

Uttarakhand units restive over future of tax sops

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As the countdown for the expiry of the special industrial package 2003 for Uttarakhand began, nearly 2,400 industrial units, mostly small and medium enterprises (SMEs), are becoming increasingly restive due to a lack of clarity on a host of issues.

Most of these industries had set up new units reaping the benefit of the area-based exemptions in the hill state.

Some 150-200 new units are expected to come on stream before March 31 this year, when the special industrial package expires. Will they be able to start production before the deadline? This is the million-dollar issue worrying them. What will happen if they don't? Will there be any grace period?

The customs and central excise department has already set the alarm bells ringing with a warning that all the industries must file their declarations before the expiry of the deadline, or otherwise they will not be entitled to the benefits.

The Industries Association of Uttarakhand (IAU) has prepared a 24-point agenda detailing the concerns of the new units in the state, says its president, Pankaj Gupta.

The big worry facing the pharma sector is that formulations change every three to four years. In case a pharma unit adds a new formulation, which

is a very likely scenario, will it continue to get the tax benefits?

"Yes, this is a big question, which we are raising now. In case our demand is not accepted, the death-knell for the pharma industry is certain in our state," said Pramod Kalani, president of the Drug Manufacturers Association of Uttarakhand (DMAU).

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One issue is that if a manufacturing unit starts production with one product on or be-

fore March 31 this year, and if other new products are added later, would the benefit of exemption in respect of such goods also be available for a reduced period within the overall time limit of 10 years?

Another worrisome issue for industries is whether a new unit can change the technology in case it becomes obsolete over a period of time.

When contacted, Manmohan Singh, Commissioner Customs and Central Excise (Meerut) said the department would take up all these issues with the Central Board of Customs and Excise. "I think there should be a clarification from the Board for the healthy growth of industry," Singh said.

Meanwhile, IAU officials will soon meet the customs and central excise officials at Meerut to discuss all these issues.