

DEDUCTION UNDER SECTION 80IE – AN OPPORTUNITY

RELEVANT PROVISIONS		
SI No	CRITERIA	CONDITIONS
1.	NATURE OF BUSINESS	(a) Manufacture or produce an <u>eligible articles or thing</u> ; or (b) Undertakes Substantial Expansion to manufacture or produce <u>eligible articles or thing</u> ; and (c) Carries on 'eligible business'
2.	COMMENCEMENT OF BUSINESS	Between – 1 April 2007 To 31 March 2017
3.	LOCATION OF UNDERTAKING	NORTH-EASTERN STATES being the states of Arunachal Pradesh, Assam , Manipur, Meghalaya, Mizoram, Nagaland, Sikkim & Tripura.
4.	RESTRICTIONS	(a) Should not be formed by SPLITTING UP , or the RECONSTRUCTION of a business already in existence; or (b) Not formed by TRANSFER of Plant & Machinery used for any purpose. However, if any 'second-hand' Plant & Machinery, used outside India by any person other than the assessee, & imported into India, shall not be regarded as Transfer of Plant & Machinery. Further, where, the total value of the Plant & Machinery, transferred does not exceed 20% of the Total Value of Plant & Machinery used in the Business, the above condition is deemed to be complied with.
5.	SEPARATE ACCOUNTS & AUDIT	✓ Separate Accounts are required for Eligible Business. ✓ Accounts are required to be Audited by a Chartered Accountant. ✓ To furnish Audit Report in Form No. 10CCB , alongwith Return of Income.
6.	RELATED PARTY TRANSACTIONS	POWER OF AO TO RECOMPUTE PROFITS: ✓ Transfer of any goods or services held for the purpose of any other business to the eligible business other than Fair Market Value (FMV). ✓ Owing to close connection between the assessee & any other person, the course of business is so arranged that the business between them produces more than 'ordinary profits.'
7.	AMOUNT OF DEDUCTION	100% of the Profits & Gains DERIVED from such business
8.	PERIOD OF DEDUCTION	10 Consecutive Assessment Years Commencing with the Assessment Year in which the undertaking begins to Manufacture or Produce Articles or Things, or Completes Substantial Expansion.
TAX PLANNING		
1.	RECOMMENDED BUSINESS ORGANISATION [STATUS]	1 ST Preference Partnership Firm No provision for Interest on Capital & Remuneration To Working Partners 2 ND Preference Company – considering Capital Requirements. 3 RD Preference Sole Proprietorship – Only if Capital Requirements can be met by Proprietor without borrowings from Related Parties.

INTERPRETATION

"Eligible Articles or Things" include any article or thing, excluding – Tobacco & Manufactured Tobacco Substitutes, Pan Masala, Plastic Carry Bags (Less than 20 Microns), & Certain Goods produced by Petroleum Oil or Gas Refineries.

"Eligible Business" includes – Hotel (Not Below 2 Star Category), Adventure & Leisure Sports including Ropeways, Nursing Homes (Minimum 25 Beds), Old-age Home, Information Technology related Training Center, Manufacturing Information Technology related Hardware, and Vocational Training Institute (Hotel Management, Food Craft, Entrepreneurship Development, Nursing & Para Medical, Civil Aviation & Fashion Design & Industrial Training.

"Substantial Expansion" means investment in the plant & machinery by at least **25%** of the book value of plant & machinery (before taking depreciation in any year), as on the 1st Day of the year in which Substantial Expansion takes place.

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