

**OPERATIONAL GUIDELINES ON  
REIMBURSEMENT OF VALUE ADDED TAX (VAT) UNDER IPR- 2015  
(See Para 5.4.5 (a) of IPR 2015)  
(SUITABLY BE REPLACED/ MODIFIED AFTER GST IS INTRODUCED)**

1. **Short Title:** - Operational guidelines for reimbursement of Value Added Tax (VAT) under Industrial Policy Resolution, 2015.
2. **Extent:** -It shall extend to the whole of the State of Odisha.
3. **Commencement:** - It shall come into force from the "Effective Date" of Industrial Policy Resolution, 2015 i. e. 24.08.2015.
4. **Terms and Expressions:** -Terms and expressions used in this operational guideline, but not specifically defined / explained here, shall have the same meaning as in Industrial Policy Resolution-2015.

**5. Definitions / Explanations:-**

**5.1.** "Input Tax Credit"- in relation to any tax period means the setting off of the amount of Input Tax or part thereof under section 20 of the OVAT Act, 2004 by a registered dealer.

**5.2.** "Output Tax"- in relation to any tax period means the tax leviable and payable under OVAT Act, 2004 in respect of sale of any taxable finished goods manufactured by a registered dealer in the course of his business.

**5.3.** "Finished products shall have the same meaning of "Finished Goods" – as defined in IPR-2015

**5.4. Cost of Plant & Machinery:-**

(a) In calculating the cost of plant & machinery, the original price thereof, irrespective of whether the plant & machinery / additional plant & machinery are new or second hand shall be taken into account excluding, namely:-

- i) the cost of equipment such as tools, jigs, dies, moulds and spare parts for maintenance and the cost of consumable stores,
- ii) the cost of installation of plant & machinery
- iii) the cost of Research & Development equipment and pollution control equipment
- iv) the cost of generation sets, extra transformer, installed
- v) the bank charges and service charges paid
- vi) the cost involved in procurement or installation of cables, wiring, bus bars, electrical control panels (not those mounted on individual machines), oil, circuit breakers / miniature circuit breakers etc which are necessarily to be used for providing electric power to the plant and machinery / safety measures,
- vii) the cost of gas producer plants
- viii) transportation charges (excluding of taxes eg Sales Tax, Excise etc) for indigenous machinery from the place of manufacturing to the site of factory
- ix) charges paid for technical know-how for erection of plant & machinery,

- x) cost of such storage tanks which store raw – materials, finished products only and are not linked with the manufacturing process, and
  - xi) cost of firefighting equipment
  - xii) cost of cylinders for supply of gas
- (b) In case of imported machinery, the following shall be included in calculating the value, namely:-
- (i) import duty (excluding miscellaneous expenses as transportation from the port to the site of factory, demurrage paid at the port),
  - (ii) the shipping charges,
  - (iii) custom clearance charges, and
  - (iv) VAT& CST paid thereon.

## 6. Policy Provisions-

### VAT Reimbursement:-

(i) New Micro, Small & Medium Enterprises shall be eligible for reimbursement of 75% of net VAT paid for a period of five (5) years from the date of commencement of production limited to 100% of cost of Plant and Machinery in a **tapered manner** i.e. 1<sup>st</sup> yr- 30%, 2<sup>nd</sup> yr- 25%, 3<sup>rd</sup> yr- 20%, 4<sup>th</sup> yr-15% & 5<sup>th</sup> yr-10%.

*Provided that the industrial unit not availed 75% of net VAT paid, the excess amount will be carried forward to subsequent year (s) limited to 5 years. In case of non-availment of subsidy in preceding year(s), the threshold limit of the subsequent year will be increased to the extent of non-availment in addition to the limit of the corresponding year.*

(ii) New industrial units in Priority Sector shall be eligible for reimbursement of 100% of net VAT paid for a period of **seven (7) years** from the date of commencement of production limited to **200%** of cost of Plant and Machinery in a **tapered manner** i.e. 1<sup>st</sup> yr- 25%, 2<sup>nd</sup> yr- 20%, 3<sup>rd</sup> yr- 15%, 4<sup>th</sup> yr-15%, 5<sup>th</sup> yr-10%, 6<sup>th</sup> yr-10% & 7<sup>th</sup> yr-5%.

*Provided that the industrial unit not availed 100% of net VAT paid, the excess amount will be carried forward to subsequent year (s) limited to 7 years. In case of non-availment of subsidy in preceding year(s), the threshold limit of the subsequent year will be increased to the extent of non-availment in addition to the limit of the corresponding year.*

(iii) Existing Micro, Small & Medium Enterprises taking up expansion / modernization / diversification as defined in this IPR shall be eligible for 75% reimbursement of net VAT paid for a period of **five (5) years** from the date of commencement of production of such expansion / modernization / diversification subject to condition that it shall be applicable only on increased production over and above the existing installed capacity limited to 100% of additional cost of Plant and Machinery acquired for taking up expansion / modernization / diversification in a **tapered manner** {as per detail provisions made above sub-para (i)}.

(iv) Existing industrial units in Priority Sector taking up expansion / modernization / diversification as defined in this IPR shall be eligible for 100 % reimbursement of net VAT paid for a period of **seven (7) years** from the date of commencement of production of such expansion / modernization / diversification subject to condition that it shall be applicable only on increased production over