

Transport Subsidy Scheme, 1971

The Transport Subsidy Scheme was announced on 23.7.1971. The Scheme was introduced to develop industrialization in the remote, hilly and inaccessible areas by providing for subsidy in the transportation cost incurred by the industrial units so that they could stand competition with other similar industries, which are geographically located in better areas.

2. Planning Commission, Ministry of Railways, Ministry of Finance (Department of Expenditure), State Governments and Industrialists in NER, were associated at the time of finalization of initial scheme.

3. The salient features of the Scheme are as under:

- Introduced on : 23.7.1971
- Applicability : The Scheme is applicable to all industrial units (barring plantations, refineries and power generating units both in public and private sectors irrespective of their size)
- Coverage :
 - 8 States of the North East
 - H.P.
 - Uttarakhand
 - J&K
 - Darjeeling District of West Bengal
 - Andaman & Nicobar Administration
 - Lakshadweep Administration
- Validity of Scheme : The scheme has been extended from time to time, the last being on 26.02.2009 when the Cabinet Committee on Economic Affairs (CCEA) approved its extension beyond 31.03.2008 till completion of the process of evaluation of the Scheme being done with a view to introducing necessary safeguards to prevent possible leakages and misuse, if any, under the Scheme.

On the basis of Performance Audit Report of the Comptroller & Auditor General of India and Evaluation Report submitted by M/s. Deloitte Touche Tohmatsu India Ltd. and in consultation with stakeholders, a draft CCEA Note on Transport Subsidy Scheme has been circulated to the concerned Ministries/Departments for comments. On receipt of comments from the concerned Ministries/Departments, a suitable proposal will be incorporated in the Note and submitted for approval of CCEA.

- Quantum of Subsidy : Subsidy ranging between 50% and 90% of the transport cost for transportation of raw material and finished goods to and from the location of the unit and the designated rail-head. (For North East States, J&K and UTs, the subsidy is 90%. For H.P. and Uttarkhand and Darjeeling District of West Bengal, the subsidy is 75%. However, for movement of goods within NER, the subsidy is 50%.)
- Period of eligibility : The subsidy is eligible to a unit for a maximum period of five years from the date of commencement of commercial production.
- Nodal Agency : The disbursement of subsidy to the eligible industrial units in the States is made through the nodal agencies appointed for the purpose. These are:
 - (i) North East Development Financial Corporation (NEDFi), Guwahati for North Eastern Region.
 - (ii) JKDFC for Jammu & Kashmir
 - (iii) HPSIDC for Himachal Pradesh
 - (iv) SIDCUL for Uttarakhand

The disbursement of subsidy to the industrial units in the Union Territories is made through the UTs Administrations.

- Releases under the scheme : Since inception of the Scheme, an amount of Rs.2438.99 crore (approx) has been released to the States/UTs.

TRANSPORT SUBSIDY SCHEME

NOTIFICATION

New Delhi, the 23rd July, 1971.

No. F.6(26)/71-IC – The Government of India are pleased to make the following scheme for grant of subsidy on the transport of raw materials and finished goods to and from certain selected areas with a view to promoting growth of industries there:-

1. Short title - This Scheme may be called the Transport Subsidy Scheme, 1971.
2. Commencement and duration: It comes into effect from 15-7-1971, for selected areas (A), with effect from 24-8-1973 for selected areas (B), with effect from 1-12-1976 for selected areas (C) and with effect from 5-12-1977 for selected areas (D) and will remain in operation till 31-3-2007. [The Scheme was extended till 31.3.2007 vide Notification No.11(1)/2000-DBA.II dated 25.5.2000; till 31.3.2008 vide notification No. 10(3)/2007-DBA.II/NER, dated 3rd April, 2007 & 5th November 2008. Vide Notification No.10(3)/2007- DBA-II/NER dated 4th March, 2009, the Scheme was further extended beyond 31.3.2008 on the same terms and conditions till completion of the evaluation process after which suitable proposals are to be placed before the CCEA for decision.

Amended vide Notification Nos 6(26)/71-IC, dated 28.2.74; 6(3)/75-RD, dated 19.7.78 (Areas A, B, C & D were defined); 11(1)/85-DBA.II, dated 1.12.86

3. It is applicable to all industrial units (barring plantations, refineries and power generating units) both in the public and the private sectors, irrespective of their size in the selected areas (A), (B), (C) and (D) for a period of 5 years from the date of commencement of commercial production. The date of effect of this amendment shall be 1st April, 1995.

Amended vide Notification Nos. 6(3)/75-RD, dated 19.7.78; 11(1)/95-DBA-II dated 28-7-93 & dated 29-9-1995.

4. Definitions –
 - (a) 'Industrial Unit' means an industrial unit where a manufacturing programme is carried on.
 - (b) 'New Industrial Unit' means an industrial unit which has set up manufacturing capacity and come into production on or after the date of commencement of the Scheme.
 - (c) 'Existing Industrial Unit' means an industrial unit which has set up manufacturing capacity and came into production before the date of commencement of the Scheme.
 - (d) 'Substantial Expansion' means increase in production of an industrial unit by 25 per cent or more of the licenced or approved capacity.
 - (e) 'Diversification' means manufacture of new article or articles by an industrial unit by 25 per cent or more (by value) of the approved or licensed capacity of the article or articles already manufactured by it during the preceding year.
 - (f) ** The Selected Areas (A) means the State of Jammu & Kashmir, Union Territories of Andaman & Nicobar Islands, Lakshadweep, the State of Sikkim and the North-Eastern Region comprising the States of Assam, Meghalaya, Manipur Nagaland and Tripura and the Union territories of Arunachal Pradesh and Mizoram, the Selected Areas (B) means the State of Himachal Pradesh and hilly areas of the State of Uttarakhand comprising the districts of

Dehradun, Nainital, Almora, Pauri Garhwal, Tehri Garhwal, Pithoragarh, Uttar Kashi and Chamoli and the State of West Bengal comprising Darjeeling District.

****Amended vide Notification No. 11/1/85-DBA-II dated 1-12-1986**

(Initially amended vide Notification No.6/3/75-RD, dated 19.7.78 to provide definition of areas A, B, C & D)

- (g) **Deleted vide Notification No. 6(26)/71-IC dated 28.2.1974**
- (h) 'Raw Material' means any raw material actually required and used by an industrial unit in its manufacturing programme as approved by the Government of India and/or by the Government of State/Union Territory in which the industrial unit is located.
- (i) 'Finished Goods' means the goods actually produced by an industrial unit in accordance with the manufacturing programme approved by the Government of India and/or the Government of the State/Union Territory in which the industrial unit is located.

5. **Deleted vide Notification No. 6(26)/74-IC dated 28.2.1974**

6. Details of the Scheme –

(i) A transport subsidy will be given to the industrial units located in the selected areas in respect of raw materials which are brought into and finished goods which are taken out of such areas.

(ii) **** Industrial units will not be eligible for the transport subsidy for internal movement of raw materials and finished goods within the State of Jammu & Kashmir, the State of Himachal Pradesh, the hilly areas of Uttar Pradesh, the Union Territory of Andaman & Nichobar Islands and Lakshadweep and the State of Sikkim.**

(iii) **** In the case of Jammu & Kashmir, transport subsidy will be given on transport costs between the location of the industrial unit and rail-head of Jammu or Pathankot, whichever is nearer. Transport Subsidy would also cover 75% of the air freight on movement of electronic components/products by air to and from Delhi to Srinagar and vice-versa. In case of movement of goods moving partly by air and partly by rail/road, the transport subsidy would be admissible @75% on the air freight from Delhi to Srinagar and @90% for movement by rail/road upto the location of the industrial unit and vice-versa. (Transport subsidy on air freight allowed vide Notification No.11/2/89-DBA-II, dated 18.8.89)**

In the case of Himachal Pradesh the transport subsidy will be given on transport costs between the location of the industrial unit in the State and the nearest rail-head viz. (i) Pathankot, (ii) Kiratpur Sahib, (iii) Nangal, (iv) Kalka, (v) Ghanauli, (vi) Yamuna Nagar, (vii) Barara and (viii) Hoshiarpur. Transport Subsidy would also cover 75% of the air freight on movement of electronic components/products by air to and from Delhi to Shimla and vice-versa. In case of movement of goods moving partly by air and partly by rail/road, the transport subsidy would be admissible @75% on the air freight from Delhi to Srinagar and @75% for movement by rail/road upto the location of the industrial unit and vice-versa. (Transport subsidy on air freight allowed vide Notification No.11/2/89-DBA-II, dated 18.8.89)

In the case of hilly areas of Uttar Pradesh State, the transport subsidy will be given on the transport costs between the location of the industrial unit and the nearest rail-head viz., (i) Dehradun, (ii) Rishikesh, (iii) Moradabad, (iv) Bareilly, (v) Kotdwara, (vi) Shahajahanpur and (vii) Rampur.

****Amended vide Notification No. 11/1/85-DBA-II dated 1-12-1986
(Initially amended vide Notification No.6/3/75-RD, dated 19.7.78 to provide definition of areas A, B, C & D)**

(iv)* In the case of North-Eastern region comprising the States of Assam, Meghalaya, Nagaland, Manipur, Tripura and the Union Territories of Arunachal Pradesh and Mizoram the transport subsidy will be given on the transport costs between Siliguri and the location of the industrial unit in these states/Union territories. While calculating the transport costs of raw materials the cost of movement by rail from Siliguri to the railway station nearest to the location of the industrial unit and thereafter the cost of movement by road to the location of industrial unit will be taken into account. Similarly, while calculating the transport costs of finished goods the costs of movement by road from the location of industrial unit to the nearest railway station and thereafter the cost of movement by rail to Siliguri will be taken into account. In the case of North Eastern region, for materials moving entirely by road or other mode of transport the transport costs will be limited to the amount which the industrial unit might have paid had the raw materials moved from Siliguri by rail upto the railway station nearest to the location of the industrial unit and thereafter by road. Similarly in the case of movement of finished goods moving entirely by road or other mode of transport in the North Eastern region, the transport costs will be limited to the amount which the industrial unit might have paid had the finished goods moved from the location of the industrial units to the nearest railway station by road and thereafter by rail to Siliguri.

[* Amended vide Notification No. 6(26)/71-IC dated 28.2.1974]

Transport subsidy would also cover movement of 'raw materials' from one State to another within the North Eastern Region. Transport subsidy would also cover inter-State movement of 'finished goods' within the region but the subsidy available would be 50% of the transport cost on the movement of the goods from the location of the industrial units to the nearest Railway Station by road and thereafter by rail and vice-versa. Transport subsidy would also cover 75% of the air freight on movement of electronic component/products by air to and from Calcutta upto the location of the industrial unit & vice-versa. In case of movement of goods moving partly by air and partly by rail/road, the transport subsidy would be admissible @ 75% on air freight from Calcutta upto the airport nearest to the location of the industrial unit and thereafter, @90% for movement by rail/road upto the location of the industrial unit and vice versa.

[## Inserted vide 11/1/85-DBA-II dated 17.3.1987 and 24.5.1988]

(v)& In the case of Andaman & Nichobar Islands, the transport subsidy will be given on transport costs by sea and road between Madras Port and the location of the industrial unit in the Union Territory. In the case of Lakshadweep, the transport subsidy will be given on transport costs by sea and road between Cochin Port and the location of the industrial unit in the Union Territory. If any other port on the mainland is used for the purpose of transport subsidy, the transport costs will be taken as what the industrial unit would have incurred had Madras or Cochin Port, as the case may be, been used, or the actual transport costs, whichever are less.

[& Inserted vide Notification No. 6/3/75-RD dated 19-7-1978]

(vi)& In the case of Sikkim, the transport subsidy will be given on transport costs between the location of the industrial unit in the State and the rail head of Siliguri.

[& Inserted vide Notification No. 6/3/75-RD dated 19-7-1978]

(vii)\$ Freight charges for movement by road/sea will be determined on the basis of transport/transshipment rates fixed by the Central Government/State Government/Union Territory Administration concerned from time to time or the actual freight paid, whichever is less.

[\$ Renumbered & amended vide Notification No. 6/3/75-RD dated 19.7.1978]

(viii)\$ Cost of loading or unloading and other handlings charges from railway station to the site of the industrial unit will not be taken into account for the purpose of determining transport costs.

[\$ Renumbered & amended vide Notification No. 6/3/75-RD dated 19.7.1978]

(ix)\$# All New industrial units located in the selected areas will be eligible for transport subsidy equivalent to 90 percent in the selected areas (A) and 75 per cent in the selected areas (B) of the transport costs of both raw materials as well as finished goods.

(x) \$# Existing industrial units in the selected areas are also eligible for transport subsidy in respect of the additional transport costs of raw materials and finished goods arising as a result of substantial expansion or diversification effect by them after the commencement of the Scheme. Transport Subsidy in such cases will be restricted to 90 percent in the selected areas (A) and 75 per cent in the selected areas (B) of the transport costs of the additional raw materials required and finished goods produced as a result of the substantial expansion or diversification.

(xi)\$# Transport subsidy will also cover 90 percent in the selected areas (A) and 75 per cent in the selected areas (B) of the transport charges for movement of steel from Gauhati Stockyard of M/s. Hindustan Steel Limited to the site of the industrial units in the North Eastern region and for movement of industrial raw materials from the State Corporation's depots situated in the hill districts of Uttar Pradesh and Himachal Pradesh to the sites of the industrial units located in the hill districts of the State. *Transport Subsidy will also cover the transport charges for movement of Steel from the SAIL's Stockyard at Parwanoo upto the location of the industrial units in the State of Himachal Pradesh (SAIL Stockyard added vide Notification No.11/3/81-BAD/DBA-II dated 28.7.86)*

[\$ Renumbered & amended vide Notification No. 6/3/75-RD dated 19.7.1978]

[# Amended vide Notification No. 11/1/85-DBA-II dated 25.9.1986- Definition of areas A & B provided and rate of subsidy revised from 75% to 90% for area A]

(xii) (a)*\$ The State Government/Union Territory Administration will set up a committee consisting of the Director of Industries, a representative each of the State Industries Department and the State Finance Department etc. on which a representative of the Ministry of Industrial Development will also be nominated. The Committee will operate at the State/Union Territory Level and scrutinize and settle all claims of transport subsidy arising in the State/Union Territory. The claimants should be asked to provide proof of raw materials, 'imported' into and finished goods 'exported' out of the selected States/Union Territory/areas where the unit is situated from the registered chartered accountants. The committee may also lay down the production of any other documents which in their opinion is necessary to decide the eligibility of claimant for the transport subsidy. However, in the case of small units with a capital investment of Rs. 1 lakh or less the requirement of production

of certificate from Chartered Accountant may be waived subject to the condition that such claims are properly verified by the State Government authorities before the subsidy is sanctioned/disbursed. After having scrutinized and settled the claims, the amount disbursed to industrial unit should first be adjusted against the outstanding ways and means of advance made to the State Government/Union Territory Administration for Centrally Sponsored Scheme in accordance with the procedure outlined in the Ministry of Finance letter No.2(17)PII/58 dated 12/5/1958 and the balance, if any, shall be paid in cash to the State Governments/Union Territories Administration.

Provided that in the case of small units with a capital investment of Rs.1,00,000 and less, the requirement of production of proof of import of raw material and export of finished products from registered Chartered Accountant will be substituted by a appropriate verification by the State Government authorities.

[* Amended vide Notification No. 6(26)/71-IC dated 28.2.1974]

[\$ Renumbered & amended vide Notification No. 6/3/75-RD dated 19.7.1978]

(b)^ The North East Development Finance Corporation (NEDFi) shall act as a nodal agency for release of transport subsidy on the basis of the recommendations of the State Level Committee, for the North East Region, as per existing terms & conditions of the Scheme.

[^ Inserted vide Notification No.11 (1)/98-DBA-II dated 29.1.1998]

(c)!! In the case of Himachal Pradesh, Uttaranchal and Sikkim, after scrutiny and approval of the transport subsidy claims by the State Level Committee (SLC)/District Level Committee (DLC), the claims shall be referred by the respective Directorate of Industries to the designated nodal agencies of these States namely Himachal Pradesh State Industrial Development Corporation (HPSIDC), State Industrial Development Corporation of Uttaranchal (SIDCUL) and North Eastern Development Finance Corporation Limited (NEDFi) respectively. Thereafter, HPSIDC, SIDCUL and NEDFi shall, after careful scrutiny of the transport subsidy claims in accordance with the provisions of the scheme and the guidelines issued to them separately, disburse transport subsidy to the eligible units out of the funds which will be released by the Department of Industrial Policy and Promotion to them and which will be maintained by these nodal agencies as revolving fund to be supplemented by the Department from time to time based on the requirements received from such nodal agencies.

[!! Amended vide Notification No.10 (4)/2004-DBA-II dated 25.1.2005]

Explanation: "However, in the State of Mizoram, if it is not possible for the existing industrial units to furnish a certificate from a registered Chartered Accountant for non-availability of a registered Chartered Accountant, the unit(s) may be asked to provide a certification from the sale tax authorities and counter signed by Commissioner/Director Industries of the State for transportation of raw material/finished goods in lieu of Chartered Accountant certificate. The position regarding availability of registered Chartered Accountant may be reviewed regularly by the State Government of Mizoram and the alternate course of providing certificate may be suspended as and when a registered Chartered Accountant becomes available and thereafter the units may be asked to provide the required certificate from a registered Chartered Accountant.

(xiii)\$ In order to check any misuse of transport subsidy Directorates of Industries in the State/Union Territories will carry out periodical checks to ensure that the raw materials and the finished goods in respect of which transport subsidy has been given were actually used for the

purpose by a system of scrutinizing of consumption of the raw materials and the output of the finished goods.

(xiv)\$ Directorate of Industries of the State and Union Territories concerned will draw up procedures and arrangements not only for scrutinizing the claims for transport subsidy but also arrange for prompt payment of the claims. The number of transport subsidy claims that may be preferred by an industrial unit should not ordinarily exceed one in a quarter. However, the Director of Industries may at his discretion entertain more number of claims in a financial year, if the financial position of the industrial unit so warrants.

(xv)\$ Directorate of Industries of the States and Union Territories concerned will lay down a system of pre-registration of industrial units which are eligible for transport subsidy. At the time of registration the Directors of Industries will fix and indicate the capacity of such units. They will also lay down procedure to ensure regular inflow of information regarding the movement of raw material and finished goods to and from the industrial units. The Directorate of Industries of the States and Union Territories should also lay down that statistics of production and utilization of raw material should be maintained and kept open for inspection on request by the Directorate of Industries.

(xvi)\$ The Ministry of Industrial Development (now Department of Industrial Policy and Promotion) will continuously review the arrangement made by the Directorate of Industries of the concerned States and Union Territories and suggest modifications in the procedure for scrutinizing the claim, payment of transport subsidy etc.

(xvii)\$ Notwithstanding the provisions of the Scheme, Government of India and/or the Government State/Union Territory concerned have full discretion to refuse to entertain or reject any claim for transport subsidy.

[\$ Renumbered & amended vide Notification No. 6/3/75-RD dated 19.7.1978]

(xviii)*\$ All false statement made deliberately by an industrial unit or any misrepresentation of facts by it will disqualify it from the grant of transport subsidy for such period of time as the Government of India and/or the Government of State/Union Territory concerned may decide after giving a reasonable opportunity to the industrial unit to state its case.

[* Amended vide Notification No. 6(26)/71-IC dated 28.2.1974]

[\$ Renumbered & amended vide Notification No. 6/3/75-RD dated 19.7.1978]
