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MINISTRY OF COMMERCE & INDUSTRY  
DEPARTMENT OF INDUSTRIAL POLICY & PROMOTION

NOTIFICATION

New Delhi, the 5<sup>TH</sup> October, 2017

**Subject: Scheme of budgetary support under Goods and Service Tax Regime to the units located in States of Jammu & Kashmir, Uttarakhand, Himachal Pradesh and North East including Sikkim.**

F. No. 10(1)/2017-DBA-II/NER -In pursuance of the decision of the Government of India to provide budgetary support to the existing eligible manufacturing units operating in the States of Jammu & Kashmir, Uttarakhand, Himachal Pradesh and North Eastern States including Sikkim under different Industrial Promotion Schemes of the Government of India, for a residual period for which each of the units is eligible, a new scheme is being introduced. The new scheme is offered, as a measure of goodwill, only to the units which were eligible for drawing benefits under the earlier excise duty exemption/refund schemes but has otherwise no relation to the erstwhile schemes.

1.2 Units which were eligible under the erstwhile Schemes and were in operation through exemption notifications issued by the Department of Revenue in the Ministry of Finance, as listed under para 2 below would be considered eligible under this scheme. All such notifications have ceased to apply w.e.f. 01.07.2017 and stands rescinded on 18.07.2017 vide notification no. 21/2017 dated 18.07.2017. The scheme shall be limited to the tax which accrues to the Central Government under Central Goods and Service Act, 2017 and Integrated Goods and Services Act, 2017, after devolution of the Central tax or the Integrated tax to the States, in terms of Article 270 of the Constitution.

2. The erstwhile Schemes which were in operation on 18.07.2017 were as follows:

2.1 **Jammu & Kashmir-** Notification nos. 56/2002-CE dated 14.11.2002, 57/2002-CE dated

14.11.2002 and 01/2010-CE dated 06.02.2010 as amended from time to time;

**2.2 Himachal Pradesh & Uttarakhand-** Notification nos. 49/2003-CE dated 10.06.2003 and 50/2003-CE dated 10.06.2003 as amended from time to time;

**2.3 North East States including Sikkim-** Notification no 20/2007-CE dated 25.04.2007 as amended from time to time.

### **3. SHORT TITLE AND COMMENCEMENT**

3.1 The scheme shall be called Scheme of Budgetary Support under Goods and Services Tax (GST) Regime to the units located in State of Jammu & Kashmir, Uttarakhand, Himachal Pradesh and North Eastern States including Sikkim. The said Scheme shall come into operation w.e.f. 01.07.2017 for an eligible unit (as defined in para 4.1) and shall remain in operation for residual period (as defined in para 4.3 ) for each of the eligible unit in respect of specified goods (as defined in para 4.2 ). The overall scheme shall be valid upto 30.06.2027.

### **3.2 OBJECTIVE:**

The GST Council in its meeting held on 30.09.2016 had noted that exemption from payment of indirect tax under any existing tax incentive scheme of Central or State Governments shall not continue under the GST regime and the concerned units shall be required to pay tax in the GST regime. The Council left it to the discretion of Central and State Governments to notify schemes of budgetary support to such units. Accordingly, the Central Government in recognition of the hardships arising due to withdrawal of above exemption notifications has decided that it would provide budgetary support to the eligible units for the residual period by way of part reimbursement of the Goods and Services Tax, paid by the unit limited to the Central Government's share of CGST and/or IGST retained after devolution of a part of these taxes to the States.

### **4. DEFINITIONS**

4.1 'Eligible unit' means a unit which was eligible before 1<sup>st</sup> day of July, 2017 to avail the benefit of ab-initio exemption or exemption by way of refund from payment of central excise duty under notifications, as the case may be, issued in this regard, listed in para 2 above and was availing the said exemption immediately before 1<sup>st</sup> day of July, 2017. The eligibility of the unit shall be on the basis of application filed for budgetary support under this scheme with reference to:

- (a) Central Excise registration number, for the premises of the eligible manufacturing unit, as it existed prior to migration to GST; or
- (b) GST registration for the premises as a place of business, where manufacturing activity under exemption notification no. 49/2003-CE dated 10.06.2003 and 50/2003-CE dated

10.06.2003 were being carried prior to 01.07.2017 and the unit was not registered under Central Excise.

4.2 'Specified goods' means the goods specified under exemption notifications, listed in paragraph 2, which were eligible for exemption under the said notifications, and which were being manufactured and cleared by the eligible unit by availing the benefit of excise duty exemption, from:

(a) The premises under Central Excise with a registration number, as it existed prior to migration to GST; or

(b) The manufacturing premises registered in GST as a place of business from where the said goods under exemption notification no. 49/2003-CE dated 10.06.2003 and 50/2003-CE dated 10.06.2003 were being cleared

4.3 'Residual period' means the remaining period out of the total period not exceeding ten years, from the date of commencement of commercial production, as specified under the relevant notification listed in paragraph 2, during which the eligible unit would have been eligible to avail exemption for the specified goods. The documentary evidence regarding date of commercial production shall be submitted in terms of para 5.7.

## 5. DETERMINATION OF THE AMOUNT OF BUDGETARY SUPPORT

5.1 The amount of budgetary support under the scheme for specified goods manufactured by the eligible unit shall be sum total of –

(i) 58% of the Central tax paid through debit in the cash ledger account maintained by the unit in terms of sub-section(1) of section 49 the Central Goods and Services Act, 2017 after utilization of the Input tax credit of the Central Tax and Integrated Tax.

(ii) 29% of the integrated tax paid through debit in the cash ledger account maintained by the unit in terms of section 20 of the Integrated Goods and Services Act, 2017 after utilization of the Input tax credit Tax of the Central Tax and Integrated Tax.

Provided where inputs are procured from a registered person operating under the Composition Scheme under Section 10 of the Central Goods and Services Act, 2017 the amount i.e. sum total of (i) & (ii) above shall be reduced by the same percentage as is the percentage value of inputs procured under Composition scheme out of total value of inputs procured.

Explanation:-

Explanation-I

<b>a</b>	Sum total worked out under clause (i) & (ii)	Rs.200
<b>b</b>	Percentage value of inputs procured under Composition Scheme out of total value of inputs procured	20%

c	Admissible amount out of (a) above	Rs(200-20% of 200) = Rs.160
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Explanation- II

(a) Calculation of (ii) shall be followed by calculation of (i)

(b) To avail benefit of this scheme, eligible unit shall first utilize input tax credit of Central tax and Integrated tax and balance of liability, if any, shall be paid in cash and where this condition is not fulfilled, the reimbursement sanctioning officer shall reduce the amount of budgetary support payable to the extent credit of Central tax and integrated tax, is not utilized for payment of tax.

5.2 The above 58% has been fixed taking into consideration that at present Central Government devolves 42% of the taxes on goods and services to the States as per the recommendation of the 14<sup>th</sup> Finance Commission.

5.3 Notwithstanding, the rescinding of the exemption notifications listed under para 2 above, the limitations, conditions and prohibitions under the respective notifications issued by Department of Revenue as they existed immediately before 01.07.2017 would continue to be applicable under this scheme. However, the provisions relating to facility of determination of special rate under the respective exemption notifications would not apply under this scheme.

5.4 Budgetary support under this scheme shall be worked out on quarterly basis for which claims shall be filed on a quarterly basis namely for January to March, April to June, July to September & October to December.

5.5 Any unit which is found on investigation to over-state its production or make any mis-declaration to claim budgetary support would be made in-eligible for the residual period and be liable to recovery of excess budgetary support paid. Activity relating to concealment of input tax credit, purchase of inputs from unregistered suppliers (unless specifically exempt from GST registration) or routing of third party production or other activities aimed at enhancing the amount of budgetary support by mis-declaration would be treated as fraudulent activity and, without prejudice to any other action under law may invite denial of benefit under the scheme ab-initio. The units will have to declare total procurement of inputs from unregistered suppliers and from suppliers working under Composition Scheme under CGST Act, 2017.

5.6 The grant of budgetary support under the scheme shall be subject to compliance of provisions relating to any other law in force.

5.7 The manufacturer applying for benefit under this scheme for the first time shall also file the following documents:

- (a) the copy of the option filed by the manufacturer with the jurisdictional Deputy Commissioner/ Assistant Commissioner of Central Excise officer at the relevant point of time, for availing the exemption notification issued by the Department of Revenue;
- (b) document issued by the concerned Director of Industries evidencing the commencement of commercial production
- (c) the copy of last monthly/quarterly return for production and removal of goods under exemption notification of the Department of Revenue.
- (d) An Affidavit-cum-indemnity bond, as per Annexure A, to be submitted on one time basis, binding itself to pay the amount repayable under para 9 below.

Any other document evidencing the details required in clause (a) to (c) may be accepted with the approval of the Commissioner.

5.8 For the purpose of this Scheme, “manufacture” means any change(s) in the physical object resulting in transformation of the object into a distinct article with a different name or bringing a new object into existence with a different chemical composition or integral structure. Where the Central Tax or Integrated Tax paid on value addition is higher than the Central Tax or Integrated Tax worked out on the value addition shown in column (4) of the table below, the unit may be taken up for verification of the value addition:

Table

Serial No.	Chapter	Description of goods	Rate (%)	Description of inputs for manufacture of goods in column (3)
(1)	(2)	(3)	(4)	(5)
1.	17 or 35	Modified starch or glucose	75	Maize, maize starch or tapioca starch
2.	18	Cocoa butter or powder	75	Cocoa beans
3.	25	Cement	75	Lime stone and gypsum
4.	25	Cement clinker	75	Lime stone
5.	29	All goods	29	Any goods
6.	29 or 38	Fatty acids or glycerine	75	Crude palm kernel, coconut, mustard or rapeseed oil
7.	30	All goods	56	Any goods
8.	33	All goods	56	Any goods
9.	34	All goods	38	Any goods

10.	38	All goods	34	Any goods
11.	39	All goods	26	Any goods
12.	40	Tyres, tubes and flaps	41	Any goods
13.	72	Ferro alloys, namely, ferro chrome, ferro manganese or silico manganese	75	Chrome ore or manganese ore
14.	72 or 73	All goods	39	Any goods, other than iron ore
15.	72 or 73	Iron and steel products	75	Iron ore
16.	74	All goods	15	Any goods
17.	76	All goods	36	Any goods
18.	85	Electric motors and generators, electric generating sets and parts thereof	31	Any goods
19.	Any chapter	Goods other than those mentioned above in S.Nos.1 to 18	36	Any goods

*Explanation:* For calculation of the value addition the procedure specified in notification no 01/2010-CE dated 06.02.2010 of the Department of Revenue as amended from time to time shall apply mutatis-mutandis.

5.9.1 In cases where an entity is carrying out its operations in a State from multiple business premises, in addition to manufacture of specified goods by the eligible unit, under the same GST Identification Number (GSTIN) as that of the eligible unit, the eligible unit shall submit application for reimbursement of budgetary support alongwith additional information, duly certified by a Chartered Accountant, relating to receipt of inputs, input tax credit involved on the inputs or capital goods received by the eligible unit and quantity of specified goods manufactured by the eligible unit vis-a-vis the inputs, input tax credit availed by the registrant under the given GSTIN.

5.9.2 Under GST, one business entity having multiple business premises would generally have one registration in a State and it may so happen that only one of them (eligible unit) was operating under Area Based Exemption Scheme. In such situations where inputs are received from another business premises of (supplying unit) of the same registrant (GSTIN) by, the details of input tax credit of Central Tax or Integrated Tax availed by the supplying unit for supplies to the eligible unit shall also be submitted duly certified by the Chartered Accountant.

The jurisdictional Deputy/Assistant Commissioner in such cases shall sanction the reimbursement of the budgetary support after reducing input tax credit relatable to inputs used by the supplying unit.

## **6. INSPECTION OF THE ELIGIBLE UNIT**

6.1 The Budgetary Support under the Scheme shall be allowed to an eligible unit subject to an inspection by a team constituted by DIPP for every State to scrutinize in detail the implementation of the previous schemes. The inspection report shall be uploaded by the inspection team on ACES-GST portal of the Central Board of Excise & Customs (CBEC) and shall be made available to the jurisdictional Deputy/Assistant Commissioner of the Central Tax on the portal before sanction of the budgetary support. Budgetary support will be released only after the findings to these teams are available. Provided that where delay is expected in such findings of the inspection, the Deputy/ Assistant Commissioner of Central Taxes may sanction provisional reimbursement to the eligible unit. Such provisional reimbursement shall not continue beyond a period of six months.

## **7. MANNER OF BUDGETARY SUPPORT**

7.1 The manufacturer shall file an application for payment of budgetary support for the Tax paid in cash, other than the amount of Tax paid by utilization of Input Tax credit under the Input Tax Credit Rules, 2017, to the Assistant Commissioner or Deputy Commissioner of Central Taxes, as the case may be, by the 15<sup>th</sup> day of the succeeding month after end of quarter after payment of tax relating to the quarter to which the claim relates.

7.2 The Assistant Commissioner or Deputy Commissioner of Central Taxes, as the case may be, after such examination of the application as may be necessary, shall sanction reimbursement of the budgetary support. The sanctioned amount shall be conveyed to the applicant electronically. The PAO, CBEC will sanction and disburse the recommended reimbursement of budgetary support.

## **8. BUDGETARY PROVISION AND PAYMENT OF AMOUNT OF BUDGETARY SUPPORT**

8.1 The budgetary support shall be disbursed from budgetary allocation of Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce & Industry. DIPP shall keep such budgetary allocation on the disposal of PAO, CBEC. The eligible units shall obtain one time registration on the ACES-GST portal and obtain a unique ID which is to be used for all processing of claims under the scheme. The application by the eligible unit for reimbursement of budgetary support shall be filed on the ACES-GST portal with reference to unique ID obtained

and shall be processed by the Deputy Commissioner or Assistant Commissioner of the Central Tax for sanction of the admissible amount of budgetary support.

8.2 The application for imbursement of budgetary support shall be made by the eligible unit after the payment of CGST/IGST has been made for the quarter to which the claim relates, in cash in respect of specified goods after utilization of Input Tax credit, if any.

8.3 The sanctioning authority (AC/DC) with the approval of the Commissioner may call for additional information (inclusive but not limited to past data on trends of production and removal of goods) to verify the correctness of various factors of production such as consumption of principal inputs, consumption of electricity and decide on the basis of the same, if the quantum of supply have been correctly declared.

8.4 Special audit by the Chartered Accountant/Cost Accountant may be undertaken for units selected based on the risk parameters identified by CBEC in order to verify correctness of declared production capacity and production or overvaluation of supplies. Such special audit shall be undertaken only with the approval of the Commissioner, CGST.

8.5 The list of sanctions for payment, on the basis of amount sanctioned by the jurisdictional Deputy Commissioner or Assistant Commissioner of the Central Tax shall be forwarded by the authorised officer of the jurisdictional Commissionerate of the Central Tax through the ACES-GST portal to e-PAO, CBEC for disbursal directly into the bank accounts of the eligible units.

## **9. REPAYMENT BY CLAIMANT/ RECOVERY AND DISPUTE RESOLUTION**

9.1 The budgetary support allowed is subject to the conditions specified under the scheme and in case of contravention of any provision of the scheme/ notification, the budgetary support shall be deemed to have never been allowed and any inadmissible budgetary support reimbursed including the budgetary support paid for the past period under this scheme shall be recovered alongwith an interest @15% per annum thereon. In case of recovery or voluntary adjustment of excess payment, repayment, recovery or return, interest shall also be paid by unit at the rate of fifteen per cent per annum calculated from the date of payment of refund till the date of repayment, recovery or return.

9.2 When any amount under the scheme is availed by wrong declaration of particulars regarding meeting the eligibility conditions in this scheme or as specified under respective exemption notification issued by the Department of Revenue, necessary action would be initiated and concluded in the individual case by the Office of concerned Assistant Commissioner or Deputy Commissioner of Central Taxes, as the case may be.

9.3 **The procedure for recovery:** Where any amount is recoverable from a unit, the Assistant Commissioner or Deputy Commissioner of Central Tax, as the case may be, shall



issue a demand note to the unit (i) intimating the amount recoverable from the unit and the date from which interest thereon is due and (ii) directing the manufacturer to deposit the full sum within 30 days of the issue of the demand note in the account head of DIPP and submit proof of deposit to him/her

9.4 Where the amount is not paid by the beneficiary within the time specified as above, action for recovery shall be taken in terms of the affidavit –cum- indemnity bond submitted by the applicant at the time of submission of the application, in addition to other modes of recovery.

9.5 Where any amount of budgetary support and/or interest remains due from the unit, based on the report sent by the Assistant Commissioner or Deputy Commissioner of Central Tax as the case may be, the authorized officer of DIPP shall, after the lapse of 60 days from the date of issue of the said demand note take required legal action and send a certificate specifying the amount due from the unit to the concerned District Magistrate/ Deputy Commissioner of the district to recover that amount, as if it were arrears of land revenue

10 Residual issues related to the Scheme arising subsequently shall be considered by DIPP, Ministry of Commerce & Industry whose decision shall be final and binding.

#### 11. **SAVING CLAUSE**

11.1 Upon cessation of the Scheme, the unpaid claims shall be settled in accordance with the provisions of the Scheme while the recovery and dispute resolution mechanisms shall continue to be in force.

Sd- .

( RAVINDER )

Joint Secretary to the Government of India

**AFFIDAVIT – CUM – INDEMNITY BOND**

I / We Shri \_\_\_\_\_ s/o \_\_\_\_\_ (add names) in my/our capacity of \_\_\_\_\_ (designation) of \_\_\_\_\_ (Company/Unit Name) hereby solemnly affirm and declare for and on behalf of \_\_\_\_\_ (company/unit name) that an application for registration for reimbursement of budgetary support has been filed on \_\_\_\_\_ under the Scheme of Budgetary Support notified by Department of Industrial Policy and Promotion (DIPP).

I/We confirm that the eligible unit is manufacturing and supplying specified goods on payment of Central GST/ Integrated GST and the claim will not include any other activity being carried out under the same GSTIN.

I /We further affirm and declare, as stated above, goods other than specified goods manufactured by the eligible unit will not be taken into account while filing the application under the scheme. The input tax credit on the goods availed by the eligible manufacturing unit or the supplying unit under the same GSTIN will be taken into account while calculating the input tax credit of the eligible manufacturing unit. No amount of budgetary support which is not due as per the conditions of the scheme notified by DIPP shall be claimed by the eligible unit and where any mis-declaration is detected, the amount paid by the Government shall be paid back by me/us with interest as prescribed in the scheme.

I/We solemnly affirm and declare that whatever is stated above is true to the best of my / our knowledge and record. I/We further indemnify the Government of India to recover the amount, if any for any revenue loss which may occur (might have occurred) due to the above submission made by me / us.

DATE :

NAME:

PLACE:

SIGNATURE:

DESIGNATION:

ADDRESS:

**Note:**

1. This indemnity bond should be submitted on Rs.150/- Stamp Paper.
2. The bond is required to be notarised.
3. Proprietors /Partners / Directors / Authorised Signatory has to sign the bond alongwith their name and residential address. In case the bond is signed by authorized signatory, copy of power of attorney in favour of authorized signatory needs to be enclosed.

**Copy for information and necessary action to:**

- (i)** All Ministries/Departments of the Government of India and the NITI Aayog.
- (ii)** Department of Revenue, ( Central Board OF Excise and Customs, North Block, New Delhi.
  
- (iii)** Chief Secretaries of the States of Arunachal Pradesh, Assam, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Sikkim & Uttrarakhand .
  
- (iv)** Secretary ( Industries ) of the States of Arunachal Pradesh, Assam, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Sikkim & Uttrarakhand.

**Copy also to:**

- (i)** Cabinet Secretariat
- (ii)** PMO