



ABSTRACT

Industries – Formulation of Ultra Mega Integrated Automobile Projects Policy and sanction of incentives – Orders – Issued.

INDUSTRIES (MID.1) DEPARTMENT

G.O. (Ms.) No.52

Dated 26.02.2007

Read :

1. G.O. Ms. No.1, Industries (MIG.II) Department, dated 02.01.1996.
2. New Industrial Policy 2003.

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ORDER:

In the G.O. first read above, the Government formulated a new category called "Super Mega Projects" for the purpose of sanctioning a package of incentives to investments exceeding Rs.1500 crores made in fixed assets within a time frame of 5 years (relaxable upto 7 years in special cases) from the date of signing of the memorandum of understanding or other relevant date fixed by the Government and certain special concessions regarding the sales tax deferral / waiver etc., were offered to such Super Mega Projects. Apart from the above, exemption from Input tax, concessional Central Sales Tax at 1%, exemption from stamp duty etc., were provided to the Super Mega Projects subsequently.

2. After 1996, when Ford and Hyundai set up their manufacturing base near Chennai, there has not been any new big automobile project in Tamil Nadu. Though Tamil Nadu enjoys a predominant position in the automobile sector in terms of production and export of automobile components, it has not been successful in attracting large integrated automobile projects into Tamil Nadu after 1996. The announcement in the New Industrial Policy 2003 that the Government at its discretion will offer specific packages to single investment exceeding Rs.300 crores made in eligible fixed assets within a period of not more than 3 years has not attracted any major auto projects. In the recent past, major automobile companies selected sites in other States as the incentive package offered by Tamil Nadu was found less attractive when compared to some other States. If this trend continues, Tamil Nadu will lose its pre-eminent position in automobile and auto component manufacturing forever. These will have serious and long

term adverse impact on Tamil Nadu's capability in attracting investments, generating and sustaining employment and achieving economic growth.

3. In this backdrop, the Government felt it necessary to bring out an exclusive policy for encouraging the setting up of major integrated automobile projects in Tamil Nadu. Accordingly, the Government is pleased to formulate and adopt an 'Ultra Mega Integrated Automobile Projects Policy' as hereunder:-

- (1) Ultra Mega Integrated Automobile Projects will mean automobile projects, either new or expansion, that will have Engine Plant, Press shop, Body shop, Transmission line, Assembly line, Paint shop, etc., either on its own or in consortium / joint venture mode in the same location with an investment of not less than Rs.4000 crores to be made in 7 years from the date of Memorandum of understanding with the Government or any other date specified by the Government. For expansion units, the base volume discipline will apply. The above investment of Rs.4000 crores will include investment in eligible fixed assets and investment in intangibles, which form an integral part of manufacturing process, the latter (i.e. intangibles) not exceeding 10% of the total investment. Intangibles will include pre-operative expenses, technical know-how fees including planning fees, expenditure on design and development of products and prototypes etc., which are capitalized in the Books of Accounts as per standard accounting norms.
- (2) The Ultra Mega Integrated Automobile Projects will be extended the following concessions:-
 - (i) Land allotment at concessional price. The Government on a case-to-case basis would decide the concession.
 - (ii) 100% exemption from Stamp Duty.
 - (iii) Power supply will be provided through dual feeder lines by Tamil Nadu Electricity Board (TNEB) with cost of feeder lines being borne by Government / TNEB.
 - (iv) Exemption from Electricity tax for 10 (Ten) years for both TNEB and captive Power.
 - (v) Refund of Gross output Value Added Tax (VAT) and Central Sales Tax (CST) (without any set off) for 21 years or upto 115% of eligible investment, whichever is earlier. Eligible investment would mean actual investment made in eligible fixed assets and in intangibles (not exceeding 10% of total investment) in 7 years, subject to fulfilling minimum limit of Rs.4000 crores.

- (vi) Input tax refund will run parallel with Gross output VAT and CST refund. Since input tax is being refunded, there will be no set off. Input tax refund will not be taken into account for calculation of ceiling of Gross output VAT and CST refund.
- (vii) The nomenclature of VAT / CST / Input tax refund will be Investment Promotion Subsidy.
- (viii) The policy shall endeavour to provide incentives to enable the company to achieve atleast 100% availment of incentives with reference to the limit of eligible investments made in the project. For this purpose, the Sales tax / VAT on vehicles manufactured outside Tamil Nadu but sold in Tamil Nadu by a company may also be taken into account, only if that company has not received any tax concessions earlier in Tamil Nadu.
- (ix) Exemption from entry tax, VAT on capital goods, works contract tax, Octroi (if any) and other State levies. Wherever exemption cannot be given, it will be replaced by tax refund. The benefit in respect of capital goods and works contract tax will be limited to the investment period. These exemptions / refund will not be taken into account for calculating the ceiling of output VAT and CST refund.
- (x) Any other concession already provided under the Super Mega Project or New Industrial Policy 2003.

4. The investment proposals seeking Ultra Mega Integrated Automobiles Projects status should be sent to the Government with a copy each to SIPCOT and Tamil Nadu Industrial Guidance & Export Promotion Bureau (Guidance). Each such proposal will be examined with reference to fulfilment of eligibility criteria, and order will be issued by the Government. At the end of the investment period, SIPCOT shall verify whether the investment in eligible fixed assets and in intangibles has actually been made and the projects have fulfilled all the criteria required for Ultra Mega Integrated Automobile Projects.

5. This order issues with the concurrence of Finance Department vide its U.O. No.690/FS/P/07, dated 26.02.2007.

(BY ORDER OF THE GOVERNOR)

SHAKTIKANTA DAS
SECRETARY TO GOVERNMENT.

To

The Principal Secretary to Government, Energy Department, Chennai-9

The Secretary to Government,

Commercial Taxes and Registration Department, Chennai-9.

The Secretary to Government, Finance Department, Chennai-9

The Secretary to Government, Planning, Development and Special Initiatives
Department, Chennai-9.

The Secretary to Government, Revenue Department, Chennai-9.

The Principal Secretary to Government,

Small Industries Department, Chennai-9

The Chairman & Managing Director, TIDCO, Egmore, Chennai-8.

The Chairman & Managing Director, SIPCOT, Egmore, Chennai-8.

The Chairman, Tamil Nadu Electricity Board, 800 Anna Salai, Chennai-2

The Commissioner of Commercial Taxes, Chepauk, Chennai-5.

The Industries Commissioner & Director of Industries and Commerce, Chepauk,
Chennai-5.

The Special Commissioner & Director of Industries and Commerce, Chepuk,
Chennai-5.

The Director, Guidance Bureau, Egmore, Chennai-8

National Informatics Centre, Secretariat, Chennai-9

(For hosting the policy in the Government / Industries Department website)

Copy to:-

The Secretary to Hon'ble Chief Minister, Chennai-9 (5 copies)

State Representative. Private Secretary to Chief Secretary, Chennai-9

The Finance Department, Chennai-9

The Commercial Taxes and Registration Department, Chennai-9

The Energy Department, Chennai-9

The Revenue Department, Chennai-9

Industries (OP.II) Department, Chennai-9

SF / SCs.

// Forwarded / By order //

SECTION OFFICER.