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News Alert
February 20, 2012



Clarification on Excise duty Exemption to industrial units in the states of Uttaranchal and Himachal Pradesh

The Central board of Excise and Customs (“CBEC”) has issued Central Excise Circular No. 960/3/2012-CX on February 17, 2012 to clarify some issues regarding the area based exemption to industrial units in the states of Uttaranchal and Himachal Pradesh in specific situations.

The CBEC vide Central Excise Notification No. 49/2003-CE and 50/2003-CE, both dated June 10, 2003 had granted full exemption from excise duties to new units set up or existing units which have undergone substantial expansion and commence commercial production before March 31, 2010, in specified areas located in the states of Uttaranchal and Himachal Pradesh for a period of ten years from the date of commencement of commercial production.

In the circular, the CBEC has clarified on the following situations:

- It is clarified that change of ownership will have no effect on availability of exemption benefit for residual period.

- When an existing unit is physically shifted to a new location within the specified area, the exemption would continue subject to specific safeguards to ensure compliance with other aspects of the exemption.
- Expansion by acquiring a plot of land adjacent to its existing premises and installing new plant/machinery on such land is akin to expansion by way of installing new plant and machinery inside the existing plot/premises as clarified earlier in Circular No. 939/29/2010-CX dated December 22, 2010; accordingly the benefit of exemption will be available for residual period of ten years.

Conclusion

This circular should provide relief to industry, which has long believed that the exemption should not be withdrawn in cases of change in ownership, change in location or in cases of expansion.

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