

MINISTRY OF COMMERCE AND INDUSTRY**(Department of Industrial Policy & Promotion)****NOTIFICATION**

New Delhi, the 1st January, 2019

F.No.16(35)/2018-NER.—In pursuance of the decision taken by the Standing Finance Committee (SFC) in its meeting held on 21.12.2018, the Government of India hereby notifies the “Lakshadweep and Andaman & Nicobar Islands Industrial Development Scheme, (LANIDS) 2018 for industrial units in Lakshadweep and Andaman & Nicobar Islands.

1. Scheme title: - The scheme will be called “Lakshadweep and Andaman & Nicobar Islands Industrial Development Scheme, (LANIDS) 2018”.

2. Coverage: - The scheme will cover Union Territories of “Lakshadweep” and “Andaman & Nicobar Islands”.

3. Commencement and duration: - It will be effective from 01.04.2018 and will remain in force up to 31.03.2020 with committed liabilities accrued up to 31st March 2025 for units registered up to 31.03.2020.

4. Eligibility:

4.1 Unless otherwise specified, all new industrial units and existing industrial units undertaking substantial expansion in manufacturing and services sectors located in the Lakshadweep and Andaman & Nicobar Islands, will be eligible for incentives under the scheme.

4.2 The scheme shall not be applicable to the industries listed in the **Annexure – I**.

4.3 All eligible industrial units will be entitled to benefits under one or more components of this scheme, even if such units are getting benefits under other schemes of the Government of India. However, it shall be ensured that there is no duplicacy in the reimbursement of the same claims under different schemes.

4.4 The total benefits from all components of the scheme put together shall be limited to the total investment in plant and machinery, subject to a maximum limit of Rs.200.00 crore per unit. Plant and Machinery for the service sector industrial units shall include cost of construction of building and all other durable physical assets basic to the running of that particular service industry, but shall exclude cost of land and consumables, disposables or any other item charged to revenue. Components to be included / excluded for a manufacturing unit are at **Annexure II**.

4.5 All eligible industrial units will be required to fulfil the following conditions:-

- (a) it is not formed by splitting up, or reconstruction of a business already in existence.
- (b) it is not formed by transfer to the new unit of plant or machinery previously used for any other purpose.
- (c) it has not relocated from elsewhere and/or is not an existing unit reopened under a new name and style.

5. Definitions

(a) ‘**Commencement of Commercial Production**’ means starting of manufacture of finished products on commercial scale which is preceded by trial production and installation of complete plant and machinery and on that day the plant must be ready in all respects for manufacture of finished products in commercial quantity and all raw materials, consumables, etc. required for manufacture are available and as per date of registration with Central Excise/Goods and Services Tax (GST) authorities.

(b) ‘**Effective steps**’ means one or more of the following steps:-

- (i) that 10% or more of the capital issued for the industrial unit has been paid up.
- (ii) that any part of the factory building has been constructed.
- (iii) that a firm order has been placed for any plant and machinery required for the industrial unit.

(c) ‘**Finished Goods**’ means the goods actually produced by an industrial unit and for which it is registered.

(d) ‘**Industrial Unit**’ means any industrial undertaking or eligible service sector unit, other than that run departmentally by Government, which is a registered business enterprise under Goods & Services Tax.

- (e) **‘Manufacturing Activity’** means “an activity which brings about a change in non-living physical object or article or thing (i) resulting in transformation of the object or article or thing into a new and distinct object or article or thing having a different name, character and use; or (ii) bringing into existence of a new and distinct object, article or thing with a different chemical composition or integral structure”.
- (f) **‘Eligible Service Sector Unit’** is an enterprise in the services sector that requires significant capital expenditure and has significant employment generation potential.
- (g) **‘New industrial unit’** means an industrial unit which registers itself on MHA portal on or after the first day of April, 2018 but not later than 31st day of March, 2020. Such units have to commence commercial production/operation within 18 months of registration.
- (h) **‘Existing Industrial unit’** means an industrial unit which commences commercial production/ operation before 01.04.2018.
- (i) **‘Substantial Expansion’** means increase by not less than 25% in the value of fixed capital investment in Plant & Machinery of an existing industrial unit for purpose of expansion of capacity / modernization.
- (j) **‘Physical Working Capital’** is defined to include all physical inventories owned, held or controlled by the factory as on the closing day of the accounting year such as the materials, fuels & lubricants, stores etc., that enter into products manufactured by the factory itself or supplied by the factory to other for processing. Physical working capital also includes the stock of materials, fuels & stores etc., purchased expressly for re-sale, semi-finished goods and work in progress on account of others and goods made by the factory which are ready for sale at the end of the accounting year. However, it does not include the stock of the materials, fuels, stores etc. supplied by others to the factory for processing. Finished goods processed by others from raw materials supplied by the factory and held by them are included and finished goods processed by the factory from raw materials supplied by others are excluded.
- (k) **‘Raw Material’** means any raw material actually required and used by an industrial unit in manufacturing of the finished goods for which it is requested.
- (l) **‘Working Capital’** is the sum total of the physical working capital as defined in Para (i) above and the cash deposits in hand and at bank and the net balance of amounts receivable over amounts payable at the end of the accounting year.
- Working capital, however, excludes unused overdraft facility, fixed deposits irrespective of duration, advances for acquisition of fixed assets, loans and advances by proprietors and partners irrespective of their purpose and duration, long term loans including interest thereon and investments.
- (m) **‘Plant and Machinery’** shall cover the cost of newly purchased industrial plant and machinery as erected at site. Relocated / Recycled / Refurbished plant and machinery is not eligible for assistance under the Scheme. The purchase of machinery should be from open market at normal market price. It will be ascertained whether the purchase has been made from a Related Party or without following an arms-length price discovery, before sanctioning the claim thereof.

6. The total incentives availed by an eligible industrial unit under the scheme should not exceed the total investment in plant and machinery, subject to a maximum limit of Rs. 200.00 crores per unit. The following incentives will be provided to eligible industrial units on reimbursement basis:

1. Central Capital Investment Incentive for access to credit (CCIIAC)
2. Central Interest Incentive (CII)
3. Central Comprehensive Insurance Incentive (CCII)
4. Goods and Services Tax (GST) Reimbursement
5. Income Tax (IT) Reimbursement
6. Transport Incentive (TI); and
7. Employment Incentive (EI)

6.1 Central Capital Investment Incentive for access to credit (CIIAC)

6.1(a) All eligible new industrial units and existing industrial units on their substantial expansion in the manufacturing and service sector located anywhere in the Lakshadweep and Andaman & Nicobar Islands will be provided Central Capital Investment Incentive for access to credit (CIIAC) @ 30% of the investment in plant and machinery with an upper limit of Rs.5.00 crore.

6.1(b) The project cost will need to be appraised by a Scheduled Commercial Bank or Financial Institution before the proposal of assistance is approved by the Empowered Committee of MHA . The specific absolute amount of total assistance shall be indicated in the government sanction.

6.1(c) The government does not commit itself to increase in the scale of assistance in case of cost escalation. In case the project is foreclosed or abandoned midway the entire assistance released by government will be refunded to MHA.

6.2 Central Interest Incentive (CII)

6.2(a) All eligible new industrial units and existing industrial units on their substantial expansion located anywhere in the Lakshadweep and Andaman & Nicobar Islands shall be given an interest incentive @3% on working capital credit advanced by the Scheduled Banks or Central/State financial institutions for first 5 years from the date of commencement of commercial production/ operation. The incentive will be so restricted as to ensure that subsidized interest rate is not below the Marginal Cost of funds based Lending Rates (MCLR) of the lending institution.

6.2(b) For the purpose of this Scheme, the working capital requirement of a unit shall be capped at @ 25 % of their annual turnover. Inventory norms may be applied, if necessary, after providing for aforesaid maximum level. In respect of such units for which norms have not been laid down/ are not applicable, the request of working capital should be considered favorably by the Empowered Committee so long as the working capital is not very much above such maximum level. Special norms can also be evolved for inventory and receivables.

6.3 Central Comprehensive Insurance Incentive (CII)

6.3(a) All eligible new industrial units and existing industrial units on their substantial expansion located anywhere in the Lakshadweep and Andaman & Nicobar Islands will be eligible for reimbursement of 100% insurance premium on insurance of building and Plant & Machinery for a maximum period of 5 years from the date of commencement of commercial production/ operation.

6.3(b) For the purpose of insurance incentive, Industrial Unit shall mean any industry which is included in Fire Policy 'C' as per All India Fire Tariffs. The policy shall be issued by the Insurance Company on market valuation to be declared by the proposer.

6.4 Goods and Services Tax (GST) Reimbursement

All eligible new industrial units and existing industrial units on their substantial expansion located anywhere in the Lakshadweep and Andaman & Nicobar Islands shall be eligible for reimbursement of Goods and Services Tax (GST) paid on finished products manufactured up to the extent of central share of the CGST and IGST for period of 5 years from the date of commencement of commercial production subject to the following condition:

GST reimbursement on finished goods is applicable only on the net GST paid, other than the amount of Tax paid by utilization of Input Tax credit under the Input Tax Credit Rules, 2017.

Accordingly, the amount of GST reimbursed* shall be a sum total of:

(a) 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 of the Central Goods and Services Act, 2017 after utilization of the Input tax credit of the Central Tax and Integrated Tax.

(b) 29% of the integrated tax paid through debit in 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 (a) & (b) above shall be reduced by the same percentage value of inputs procured under Composition scheme out of total value of inputs procured.

*Note: This percentage of reimbursement shall be changed as per the change in devolution of finances to the States by the Finance Commission.

6.5. Income Tax (IT) Reimbursement

The industrial unit set up under this scheme can claim reimbursement of central share of income tax for first 5 years, including the year of commencement of commercial production by the unit.

6.6. Transport Incentive (TI)

All eligible new industrial units and existing industrial units on their substantial expansion located anywhere in the Lakshadweep and Andaman & Nicobar Islands can avail incentive on Transportation of only finished goods through shipping, railways or the railway public sector undertaking, inland waterways or scheduled airlines for a period of 5 years from the date of commencement of commercial production / operation, subject to production of actual receipt. The terms and conditions of transport incentive through different modes are as follows:-

- (a) Up to 20% of the cost of transportation for finished goods for shipping from the port nearest to the location of the industrial unit to the mainland port directly, or via the main port of the island.
- (b) 20% of the cost of transportation including the incentive currently provided by railways or the Railway PSUs for movement of finished goods by rail from the railway station nearest to the mainland port to the railway station nearest to the location of the buyer.
- (c) 33% of the cost of transportation of Air Freight by scheduled airlines and non-scheduled operator permit (NSOP) holders approved by DGCA for perishable items / goods (as defined by IATA) from the airport nearest to the location of industrial unit to any airport within the country, nearest to the location of the buyer.

6.7. Employment Incentive (EI)

MHA shall be paying additional 3.67% of the employer's contribution to Employees' Provident Fund (EPF) in addition to Government bearing 8.33 % Employee Pension Scheme (EPS) contribution of the employer in the Pradhan Mantri Rojgar Protsahan Yojana (PMRPY).

6.8. The benefits shall be given on the basis of reimbursement.

7. Empowered Committee

7.1 There will be an Empowered Committee chaired by Secretary, Ministry of Home Affairs with representatives from DIPP, D/o Expenditure, NITI Aayog and Secretary of the concerned Ministries/Departments of Government of India dealing with the subject matter of that industry, the concerned Chief Secretary/ Secretary (Industry) of the UT Administration of the Lakshadweep Islands and Andaman & Nicobar Islands where the beneficiary unit claiming incentive is located, as members, for selection of beneficiaries under the scheme. While examining the proposals for incentive, due consideration will be given to factors like cost disadvantage, project viability, bankability, employment generation and promoters' risk capital. Preference will also be given to eligible industrial units under the Micro, Small and Medium Enterprises (MSME).

7.2 The final grant of registration/ in-principle approval will be decided by the Empowered Committee, which will, inter-alia, consider the prima-facie eligibility of the industrial unit, availability of budget and decide the eligibility for registration under the Scheme. No Industrial unit will have the right to register under LANIDS or claim the benefits unless it is specifically approved by the Central Government. No interest on account of delay in payment of incentive can be claimed by the unit. The beneficiary of this Scheme has to furnish an undertaking to abide by the terms and conditions of the Scheme

8. Online Registration

8.1 The Scheme requires that all eligible industrial units would have to register under the Scheme with Ministry of Home Affairs, Govt. of India, through the portal prior to being eligible for any benefit under this scheme. In this regard, an online application process shall be developed under which the applicants have to submit applications along with the DPR.

8.2 The MHA would separately issue detailed instructions for the use of online portal for LANIDS and registration of eligible units.

9. Commercial Production

9.1 The units should mandatorily start commercial production within 18 months of approval.

10. Nodal agency

10.1 The Islands Administration (A&N or Lakshadweep) will be the nodal agency for disbursement of incentives under various components of the Scheme. Islands Administration (A&N or Lakshadweep) will release incentive only through e-transfer to designated bank accounts of the eligible industrial units.

11. Process of Scrutiny of claims

11.1 Incentive claims under Capital Investment Incentive and Transport Incentive received in MHA will be pre-scrutinized by a recognized independent audit agency. Islands Administration (A&N or Lakshadweep) will conduct post-audit of 10% of claims released every time. The Chief Controller of Accounts of MHA will also conduct post-audit of 20% of incentive claims released in each financial year.

11.2 Government reserves the right to modify any part of the Scheme in public interest.

11.3 All concerned Ministries/Department of Government of India are required to amend their respective Acts/ Rules/ Notification etc. and issue necessary instructions for giving effect to these decisions.

12. Rights of the Centre/ UT Administration/ Financial Institutions

12.1 If the Central Government/ UT Administration/ Financial Institution concerned is satisfied that an industrial unit has obtained incentive(s) by misrepresenting an essential fact, furnishing of false information or if the unit goes out of commercial production/ operation within 5 years after commencement of commercial production/ operation, the Central Government/ Union Territories / Islands Administration (A&N or Lakshadweep) may ask the unit to refund the grant or incentive after giving an opportunity of being heard to the unit. The incentive(s) will be released through digital payment and Islands Administration (A&N or Lakshadweep) would collect all information required by the DBT Mission in respect of beneficiary industrial units. Islands Administration (A&N or Lakshadweep) may take an affidavit in this regard from authorized signatory of the beneficiary unit. An indemnity bond may also be signed between the industrial unit and Islands Administration (A&N or Lakshadweep) prior to disbursement of incentives, providing for undertaking on the part of the beneficiary unit to comply with all the requirement of the scheme.

12.2 Concealment of input supplies or routing of third party or non- Islands Administration (A&N or Lakshadweep) production for claims or malpractices of similar kinds will render the industrial unit liable for forfeiture of further claims and recovery of all previous subsidies with interest @ 15% per annum.

12.3 Without taking prior approval of MHA/State Government/Financial Institution concerned, no owner of an industrial unit after receiving a part or the whole of the incentive will be allowed to change the ownership of the whole or any part of industrial unit or effect any substantial contraction or dispose of a substantial part of its total fixed capital investment within a period of 5 years after its going into commercial production. The unit will also be required to keep MHA informed about change in location or contact information.

12.4 In respect of all units to whom the incentive is disbursed by Islands Administration (A&N or Lakshadweep), certificate of utilization of the incentive(s) in Form 12(C) of General Financial Rules, 2017 for the purpose for which it was given shall be furnished to the MHA by the financial institution/UT Administration concerned, within a period of three months from the date of receipt of the last installment/full amount.

12.5 After receiving the incentive(s), each industrial unit shall submit Annual Progress Report (APR) to the MHA/ UT Administration concerned, about its working for a period of 5 years after going into production.

13. Budgetary Head

13.1 The budget for the scheme should be made available and administered by Ministry of Home Affairs under the Demands for Grants of the respective Union Territory.

14. This issues with approval of Hon'ble Commerce and Industry Minister.

RAJIV AGGARWAL, Jt. Secy.

Annexure – I**Negative List:**

The following industries will not be eligible for benefits under LANIDS, 2018.

- (i) All goods falling under Chapter 24 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) which pertains to tobacco and manufactured tobacco substitutes.
- (ii) Pan Masala as covered under Chapter 21 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986).
- (iii) Plastic carry bags of less than 20 micron as specified by Ministry of Environment and Forests Notification No. S.O. 705 (E) dated 02.09.1999 and S.O. 698 (E) dated 17.6.2003.
- (iv) Goods falling under Chapter 27 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) produced by Petroleum or Gas refineries.
- (v) Plantation, Refineries and Power generating Units above 10 MW.
- (vi) Coke (including Calcined Petroleum Coke), Fly Ash, Cement, Steel Rolling Mills.
- (vii) Units not complying with environment standards or not having applicable Environmental Clearance from M/o Environment & Forests and Climate Change or State Environmental Impact Assessments Authority (SEIAA) or not having requisite consent to establish and operate from the concerned Central Pollution Control Board/State Pollution Control Board also will not be eligible for incentive under the scheme.
- (viii) Low value addition activities like preservation during storage, cleaning, operations, packing, repacking or re-labelling, sorting, alteration of retail sale price etc. take place excluding high value packaging and processing.
- (ix) Any other industry/activity placed in negative list through a separate notification as and when considered necessary by the Government. It will be effective from the date of such notification.
- (x) Gold and gold dore.

Annexure-II**A. Components to be included for computing the value of Plant and Machinery under CCIAC in the manufacturing sector:**

- (i) Cost of Industrial Plant & Machinery including taxes and duties i.e. cost of mother production equipment used for carrying out manufacturing activities.
- (ii) Cost of Productive equipment such as tools, jigs, dyes and moulds, insurance premium etc. including taxes and duties.
- (iii) Electrical components necessary for plant operation on the plant side from where meter is installed up to the point where finished goods is to be produced/ dispatched (i.e. H.T. Motors, L.T. Motors, Switch Boards, Panels, Capacitors, Relay, Circuit Breakers, Panel Boards, Switchgears).
- (iv) Freight charges paid for bringing Plant & Machinery and equipment from the supplier's premises to the location of the unit.
- (v) Transit Insurance premium paid.
- (vi) The amount invested in goods carriers to the extent they are actually utilized for transport of raw materials and marketing of the finished products.

B. Components which will not be considered for computing the value of Plant & Machinery under CCIAC in the manufacturing sector:

- (i) Loading and unloading charges
- (ii) Sheds/ buildings for Plant & Machinery
- (iii) Miscellaneous fixed assets such as DG sets, Excavation/ Mining equipments, handling equipments, electrical components other than those mentioned at A (iii) above.

- (iv) Working Capital including Raw Material and other consumable stores.
- (v) Commissioning cost
- (vi) Captive Power Plants
- (vii) Storage equipments
- (viii) Weigh bridge, Laboratory testing equipment.

C. Admissibility of erection and installation charges in the manufacturing sector

Erection and installation charges will be payable on actual basis and will be restricted to the cost indicated in the Appraisal Note of the Financial Institutions which provided loan to the industrial unit.