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GOVERNMENT OF ARUNACHAL PRADESH
DEPARTMENT OF INDUSTRIES
ITANAGAR

NOTIFICATION

The 20th January, 2009

THE STATE INDUSTRIAL POLICY, 2008

No.IND/SIP/73/2007.—The Governor of Arunachal Pradesh is pleased to review the State Industrial Policy, 2001, and hereby approves the State Industrial Policy, 2008, as follows :

Preamble

Arunachal Pradesh, the largest in area amongst the Northeastern States of India, is endowed with plenty of natural resources, which need to be converted into goods and services for the development of the State and its people. At present, the industrial growth in the State is dismal and at a nascent stage despite enormous potential for industrial growth.

Further, the Government of India has given tremendous thrust on the "Look East Policy" which itself calls for greater infrastructure for industries and trade. The North East Industrial Investment & Promotion Policy-2007 (NEIIPP 2007) has been formulated by the Ministry of Commerce and Industry, Government of India for industrialization and proper development of North-East Region.

Arunachal Pradesh with its huge hydropower potential of over 57,000 MW, which is being developed in a phased manner, will soon have surplus power to feed power intensive industrial units.

Therefore, the State Government of Arunachal Pradesh felt the need of reviewing the State Industrial Policy, 2001 in order to make it investor-friendly and to facilitate optimum utilization of locally available raw materials by encouraging setting up of appropriate industrial units for value addition. The Policy also aims at providing industry access to high quality infrastructure, extending institutional support for technology up-gradation, deregulating the business environment for an efficient, proactive and transparent administrative frame-work and catalyzing the entrepreneurial as well as creative capabilities of the human resources.

Accordingly, after due deliberations and taking into consideration all issues relating to investments and industrial growth in the State, the Industrial Policy, 2008 of Arunachal Pradesh has been formulated.

The prospective investors and entrepreneurs will find this policy attractive enough to select Arunachal Pradesh as their most attractive investment destination.

1. **Short title and commencement :** (1) The policy may be called the State Industrial Policy,
(2) Save as provided under sub-clause (ii) and (iii) of clause 17 of this policy, this policy shall come into force on the date of its publication in the Arunachal Pradesh State Gazette.

2. Objectives:

The Industrial Policy, 2008 of Arunachal Pradesh is formulated to achieve the following objectives :

- 2.1 To create an investment-friendly environment in the State for industrial growth in the private/joint venture /cooperative sectors for sustainable economic development of Arunachal Pradesh.
- 2.2 To generate employment opportunities in the State.
- 2.3 To make Arunachal Pradesh a preferred destination for outside investors.
- 2.4 To encourage local entrepreneurs to set up enterprises based on locally available raw materials.
- 2.5 To promote export oriented industrial units.
- 2.6 To take steps to promote handloom and handicrafts.

- 2.7 To promote local investors through joint ventures with outside investors.
- 2.8 To encourage industrial units producing high value - low volume products.
- 2.9 To ensure fast track clearance of industrial proposals.

Chapter-I

3. Thrust Areas :

The State Government has identified the following industries as thrust areas, which will be eligible for various incentives:

- 3.1 Industries based on agricultural, horticultural and plantation produce.
- 3.2 Industries based on non-timber forest produce: bamboo, cane (rattan), medicinal plants / herbs, aromatic grass, tea, coffee etc.
- 3.3 Industries based on locally available raw materials except timber.
- 3.4 Textiles (handlooms and power looms), Handicrafts and Sericulture
- 3.5 Electronics and IT based Enterprises.
- 3.6 Mineral Based Industries (eg. Ferro-alloys, Cement Plant etc.)
- 3.7 Facilitation and Development of Industrial Infrastructure including Power, Communications etc. under Public Private Partnership (PPP)
- 3.8 Food Processing Industries
- 3.9 Engineering and Allied Industries (Rolling Mill, Steel etc.)
- 3.10 Tourism (tourism infrastructure including resorts, hotels, restaurants etc.).

(The thrust areas mentioned above will be reviewed periodically to include other sectors of industrial activities from time to time).

Chapter-II

4. Development of Infrastructure :

- 4.1 The State Government shall make special efforts to create proper infrastructure by promoting establishment of Industrial Estates, Industrial Growth Centers, Integrated Infrastructure Development Centers, Small Industries Cluster Development, Export Promotion Industrial Parks, Export Promotion Zones, Special Economic Zone (SEZ), Food Parks; strengthening of existing Industrial Estates, Border Trade Centers, Industrial Cluster Development etc.

5. Period and extent of Equity holding / Ownership :

- 5.1 Entrepreneur(s)/ a group of entrepreneurs/ consortium of industries will be allowed cent per cent equity holding /ownership of their industrial unit(s)/enterprises for a period of 50 years. After the end of 50 years, the State Government reserves the right to review and modify equity holding/ ownership on mutually agreed terms and conditions.

6. Period of Land lease :

- 6.1 Entrepreneurs/ Investors shall be allowed to hold the land on lease for a period of 50 years on a predetermined lease rent. The consideration for lease of land may be in the form of annual or lump sum payments or equity participation. After the expiry of lease period, the State Government may renew the lease period further on mutually agreed terms and conditions.

7. Sales Tax / VAT Exemption to eligible industrial units :

- 7.1 State Government shall provide 99% Sales Tax (VAT) / Entry Tax exemption to eligible industrial units on import of actual raw materials, machineries and equipments into Arunachal Pradesh as also on sale of finished goods in the State for a period of 7 years from the date of commencement of commercial production.

(NB: Subject to amendment of the Arunachal Pradesh Goods Tax Act, 2005)

8. Trading License :

- 8.1 At present, trading licenses are issued only to indigenous local traders. The present policy will continue to hold good for small scale industries/enterprises. However, under this policy the trading license will be issued to all entrepreneurs including outside investors for the industries/enterprises which involve investments of minimum Rs 5.00 Crore in plant and machineries, whereas in case of service sector the minimum investment on equipments should not be less than Rs.2.00 Crore to qualify for obtaining trading license.

Chapter-III

9. The State Fiscal Incentives

9.1 **Price Preference:** State Government Departments and other State Government controlled bodies and organizations, while making purchases will give price preference to the products manufactured by registered Micro and Small Enterprises. Other things being equal they will be given a price preference in contract bids as indicated below:

Sl. No.	Type of Industries	Price preference rates
(i)	Cooperative Ventures	7.5 %
(ii)	Cottage, Micro and Small Enterprises	7.5 %

9.2 **Purchase Preference:** State Government Departments and other State Government controlled bodies and organizations shall give preference to the registered Units/ Enterprises of the State while purchasing from the products manufactured by them.

9.3 **Subsidy on cost of preparation of Feasible Project Report (FPR) :**

An enterprise would be eligible for subsidy on payment made towards preparation of project report to the professional Consultant/Agency on the condition that the project report should be approved and sanctioned by the Financial Institution /Commercial Bank in a ceiling limit as prescribed below:

- | | | |
|-------------------------|------------------------------------|---------------|
| (a) Micro Sector | 90% of the cost but not more than | Rs. 9,000 |
| (b) Small Sector | 75 % of the cost but not more than | Rs. 25,000 |
| (c) Medium/Large Sector | 50% of the cost but not more than | Rs. 1, 00,000 |

9.4 **Power Subsidy :**

The power subsidy shall be regulated under State Power Policy and NEIIPP 2007.

9.5 **Incentive for Quality Control :**

The Department of Industries shall be the Nodal Department for quality control of all industrial products in the State and for the products notified by the Union Government from time to time.

To maintain quality of the products manufactured by the industrial units in the State, the State Government shall subsidize the cost of quality testing equipments procured by the industries from recognized firms by 50% of the cost of equipments. Besides, the State Government shall also reimburse 100 % cost of the tests incurred by the micro and small enterprises /industries with a ceiling limit of Rs.50,000 only. Registration fee and Annual fee with the Bureau of Indian Standards etc. will be reimbursed in full for the first five years.

9.6 **Exemption of Stamp Duty :**

Approved industrial units / enterprises projects will be exempted from payment of Stamp Duty up to 80 per cent of the applicable amount in execution of deeds for a period of 5 years.

9.7 **Special Incentives for Food Processing Industries :**

Special incentives will be provided to eligible Food Processing Units as additional State Capital Investment Subsidy @ 20 % subject to a ceiling of Rs.25.00 lakhs.

9.8 **Priority Clearance for setting up of Large / Heavy Enterprises :**

The State Government favours setting up of eligible large and heavy enterprises particularly those utilizing locally available natural resources. Accordingly, the State Government will ensure time bound mandatory clearances prescribed under various statutes.

9.9 **Liberalized Licensing Policy :**

There will be no licensing requirements for industry save as may be provided by any law or Government policy.

9.10 **Institutional Credit Facilities :**

The financial institutions under the control of the State Government will be revamped and the District Industries Centers and financial institutions will work in tandem to ensure smooth flow of credit to new projects, existing industrial units for modernisation/expansion/diversification, village industries and rural artisans.

10. **Enterprise and Skill Development :**

10.1 The State Government will make all out efforts to develop entrepreneurship and capacity building development of local people to meet the technical and managerial needs of the industries. To achieve this goal the State Government will draw up a comprehensive skill upgradation programmes for ensuring that local personnel/workers gain the required skill to meet the skilled manpower needs of the industries in collaboration and consultation with various training and educational institutions. With this objective the existing Industrial Training Institutes will be upgraded into a Centre of Excellence.

Chapter-IV

11. **State Level Empowered Committee:** A State Level Industrial Empowered Committee headed by the Chief Secretary will be constituted, which will comprise the Commissioners/Secretaries of the concerned administrative department and representatives from banking and financial institutions as members for smooth passage of various clearances through a Single Window Clearance System.

12. **District Level Advisory Committee:** A District Level Industrial Advisory Committee headed by Deputy Commissioner will be constituted in each district of the state to facilitate and augment the functioning of the District Industries Centre with a view to accelerate the Single Window Clearance at district level.

13. **Strengthening of District Industries Centers (DICs):** The State Government will strengthen and modernise the DICs. The DIC will be armed with *Udyog Sahayak Cell* to guide the entrepreneurs and helping them in selection of product, preparation of project report and obtaining credit for the project. A data bank covering all aspects of information sought by investors will also be maintained in DICs.

14. **Public Sector Policy:** The State Government shall gradually vacate economic space for the private and cooperative sectors and the public and state sectors will engage themselves in economic/ commercial activities only in absence of private and cooperative enterprises.

15. **Filling of Entrepreneur Memorandum (EM):** The authority for registration/filling of EM shall be regulated as per the provisions of Micro, Small and Medium Enterprises Development Act 2006. In case of Micro and Small Enterprises, the DIC will have the authority for filling of EM and its approval. However, in order to ensure systematic growth of enterprises in the state, in case of medium enterprise, the Directorate of Industries will have the authority to grant approval of the EM on recommendation of the concern DIC.

Chapter-V

16. Incentives under NEIIPP 2007 :

All incentives granted by the Central Government under NEIIPP 2007, shall be made available to eligible enterprises established in the state of Arunachal Pradesh.

- (i) Central Capital Investments Subsidy Scheme
- (ii) Transport Subsidy Scheme
- (iii) Central Working Interest Subsidy Scheme
- (iv) Comprehensive Insurance Scheme
- (v) Tax / Duty holidays and etc.

17. Eligibility :

All the industrial units/ enterprises to be eligible for the package of state incentives should be registered with the Directorate of Industries, Government of Arunachal Pradesh.

The following industrial units/ enterprises will be eligible for the package of state incentives, namely :-

- (i) The industrial units/ enterprises setup after the commencement of this policy.
- (ii) The existing industrial units/ enterprises which have undertaken substantial expansion/modernization/diversification to the extent of 25% of the original cost of plants and machineries; and
- (iii) The existing units/enterprises which are yet to complete five years of its commercial production from the date of the commencement of this policy.

M. Pertin, IAS,
Commissioner & Secretary (Industry),
Government of Arunachal Pradesh,
Itanagar.