

New Industrial Development Scheme for Jammu & Kashmir

February 1, 2021

In news: Recently, the Union Cabinet approved New Industrial Development Scheme for Jammu & Kashmir(J&K IDS, 2021)

A brief note on the scheme

- The Cabinet Committee on Economic Affairs chaired by Prime Minister approved the proposal of Department for Promotion of Industry and Internal Trade for Central Sector Scheme for Industrial Development of Jammu & Kashmir
- The scheme is approved with a total outlay of Rs. 28,400 crore upto the year 2037.
- Government of India has formulated the scheme as Central Sector Scheme for the development of Industries in the UT of Jammu & Kashmir.
- **Purpose of the scheme:** The main purpose of the scheme is to generate employment which directly leads to the socio economic development of the area.
- The scheme is being implemented with the vision that industry and service led development of J&K needs to be given a fresh thrust with emphasis on job creation, skill development and sustainable development by attracting new investment and nurturing the existing ones.

Incentives under the scheme

The following incentives would be available under the scheme:

1. **Capital Investment Incentive** at the rate of 30% in Zone A and 50% in Zone B on investment made in Plant & Machinery (in manufacturing) or construction of building and other durable physical assets(in service sector) is

available. Units with an investment upto Rs. 50 crore will be eligible to avail this incentive. Maximum limit of incentive is Rs 5 crore and Rs 7.5 crore in Zone A & Zone B respectively

2. **Capital Interest subvention:** At the annual rate of 6% for maximum 7 years on loan amount up to Rs. 500 crore for investment in plant and machinery (in manufacturing) or construction of building and all other durable physical assets(in service sector).
3. **GST Linked Incentive:** 300% of the eligible value of actual investment made in plant and machinery (in manufacturing) or construction in building and all other durable physical assets(in service sector) for 10 years. The amount of incentive in a financial year will not exceed one-tenth of the total eligible amount of incentive.
4. **Working Capital Interest Incentive:** All existing units at the annual rate of 5% for maximum 5 years. Maximum limit of incentive is Rs 1 crore.

Key Features of the Scheme:

- Scheme is made **attractive for both smaller and larger units**. Smaller units with an investment in plant & machinery upto Rs. 50 crore will get a capital incentive upto Rs. 7.5 crore and get capital interest subvention at the rate of 6% for maximum 7 years
- **The scheme aims to take industrial development to the block level in UT of J&K**, which is first time in any Industrial Incentive Scheme of the Government of India and attempts for a more sustained and balanced industrial growth in the entire UT
- **Scheme has been simplified on the lines of ease of doing business** by bringing one major incentive- GST Linked Incentive- that will ensure less compliance burden without compromising on transparency.
- Scheme envisages greater role of the UT of J&K in

registration and implementation of the scheme while having proper checks and balances by having an independent audit agency before the claims are approved

- **It is not a reimbursement or refund of GST but gross GST is used to measure eligibility for industrial incentive** to offset the disadvantages that the UT of J&K face
- Earlier schemes though offered a plethora of incentives. However, the overall financial outflow was much lesser than the new scheme.

Major Impact and employment generation potential:

- Scheme is to **bring about radical transformation in the existing industrial ecosystem of J&K with emphasis on job creation, skill development** and sustainable development by attracting new investment and nurturing the existing ones, thereby enabling J&K to compete nationally with other leading industrially developed States/UTs of the country.
- **It is anticipated that the proposed scheme is likely to attract unprecedented investment and give direct and indirect employment to about 4.5 lakh persons.**
- Additionally, because of the working capital interest subvention the scheme is likely to give indirect support to about 35,000 persons.