

## Comparative analysis with other states on government Assistance

### Introduction

Since 11<sup>th</sup> Five Year plan Food Processing Sector has been given major thrust throughout the country. Some of the state governments have also designed policy to attract food processing units in the state. Considering the present investment scenario, following states have been chosen for comparative analysis with respect to West Bengal.

- Andhra Pradesh
- Gujarat
- Haryana
- Maharashtra
- Tamil Nadu
- Uttar Pradesh

### Land

Gujarat, Haryana & Uttar Pradesh has specific incentive policies on land like:

#### West Bengal:

- Agro Food Processing Industries may be exempted from payment of Conversion Fee when they purchase agricultural lands for establishing FPI industry/Food Park for a maximum of 100 acres of land in each case.

#### Gujarat:

- The State Government intends to provide Government land including agriculture farms on long lease basis at reasonable rates.

#### Haryana:

- Change of Land Use (CLU) charges for food processing units would be levied @ 50% of normal rates in respect of units established in the areas of intermediate & backward development category Blocks,
- Agro-based/ food processing units/ enterprises established in the areas of intermediate & backward development category Blocks will be entitled to 50% concession in the stamp duty in respect of the land purchased or taken on lease for the said purpose.

#### Uttar Pradesh:

- 100% discount in Stamp Duty Fee, on purchase of land, taking land on lease or in case of acquisition of land, shall be made available to all new units established in identified districts of Purvanchal and Bundelkhand, and expanding units.
- 75% rebate on stamp duty shall be provided to all new units and units under expansion on purchase of land, taking land on lease or in case of acquisition of land in all districts except the identified districts of Purvanchal and Bundelkhand regions.

- A rebate of 25% shall be given to developer of Mega Food Park, in case of purchase of Land. 100% exemption from stamp-fee shall be admissible in the identified districts of Poorvanchal & Bundelkhand for purchase of land, land to be taken on lease or land acquisition establishment of Mega Food Parks by private sector. Other than identified districts of Poorvanchal & Bundelkhand, a rebate of 75% in stamp fee in remaining districts shall be admissible in case of Mega Food Park to be set up by the private sector.

## Power

Andhra Pradesh, Haryana, Tamil Nadu & Uttar Pradesh has specific incentive policy on power usages under food processing sector.

### West Bengal:

- 100% exemption from payment of Electricity Duty may be given for 5 years for the units set up in the remote areas.

### Andhra Pradesh

- Standalone SME cold storages for agro processing will be provided power tariff subsidy of 30%, 20% and 10% in the first, second and third year of commercial operation.

### Haryana:

- New industrial units established within the State of Haryana would be exempt from payment of Electricity Duty for a period of 5 years

### Tamil Nadu:

- To extend 25% cost of external infrastructure for power, water, approach roads and other infrastructures limited to Rs2.00 Crores.
- Fixed power cost reimbursement @ Rs.1.00 per unit (upper ceiling) on the proposed revised rates (2010-11) for 5 years. In case, decrease in Power Tariff, the reimbursement will be reduced proportionately.

### Uttar Pradesh:

- New food-processing units shall be exempted from electricity duty for 10 years

## Various Taxes

Andhra Pradesh, Maharashtra, Tamil Nadu & Uttar Pradesh has specific incentive policy on various taxes for food processing sector.

**Andhra Pradesh:**

- To provide VAT / State Goods & Services Tax Reimbursement for Mega Food Parks during the construction period for a period of 2 years limited to a maximum Rs.2.00 Crores

**Maharashtra:**

- The subsidy to new units and expansions under PSI, 2007 is based on reimbursement of 50% instead of 25% of the net VAT paid, subject to financial ceilings and for periods which differ depending on the location and investment levels; In addition, in order to promote value addition by processing within the State in the case of produce grown locally but which may otherwise be processed outside Maharashtra, the Government will reimburse the net amount of VAT paid by local processors.

**Tamil Nadu:**

- 100% exemption from payment of Electricity Tax would be provided for all new agro-processing units for a period of 5 years from the date of commercial production.

**Uttar Pradesh:**

- There is no entry tax liability in import of plant and machinery & spare parts in the local area in the state, which shall be made available to the entrepreneurs.
- The rates of vat on raw material used by food processing units in the state shall be kept at par as in neighboring states specially Delhi, Haryana, Punjab, Rajasthan, Uttarkhand and Bihar.
- The rates on processed food products/value added products in the state shall be kept at par as in neighboring states specially Delhi, Haryana, Punjab, Rajasthan, Uttarkhand and Bihar.
- All New units shall be allowed direct purchase of Agriculture and Horticulture produce for processing and rebate in Mandi Tax and Development cess for five years.
- New units making investment of Rs. 5.00 cr. or more plant and machinery shall be allowed direct purchase of Agriculture and Horticulture produce for processing and rebate in Mandi Tax and Development cess for ten years.
- All fresh and processed product exporting units shall be allowed direct purchase of Agriculture and Horticulture produce for processing and rebate in Mandi Tax and Development cess for 15 years.

**Incentive on Investment**

Gujarat, Haryana, Maharashtra, Tamil Nadu & Uttar Pradesh has specific incentive policy on investment towards food processing sector in the respective states.

**Gujarat:**

- 6% per annum back ended interest subsidy for first 5 years, from commencement of operations

**Haryana:**

- Interest Free Loan at the rate of 75% of the tax paid on the sale of goods produced in such industrial units would be given under the Haryana Value Added Tax Act 2003 for a period of 5 years from the date of start of commercial production. This would be repayable after a period of 5 years.
- No market fee would be charged on the vegetables and fruits grown in the State, whether under the contract farming arrangement or otherwise, and consumed as raw material by the food processing industry located within the State of Haryana; 3) No market fee would be charged on agriculture and horticulture produce used as raw material by Food Processing Industries within the State except wheat, paddy, oil-seeds, guar, sunflower seed, till, toria, taramira and cotton.

**Maharashtra:**

- Interest Subsidy: 5% interest subsidy on term loans for fixed capital investment for 5 years;

**Tamil Nadu:**

- Incentives will be provided for creation of agro-processing infrastructure such as terminal markets, specialized commodity markets, transport, cold chain, warehousing, abattoirs, R&D units and food parks.

**Uttar Pradesh:**

- For the entrepreneurs where accumulated investment is Rs. 1.00 cr. or more, facility of providing Interest Free Loan the purpose of working capital shall be considered by the state Govt.

**Others**

Gujarat, Maharashtra, Tamil Nadu & Uttar Pradesh have specific incentive policy to attract investment in the food processing sector.

**West Bengal:**

- Agro Food Processing Industries will be declared as "Seasonal Industry" for the purpose of Labour Acts. These industries will also be exempted from payment of minimum demand charges of the WBSEB during closure period of more than 90 days at a time.
- Agro Food Processing Industries purchasing fruits and vegetables directly from the farmers on partnership farming basis will be exempted from payment of Market Fee/Cess under the APMC Act.

**Gujarat:**

- Preparation of project report: The State Government will reimburse 50% cost of preparation of the project report to set up new agro industrial units subject to ceiling of Rs.5.00 lacs; The State Government will assist in preparing pre-feasibility studies through Gujarat Infrastructure Development Board.

**Maharashtra:**

- In order to support other units from Maharashtra to market their products within the country, the State Government will reimburse 50% of the space rent, etc., with a ceiling of Rs. 1 lakh per year, to small-scale agro-industrial units national/international exhibitions in India identified by the Directorate of Industries in consultation with participating organizations such as ITPO.

**Tamil Nadu:**

- SMEs involved in Agro and Food Processing will be provided support for getting HACCP and other international safety related certification for export purposes of at 50% of the cost incurred for obtaining quality certification mark from a certifying agency recognised by State Government/ Central Government, subject to ceiling of Rs. 5.00 lacs.

**Uttar Pradesh:**

- State government shall provide 25% additional help, as grant for internationally acceptable Quality/Environmental Certification, such as ISO: 22000, HACCP, Sanitary/Phyosanitary Certification fees & testing charges.

To boost up the Food processing Industry in the state, there is a scope for introduction of incentive policy on:

- Stamp duty in case of conversion of land and establishment of new units in specific areas
- Incentives for investment specially in the backward region of the state.