



ABSTRACT

Industries – ~~Sanctioned~~ Package of Assistance to the Commercial Vehicles Project of M/s. Ashok Leyland Limited and M/s. Nissan Motor Company Limited – Sanctioned – Orders – Issued.

INDUSTRIES (MID.1) DEPARTMENT

G.O (Ms) No.192

Dated: 17-10-2008

Read:

1. From M/s. Ashok Leyland Limited, Letter dated 18.10.2006, 25.11.2006, 11.12.2006, 6.3.2007, 26.3.2007, 1.6.2007, 4.6.2007 and 13.6.2007.
2. Govt. D.O.Lr.No.22141/MID.1/2006, Industries, dated 22.6.2007.
3. From M/s. Ashok Leyland Limited, Letter dated 27.6.2007, 30.6.2007, 27.8.2007, 21.9.2007, 26.11.2007, 27.12.2007 and 31.12.2007.
4. Govt. Letter No.22141/MID.1/2006, Industries, dated 5.1.2008.
5. From M/s. Ashok Leyland Limited, Letter dated 31.1.2008, 5.2.2008, 21.2.2008, 7.3.2008, 10.4.2008, 22.4.2008, 22.7.2008 and 20.8.2008
6. From the Manager (IA), SIPCOT, Lr.No.IA/Pillaipakkam Scheme/08, dated 26.8.2008 and from CMD, SIPCOT, Lr of even number dated 27.8.2008.
7. From the Managing Director, Ashok Leyland Limited, Letter dated 5.9.2008.
8. Govt. Letter No.22141/MID.1/2006, Industries, dated 30.9.2008.

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ORDER

M/s. Ashok Leyland Limited (Ashok Leyland) is the second largest commercial vehicles manufacturing company in India. Ashok Leyland has five manufacturing plants - the mother plant at Ennore near Chennai, two plants at Hosur (called Hosur I and Hosur II, along with a Press shop) in Tamil Nadu, the assembly plants at Alwar (Rajasthan) and vehicle assembly/gear box plant at Bhandara (Maharashtra). M/s. Nissan Motor Company Limited (Nissan) is Japan's second largest auto manufacturer after Toyota and it has manufacturing sites in Japan, United States, United Kingdom, Spain, Mexico, China, South Africa, Thailand, etc. Nissan's models range from luxury passenger cars, family type passenger cars, sports cars, sports utility vehicles to light commercial vehicles, etc.

2. Ashok Leyland has proposed to implement a Medium and Heavy Commercial Vehicles (M&HCV) project on its own with a capacity of 1,00,000 vehicles per year at an investment of over Rs.2050 crores (excluding cost of land) in Tamil Nadu. Further, considering the growth potential in the Light Commercial Vehicle market, Ashok Leyland

has also proposed to set up a Light Commercial Vehicle (LCV) project in Tamil Nadu in association with Nissan by floating 3 Special Purpose Vehicles (SPVs) in the joint venture for (a) Vehicle Manufacturing (b) Powertrain Manufacturing and (c) Technology Development. The LCV project will have a capacity of 1,90,000 vehicles per year and an investment of over Rs. 2100 crores (excluding the cost of the land). The equity holding of Ashok Leyland in these three SPVs will be 51%, 49% and 50% respectively and the remaining will be held by Nissan. The collective equity to be held by Ashok Leyland in 3 SPVs of the LCV project will not be less than 50%.

3. Ashok Leyland and Nissan informed that the M&HCV and LCV projects will be integrated automobile projects and will have all the six components namely Engine Plant, Press shop, Body shop, Transmission line, Assembly line, Paint shop, etc., for both M&HCV and LCV projects separately, with a total investment of not less than Rs.4150 crores (excluding the cost of land) to be made in seven years to qualify for incentives under Ultra Mega Integrated Automobile Projects Policy. The various components of the project would be located in SIPCOT Industrial Parks at Pillaipakkam, Vallam, Cheyyar and Sriperumbudur and also in the existing sites of Ashok Leyland at Ennore, Vellivoyalchavadi and Hosur. Ashok Leyland and Nissan have requested the Government to consider these projects collectively as Ultra Mega Integrated Automobile Project and to extend a set of concessions as applicable under the Ultra Mega Integrated Automobile Projects Policy.

4. The Government examined the various requests of Ashok Leyland and Nissan including the request for allotment of land in detail and decided to treat the projects proposed by Ashok Leyland and Nissan as an Ultra Mega Integrated Automobile Project. However, the M&HCV project of Ashok Leyland will be treated as an expansion project as the Company has existing units to manufacture M&HCV in Tamil Nadu and the LCV project of Ashok Leyland and Nissan will be treated at par with new project for the purpose of VAT related incentives under the Ultra Mega Integrated Automobile Projects Policy. The Government have also signed a comprehensive Memorandum of Understanding (MoU) with Ashok Leyland and Nissan on 08.09.2008 incorporating the obligations of Ashok Leyland and Nissan with regard to investment, investment period, capacity creation and employment generation and the obligations of the Government in terms of offer of a package of fiscal incentives and infrastructure support. In the MoU, both Ashok Leyland and Nissan have individually and jointly committed (i) to establish the commercial vehicles (LCV and M&HCV) manufacturing facility with all the six components namely Engine Plant, Press shop, Body shop, Transmission line, Assembly line, Paint shop, etc. for both LCV and M&HCV Projects separately with a net eligible investment of not less than Rs.4150 crores (excluding the cost of land) within the investment period (ii) to create direct employment for 4500 persons in the integrated automobile project within the Investment Period and (iii) Ashok Leyland to establish a M&HCV plant with an annual installed capacity of 100,000 vehicles, 100,000 engines and 100,000 gear boxes on three shift basis and Ashok Leyland and Nissan will jointly establish an LCV plant with annual installed capacity of 1,90,000 vehicles on three shift basis. The project would also include R&D Project setup at any of the sites mentioned in paragraph 3 above to the extent attributed to M&HCV and LCV project. Investment period shall mean the period starting from the date of MoU to the end of seven years. For Vallam Project, if the allotment of the land is delayed beyond December 2008, then for that component of the project, the date on which the land is allotted will be fixed as the starting date of investment period and the seven years investment period will be reckoned accordingly. For the purpose of this order, the expression 'Ashok Leyland' will include (i) Ashley Investment Limited (ii) Ashley Holdings Limited and (iii) Affiliates of Ashok Leyland. Similarly, the expression 'Nissan' will include Affiliates of Nissan. The term 'Affiliate' shall mean any entity wherein Ashok Leyland and Nissan individually or jointly have at least 50% equity.

5. Based on the commitments given by Ashok Leyland and Nissan as mentioned in the paragraph 4 above and considering the spin-offs that are likely to accrue to this State from this project and the impact this project will have on the economy of the State of Tamil Nadu the Government provide the following structured package of assistance to the Integrated Automobile Projects proposed by Ashok Leyland and Nissan:

(1) Investment:

- (i) Eligible Fixed Assets as per the standard definition of SIPCOT including investment made in tools, dies, moulds, jigs and fixtures and similar production tools, owned by Ashok Leyland or Nissan, whether used within the plant or used elsewhere within State of Tamil Nadu, for the purpose of manufacturing of parts, components etc. exclusively for the Project only during the investment period will be considered. The above 'Eligible Fixed Assets' will also include imported & domestic equipment and imported second hand machinery up to 15% of Eligible Fixed Asset, provided such imported second hand machinery shall not be more than five years old and shall be duly certified by an independent Chartered Engineer to be appointed as per the policy followed by SIPCOT for age, residual life and depreciated value and it shall not be pre-owned by Ashok Leyland or Nissan.
- (ii) Eligible investment shall comprise of the total of all eligible fixed assets and Intangible Assets like pre-operative expenses, technical know-how fees including planning fees, expenditure on design and development of products and prototypes, etc., (which form an integral part of manufacturing process and incurred within the investment period and capitalized as per accounting standards), which will be restricted to 10% of the eligible investment.
- (iii) Part of the capital expenditure to be incurred on Research and Development, which can be attributed to the M&HCV project and part of the capital expenditure on Research and Development, which can be attributed to the LCV project, will be considered as eligible investment in the M&HCV project and LCV project respectively.

Any investment made before or after the Investment Period will not be part of Eligible Investment. As there is replacement of existing capacity in the Engine Plant as well as Gear Box Plant of Ashok Leyland at the rate of 27,000 each through investment in 50,000 per annum modules of engine and gear box manufacturing facility at Ennore, Investment proportionate to the replacement capacity of 27,000 each in Engine Plant and Gear Box Plant shall be deducted from the actual eligible investment made in these plants to arrive at the net eligible investment. The investment proportionate to the replacement capacity will be calculated as stated below.

For Engine Plant:

Investment proportionate to replacement capacity for engine =
 $(27000/50000) \times \text{investment made in the 50,000 capacity module at Ennore during the Investment Period.}$

For Gear Box Plant:

Investment proportionate to replacement capacity for Gear Box =
 $(27000/50000) \times \text{investment made in the 50,000 capacity module at Ennore during the Investment Period}$

At the end of the investment period, SIPCOT would assess the actual investment made in eligible fixed assets and actual direct employment created in all the modules of M&HCV Project and LCV Project. Investment made before the date of MoU will be excluded. To avoid any confusion, SIPCOT would take up base line assessment of existing assets and direct employment as on the date of MoU.

(2) Investment Period: The investment period will start from 8.9.2008 i.e., the date of this MoU to the end of seven years. For the component of the project coming up in Vallam village, if the allotment of the land is delayed beyond December 2008, the date on which the land is allotted will be fixed as the starting date of investment period.

(3) Capacity Creation: The LCV project shall have an annual capacity of 1,90,000 vehicles on three shift basis. The new capacity of the engine plants, gear box plant and chassis assembly in M&HCV Project should be atleast 1,00,000 each on three shift basis. At the end of the Investment period, SIPCOT should assess the actual capacity created in both the modules of engine plants, gear box plant and chassis assembly of M&HCV Project and LCV Project.

The net expansion capacity of the M&HCV project, after taking into account the replacement capacity, shall be as follows:-

Plant	New Capacity	Replacement	Net Expansion Capacity
Gear Box Plant	1,00,000	27,000	73,000
Engine Plant	1,00,000	27,000	73,000
Chasis Assembly	1,00,000	- - - -	1,00,000

SIPCOT should also make an assessment to verify that all the other existing capacities of gear box plants and engine plants (excluding replacement capacity) as well as capacity of existing chassis assembly in the case of M&HCV project are continued without any reduction at the end of the investment period. To avoid any confusion, SIPCOT would take up base line assessment of existing capacities as on the date of MoU.

(4) Land: (a) SIPCOT will allot, by way of lease for 99 years, 380 acres of land in Pillaipakkam village (excluding the land where HT transmission lines are running) for the LCV project at a price of Rs.58 lakhs per acre as on the date of signing the Memorandum of Understanding as reported by SIPCOT in the letters 6th read above on the actual cost principle. The area falling under High Tension lines in the site at Pillaipakkam will be kept as Open Space Reserve area and maintained by SIPCOT. SIPCOT will permit Ashok Leyland and Nissan to use this area falling under the High Tension lines as access to reach their sites from both sides. SIPCOT will relocate the existing Low Tension lines falling within the Pillaipakkam site at no cost to Ashok Leyland and Nissan. SIPCOT will also allot, by way of 99 years lease, 400 acres of land in Vallam village (proposed to be acquired) for the M&HCV Project of Ashok Leyland at the actual cost of acquisition, which will include the land cost paid and to be paid to the pattadars and expenditure of staff and other overheads at actual cost basis. Other normal terms and conditions of SIPCOT regarding land allotment will apply.

(b) Internal infrastructures like roads etc. in the area allotted to Ashok Leyland and Nissan will have to be developed by Ashok Leyland and Nissan. The project construction work at both the sites in Pillaipakkam and Vallam shall be commenced within six months of the dates of taking possession of land in these sites.

(5) Stamp duty concession: Ashok Leyland and Nissan will be given 100% exemption from payment of stamp duty for Land allotment from SIPCOT as per the Ultra

Mega Integrated Automobile Project Policy. However, registration charges, as applicable, will be payable.

(6) Power Supply: Power requirement of Ashok Leyland and Nissan both during the construction phase and fully operational phase will be met by Tamil Nadu Electricity Board at the prevailing normal industrial tariff rate as fixed by the State Electricity Regulatory Commission. Power will be supplied through dual feeder lines from two independent sources up to the battery limits of the facilities located at SIPCOT Industrial Park at Pillaipakkam and Vallam and the cost of the second feeder will be shared between the Government and TNEB.

(7) Electricity Tax exemption: The electricity tax applicable on power purchased from Tamil Nadu Electricity Board as well as on power generated and consumed from captive sources, is exempted for Ashok Leyland and Nissan Project for ten years from date of commercial production. However, in case of M&HCV Project, this exemption will be limited to the expansion unit only.

(8) Water: SIPCOT will meet the permanent water requirements for the Project located in its industrial parks on the usual terms on user-charge basis as done by SIPCOT for other projects at the normal rate fixed by SIPCOT and applicable to other industries. In the event of failure on the part of SIPCOT to provide required water supply, The Government, on best endeavour basis, will grant to the Project all requisite permits, consents, approvals, etc. required for tapping ground water and to dig bore wells within the Project site as per SIPCOT norms at their own costs. The project shall adopt suitable measures for rain water harvesting.

(9) Effluent Treatment: Ashok Leyland and Nissan shall treat its toxic sewage or trade effluents separately as per the norms set by the Tamil Nadu Pollution Control Board.

(10) Environment Protection Infrastructure Subsidy: If Ashok Leyland and Nissan establishes an Effluent Treatment Plant or Hazardous Waste Treatment, Storage and Disposal Facility, then it will be eligible for grant of Environment Protection Infrastructure Subsidy of Rs.30 lakhs or 25% of the capital cost of the Effluent Treatment Plant or Hazardous Waste Treatment, Storage and Disposal Facility or Rupees Thirty Lakhs, whichever is lower, as applicable under the New Industrial Policy, 2007.

(11) Capital Subsidy: Ashok Leyland and Nissan will be given a single back ended capital subsidy of Rs. 2.25 Crores subject to fulfillment of the conditions regarding eligible investment and employment generation as prescribed in the New Industrial Policy 2007. The fulfillment of the conditions will be verified by SIPCOT.

(12) Single Window Facilitation: The Government, through Guidance Bureau, will provide Single Window Facilitation for getting approvals and clearances under various statutes, as a fee based service.

(13) Value Added Tax related incentives:

(I) M&HCV Project:

(i) Refund of Gross Output Value Added Tax + Central Sales Tax (without set-off for Input VAT):

M&HCV Project is considered as an Expansion project for the purpose of VAT related incentive. Accordingly, Ashok Leyland will be given refund of output VAT + CST paid by Ashok Leyland in the M&HCV Project to the Government in the form of

Investment Promotion Subsidy for 21 (twenty one) years from date of commercial production or till the total cumulative availment of refund on output VAT + CST reaches 92% of the Net Eligible Investment made in the M&HCV Project during the Investment Period, whichever is earlier. The output VAT + CST would be gross (without set off benefit) if the Project is eligible for input VAT incentive after fulfilling the base volume for input VAT incentive as per clause (iii) (b) below and it would be net (after the set off of the input tax credit) if the Project is not eligible for the input VAT incentive before achieving the base volume for input VAT incentive. The incentive related to the output VAT will be eligible for Ashok Leyland only if the sale is for ultimate use in State of Tamil Nadu.

The following sliding scale will be applied on Output VAT + CST refund:

Period from date of Commercial production	Sliding scale (% of Output VAT + CST paid in a year)
1 – 3 years	95%
4 – 6 years	90%
7 – 9 years	85%
10 – 12 years	80%
13 – 15 years	75%

The sliding scale will be kept at 75% after 15th year till the end of incentive period without further reduction.

(ii) **Input VAT refund:** In accordance with Ultra Mega Integrated Automobile Projects Policy, Ashok Leyland will be given refund of Input tax paid by the M&HCV Project to the Government irrespective of whether the vehicle is sold in the State of Tamil Nadu or outside, for the period concurrent with the period of refund of Output VAT + CST. Inputs eligible for VAT refund will include raw materials, consumables, spare parts, packing materials, components and accessories (but excluding high speed diesel, light diesel oil and molasses etc.) purchased within Tamil Nadu and used for manufacturing in the Project. Input VAT related incentives will be available only if the same product has not already been the subject matter of a claim for output VAT related incentives by the vendor or manufacturer. As input VAT would be refunded, set off benefit and input tax credit will not be available to Ashok Leyland under the VAT law. As there is no input tax credit, the expungement of the input tax credit due to branch transfer as provided in the VAT law, will not take place. Input VAT refund will be in the form of Investment Promotion Subsidy as per Policy.

(iii) **Base Volume Principle:** Base volume principle will apply as follows:

(a) The average production by Ashok Leyland during the last three financial years in State of Tamil Nadu or the existing capacity in State of Tamil Nadu, whichever is higher will be taken as the Principal Base Volume. The capacities created under this Project will not be taken into account while calculating the Principal Base Volume. Any incentive of either input VAT or output VAT or CST will be considered only if this Principal Base Volume is achieved and for the production in excess of Principal Base Volume as prescribed below.

(b) The average production minus export from the existing units in State of Tamil Nadu during the last three financial years will be taken as the Base Domestic Production Volume (BDPV). After fulfilling the condition (a) above, the input VAT refund will be given only after the BDPV is also achieved. If the BDPV is achieved by the existing units of Ashok Leyland, then the production minus export from the proposed M&HCV Project

will be eligible for the input VAT refund for the products manufactured and sold within the country. If there is any shortfall in achieving the BDPV in the existing units, the production minus export from the M&HCV Project will be correspondingly deducted towards the BDPV and the production minus export after achieving BDPV will be eligible for the input VAT refund. (The input VAT paid to Government of Tamil Nadu can only be refunded).

(c) The average sales in State of Tamil Nadu during the last three financial years will be taken as Base Local Sales Volume (BLSV). After fulfilling the condition (a) above, if the BLSV is also achieved then output VAT based refund will be given for the sales from the Project in excess of BLSV. (The reference here is VAT paid to Government of Tamil Nadu). Similarly, the average sales under CST during the last three financial years will be taken as Base CST Sales Volume (BCSTV). After fulfilling the condition (i) above, if the BCSTV is also achieved, then CST based refund will be given for the sales from the Project in excess of BCSTV.

(II) LCV Project:

(i) Refund of Gross Output VAT+CST (without set-off for Input VAT):

The LCV project will be given refund of gross output VAT + CST paid by it to the Government without set off, in the form of Investment Promotion Subsidy, for 21 (twenty one) years from date of commercial production or till the total cumulative availment of refund on gross output VAT + CST reaches 115% of the Net Eligible Investment made in the LCV Project during the Investment Period, whichever is earlier. The incentive related to the gross output VAT will be eligible for Ashok Leyland or Nissan only if the sale is for ultimate use in State of Tamil Nadu.

(ii) Input VAT Refund: In accordance with Ultra Mega Integrated Automobile Projects Policy, Ashok Leyland and Nissan will be given refund of Input tax paid by the LCV Project to the Government, irrespective of whether the vehicle is sold in the State of Tamil Nadu or outside, for the period concurrent with the period of refund of Output VAT + CST. Inputs eligible for VAT refund will include raw materials, consumables, spare parts, packing materials, components and accessories (but excluding high speed diesel, light diesel oil and molasses etc.) purchased within State of Tamil Nadu and used for manufacturing in the Project. Input VAT related incentives will be available only if the same product has not already been the subject matter of a claim for output VAT related incentives by the vendor. As input VAT would be refunded, set off benefit and input tax credit will not be available to Ashok Leyland and Nissan under the VAT law. As there is no input tax credit, the expungement of the input tax credit due to branch transfer as provided in the VAT law, will not take place. Input VAT refund will be in the form of Investment Promotion Subsidy as per Policy. For export volumes, the Input VAT refund will be governed by VAT laws.

(14) Refund of VAT on capital goods: In terms of the Ultra Mega Integrated Automobile Policy, Ashok Leyland and Nissan will be given refund of VAT on capital goods paid by them to Government during the investment period for both LCV and M&HCV Project. As VAT on capital goods would be refunded, set off benefit and input tax credit will not be available to Ashok Leyland and Nissan under the VAT law. This refund will not be taken into account for calculating the ceiling of Output VAT and CST refund. The refund will be given in the form of Investment Promotion Subsidy as per Policy.

(15) Exemption from Entry Tax and Works Contract Tax: In accordance with the Ultra Mega Integrated Automobile Projects Policy, Ashok Leyland and Nissan will be given exemption from Entry Tax and Octroi (if any) on capital goods during the investment period and on other components and inputs used in manufacturing in the Project

(commodities which will be eligible for input VAT refund if purchased within the State of Tamil Nadu) for the period concurrent with the incentive period of Output VAT + CST. Exemption from payment of Works Contract Tax will be given for the investment period only. Wherever exemption cannot be given, it will be replaced by refund as per Policy and set off benefit and input tax credit will not be available to Ashok Leyland and Nissan under the VAT law. The refund given under this incentive will not be taken into account for calculating the ceiling on Output VAT and CST refund.

(16) Incentives to different legal entities: The Projects have various components like press shop, engine plant, gear box plant etc., which may be set up by different legal entities falling within the meaning of Ashok Leyland, Nissan or their Affiliates. The transaction between these legal entities would have tax implications as per the VAT law. However, the structured package offered in this order does not cover the taxes arising due to the transactions between these legal entities. The vehicle manufacturing legal entities in M&HCV and LCV Projects will sell their products only to customers outside the Project. VAT and CST incentives would be given to such vehicle manufacturing entities based on (i) Input VAT paid by them both on purchases made from legal entities within the Project as well as on purchases from outside the Project and (ii) Gross output VAT + CST paid by them on sales to customers outside the Project. Further, such legal entities will not be eligible for the input tax credit under the VAT law. All other legal entities within this Project will be delinked from the VAT and CST related benefits given in this order and their transactions will be governed by the VAT law except that any sale by these legal entities to outside customers will be eligible for the incentive based on the Net Output VAT.

(17) Roads: The site at Pillaipakkam Park of SIPCOT, which is offered to Ashok Leyland and Nissan is divided by Sriperumpudur - Tambaram State Highway. To make the site suitable for the assembly line of Automobile unit, the road will be realigned to the margin of the acquisition area. Ashok Leyland and Nissan shall meet the cost of this road realignment subject to an upper limit of Rs.8 crores and the cost in excess of this will be borne by the Government. Similarly, in the interest of long term requirement, the existing single lane road between Sriperumpudur and Padappai will be widened as four lane road and for the present this will be widened as two lane road to meet the immediate needs. Fund requirements for this widening work will be met by the Government.

(18) Goods and Services Tax compatibility: If any of the existing or current taxes included for refund or soft loan gets included in the Goods and Services Tax (GST) as and when introduced, then protection of incentives would be provided to the extent of the current taxes getting realised in the GST by the Government out of the Project. However, this will not apply to reduction in incentive due to reduction in tax rates, if any.

(19) Switch over to Soft loan: Ashok Leyland and Nissan will be given during the period of the refund, one time, the right to make a shift from "refund basis" to "soft loan" basis. This switch-over will be applicable for the residual Incentives Period and residual incentive quantum. Ashok Leyland and Nissan will inform Government and SIPCOT at least three months in advance before availing this switch-over. In such a case, an investment promotion soft loan will be given to the LCV project for an amount equal to the Gross Output VAT and CST (without set-off for Input VAT) paid to the Government for the remaining incentive period or till the cumulative availment of soft loan and refund on Output VAT + CST reaches 115% of the eligible investment made in the LCV project, whichever is earlier, at a nominal interest of 0.1% per annum. Also, a

soft loan on Input VAT paid to the Government will be given for a period concurrent with the incentive period of Output VAT + CST. The soft loan paid in the first year after switch over shall be repaid along with interest in the month of April of the financial year succeeding the year in which the soft loan incentive is stopped and the soft loan paid in the second year two shall be repaid along with interest in the month of April of the next financial year and so on.

In the case of M&HCV project, an investment promotion soft loan will be given for an amount equal to the Gross Output VAT and CST (without set-off for Input VAT) paid to the Government for the remaining incentive period or till the cumulative availment of soft loan and refund on Output VAT + CST reaches 92% (80% of 115%) of the eligible investment made in the M&HCV project, whichever is earlier, at a nominal interest of 0.1% per annum. Also, soft loan will be given on the Input VAT paid to the Government for a period concurrent with the incentive period of Output VAT + CST. Repayment of this soft loan with interest shall be the same as given for LCV project above. The Base Volume Discipline as applicable in the case of refund will be applied here also for Input VAT and Output VAT + CST. Deduction of investment proportionate to the replacement capacity in the existing Gear Box Plant and Engine Plant, and the sliding scale will be applied as in case of the refund.

(20) Mechanism for Disbursement of Refund and Investment Promotion Subsidy: Refund of Gross Output VAT+CST, Input VAT, Entry tax and other eligible taxes will be made to Ashok Leyland or Nissan or its Affiliates who has remitted the tax to the Government.

(21) General:

(a) The incentives and other components of the Structured package of support sanctioned in this order is contingent on fulfilment of all the three commitments by Ashok Leyland and Nissan within the Investment Period. In the event of non-fulfilment of the any one or more of the above commitments by Ashok Leyland and Nissan, this Structured Package will become inoperative. In such an event, the parties shall discuss and use their best efforts to resolve the issue amicably. In their discussions, the parties will take into consideration the cause for such failure and the difference between the actual and committed investment. If no mutual agreement could be reached, the Government will suitably modify the structured package taking into account the scale of actual investment made and the prevailing policy of the Government. However, if any advantage gained by Ashok Leyland, Nissan and their affiliates, associates, proportionately more than for their scale of actual investment, the same shall be returned to the Government as determined and demanded by the Government without demure.

(b) This order provides for obligations and package of incentives to different legal entities falling within the meaning of Ashok Leyland, Nissan or their Affiliates. Before availing the package of incentives given in this order, these legal entities shall give a document of legal undertaking to the Government as specified by the Government, stating that they fully agree, conform and abide by all the Clauses and provisions given in this order without which the said companies cannot derive any right, benefit or package of incentives under this order.

(c) The VAT and other tax related incentives before the application of sliding scale, given by the Government shall not exceed the actual VAT or the tax received by the Government from the respective Project. The net eligibility of the Project for the VAT and other tax related incentives will be worked out at the end of the financial year.

6. This order issues with the concurrence of Finance Department vide its U.O.No. 63333/Ind/08, dated 17.10.2008.

(BY ORDER OF THE GOVERNOR)

M.F. FAROOQUI
PRINCIPAL SECRETARY TO GOVERNMENT

To

The Managing Director,
M/s. Ashok Leyland Limited,
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The Corporate Vice-President
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The Chairman and Managing Director,
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The Secretary to Government,
Commercial Taxes & Registration Department, Chennai-9
The Special Commissioner & Commissioner of Commercial Taxes,
Chepauk, Chennai-5
The Principal Secretary to Government,
Energy Department, Chennai-9
The Chairman,
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The Principal Secretary to Government,
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The Chief Engineer, Highways Department, Chepauk, Chennai-5.
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SECTION OFFICER

17/10/08