

THE ANDHRA PRADESH SMALL SCALE INDUSTRIES (RESTRICTION ON
SALES TAX HOLIDAY) ACT, 1995

(ACT NO. 14 OF 1995)

ARRANGEMENT OF SECTIONS

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THE ANDHRA PRADESH SMALL SCALE INDUSTRIES (RESTRICTION ON
SALES TAX HOLIDAY) ACT, 1995

(ACT NO. 14 OF 1995)

(16th February, 1995)

AN ACT LIMIT THE MAXIMUM FIXED CAPITAL INVESTMENT FOR THE
PURPOSE OF SALES TAX HOLIDAY IN RESPECT OF CERTAIN SMALL
SCALE INDUSTRIES IN THE STATE OF ANDHRA PRADESH.

Whereas the Government in G.O.Ms.No.498, Industries and Commerce (I.A) Department, dated the 16th October, 1989 issued orders extending certain concessions under the Liberalised State Incentive Scheme for setting up of new Industries in the State of Andhra Pradesh, except in the Industries specified in the Annexure to the order and those to be located in the Municipal Corporation limits of Hyderabad, Visakhapatnam and Vijayawada;

And whereas, concession of five years Sales Tax Holiday subject to a ceiling of rupees thirty five lakhs on Sales Tax during the entire holiday period has been allowed to the small scale in industries to be set up on or after the 3rd October, 1989 and going into commercial production before the 31st March, 1995;

And whereas, it has been brought to the notice of the Government that there is every likelihood of under exploitation of the concession of the Sales Tax Holiday of rupees thirty five lakhs allowed in the aforesaid G.O., by some of the units with every small fixed capital investment but with high turnover by virtue of components bought out;

To AND whereas, while approving the comprehensive guidelines for effective implementation of the Incentive Scheme issued in Memo.No.2125/IA/89, Industries and Commerce Department dated 15-09-1990 it has been made clear in para 6 (2) (B) (ii) of the aid guidelines that small scale industries are exempted from payment of Sales Tax for a period of five years from the date of commercial production limited to 100% of fixed capital investment or rupees thirty five lakhs whichever is less;

AND whereas, the demand notices for payment of Sales Tax in accordance with the guidelines evolved were issued to certain all scale industries;

AND whereas, the said small scale units have challenged the said demand notices in the High Court of Andhra Pradesh on the pretext that they are eligible for the Sales Tax Holiday benefit up to a maximum of rupees thirty five lakhs in accordance with the orders issued in the said G.O., irrespective of that capital investment;

AND whereas, in W.P.No.16570/91 and batch the High Court of Andhra Pradesh, while upholding the contention of the petitioners, directed not to demand or collect Scales Tax from the petitioners except as otherwise provided

in the said G.O.;

AND whereas, the intention of the Government is only to allow the small scale units a Sales Tax Holiday to an extent of 100% of their capital investment or a maximum of rupees thirty five lakhs whichever is less during the entire holiday period vide para 6-B (ii) of the guidelines issued in Memo No.2125/IA/87-1, dated the 15th September, 1990 for implementation of the Liberalised State Incentive Scheme, 1989;

AND whereas, the High Court of Andhra Pradesh in W.P.No.16570/91 and batch held that limiting the extent of eligibility to a sum lesser than rupees thirty five lakhs could have been effected only by another notified order issued under clause (2) of article 166 of the Constitution rather than by a Memorandum and held that the respondent are not entitled to rely upon the alteration or reduction in the eligibility of the petitioners for exemption to any amount lesser than that which was promised in clause 3 of G.O.Ms.No.479, Industries and Commerce (I.A.) Department dated 16-10-1989;

AND whereas, the implementation of the said directions of the High Court would run against the policy of the Government and it amounts to allowing the small scale units with less capital investment and high turnover, taking undue advantage of the policy of the Government ¹[and also amount to allow the ineligible Small Scale Industries specified under Annexure to G.O.Ms.No.146, Industries and Commerce (IA) Department, dated the 25th April, 1991 for availing the incentives];

AND whereas, the implementation of the Judgement of the High Court would result in the colossal loss of revenue to the Government;

Be it enacted by the Legislative Assembly of the State of Andhra Pradesh in the Forty-sixth Year of the Republic of the India, as follows:-

1. Short title and commencement - (1) This Act may be called the Andhra Pradesh Small Scale Industries (Restriction on Sales Tax Holiday) Act, 1995.

²[(2) It shall be deemed to have come into force on the 3rd October, 1989.]

³[2. Restriction on Sales Tax Holiday - Notwithstanding the restrictions specified under para-3B of the G.O.Ms.No.498, Industries and Commerce (IA) Department, dated the 16th October, 1989, or anything contained in any judgement, decree or order of any Court, Tribunal or other authority or any order to the contrary, the Small Scale Industries which complied with the conditions stipulated in G.O.Ms.No.498, Industries and Commerce (IA) Department, dated the 16th October, 1989 and Government Memo No.2125/IA/89-1, dated the 15th September, 1990, shall be entitled to a Sales

¹ . Added by the Act No.18 of 1996, Section 2.

² . The sub-section (2) substituted by the Act No. 18 of 1996, Section 3.

³ . The Section 2 substituted by the Act No. 18 of 1996, Section 4.

Tax Holiday limited to 100% of the fixed capital investment or Rs.35.00 lakhs (Rupees thirty five lakhs) whichever is less, for a period of five years in respect of the Small Scale Industries set up on or after 3rd October, 1989 and go into commercial production before the 31st March, 1995 in the State of Andhra Pradesh except the Industries specified in the Annexure to the G.O.Ms.No.498, Industries and Commerce Department, dated the 16th October, 1989 and the industries located in the Municipal Corporation limits of Hyderabad, Visakhapatnam and Vijayawada.]