



INDIAN INDUSTRIES ASSOCIATION

AN APEX BODY OF MICRO, SMALL & MEDIUM ENTERPRISES
(IN THE SERVICE OF MSME SINCE 1985)

CEC Members /IIA members,

Dear All,

Based on the discussions held in CEC meetings, feedback received from individual CEC Members / IIA Chapters / IIA Members , the study of Industrial Policies of other states and the draft Industrial Policy 2012 brought out by Govt of U.P , We have compiled the additional proposals to be submitted to Govt of U.P – 2nd revision as attached herewith. These proposals do not include the IIA proposals which has been incorporated in the draft policy and attached herewith for ready reference.

These proposals are being transmitted to you to have a quick & final look and give your comments if any before we submit these to the Govt of U.P by 8th June 2012 .

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IIA's Recommendations which have been incorporated & accepted in the Draft Industrial Policy 2012 Of Uttar Pradesh

Chapter-3

IIA's Recommendations accepted

- Un-interrupted Power Supply to industries.
- Legal status to purchase policy and 30% reservation for purchase from MSME's in the State. Provisions of security money relaxation, purchase & price preference to be published in the tender documents itself.
- Conversion of lease hold industrial plots to free hold.

Chapter-4

IIA's Recommendations accepted

- Rationalization and simplification of VAT rates to equate these with neighboring states.
- Exemption from land Transfer and Land use change charges.
- Incentives for setting up MSME in backward areas.

Chapter-5

IIA's Recommendations accepted

- Proper implementation of Single Table System / Nivesh Miltra.
- Simplification of Labor Law procedures for MSMES.
- Simplification of the process and procedure for approval of industrial building maps.
- State level Udyog Bandhu Meetings to be chaired by Chief Minister once in 3 months.

Chapter-7

IIA's recommendations(s) accepted.

- Separate policy for MSME Sector.

Chapter-11

IIA's recommendations(s) accepted.

- Implementation of effective rehabilitation policy for sick MSME's.
- Effective Exit policy for un-viable MSME's.

Chapter-12

IIA's recommendations(s) accepted.

- Udyog Bandhu at all levels should be made effective.

IIA's Recommendations / proposals on the Draft Industrial Policy 2012 Of Uttar Pradesh

Additional Points proposed

Chapter- 1

- For all Handicraft clusters / MSME clusters in the state, Designing facilities, testing & Inspection facilities as per international requirements, adequate training facilities, , well connected / developed roads, Container movement facility, Nearest ICD facility, Air freight subsidy for exports moving out from Delhi, common facility centers etc. should be developed / created.
- For MSMEs, Modernisation & technology development fund should be created and loans should be granted at easy terms and subsidised interest rates
- Government Orders for such procedures /terms and conditions to provide the facilities/ concessions stated in the policy by concerned departments should be issued together with the policy announcement so that the Policy statement is a comprehensive code

Chapter- 2

Development of MSMEs

State shall ensure that the energies and efforts of Micro Small and Medium Sector entrepreneurs – with limited financial, intellectual and human resources - are optimally utilized.

Minimum period of NOCs, consents and licenses granted to Micro and Small enterprises will be five years and that for Medium enterprises will be three years. Mode of application and grant will be made internet based to reduce human intervention to minimal and time bound.

For any delays grant of any NOC, Consent or license, the concerned official will be answerable.

Special Promotional Packages for Industries

For this Micro, Small & Medium sector enterprises will be supported and strengthened by provision of inputs to enhance their viability and competitiveness. Ceiling level of subsidy under Technical Up-gradation scheme for MSMEs will be raised to more realistic levels in tune with ongoing industry requirements and inflation to encourage

MSME sector to aggressively up-grade and modernize its manufacturing facilities and compete with the best in their field. MSM Enterprises who availed the subsidy at least three years earlier will be entitled to re-avail the facility for further up gradation.

Appropriate tax system for Industrial Development

For this no taxes from industries such as House Tax, transfer charges or stamp duty on transfer of industrial property should be charged on the basis of D.M. Circle rates. Instead it should be based only on "Original Lease premium Paid Basis"

Commercial Tax (VAT) rate structure should be in tune with the tax structure of not just neighboring states but such states also which have strong influence on procurement / import pattern to mitigate the injury to the industry as well as avoid loss of revenue to state.

Chapter-3

Infrastructure facilities

- Private developers will be encouraged to set up Industrial Areas/ parks / clusters and shall be allotted Government land and provided help /assistance in acquisition of land if they desire so on the same terms and conditions as are being provided to UPSIDC. If the private developer uses his own land / purchase it from the others, the land use conversion from agriculture to industrial will be automatic by paying the requisite fee. The state Government shall facilitate setting up of such areas / parks / clusters by providing road, water supply, and power transmission lines (up to such areas) .
- Common Facility Centers (CFCs) set up by MSME Associations / SPVs for MSMEs shall be entitled for allotment of land on free of cost basis at locations to be identified jointly by the Government and MSME Associations in the state.
- Research, development , and testing laboratories set up for MSMEs by MSME Associations will be given land at 50% of the prevailing rates in the industrial areas and will be provided support for part of the capital cost incurred on establishment of such laboratories, subject to a limit of Rs 2.00 crore, provided that the association is not availing the support from Central Govt. schemes and such laboratories obtain accreditation from a national level Accreditation Board / Authority.
- Multi storied flatted estates will be developed by the Government of U.P / UPSIDC/through Private Developers exclusively for Micro Enterprises within / around all major cities in Uttar Pradesh . Private developers will be provided land at concessional rates apart from all statutory clearances / facilities on priority for developing such flatted estates for Micro Enterprises.
- Min. 30% plots / area in all industrial estates, industrial parks, industrial corridors and land banks to be developed / identified in the state shall be

reserved for MSMEs out of which min. 15% will essentially be for MSEs. Further preference will be given to the local entrepreneurs while allotting the land earmarked for MSME sector.

- Industrial Areas should be maintained properly in order to provide facilities at par with International Standards.

Purchase & Price Preference for MSMEs

- Purchase & Price Preference Policy of the State should be issued in terms of section 11 of the MSMED Act 2006 (reproduced below for ready reference) in order to give it a statutory status.
(Section- 11 -For facilitating promotion and development of micro and small enterprises, the Central Government or the State Government may, by order notify from time to time, preference policies in respect of procurement of goods and services, produced and provided by micro and small enterprises, by its Ministries or departments, as the case may be, or its aided institutions and public sector enterprises.)
IIA Therefore propose that as provided in the Policies of other states e.g Rajasthan etc, Purchase & Price Preference Policy of U.P should also include the following:
 - a. Even in cases where prices quoted against a tender by the small and micro enterprises located in U.P are not found competitive as per applicable rules and the price of a tendering enterprise(s) from outside the state or from Large or Medium or from any other source, is adjudged lowest, the requirement of 60% of stores/services, as mentioned in the tender, shall be obtained from the micro or small enterprise(s) located in the state.
 - b. Tender form shall be made available free of charge for MSEs having MSME Entrepreneur Memorandum Number .
 - c. Earnest money shall be exempted for MSEs having MSME Entrepreneur Memorandum Number .
 - d. Security deposit will be exempted to the extent financial limit mentioned in EM Acknowledgement / NSIC registration.
 - e. All State PSUs/Autonomous Bodies will exclude the element of VAT from the rates quoted by Micro/Small enterprises of Uttar Pradesh and will include the element of Central Sales Tax in the rates of firms outside Uttar Pradesh.
 - f. Tender documents will not contain any condition of turn over / production capacity and any preference for suppliers which debar MSMEs to participate in the tender. .
- All tender documents should contain payment clause so as to include provision of MSMED Act 2006. The relevant sections of the MSMED Act 2006 are reproduced below for ready reference:

(Section-15- Where any supplier supplies any goods or renders any services to any buyer, the buyer shall make payment therefore on or before the date agreed upon between him and the supplier in writing or, where there is no agreement in this behalf, before the appointed day: Provided that in no case the period agreed upon between the supplier and the buyer in writing shall exceed forty-five days from the day of acceptance or the day of deemed acceptance.

Section-16-Where any buyer fails to make payment of the amount to the supplier, as required under section 15, the buyer shall, notwithstanding anything contained in any agreement between the buyer and the supplier or in any law for the time being in force, be liable to pay compound interest with monthly rests to the supplier on that amount from the appointed day or, as the case may be, from the date immediately following the date agreed upon, at three times of the bank rate notified by the Reserve Bank.)

Market development support / infrastructure for MSMEs

- For Market Development & promotion of MSMEs:
 - a. 50% reimbursement of Expenses incurred on Hall Rent / space rent & hanger construction for exhibitions organized by MSME Association. (As applicable in Tamil Nadu Policy)
 - b. 50% reimbursement of the hall rent (With a ceiling of Rs 5 Lakhs per exhibition) for participation in exhibitions in other states by MSME Associations of Uttar Pradesh. (As applicable in Tamil Nadu Policy)
 - c. For participation in International Trade fairs, Govt. of U.P will defray 50% of the cost of rent, literature and display material incurred by MSMEs.
 - d. For participation in National and International Trade Fairs more than one MSME should be allowed to share one stall and 50% of the stall charges payable by the MSME should be allowed to be shared by them.
 - e. Setting up virtual and physical exhibition centers at state & district levels. Common branding and promotion of MSME products are also to be encouraged.
 - f. Permanent exhibition centers / display centers for MSMEs shall be set up in consultation with MSME associations at important locations in the state. Operation of such Centers should be in association of Industry Associations in a PPP mode. Based on the massive resource of traditional industry in Uttar Pradesh, a permanent Display-cum exhibition center on the pattern of Delhi Haat may be set up at a suitable location in Noida /Ghaziabad where artisans, weavers, handicraft manufacturers and traditional processed food from all over U.P could be displayed and sold.

Industrial Safety

- Allotment of Land will be made for setting up Common Facility Center, amphitheater / auditorium, entertainment clubs / commercial centers in the Industrial Areas /estates.

A subsidy of 50 per cent of cost of common facilities/ amphitheater / auditorium recommended by the industrial associations in respective industrial areas of UPSIDC, subject to a maximum of Rs.5 crore per industrial area will be provided. Land will also be allotted for this purpose in respective industrial areas.

- The Free Hold Premium will be charged on the same model as adopted and followed by Urban development authorities for converting lease hold plots in to free hold plots.

Chapter-4

Flow of credit to MSMEs

- In order to ensure smooth flow of Credit to MSMEs in U.P, Govt will take following steps:
 - a. A suitable mechanism shall be devised in the Government for monitoring the flow of Credit to MSME sector.
 - b. Existing institutional set up shall be utilized effectively.
 - c. A credit Monitoring Group shall be constituted to monitor & facilitate the flow of institutional credit to MSMEs.
 - d. Commercial Banks and Financial Institutions shall be encouraged to set up dedicated branches for MSMEs in the industrial hubs of the state. Infrastructure facilities including land for such branches shall be provided on priority basis at concessional industrial rates.
 - e. Various schemes and programmes launched by Govt. of India and Govt. of U.P for enhancing flow of credit to MSMEs shall be effectively implemented with active assistance of Banks and Financial institutions.
 - f. The UPFC will revive its operations and resume lending to MSMEs so as to substantially improve the flow of credit to MSME sector.
 - g. The MSMEs shall be encouraged to increasingly adopt Credit rating by reputed agencies. A specific scheme to reimburse/subsidise the rating fees shall be launched by the Govt.

Incentives for setting up new MSME Units & substantial expansion of the facility

- Following incentives will be provided to MSMEs for setting up New Units / for substantial expansion of the existing facilities in the form of VAT Exemptions:
 - a. New Micro: 7 years subject to max 200% of fixed capital investment
 - b. New Small: 7 years subject to max 150% of fixed capital investment
 - c. New Medium: 7 years subject to max 100% of fixed capital investment
 - d. Substantial Expansion Micro: 7years subject to 150% additional fixed capital
 - e. Substantial Expansion Small: 7years subject to 100% additional fixed capital
 - f. Substantial Expansion Medium: 7years subject to 90% additional fixed capital

- 100% exemption of electricity duty / tax for Micro & Small Enterprises for the initial period of five years in Purvanchal & Bundelkhand and 3 years in all other districts.
- The facility of 5% interest subsidy to new MSEs for 5 years subject to maximum of Rs 2.5 lakhs will continue.

Stamp duty concessions

- Stamp charges slated in draft Industrial policy clause 4.2.4 to 4.2.8 of the Draft Infrastructure, Industrial and Service Sector Investment Policy 2012 should be Rs 100 only because all these activities are related to industrial development.

Concessions and simplification of processes related to Commercial tax Department

- Micro and Small industries will be completely exempted from payment of entry tax throughout the state of U.P.
- Micro and Small industries will be permitted to avail entire Input Tax Credit on capital goods in one single instalment in the year of purchase itself instead of three instalments commencing from year successive to the year of purchase.
- List of Sensitive goods will be restored to original state as on 4th Feb 2010 containing 5 commodities instead of 21 commodity groups and enabling all the class of tax payers except those dealing in sensitive items to file only four quarterly VAT returns in a year instead of 12 monthly VAT returns as provided in rule 45 (1) (b) of The Uttar Pradesh Value Added Tax (Second Amendment) Rules.
- Form – 38 will be withdrawn and abolished
- Commercial Tax (VAT) rate structure will be in tune with the tax structure of not just neighboring states but such states also which have strong influence on procurement / import pattern to mitigate the injury to the industry as well as avoid loss of revenue to state.
- (VAT act is required to be redrafted in order to make it user friendly in consultation with stake holders)
- The provisions of self tax assessment of the businessmen shall be strengthened and strictly followed. In this respect, discretionary powers vested in the range officers will be curtailed by –
 - i) Deleting Section 28(1)(b) (iii) of U.P. VAT ACT to desist the range officers from indiscriminately resorting to provisional assessments under Section 25 of U.P. VAT ACT to trigger provisions in section 28(1)(b) (iii), thereby excluding the dealer from self assessment provisions under section 27 of U.P. VAT ACT.
 - ii) Strictly Enforcing Rule 45(13) of The Uttar Pradesh Value Added Tax (Third Amendment) Rules, 2011. So that range officers get the discrepancies and errors removed / corrected in annual returns filed

by dealers instead of resorting to provisions in section 25 of U.P. VAT ACT for excluding them from self assessment provisions under section 27 of U.P. VAT ACT.

- iii) Amending The provisions in Para 2(1)(ii) of chapter 5 Tax (VAT) Audit Manual and reducing the number of scrutiny cases to be taken up to 10% instead of 20%, to avoid harassment of the registered dealer at the hands of assessing officers at range as well as audit level.

Change of land Use and transfer of land

Land conversion from Agriculture use to Industrial use will be automatic on payment of required fee as per the rules in vogue. The conversion fee shall continue to be exempted for MSEs in other cases by linking them to original lease Premium paid based instead of D.M. Circle rate or revised lease premium rate based to eliminate speculative element and make pricing and cost of industry related infrastructure stable on long term basis.

Other financial provisions

- In clause 4.7 of the Draft Infrastructure, Industrial and Service Sector Investment Policy 2012 under the heading interest free loan, the condition of Rs 1 crore or more investment in fixed capital should be removed because with this limit all Micro enterprises and majority of Small & medium Enterprises will be deprived of this facility. Govt. of U.P have decided to promote MSMEs, therefore applying minimum investment limit of Rs 1 crore will also defeat the intention of the Government.
- Reimbursement of the cost incurred in the project report preparation by the industrial units at the rate of 50% subject to a maximum of Rs 1.0 lakh Incentive to only Small & Micro Enterprises will be made available provided, the project report is prepared by any recognized institution / industry association and is financed by bank. The reimbursement will be made to the unit after commencement of the production.
- Separate category for house tax by Nagar Nigams / local bodies on Industrial properties will be created and rationalized so as to be applicable on the buildings only and not on the vacant land.

Chapter-5

Common Policy

- Surprise inspections of the industries can be done only at the level of DM/HOD, who will ensure inspection under his supervision and involving trade and industry associations.
- Various records and returns required to be kept or filed under the different Acts shall be rationalized and brought to the minimum number by integrating them.
- Efforts will be made to convert monthly returns into quarterly returns and where ever it is possible to convert quarterly returns into annual returns.

- Further Minimum period of NOCs, consents and licenses granted to Micro and Small enterprises will be five years and that for Medium enterprises will be three years. Mode of application and grant will be made internet based to reduce human intervention to minimal and time bound.
- For any delays grant of any NOC, Consent or license, the concerned official will be answerable.

Simplification of Labour laws

- Manufacturing sector is the only component of economy that gives maximum economic value addition along with maximizing employment generation opportunities – both directly as well as indirectly. Therefore no state or country can think of making sustainable economic development unless it has a thriving and prospering manufacturing sector.
- Therefore, for the economic development of the State, important industrial sectors like manufacturing industry, agro-based industry, Information technology, Bio-technology, export oriented units, call centers etc. will be declared public utilities under chapter V of the Industrial disputes Act 1947.
- Similarly, all these sectors will be exempted from the application of Chapter VI (Working hours of Adults) of the Factories Act, 1948.
- Micro and Small scale manufacturing units employing 40 or less workers will be exempted from the provisions of all labour laws (except) Payment of wages and Minimum wages).
- Provision of imprisonment of an entrepreneur under any Industrial Act should be abolished.
- MSME's will be freed from Inspector Raj.

Simplification of Pollution provisions

- For non-polluting industries the need for getting no-objection certificate/consent from UPPCB should be abolished because this is an unnecessary exercise for both the entrepreneurs as well as the department. This requirement should be relaxed specially for MSMEs keeping in view their scarce resources. UPPCB should play an advisory and promotional role to facilitate MSMEs comply with pollution control norms rather than acting as a regulator.
- In case of other industries , Minimum Period of NOC or Consent granted to Micro and Small Sector enterprise will be 5 years and that for Medium Sector enterprise will be 3 years.
- Soft loans should be made available to MSME's for installing ATP's /pollution control equipments. An incentive of 50% of the cost of pollution control machineries and equipments with a ceiling of Rs 5.00 lakhs per unit may be given to MSME to encourage them contributing in environment protection.

- U.P. Pollution Control Board will expeditiously explore the possibilities and opportunities of setting up a Central Effluent Treatment Plant (CETP) in every industrial area developed by UPSIDC / DIC or any other industrial development corporation or agency. The plants may be set up under PPP model, for which land will be provided by the respective development corporation / agency. Industries operating in such industrial areas will not have to seek NOC / consent for effluent discharge. Instead it will be granted to CETP operator only. Such industries will need to take NOC / consent for Air Emissions only thereby reducing the number of consents from two to one.
- Other environment related incentives proposed for MSMEs are as under:
 - (i) Rain water harvesting: 50% of cost (max. Rs. 1 lakh),
 - (ii) Waste water recycling : 50% of cost (max. Rs. 5 lakh),
 - (iii) Practicing Energy Conservation measures resulting in reduction of Energy Consumption of atleast 10% of earlier consumption: 10% of capital cost (max Rs.5 lakh).
 - (iv) Use of non-conventional energy sources: 10% of capital cost (max. Rs.5 lakh)

Chapter-6

Govt will formulate separate policy for promotion of Exports to cater to the needs of MSMEs.

Chapter-7

Policy for MSME

Though number of proposals related to MSME Policy are stated elsewhere in our proposals in this document yet few more proposals are as under:

- Govt of U.P will institute separate awards for MSMEs in line with the National MSME awards. Award recipients will get priority for participation in international trade fairs and other incentive schemes.
- Following facilities will be given under the scheme of U.P. Small Industries Technical Upgradation Scheme >
 - (a) 50% subsidy (Subject to maximum of Rs. 10 lac) shall be admissible to Small Scale units on purchase/import of technic know-how from recognised Government institutions, for improving their production capacity.
 - (b) Capital subsidy of 50% (subject to maximum of Rs. 10.00 lac) shall be payable to the industrial units of the cost of additional machinery for increasing their production capacity.
 - (c) In case of loan availed for purchase of machines and equipments, (as mentioned in above clause) from Finance Corporation or Banks, on interest subsidy at the rate of 5% per annum (upto a maximum of Rs. 50,000/-) for five years, shall be provided.
 - (d) 90% subsidy (subject to maximum of Rs. 2.00 lac) will be provided for obtaining ISI or ISO standardisation.

(e) 90% subsidy (upto maximum of Rs. 50,000/- will be provided to units for obtaining consultancy for production skills/market A technical study from recognised institutions.

- Micro and Small Units who have availed subsidy under the earlier scheme not less than three years before, will be entitled to avail the benefit under the scheme for further upgradation.

Chapter-11

- For rehabilitation of sick MSMEs, a Rehabilitation Board with statutory status should be created.

Chapter-12

- In State level monitoring Committee for the Industrial Policy at least 3 representatives of State Level Industry Associations should also be included as members.
- State Level MSME Board in line with National MSME Board should be constituted to discuss and plan developmental activities for the MSME sector.
- For promoting MSME's in the State, a MSME Mahasammelan should be organised every year at the State capital and Chief Minister should Chair this event as Chief guest. In this annual event progress / achievements of MSMEs , bottlenecks faced by MSMEs, developmental plans of concerned organizations and the Govt of U.P and the roadmap ahead may be discussed.
- The name of SSI Department in U.P should be changed to MSME Department in line with the Govt. of India where this has been done in 2006 itself with the enactment of MSMED Act 2006.