotted through open auction/inviting bids from general

public. In such cases the minimum reserve price will be fixed by the Committee as constituted under Rule 6.2.

- c) The land/ plot will be provisionally allotted for a period of two years and possession will be handed over to the allottee after entering into an agreement to lease. The allottee shall commence commercial production within 2 years from the date of handing over of the possession. The Director may, however extend the period of the provisional allotment for one year at a time on the merits of each case, subject to the total period (including the original period of 2 years) not exceeding 5 years from the date of handing over of possession. Such cases for grant of each extension will only be considered if the premium due to the Department till the time of making the application for extension of time period has been fully paid and there is no default in the payments due to the Department. Extension fee equivalent to 10%, 20% and 30% of the total premium assessed at the time of provisional allotment of the plot will be charged for extension sought for the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> year respectively, which will not be refundable/adjustable in the premium of the plot.
- d) A regular lease deed can be entered into between the Department and the allottee after the fulfillment of the following conditions by the allottee:-

  - i) Proof of obtaining all necessary approvals/registration of the different Departments/ Agencies of State Government and Central Government as applicable to the enterprise.
  - ii) Proof of obtaining the sanction of the loan for the approved enterprise from the financial institution(s), if any.
  - iii) In case the Industrial Enterprise is self-financed, proof of placement of firm orders of at least 50% of the estimated cost of plant and machinery and incurred at least 50% expenditure on building as per the project report.
- e) A regular lease deed would be entered into between the Department through the DDI; GM,DIC's; MS,SWCA's, as the case may be and the allottee at the rates prevalent at the time of provisional allotment of the plot/ land.
- f) 30% of the premium of land (the earnest money deposited at the time of application will be adjusted against the amount so payable) shall be payable at the time of entering into an agreement to lease and balance in 5 equal annual instalments. No interest will be charged on the balance instalments. However



interest will be charged on delayed payment @12% P.A. or as may be fixed by the Government from time to time. However, 10% rebate on total premium of land will be given in case the allottee makes the entire payment of premium in lump sum at the time of execution of agreement to lease/ lease deed as against 5 annual instalments of 70% balance premium of land/plot.

**g)** The lessee may mortgage/ hypothecate the lease hold rights to the concerned financial institution with the prior permission of the Director or any officer authorized by him.

**6.8** In case an allottee fails to execute regular lease deed or violate any term and condition of lease deed and not bring the enterprise in commercial production within the stipulated period including period of extension if any, the allotment shall be cancelled by the DDI; GM,DIC's; MS,SWCA's, as the case may be, and the possession of the plot shall be resumed. The earnest money along with premium and extension fee paid by the allottee shall be forfeited.

**6.9 (a)** In case an allottee who has been offered allotment of land/plot of the size less than applied for or in excess of land/plot applied for and therefore refuses to take the possession of such provisionally allotted land/plot, such an offer for allotment of the land/plot will be deemed withdrawn and the entire earnest money deposited by the allottee will be refunded without interest.

**(b)** In case an allottee fails/refuses to take the possession of allotted land/plot on any ground other than that mentioned in Sub-Rule (a) above and does not enter into agreement to lease within the stipulated period the provisional allotment shall be cancelled and the amount of Rs.10, 000/- will be deducted from the earnest money as processing fee and the balance earnest money deposited by the allottee will be refunded without interest.

**6.10** In case, an allottee surrenders the possession of the land/plot provisionally allotted to him within a period of two years from the date of allotment the provisional allotment would be deemed cancelled and 10% of the premium paid or Rs. 10000/-, whichever is higher will be deducted and the balance amount of premium deposited by the allottee would be refunded.

**6.11** In case, an allottee is refused extension of time for setting up of the enterprise as provided under Rule 6.7(c) or otherwise violates any provision of these Rules or any condition of allotment or terms of registration /acknowledgement of Entrepreneur Memorandum–I (EM-I) & Entrepreneur Memorandum –II (EM-II), the allotment will be cancelled and the premium and extension fee, if any paid by the allottee will be forfeited. The possession shall be resumed by the Department after giving notice to the allottee to vacate the plot and surrender the possession free of all encumbrances peacefully within 2 months failing which the provisions of the H.P. Public Premises & Land (Eviction and Rent Recovery) Act, 1971 and other legal remedies will be invoked to resume the plot.

**6.12** In the following situation(s) change in the ownership/ constitution of an allottee any time after provisional allotment shall be taken on record by charging a processing fee as under:-

**a)** 5% of the differential cost (i.e difference in the premium of plot as at the time of allotment and the prevalent allotment rate) or Rs. 10,000 , whichever is higher in the event of: -

- i)** the original allottee proprietary firm is converting in to partnership firm provided the original allottee continues to hold the majority (minimum 51 %) share in the newly constituted/registered partnership firm.
- ii)** the original allottee partnership firm is introducing new partner(s) or becoming a new partnership firm provided the original allottee partners of the firm continues to hold the majority (minimum 51 %) share amongst themselves in the newly constituted/registered firm.
- iii)** the original allottee proprietary/partnership firm is becoming a Pvt. Ltd. Company provided the original allottee(s) proprietary /partners of firm continues to hold the majority (minimum 51 %) share/ paid up capital amongst themselves in the Company.
- iv)** merger of Companies and in the event when the original allottee Pvt. Ltd. Company becomes a Public Ltd. Company or vice versa and if such change is allowed by the Registrar of Companies, provided that at least 51% shareholding in the new entity continue to remain with the original allottee(s) shareholders/ subscriber of the Company in whose name the plot has been allotted.

- b)** 2% of the differential cost (i.e difference in the premium of plot as at the time of allotment and the prevalent allotment rate) or Rs. 5,000 , whichever is higher will be charged in the event of: -
- i) the original allottee proprietor/ or partners of partnership firm/ or a promoter of the Pvt./Public Ltd. Company transfers his share to any of his legally recognized Class-I heir(s) as recognized under Section 8 of Indian Succession Act 1956 or other by laws applicable to him.
  - ii) a mere change in the manufacturing activity or name of the enterprise without any change in the constitution/ ownership and shareholding.

### **6.13**

- a)** In the following situation(s), transfer of the lease hold rights of the plot(s) or a portion thereof where the lease deed has been executed will be permitted by the Director subject to payment of balance premium due in addition to an unearned increase in premium (i.e. difference between the rates applicable at the time of transfer and allotment) as under:-
- i) In the event an Industrial Enterprise has not been set up or has not commenced commercial production, 50% of the unearned increase in premium shall be realized, provided that a rebate of 10% will be allowed if the permission for such transfer is obtained from the Department on or before 30-09-2009 and the unearned increase in premium and balance premium due is deposited within 3 months of the date of such permission.
  - ii) In the event an Industrial Enterprise has been in commercial production for a minimum period of five years, the unearned increase in premium shall be realized at the rate of 20%, provided that a rebate of 5% will be allowed if the permission for such transfer is obtained from the Department on or before 30-09-2009 and the unearned increase in premium and balance premium due is deposited within 3 months of the date of such permission.
  - iii) In the event an Industrial Enterprise has been in commercial production for a period less than five years, the unearned increase in premium shall be realized at the rate of 30%, provided, the transferor Industrial Enterprise has either not availed of any incentive or has returned the incentives availed which were conditional upon running the Industrial Enterprise for a specified minimum period, provided further that a rebate of 5% will be allowed if the permission for such transfer is obtained from the Department on or before 30-09-2009 and the unearned increase in premium and balance premium due is deposited within 3 months of the date of such permission.

**b)** In the event of the transfer of the plot to a new Industrial Enterprise/promoter on account of the Industrial Enterprise being taken over and sold under Section 29 of the State Financial Corporations (SFCs) Act, 1951 by Himachal Pradesh Finance Corporation Ltd. or Himachal Pradesh State Industrial Development Corporation Ltd. or under orders of Board of Industrial Finance and Reconstruction and the new promoter revives/continues with the same Industrial Enterprise as existed prior to take over by HPFC/HPSIDC or sets up a new Industrial Enterprise, instead of charging unearned premium only a processing fee as indicated in para 6.12 (a) above will be charged.

**6.14** An allottee may be allowed to set up one or more separately identifiable Industrial Enterprise(s) on the land/plot allotted to him without charging any processing fee to manufacture new item(s) (other than those being manufactured in the existing Enterprise of the allottee) under the original name/ style and constitution, without any corresponding change in the lease deed. However, if the new Industrial enterprise is set up under a new name, style or constitution in which the allottee has majority share (minimum 51 %), processing fee as per the provisions of Rule 6.12(a) will be charged and the new enterprise will abide by all the terms and conditions of the lease deed executed with the original allottee and the original allottee will be liable to bear all the liabilities and consequences of actions of its new enterprise.

**6.15** An allottee, after commencement of commercial production may be allowed by the Director or any other officer authorized by him to rent out not more than 49% of approved built up area of land/plot which is surplus to his own requirement, for setting up of Industrial Enterprise(s) after charging one time processing fee equivalent to 10% of unearned increase in premium (i.e. difference between the rates applicable at the time of allotment and according permission), subject to maximum of Rs. 50,000/-, Rs. 20,000/- and Rs. 10,000/- in 'A', 'B' and 'C' category Areas respectively in each case and in addition an allottee will also pay monthly rental @ Rs. 2.00 per Sq. Feet on built up rented area in 'A' category area and Municipal area and @ Rs. 1.00 per Sq. feet on built up rented area in 'B' and 'C' category area excluding Municipal Area. Such permission will be given only for setting up of not more than two Industrial Enterprise in the rented premises for manufacturing the new item(s) (other than those being manufactured in the existing Enterprise). The existing Industrial Enterprise of the allottee should be in production for at least one year and also have no objection certificate from the Financial Institution(s) having any charge

on land/plot and assets of the Industrial Enterprise of the allottee. Permission to rent out premises shall be given initially for a period not exceeding 10 years at a time, which may be renewed by charging processing fee applicable at the time of renewal. Such permission will be deemed to have been withdrawn in case the original allottee or the hirer of the allottee closes down its Industrial Enterprise for a period lasting for more than 12 months continuously.

- 6.16** The revenue on account of processing fee, extension fee and unearned increase in premium realised by the Department under the provisions of these Rules, shall be deposited into the account of respective Industrial Area Development Agency (IADA), which will be corpus for maintenance and development of industrial areas/infrastructure and the same will be utilized as per by laws of the IADA.

**7\*. ALLOTMENT OF INDUSTRIAL SHEDS AND SHOPS IN INDUSTRIAL AREAS/ESTATES:**

**7.1 For Industrial sheds allotted after the appointed day:-**

- (a)** Industrial Shed(s) built up by the Department shall be allotted by the Director or any officer authorized by him on leasehold basis for a period of 45 years by charging the premium as under:-

a	Actual cost of construction of shed.
b	Cost of land as determined by the Committee constituted under Rule 6.2 of these Rules.
Total Premium	a+ b

- (b)** The application for allotment of industrial shed(s) for industrial purposes shall be made to the concerned DDI/GM, DIC/ MS,SWCA, as the case may be, on the prescribed form alongwith other requisite documents and earnest money of Rs.10,000 in the shape of bank draft. 30% of the premium of shed (the earnest money deposited at the time of application will be adjusted against the amount so payable) shall be payable at the time of entering into an agreement to lease and balance in 5 equal annual instalments. No interest will be chargeable on the balance instalments. However the interest would be chargeable on delayed payments @12% P.A. or as fixed by the Government from time to time. However, 10% rebate on total premium of shed will be given in case the allottee makes the entire payment of premium in lump sum at the time of execution of agreement to lease/lease deed as against 5 annual instalments of 70% balance premium of shed.

- (c) An allottee after execution of lease deed may be allowed to carry out major repairs, additions and alterations or construction of additional storey at his own cost for which prior approval of the Director shall be required, which will be given wherever feasible and otherwise allowed under the applicable planning regulations of the area. In case of additional construction, an additional premium equivalent to 25% of cost of entire leased area prevalent at the time of execution of initial agreement to lease will be charged and the supplementary lease deed for the balance period indicating the additional built up area will be entered into between the Department and the allottee. In case the allottee has constructed additional floor area or an additional storey after prior approval, he may be allowed by the Director to set up one separately identifiable Industrial Enterprise therein to manufacture new item(s) (other than those being manufactured in the existing Enterprise of the allottee). If this additional Industrial Enterprise is established under the original name/ style and constitution, without any corresponding change in the lease deed, no processing fee will be charged. However, if the additional Industrial enterprise is set up under a new name, style or constitution in which the allottee has majority share (minimum 51 %), one time processing fee of Rs. 10,000/- will be charged. The new enterprise will abide by all the terms and conditions of the lease deed executed with the original allottee and the original allottee will be liable to bear all the liabilities and consequences of actions of its new enterprise.
- (d) Industrial shed shall be allotted by the Director or any other officer authorized by him on the recommendation of the Committee constituted for the purpose on first come first serve basis, unless the Committee decides otherwise for the reasons to be recorded in writing. However, the sheds may be allotted out of turn to the eligible categories for which such a provision has been specifically made under these Rules. In case the shed is available for allotment upon its resumption after cancellation of allotment or has been surrendered by the allottee himself, it shall be re-allotted only through open auction/inviting bids from general public. In such cases the minimum reserve price will be fixed as per the provisions of Rule 7.1.
- (e) The industrial shed will be provisionally allotted for a period of one year and possession will be handed over to the allottee after entering into an agreement to lease. The allottee shall commence commercial production within 1 year from the date of handing over of the possession. The Director may, however extend the period of the provisional allotment by one more year on the merits of each case, subject to the total period (including the original period of 1 year) not exceeding 2 years from

the date of handing over of the possession. However, in exceptional circumstances where the allottee has taken effective steps for the setting up of the Industrial Enterprise in the Shed, Director may, if satisfied extend the period of the provisional allotment up to 3 years, from the date of handing over of the possession, on the merits of each case. Such an extension will only be given subject to realization of extension fee equivalent to 10% of the total premium assessed at the time of provisional allotment, which will not be refundable/adjustable in the premium of the Industrial Shed.

- (f)** A regular lease deed can be entered into between the Department and the allottee after the fulfillment of the following conditions by the allottee:-
- i) Proof of all necessary approvals/registration of the different Departments/ Agencies of State Government and Central Government as applicable to the Project.
  - ii) Proof of sanction of the loan for the approved project from the financial institution(s), if any.
  - iii) In case the Industrial Enterprise is self-financed, proof of placement of firm orders of at least 50% of the estimated cost of plant and machinery as per the project report.
- (g)** The lessee may mortgage/ hypothecate the lease hold rights with the prior permission of the Director or any officer authorized by him.
- (h)** In case an allottee fails to bring the Industrial Enterprise in commercial production within the stipulated period including period of extension if any, the allotment shall be cancelled by the DDI/ GM,DIC/ MS,SWCA, as the case may be, and the possession of the shed shall be resumed. In such cases, 10% of the premium paid or Rs. 10,000/-, whichever is higher will be forfeited and the balance amount deposited by the allottee in lieu of the premium of shed would be refunded.
- (i)** Change in the ownership/constitution of the allottee after provisional allotment will be permitted as provided for under Rule 6.12.
- (j)**
- i) Transfer of the lease hold rights of shed will be permitted by charging unearned increase in premium (i.e. difference between cost of land on which

industrial shed is constructed as on the date of execution of lease deed and transfer of lease deed) as provided for under Rule 6.13(a) (i to iii).

- ii) In the event, a shed is transferred to a new Industrial Enterprise on account it being taken over and sold under Section 29 of the State Financial Corporations (SFCs) Act, 1951 by HPFC or HPSIDC or under orders of BIFR, processing fee equivalent to 5% of the differential cost (i.e. difference between cost of land on which industrial shed is constructed as on the date of execution of lease deed and transfer of lease deed) or Rs. 10,000 , whichever is higher will be charged. Such a shed will be transferred to the buyer on 45 years lease hold basis for the establishment of Industrial Enterprise(s) on the same terms and conditions as applicable under Rule 7.1 and the revised lease deed will be executed accordingly.

## **7.2 FOR INDUSTRIAL SHEDS ALLOTTED BEFORE APPOINTED DAY.**

**7.2.1** The allottees who were allotted industrial shed(s) upto appointed day i.e. 31-12-2004 on rental may exercise their option either to:-

- a) continue to be in the occupation of sheds on rental basis subject to the condition that the Enterprise is in operation. In such cases, the revised rental agreement between the allottee and the Department will provide for increase in rental by 10% w.e.f. 1-1-2005. The rental would be revised @ 10% and a fresh rent deed signed after every three years, provided the entire outstanding rental due to Department by the allottee has been settled. In case of violation of any of the conditions of allotment or any other condition imposed by the Director from time to time, the allotment of shed will be cancelled and the dues outstanding, if any, will be recovered as arrears of Land Revenue by the Department. The possession shall be resumed by the Department after giving notice to the allottee to vacate the shed and surrender the possession of the shed free of all encumbrances peacefully within a period of 2 months failing which the provisions of the H.P. Public Premises & Land (Eviction and Rent Recovery) Act, 1971 will be invoked to resume the possession of the industrial shed.

**or**

- (b) convert their existing rental agreements to lease hold basis for a further period of 45 years from the date of agreement to lease. In such cases, a regular lease deed will be signed after realizing the full premium of the shed to be calculated as follows:-



a	Cost of shed	Actual cost of construction + 10% simple rate of interest per annum upto the date of execution of Agreement to lease.
b	Cost of land	Cost of land as determined by the Committee constituted under Rule 6.2.
c	Rent paid	(i) Rent paid upto the date of execution of lease deed would be deducted from the premium of shed (ii) however unpaid interest/penal interest would be added in the premium of the shed.
d	Premium of shed.	$a + b + c(ii) - c(i)$

Provided that the sheds which were allotted on rent basis and subsequently proposal was evolved prior to 31-12-1998 for allotment of such sheds on hire purchase basis, such sheds may be allotted on lease basis as per option of the allottee. In such cases, determination of the premium of the shed will be done as follows:-

a	Cost of shed	Actual cost of construction + 10% simple rate of interest per annum upto the date of execution of Agreement to lease.
b	Cost of land	Cost of land as on 31-03-1998 + 10% interest upto the date of execution of Lease Agreement.
c	Rent paid	(i) Rent paid upto the date of execution of lease deed would be deducted from the premium of shed (ii) however unpaid interest/penal interest would be added in the premium of the shed.
d	Premium of shed.	$a + b + c(ii) - c(i)$

The regular lease deed will be executed only after receipt of 100% of the premium of shed. 50% of the premium will be realised at the time of agreement to lease and the balance 50% will be recovered in 3 equal annual instalments. The interest chargeable on delayed payment would be 12%P.A. or as fixed by the Government from time to time.

Provided further that for such allottees also, after execution of regular lease deed, the conditions of Rule 7.1(c), (g), (i) & (j) will be applicable.

**7.2.2** In the event, a shed is transferred to a new Industrial Enterprise on account it being taken over and sold under Section 29 of the State Financial Corporations (SFCs) Act, 1951 by HPFC or HPSIDC or under orders of BIFR the provisions of Rule 7.1 (i) will be applicable.

**7.3** The existing allottees whose subsisting lease deed with the Department are for a period of 20 years may enter into a supplementary lease deeds for a period of 45

years from the date of signing of initial agreement to lease. For such allottees also the conditions of Rule 7.1(c), (g), (i) & (j) will be applicable.

**7.4** Shops in the Industrial Areas/ Estates will be allotted on lease hold basis by inviting sealed bids/open auction for a period of 45 years. The allottees who were allotted shops prior to the appointed day on rental basis may either continue to occupy the shops for the remaining period of rent on rental basis as per the terms and conditions of allotment or opt for converting their existing rental agreements into an agreement for allotment of such shop on a lease hold basis for a period of 45 years calculated from the date of entering into agreement to lease. In such cases regular lease deed will be signed after realizing all outstanding dues and full premium of the shop to be calculated as follows:-

- |            |  |
|------------|--|
| a          | Actual cost of construction of shop.   |
| b          | Cost of land as on the date of execution of lease deed as determined by a Committee constituted under Rule 6.2 of these Rules. |
| Total Cost | a+ b   |

The existing allottees whose subsisting lease deeds with the Department are for a period of 20 years may enter into a supplementary lease deed for a period of 45 years from the date of signing of initial agreement to lease.

Wherever feasible and otherwise allowed under the applicable planning regulations of the area, an allottee after execution of lease deed may be allowed to construct one additional floor over the existing shop at his own cost. Prior approval of the Director in such cases shall be required, which will be considered on the merits of each case after charging additional premium equivalent to 50% of cost of land under shop, as determined by the committee constituted under Rule 6.2 of these Rules and applicable at the time of according such permission. The supplementary lease deed for the remaining period of the lease deed indicating the additional built up area also will be entered into between the Department and an allottee in such case.

**8\*. SUBSIDY TOWARDS THE COST OF PREPARATION OF FEASIBILITY REPORT:**

- (a) New Industrial Enterprise will be eligible for the reimbursement of 50% expenditure incurred towards the cost of preparation of feasibility report or Rs.10,000/- for Micro Enterprise, Rs.40,000/- for Small Enterprise and Rs. 1 lakh for Medium, Large, Thrust Enterprise and Specified Category of Activities, whichever is less.

- (b) The New Industrial Enterprise may apply to the concerned DDI/GM,DIC/MS,SWCA within a period of one year from the date of commencement of commercial production alongwith proof of the payment made to an approved Consultant or Agency.

## **9 POWER CONCESSIONS:**

### **Power:**

Power will be made available to industrial units only as long as they satisfy the eligibility criterion as laid down under Rule 4 of these Rules, specifically Rule 4.1(c) and are also approved and registered with the Department of Industries as also fulfill the other eligibility conditions laid down for availing incentives under these Rules.

- 9.1** All New industrial units including EOUS/Specified Category of Activities/Thrust Industries/\_setting up of state of the art computerized auction houses and quality certifying agencies etc., but excluding those units listed in Annexure-III with a connected load not exceeding 100KW, shall be charged a concessional rate of Electricity Duty at the rate of 10 paisa per unit for a period of 5 years from the date of commencement of commercial production in category B and C areas only. This concession would be effective from the date of notification by the Department of MPP & Power.
- 9.2** The existing unit(s) already availing this incentive under the previously applicable incentive Rules (1999 incentive rules) shall continue to avail those incentives, only for the unexpired period of its/their eligibility.
- 9.3** No electricity duty will be charged from any New Industrial unit or Existing Industrial Unit, on the power generated from their captive power generation sets from the appointed day.
- 9.4** Out of turn preference and top priority would be given to sanction power connections to 100%Export Oriented Units, Export oriented units, Information Technology projects, Bio Technology projects, and projects involving Foreign Direct Investments.
- 9.5** Industrial Units (except those listed in the negative list-Annexure-III), which involve continuous process, and are registered as export oriented units and food processing industry will be exempted from power load cuts depending upon the system constraints.

## **10 SALES TAX CONCESSIONS:**

- 10.1** The following Sales Tax Incentives would be provided subject to their fulfilling the eligibility conditions as laid down elsewhere under these Rules:

- 1) Sales Tax incentives, that is, exemption from payment of C.S.T/G.S.T. for 10 years from the date of their commencement of production in the Tax Free Zone (now classified as Category 'C' areas under these Rules) shall be continued, as provided for under the 1999 Incentive Rules.. This incentive will be admissible to New Industrial Units and or existing industrial units as on 7/01/2003 (for the purpose of this incentive only) which undertake substantial expansion after 7/01/2003 .This incentive will be available to all eligible units listed in the negative List (Annexure-111) also. In other words no Negative List will be applicable in Tax Free Zones for the purpose of this incentive.
  
- 2) Village Industry, as defined under these Rules, set up in the State, falling within the definition of Khadi and Village Industries Board and which are so notified by the State Government in consultation with the Department of Excise and Taxation will be exempted from the payment of Sales Tax, as was the position prior to 10/03/1999. This incentive however, will not be available to such units manufacturing products, which are listed in Annexure-III (Negative List) of these Rules.
  - 3)i) Except for industries listed in the Negative List (Annexure-III of these Rules), New Industrial Units set up after the appointed day as specified under these Rules shall be entitled to the incentive of deferment of 100% General Sales Tax for a period of 8 years in Category 'B' areas and for a period of 5 years for such units in category 'A' areas
  - ii) Existing industrial units, except for industries listed in the Negative List (Annexure-III of these Rules), which have been set up (i.e commenced commercial production) before 7/01/2003, and which after the approval of Director of Industries or any other officer so authorised by him, undertake substantial expansion only after 7/01/2003, as defined under these Rules, shall be entitled to the incentive of deferment of 75% General Sales Tax for a period of 8 years in category B areas and for a period of 5 years for such units in category 'A' areas,
  - iii) The benefit as at para (i) and (ii) above will however be subject to furnishing of security/bank guarantee to the satisfaction of the Excise & Taxation Department of Government of Himachal Pradesh. The General sales Tax so deferred for 8 years or 5 years as the case may be shall become due for payment after a period of 5 years from its collection. This means that the tax collected in the 1st year shall be payable in the 6<sup>th</sup> year, second year in the 7<sup>th</sup>

year and so on. 25% of the G.S.T. liability as and when due in case of existing units undertaking substantial expansion (as at para (ii) above) will however continue to be deposited with the State Government as prescribed by relevant law/ statute.

**10.2** The G.S.T. on the raw material, processing and packaging material except timber, shale and limestone used by the existing and new industrial units (as defined under these Rules) unless provided otherwise elsewhere under these Rules, for captive manufacturing within the State shall be leviable at a concessional rate of 1% upto 31-03-2009.

**10.3** Central Sales Tax at a concessional rate of 1% shall be leviable on the goods manufactured by new and existing industrial units (as defined under these Rules) unless provided otherwise elsewhere under these Rules, upto 31-03-2009. This incentive will not be provided to industrial unit engaged in the production of breweries, distilleries, non-fruit based wineries and bottling plants (both for country liquor and Indian made foreign Liquor).

**10.4** The concessions provided under this rule will commence from the date of commencement of commercial production or from the date of notification issued by the Department of Excise and Taxation (wherever required), whichever is later.

**11\*. ADDITIONAL INCENTIVES TO SPECIAL CATEGORY OF ENTREPRENEURS FOR SETTING UP OF NEW INDUSTRIAL ENTERPRISE(S) IN MICRO AND SMALL SECTORS:**

- a) Reimbursement of 90% expenditure incurred towards the cost of preparation of feasibility report with a ceiling of Rs.25, 000/- in each case.
- b) 100% subsidy on the carriage and installation cost of the plant and machinery.
- c) Special Investment Subsidy @ 10% on Fixed Capital Investment (FCI) subject to a maximum of Rs. 1,00,000/-.
- d) Interest subsidy @ 5 % on term loan availed from the Financial Institution(s) as per original repayment schedule with a ceiling of Rs. 50,000 p.a. for a period of 3 years. This interest subsidy will be made available for "Specified Category of Activities" (as listed in Annexure-IV) with FCI upto Rs. 25 lakhs. No interest subsidy will be paid on defaulted installments and the period of default will be counted for determining the

ceiling of 3 years viz. interest subsidy will be admissible for the first 3 years of the original repayment schedule finalized by the Financial Institution at the time of sanctioning of loan.

**11.1 PREFERENTIAL ALLOTMENT OF LAND AT CONCESSIONAL RATES FOR ESTABLISHMENT OF INDUSTRIAL ENTERPRISES BY PERSON(S) WITH DISABILITIES:-**

- a) 3% of the industrial plots/ industrial sheds available for allotment for the first time shall be allotted to Industrial Enterprises to be set up/promoted by Person(s) with Disability either individually or collectively. 3% reservation of plots/ sheds shall be done in the same manner reservation as to the posts in employment to such persons is being provided, wherein preferential roster point is assigned e.g. if there are only 2 plots/industrial sheds, one plot/industrial shed will go to the person(s) with disability.
- (b) Industrial plots/ sheds will be allotted to Person(s) with Disability at 90% of the premium/ rates fixed by the Government from time to time.
- (c) The procedure for allotment of plots/industrial sheds & condition of allotment will be the same as contained in Rule 6 & 7 of the these Rules.

**12\*. ADDITIONAL INCENTIVES FOR PROMOTION OF EXPORT:**

- (a) Reimbursement of cost incurred for shipment of export samples by Micro & Small EOUs from the nearest port/container depot to the port of destination with a ceiling of Rs. 15000/- per consignment, subject to a maximum Rs. 50,000/- per Enterprise during its period of operation.
- (b) **Market development assistance to Micro & Small EOUs:**
  - i) Reimbursement of 50% of the cost incurred on publishing export marketing brochures and product literature with a ceiling of Rs.15,000/- per Enterprise during a financial year.
  - ii) Reimbursement of 50% of the cost of participating in the relevant overseas trade fairs approved by the Trade Fair Authority of India/State Government with a ceiling of Rs.25, 000/- per enterprise during a financial year.
- (c) 100% EOUs shall be eligible for grant of "Public Utility" status under the Industrial Disputes Act, 1947.
- (d) Wherever available the Department may allot land/built up area to recognized Trading Houses and Export Promotion Council(s) set up in the State and

engaged in the export of produce of State in accordance with the provisions made in Rule 6.

- (e) The Department may allot land at concessional rates for the setting up of Inland Container Depot to facilitate the transportation of export items to Cargo Complexes/ Ports.

**13\*. STATE AWARD SCHEME FOR EXPORTS, PRODUCTIVITY, QUALITY AND OUTSTANDING PERFORMANCE IN HANDICRAFT AND HANDLOOM SECTOR TO MICRO AND SMALL ENTRPRISES:**

<b>Sl. No.</b>	<b>Name of the Category</b>	<b>No. and description of awards for each category</b>
1	Outstanding performance in Exports.	1st award comprising of a trophy, certificate and cash award of Rs. 25,000/-
2	Excellence in Productivity, Quality and Performance.	2nd award comprising trophy, certificate and cash award of Rs. 10,000/-
3	Outstanding performance by Micro & Small Scale Industrial Enterprises in Handicraft/Handloom sector.	3rd award consisting of commendation certificate and cash award of Rs. 5000/-

These awards will be given each year on the basis of selection made by a Committee headed by the Director.

**14\*. INCENTIVES FOR QUALITY, TECHNOLOGY UPGRADATION AND INSTALLATION OF NEW POLLUTION CONTROL DEVICES:-**

**14.1 Incentives for setting up of Testing Centres:-**

One time grant of Rs. 5 lacs or 30% of the cost of testing equipment and machinery installed, whichever is lower will be given to each Testing Center set up in the area of testing of raw material/components and finished products. This grant will be in addition to the grant/ financial assistance, if any, provided by any other Agency or Govt. of India for setting up of such Testing Centre. Such Testing Centers may be set up by an Industrial Association, Non Government Organisation (NGO), Society (acknowledged/ registered under Societies Registration Act, 1860 or any other statute), Public Sector undertakings which has obtained ISO Series certification

related to setting up of such Testing Centre. The sanction and release of grant will be subject to following specific conditions:-

- i) A Governing Council having representation from the concerned office of DDI/GM, DIC, as the case may be, and Department of Environment and Scientific Technologies of the Government will be constituted by the applying Agency.
- ii) The applying Agency will submit a detailed project proposal (DPP) indicating the cost of Testing Centre, means of finance and sustainability of the proposal.
- iii) The applying Agency will utilize the grant and furnish the utilization certificate duly audited by a Chartered Accountant and countersigned by the DDI/GM, DIC, as the case may be, within a period of one year of disbursement of grant.
- iv) In case the Testing Centre stops functioning within a period 5 years of operation the entire grant disbursed will be recovered, if need be as arrear of Land Revenue.
- v) The applying Agency will not dispose off any of the assets created out of grant without the prior permission of the Director.

#### **14.2 Incentives for Technology Upgradation:-**

- a) Reimbursement of Rs. 10.00 lacs or 50% of the costs incurred on development of prototype patent, whichever is lower, for any technology innovation/ R&D by an Industrial Enterprise for which a patent has been obtained.
- b) One time grant of Rs. 5 lacs or 25% of the cost incurred, whichever is lower, on setting up of Technology Transfer unit by NGO's/ Societies duly registered with the competent Authority. This grant will be provided only after the Technology Transfer unit has assisted in technology transfer to a minimum of 10 Industrial Enterprises of the State.

#### **14.3 Incentives on installation of new pollution control devices:-**

One time grant of Rs. 5 lakhs or 20% of cost of installation of modern pollution control devices, whichever is lower, will be payable to Industrial Enterprises set up in 'B' and 'C' category areas subject to following conditions:-

- i) Certificate from the H.P. State Pollution Control Board to the effect that such pollution control devices has actually purchased/ installed for the first time and are functioning successfully in the Industrial Enterprises continuously for the last one year.
- ii) Replacement of an existing pollution control device will not be reimbursed.



**15\*. INCENTIVES TO THRUST INDUSTRIAL ENTERPRISES (ANNEXURE-II)  
{EXCLUDING SUCH INDUSTRIAL ENTERPRISES LISTED IN ANNEXURE-III}**

**15.1** New Thrust Industrial Enterprises listed in Annexure II (excluding Industrial Enterprises listed in Annexure-III) and located in "B" and "C" category areas will be eligible for: -

- i) Out of turn allotment of land/plot/ industrial sheds.
- ii) Allotment of land/plot/ industrial sheds @50% of the normally applicable premium as may be determined by the Government from time to time for the general category of industries.

**15.2** Exemption from the payment of State Excise Duty for a period of 7 years to New Thrust Industrial Enterprises set up as Micro and Small Scale Enterprises which are manufacturing wine/cider by using locally produced fruits and located in "B" and "C" areas.

**15.3** New Thrust Industrial Enterprises based on Horticulture/Vegetable /Maize/ herbal produce enterprises and located in 'B' and 'C' category areas shall be entitled for the following additional incentives:

- a) Total exemption from the payment of Electricity Duty for a period of 10 years from the date of commencement of production.
- b) Interest subsidy @5 % p.a. on term loan, with a ceiling of Rs. 2 lakhs p.a. for a period of 3 years.

**15.4** Biotechnology related Thrust Enterprise(s) covered under Sl. No. 27 of Annexure –II of these Rules will be governed by:-

- a) the procedure of the Department, as applicable to other Industrial Enterprises with regard to approval/acknowledgment, processing of applications for the purchase of private land, allotment and transfer of industrial plots/land/sheds in the Industrial Areas/ Estate including Biotechnology Parks/ Estates etc. of the State, release of electricity & water connections and other infrastructural requirements. The Department of Environment, Science and Technology of the State Government will be the Nodal Department for receiving, processing and recommending the applications of such Thrust Enterprise(s) to concerned

Departments/ Boards/ Corporations of the State and Central Government, as the case may be, wherever required.

- b) the Scheme of Incentives, Concessions and Facilities under these Rules as provided to other Industrial Enterprises. Such New Thrust Enterprise(s) located in 'B' and 'C' category area shall be eligible for the following additional incentives:-
- i) Out of turn allotment of land/plot/ industrial sheds.
  - ii) Allotment of land/plot/ industrial sheds @50% of the normally applicable premium as may be determined by the Government from time to time for the general category of industries.
  - iii) Interest subsidy @5 % p.a. on term loan, with a ceiling of Rs. 2 lakhs p.a. for a period of 3 years.

**16 PURCHASE PREFERENCE :**

**16.1.1** The products of Small Scale Industry including 'Village Industry' as defined under these Rules and located within Himachal Pradesh only will be give purchase preference in respect of purchases affected by the Government Departments, Boards and State owned or controlled Corporations. Purchase orders to such firms will be placed at the lowest approved rates.

**17. "HIMACHALI UTPAAD SCHEME- PRODUCT OF HIMACHAL":**

- a) The State Government will adopt a logo which will be used to certify products made in Himachal. The H.P. Handlooms and Handicrafts Corporation or any specific designated Government Department/ Government owned agency on the recommendations made by the concerned General Manager, DIC will allow the use of this logo by registered manufacturing units set up in the State. The industrial units that are engaged in the manufacture of Handloom, Handicraft, Sericulture, Khadi and Village industry will be covered under this scheme in the first phase. The Handloom and Handicraft Corporation will elaborate upon the detailed procedure to be followed, registration fees/ charges and the process involved. The funds generated out of this scheme will be supplemented with a regular Departmental budget on 50:50 basis which will be used to advertise and develop a brand ambassador network, bringing select groups from media houses and educational institutions, skill upgradation and quality control institutions for structured tours in the State, collation and dissemination of success stories, generating research reports that would help track perception of Himachali Utpaad-A Product of Himachal Pradesh.

- b) The Department of Industries will fund 50% of the cost of visit of select groups/designers/ reputed manufacturing and buying houses to the clusters of Handloom and Handicraft villages in the State located in "B" and "C" category areas organised after approval of Director of Industries or any other officer authorised by him, with a view to adopt such villages and tie up their production, subject to a ceiling of Rs. 75,000/- per case per year.

**18\*. SCHEME FOR REGISTRATION AND GRANT OF INCENTIVES TO 'SPECIFIED CATEGORY OF ACTIVITIES'(ANNEXURE-IV):**

- 18.1** The Department will register certain activities as 'Specified Category of Activities' listed in Annexure-IV promoted by bonafide Himachalis and certified as such by the concerned Government Department(s).
- 18.2** The applicant Enterprise shall apply to the Director/ DDI/ GM,DIC/ MS,SWCA, as the case may be, on the application form being used for the acknowledgement Micro, Small & Medium Enterprises and application form for Large Scale Enterprises, depending upon the proposed level of investment in Plant and Machinery/Equipments. The Department will forward the said application to the concerned Department (Departments of Agriculture/ Horticulture/ Animal Husbandry/ Fisheries etc. as the case may be) for certifying that the project is covered under the definition of 'Specified Category of Activities'. The Department will register these projects on provisional basis and maintain registration record of such activities separately. Such 'Specified Category of Activities' will be permanently registered after commencement of commercial production and will be issued Eligibility Certificate giving detail of commencement of commercial production and incentives and concessions as applicable.
- 18.3** In case any activity included in 'Specified Category of Activities' is also acknowledged as an Industrial Enterprise under the provisions of the MSME Act 2006 it will be only entitled to avail of those incentives and concessions which are provided to New Industrial Enterprises under these Rules.
- 18.4** The following incentives and concessions will be available to such New Enterprises registered on permanent basis as a Specified Category of Activities:
- i) Concessional rate of Electricity Duty @ 10 Paise per unit for a period of 5 years from the date of commencement of commercial production.
  - ii) Interest subsidy @5 % p.a. on term loan and working capital with a ceiling of Rs. 1 lakhs p.a. for a period of 3 years.

- iii) Fixed Capital Investment Subsidy @ 15% subject to a maximum of Rs. 5 lakhs on cost of structure, building, plant and machinery.
- iv) Sanction of water and electricity connection on priority.
- v) Exemption from the payment of Luxury Tax and Entertainment Tax (as applicable) for a period of 5 years from the date of commencement of commercial production.

**19. TAX INCENTIVES AVAILABLE TO UNITS IN CATEGORY "C" BLOCKS (TAX FREE ZONE)**

- 19.1** All new industrial unit(s) set up in the Category "C" areas of the State, as notified from time to time, shall be exempted from payment of any State taxes and duties (excluding levies in the shape of cess, fees, royalties etc.) for a period of 10 years from the date of commencement of commercial production or the date of notification by the concerned Department(s), whichever is later.

**20. LABOUR LAWS:**

For Existing and New industrial units set up in the State, the following concessions and facilities may be granted, effective from the date of Notification by the concerned Department under the relevant statute:

1. The State Government in exercise of the powers under Section 9-B of the Act, would grant exemption from the requirement of 'Notice for change' as provided for under the provisions of Section 9-A of the Industrial Disputes Act, 1947.
2. The State Government by a notification in the official gazette under Section 40 (1), of the Industrial Disputes Act, 1947 would add continuous process industry, IT industry, BT industry, hazardous industry and export-oriented industry to the 1st schedule.
3. Permission under Chapter V-B of the Industrial Disputes Act, 1947 to regain health of the *sick unit* by trimming the extra labour force would be given by the Labour Department within 30 days.
4. The State Government by exercising its powers under Section 65(2) of the Factories Act would grant exemption to all Export Oriented Units from the provisions of Section 51, 52, 54 and 56 of the Act. to enable such units to increase its working hours to 60 per week (Section 51), to 11 per day (Section 54) and Spread Over to 13 hours per day (Section 56). The State Governments would also exercise its power to facilitate two-shift operation with women workers to enable women workers to work between 5.00 am to 10.00 pm and beyond the prescribed working hours between 6.00 am to 7.00 pm under Section 66 (1) (b), of the Factories Act. This

would however be done on the condition that the management would make adequate transport, safety and security arrangements for the women workers.

5 Contract Labour would be permitted Under Section 10 of the Contract Labour (Regulation & Abolition) Act, 1970 in solid waste disposal units, 100% EOU's, IT units, BT units and non-core activities like cleaning, security, gardening, loading/unloading etc subject to the condition that such contractual labour is from amongst bonafide Himachali's and minimum wages would be applicable to such contractual labour.

6 The State Government would also consider on a case-to-case basis allowing enhanced freedom to employ contractual labour to the industrial units under the Contract Labour (Regulation & Abolition) Act, 1970 as follows:

- Where Minimum wage is paid, no special freedom would be allowed.
- Where double the minimum wage is paid, upto 10% of the total labour employed on permanent basis from amongst bonafide Himachali's by the unit would be allowed on contract basis.
- Where triple of the minimum wage is paid, upto 20% of the total labour employed on permanent basis from amongst bonafide Himachali's by the unit would be allowed on contract basis.
- Where five times the minimum wage is paid, exemption from Chapter V-B and upto 50% contract labour from amongst bonafide Himachali's would be allowed on contract basis.

21\*. **MANPOWER DEVELOPMENT:**

a)

i) Private Recruitment Agencies obtaining a No Objection Certificate from the Labour Commissioner- cum- Director of Employment, H.P. will be eligible for the allotment of land/plot/ built up space in the Industrial Areas/Estates in accordance with the provisions made under Rule 6&7.

ii) Industrial Enterprises which organize recruitment camps outside the District of their location or conduct campus interviews in the Colleges, Universities, Technical Training Institutes of the State will be eligible for incentive of Rs.500/- per bonafide Himachali candidate so recruited by it on regular basis subject to the condition that the recruitment so made is verified by the concerned District Employment Officer and by the DDI/GM, DIC/MS, SWCA, as the case may be. This incentive may also be

availed by the Placement Cells of Colleges, Universities, Technical Training Institutes of the State.

- iii) Industrial Enterprises will be reimbursed 50% of the actual cost of training or Rs. 5000/- per trainee, whichever is less to its workers belonging to Below Poverty Line /Schedule Caste /Schedule Tribe families for upgrading of their skills in Government recognized institutions or recognized/licensed units located outside the State, subject to a ceiling of Rs. 25,000/- per Enterprise per year. This subsidy will be subject to the condition that all such trained workers will continue to be employed for at least a period of 3 years by the Enterprise.

**b) Award Scheme for Employment:**

Industrial Enterprises will be awarded following prizes on annual basis for employing maximum number of bonafide Himachalis:

<b>Name of the Award</b>	<b>Description of Award</b>
1 <sup>st</sup> Prize.	Trophy, Certificate and cash Award of Rs. 25,000/-
2 <sup>nd</sup> Prize	Trophy, Certificate and cash Award of Rs. 10,000/-
3 <sup>rd</sup> Prize	A commendation Certificate and a cash award of Rs. 5,000/-

**22\*. INCENTIVES FOR SETTING UP OF STATE OF THE ART COMPUTERIZED AUCTION HOUSES AND QUALITY CERTIFYING AGENCIES:**

**22.1** Entrepreneurs in private sector setting up modern auction houses, marts and infrastructure for physical handling, storing, marketing and facilitating on line auction of agriculture/ horticulture/ sericulture/ floriculture/ animal husbandry produce/ pisciculture produce in the State or for setting up modern offices for use by buyers/sellers and facilities for producers, setting up recognized quality certifying agencies (recognized by the concerned Department of the State Government) will be eligible for the following incentives:

- i) 25% subsidy on cost of computers and related peripherals, cost of testing and quality control equipment, subject to a ceiling of Rs. 2 lakhs per project.
- ii) Concessional rate of Electricity Duty @ 10 Paise per unit for a period of 5 years from the date of commencement of operation.

- iii) The Government may by a Notification in the official Gazette under Section 40 (1) of the Industrial Disputes Act, 1947 may include such establishments to the 1<sup>st</sup> schedule.
- iv) The Government by exercising its powers under Section 65(2) of the Factories Act may grant exemption to such establishments from the provisions of Section 51, 52, 54 and 56 of the Act. This will enable such establishments to increase their working hours from 60 per week (Section 51) to 11 per day (Section 54) and spread over to 13 hours per day (Section 56).
- v) The Governments may exercise its power to facilitate two-shift operation with women workers to enable them to work between 5.00 am to 10.00 pm also and beyond the prescribed working hours between 6.00 am to 7.00 pm under Section 66 (1) (b) of the Factories Act. This will however be done on the condition that the management will make adequate transport, safety and security arrangements for the women workers.
- vi) Contract Labour from amongst bonafide Himachalis will be permitted Under Section 10 of the Contract Labour (Regulation & Abolition) Act, 1970 in such establishments for non-core activities like cleaning, security, gardening, loading/unloading etc. subject to the condition that minimum wages will be applicable to such contractual labour.

**23. POWER TO AMEND AND/OR RELAX/REPEAL ANY OR ALL PROVISIONS OF THE RULES:**

**23.1** Notwithstanding anything contained in any of the provisions of these Rules, the State Government may at any time:

- a) make any amendment to these Rules, or repeal them;
- b) make any relaxation in applying the provisions of these Rules on merits of each case, as the State Government may consider necessary and appropriate;
- c) impose any condition in addition to the provision of these Rules on merits of each case, as the State Government may consider necessary and appropriate;

**23.2** In case of any dispute arising out of interpretation of these Rules, the matter will be referred to the Secretary (Industries) to the Government of Himachal Pradesh, whose decision shall be final and binding on all. In any special case(s), the Government may set up a committee and refer any particular dispute to it for final decision.

**24. REPEAL AND SAVINGS:**

Rules Regarding Grant of Incentives, Concessions and Facilities to Industrial Units in Himachal Pradesh, 1991,1992 and 1996 notified vide notifications No. 9-4/73-SI(Rules)-4 dated 27/3/91, 31/7/1992, notification number Udyog (Chh)6-96/81-IV

dated 22/8/1996 respectively and Rules Regarding Grant of Incentives, Concessions and Facilities to Industrial Units in Himachal Pradesh, 1999 notified vide notification no. IND.A(E)5-1/98 dated 31<sup>st</sup> March, 1999 and all other incentives rules notified earlier as amended from time to time and orders, directions issued thereunder shall upon the commencement of these Rules, save as otherwise expressly provided in these Rules, stand repealed/revised.

Provided that such repeal shall not affect the operation of the incentive rules in respect of the claims, matters and issues pertaining to the period prior to the appointed day (as specified under these rules) and the same shall be governed by the Rules applicable at that time. In other words units set up prior to the appointed day and which were covered under the previous incentive Rules, as notified from time to time, would continue to be governed for the purpose of incentives as provided for under those Rules, for the unexpired period only.



**ANNEXURE-I\*****CATEGORIES OF AREAS FOR THE PURPOSE OF INCENTIVES**

<b>District</b>	<b>Category “A” Areas (excludes Backward Panchayats)</b>	<b>Category “B” Areas (Entire area under the following Development Blocks including left out areas of the Development Blocks indicated under Category ‘A’ Areas and excludes any Backward Panchayat )</b>	<b>Category “C” Area (Tax Free Zones) (Includes all Tribal Blocks and Development Blocks mentioned under this category and includes all Backward Panchayats located in Blocks under the ‘A’ and ‘B’ Category Area)</b>
1. Bilaspur	-	Bilaspur Sadar Ghumarwin Jhandutta	
2. Chamba	-	Bhattiyat Chamba	Bharmaur Pangi Tissa Salooni Mehla
3. Hamirpur	-	Hamirpur Bijhari Nadaun Bhoranj Sujanpur-Tihra Bamsan	
4. Kangra	-	Kangra Rait Nagrota Bagwan Panchrukhi Fatehpur Lamba Gaon Baijnath Nagrota Surian Dehra Bhawarna Paragpur Indora Nurpur Sulah Dharamshala	
5. Kinnaur	-		Kalpa Pooh Nichar
6. Kullu		Kullu	Anni

		-	Naggar-Katrain	Nirmand Banjar
7.	Lahaul & Spiti	-		Lahaul (Keylong) Spiti (Kaza)
8.	Mandi		Mandi Sadar Sundernagar Balh	Seraj Karsog
		-	Gopalpur Darang Chauntra Dharampur	Gohar
9.	Shimla		Theog Mashobra Jubbal Narkanda Basantpur	Rohru Chopal Chhohara Rampur Nankhari
10.	Sirmaur	1) All areas included in Qanungo circles of Majra and Paonta Sahib including Industrial Area Paonta Sahib in Paonta Sahib Development Block		Pacchad
		2) All areas included in Qanungo circles of Nahan including Industrial Area Kala Amb in Nahan Development Block		Shillai Sangrah
			Rajgarh All Left out Areas (i.e excluding Areas indicated in Category 'A' list) of Dharampur, Nalagarh, Paonta Sahib, and Nahan Development Blocks	

11.	Solani	<p>1) All Areas included in kanungo circles of Kasauli including Industrial Area Parwanoo in Dharampur Development Block</p>	Kandaghat	-
		<p>2) All Areas included in kanungo circles of Nalagarh and Doon, including Industrial Area/s Baddi, Barotiwala, EPIP etc. in Nalagarh Block</p>	Kunihar Solan	
12.	Una	-	Amb Gagret Dhundla Una Haroli	-

**THRUST INDUSTRIAL ENTERPRISES**

**(AS REFERRED TO IN RULE 15 OF THESE RULES)**

**(This list will not apply in respect of Industrial Enterprises which may also fall under the category of Industrial Enterprise listed in Annexure –III)**

1. Enterprises based directly on horticulture produce including hops and tea.
2. Mineral water bottling.
3. Automobile manufacturing Enterprises including assembly Enterprises which have a minimum of 5 ancillary Enterprises substantially dependant on it.
4. Cold storage Enterprises /chain.
5. Fruit/vegetable/herbs/ honey/spices based wineries.
6. Production of Ciders/ale/ liqueurs.
7. Sericulture /Handlooms/Khadi industry related manufacturing industrial activities.
8. Electronic Enterprises including computer software and information technology except assembling Enterprises where value addition is less than 15%.
9. Floriculture
10. Medicinal herbs and aromatic herbs etc. processing.
11. Horticulture, Maize based industries, herbal based industries and Agro Based Industries excluding those included in the negative list.
12. Food Processing Industry excluding those included in the negative list.
13. Sugar and its by-products.
14. Silk and silk products.
15. Wool and wool products
16. Woven fabrics (Excisable garments)
17. Sports goods and articles and equipment for general physical exercise and equipment for adventure sports/activities, tourism.
18. Paper & paper products excluding those in negative list (as per excise classification)
19. Pharma products.
20. Information & Communication Technology Industry, Computer hardware, Call Centres, I.T. Software and services.
21. Eco-tourism- Hotels, resorts in locations other than those located in the Municipal limits/NAC /Nagar Panchayats/Special Area Development Authority limits, as the case may be of Shimla, Dalhousie, Macleodganj and Manali
22. Spa, entertainment/amusement parks ropeways etc.
23. Industrial gases (based on atmospheric fraction).
24. Handicrafts
25. Non-timber forest product based industries.
26. Precision Industries
27. Enterprises to manufacture industrial products by any biotechnology process and Processing Laboratories or Research & Development activity related to processing, scale-up, other innovations and products in the field of Biotechnology, as approved by State Level Single Window Clearance and Monitoring Authority on the recommendation of the Department of Environment, Science and Technology of the State Government.

**Note:** Products listed from Serial No. 9 to 24 are as reflected in Government of India, Ministry of Industry and Commerce O.M. dated 7/01/03 and as defined by Government of India from time to time.

**NEGATIVE LIST**

1. Tobacco and tobacco products including cigarettes and pan masala
2. Thermal Power Plant (coal/oil based)
3. Coal washeries/dry coal processing
4. Inorganic Chemicals excluding medicinal grade oxygen (2804.11), medicinal grade hydrogen peroxide (2847.11), compressed air (2851.30)
5. Organic Chemicals excluding Provitamins/vitamins, Hormones (29.36), Glycosides (29.39), Sugars(29.40)(reproduction by synthesis not allowed as also down stream industries)
6. Tanning and dyeing extracts, tannins and their derivatives, dyes, colours, paints and varnishes, putty, fillers and other mastics, inks
7. Marble and mineral substances not classified elsewhere.
8. Flour Mill/Rice Mill (including Roller flour mills)
9. Foundries using coal.
10. Minerals fuels, mineral oils and products of their distillation; Bituminous substances, mineral waxes.
11. Synthetic rubber products
12. Cement Clinker and Asbestos raw including fibre.
13. Explosive (including industrial explosives, detonators & fuses, fireworks, matches, propellant powders etc.)
14. Mineral or chemical fertilizers
15. Insecticides, fungicides, herbicides & pesticides (basic manufacture and formulation)
16. Fibre glass & articles thereof
17. Manufacture of pulp-wood pulp, mechanical or chemical (including dissolving pulp)
18. Branded aerated water/soft drinks (non-fruit based )
19. Paper  
Writing or printing paper, Paper or paperboard, Maplitho paper, Newsprint, in rolls or sheets, Craft paper, Sanitary towels, Cigarette paper, Grease-proof paper, toilet or facial tissue, Paper & paper board, laminated internally with bitumen, tar or asphalt, Carbon or similar copying paper, products consisting of sheets of paper or paperboard, impregnated, coated or covered with plastics, Paper and paperboard, coated impregnated or covered with wax etc.
20. Plastics and articles thereof.
21. Production of firewood and charcoal.
22. Mini Steel plants induction/ Arc/Submerged furnaces, and/ or rolling mills.

Note: Products listed from Serial No. 1 to 20 are as reflected in Government of India, Ministry of Industry and Commerce O.M. dated 7/01/04 and as defined by Government of India from time to time.

## ANNEXURE-IV

### LIST OF ACTIVITIES OF "SPECIFIED CATEGORY OF ACTIVITIES"

#### (REFER RULE 18)

1. Production of horticulture plant seeds and nurseries using bio technology/ tissue culture.
2. Production of seeds and plants of herbs, spices, aromatic and medicinal plants using bio technology/ tissue culture.
3. Production of plants and or seeds for propagating agriculture/ horticulture/ floriculture/ sericulture/minor forest produce/medicinal herbs and plants by use of Bio-Technology, micro biology, bio-chemistry, tissue culture, and mist chambers.
4. Production of bio-pesticides.
5. Production of organic fertilizer and vermin compost.
6. Production of organic agriculture and horticulture produce.
7. Production of Honey and related by-products including backward integration activities like bee-keeping.
8. Processing of nuts.
9. Setting up of mechanized grading, packing, washing waxing, sorting, drying, sizing, pelletising facility for processing agriculture/ horticulture/ floriculture/ sericulture produce.
10. Fruit preservation, setting up of pre cooling units and cold storages for agriculture/ horticulture/ floriculture/ sericulture produce.
11. Setting up of Zero Energy Cool chambers, hydro coolers, Reefer vans, Containers( with multi-chamber, multi product facilities).
12. Specialised Transport Vehicles for transportation of agriculture/ horticulture/ floriculture/ sericulture produce.
13. Setting up of ripening curing chamber for agriculture// horticulture/ floriculture/ sericulture produce.
14. Setting up of Market yards with Retail outlets and auction platforms for agriculture / horticulture/ floriculture/ sericulture/Animal Husbandry/Pisciculture produce.
15. Setting up of ropeways for transporting agricultre / horticulture/ floriculture/ sericulture produce.
16. Setting up of irradiation, dehydration, vapor heat treatment units for agriculture / horticulture/ floriculture/ sericulture produce.
17. Setting up of primary processing facilities like fermentation, extraction, distillation, vending, pulping, dressing, cutting, chopping, freezing etc. for processing of agriculture/ horticulture/ floriculture/ sericulture produce.
18. Extraction of natural colour dyes from agriculture/ horticulture/ floriculture/ sericulture produce.
19. Setting up of green houses.
20. Setting up of service and farm related management centers for maintenance and servicing of farm machinery and equipment.
21. Setting up of modern state of the art filming and recording studios using IT.
22. Setting up of multiplexes as may be defined by the State Department of Tourism from time to time.
23. Setting up of Specialized Health Institutions as certified as 'Specialized Institutions' by the State Department of Health or Ayurveda.
24. Setting up of housing complexes in the State consisting of a minimum of 20 dwelling units for labour only within a radius of 10 KM's of an established industrial area / estate.
25. Tourism related backward –forward linkage activities (other than Hotels and resorts) in locations other than those located in the Municipal Limits/ NAC / Nagar Panchayats/ Special Area Development Authority limits, as the case may be of Shimla, Dalhousie, Macleodganj and Manali.

26. Any other activity declared by the State Government from time to time.

\* **Amended vide Pr. Secretary (Industries) to the Government of Himachal Pradesh Notification No. Ind. A(F)6-3/2008 dated 07-02-2009.**