

GOVERNMENT OF KARNATAKA

No.FD 29 CET 2006(2)

Karnataka Government Secretariat,
Vidhana Soudha,
Bangalore, dated 17th January, 2007.

NOTIFICATION

In exercise of the powers conferred by sub-section (1) of Section 5 of the Karnataka Special Tax on Entry of Certain Goods Act, 2004 (Karnataka Act 29 of 2004), the Government of Karnataka, being of the opinion that it is necessary in the public interest so to do, hereby exempts the tax payable under the said Act, -

(i) on the entry of any notified goods for use as plant and machinery and capital goods directly involved in the production or processing of goods and including those equipments brought for the purpose of establishing captive power generation plant, into a local area caused by an importer who is a new industrial unit located in Zone-1 or Zone-2 areas as specified in the Government Order No.CI 319 SPI 2005, dated 26th August, 2006, for a maximum period of three years from the date of commencement of the project implementation or till the completion of the project implementation, whichever is earlier; and

(ii) on the entry of any notified goods for use as raw materials, inputs, component parts and consumables (excluding petroleum products, that is to say, crude oil, petrol, diesel, super light diesel oil, bitumen (asphalt), tar, furnace oil, break fluid or clutch fluid, transformer oil, coolants, white oil, hexane, lubricating oil, petroleum jelly, naphtha and LSHS used as consumables or for captive power generation units) into a local area caused by an importer who is a new industrial unit located in Zone-1 or Zone-2 area as specified in the Government Order No. CI 319 SPI 2005

2

dated 26th August, 2006, for a period of five years from the date of commencement of commercial production of such unit.

1. **Explanation** - For the purpose of this Notification:

- (a) "Capital goods" means plant, including cold storage and similar plant, machinery, equipments, moulds, tools and jigs.
- (b) A "New Industrial Unit" means a unit which has made new investments on fixed assets and includes additional investment made by a new entrepreneur who has taken over an industrial unit or assets and made additional investment on creation of new assets under the new unit or expansion programme.

NOTE: (1) This Notification is applicable to investments made in new industrial units on or after 1st April, 2006 and on or before 31st March, 2011.

(2) This Notification shall not apply to:-

- (a) such of those industrial units which have already been granted a Package of Incentive and Concessions as per the previous policies;
- (b) tiny or small or medium or large scale industrial units from the date on which its registration with Director of Industries and Commerce is cancelled;
- (c) the ineligible industries as listed in Annexure-D to the Government Order No.CI 319 SPI 2005, dated 26th August, 2006, irrespective of their location;

- 3
- (d) industrial units which is or whose assets taken over by another entrepreneur except in the circumstances specified in clause (b) of Explanation above.
 - (e) a new industrial unit which does not provide minimum 80 per cent employment to the local people on an overall basis (100 per cent employment to the local people in case of group C and D categories).
 - (f) the units which have been sanctioned the benefit of incentives and concessions of investments as per the previous policies.

2. Procedure.- An industrial unit claiming tax exemption under this Notification shall produce the following documents at the time of filing first monthly or quarterly returns under the Karnataka Special Tax on Entry of Certain Goods Rules, 2004:

(a) In the case of new tiny/small/medium/large scale unit/mega industry, a certificate in original issued by the Director of Industries and Commerce or his authorized nominee, certifying:-

- (i) that it is a unit registered as such;
- (ii) the value of fixed assets in terms of land, building and plant and machinery and such other productive assets like tools, jigs and fixtures, dyes, utilities like boilers, compressors, diesel generating sets, cranes, material handling equipments and such other equipments which are directly related to production purposes on the date of commencement of commercial production;
- (iii) no part of its fixed assets other than land and building is old/used/second-hand, with the exception of those imported from outside the country;
- (iv) the date on which the investment in fixed assets has taken place;

- 4
- (v) the dates of commencement and completion of project implementation of the unit;
 - (v) the date of commencement of its commercial production;
 - (vi) that it is eligible for exemption from payment of special entry tax as per the Government Order; and
 - (viii) the category under which the unit is eligible for tax exemption

(b) In case of an unit in which additional investment is made after taken over by a new entrepreneur in creation of new assets under the new unit / expansion programme of the old unit, a certificate in original issued by the Director or Industries and Commerce or his authorized nominee, certifying:-

- (i) the quantum of investment in fixed assets made for creating new assets under a new unit or expansion programme of the old unit;
- (i) that the investment in creating new assets under the new unit or expansion programme of the old unit has been made or after First April, 2006 and that it is eligible for special entry tax exemption under the Government Order.

(c) In each of the subsequent years for which tax exemption is claimed under this notification, the unit shall produce the following at the time of filing first monthly or quarterly return during each of succeeding year of assessment.

- (i) in the case of new tiny/small/medium/large scale unit/mega industries, a certificate from the Director of Industries and Commerce or his authorized nominee

5

certifying that the registration was valid throughout the year and that the investment during the year in the fixed assets did not exceed the limits specified in the Government Order;

- (ii) in the case of an unit undertaking creation of new assets under a new unit or expansion of the old unit after taken over by a new entrepreneur, a certificate from the Director of Industries and Commerce or his authorized nominee, certifying that the registration was valid throughout the year.

By Order and in the name of the
Governor of Karnataka,

U.N. Nagendra
(U.N. NAGENDRA)

Desk Officer,
Finance Department (C.T.1).

17-1

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