

Central government is empowered to notify an industry as small scale or ancillary industrial undertaking.

Section 11B of the Industries (Development and Regulation) Act 1951 empowers the Central government to notify an industry to be a small scale industry or ancillary industry. Accordingly, vide Notification No. S.O. 857(E) dated 10 December 1997 as amended by S.O.1288 (E) dated 24 December 1999 the criteria for registration as small scale or ancillary industrial undertaking have been laid out.

Small scale industrial undertaking

An industrial undertaking in which the investment in fixed assets in plant and machinery, whether held on ownership terms or on lease or on hire purchase, does not exceed Rs. 1 crore (prior to amendment dated 24 December 1999 this amount was Rs. 3 crore) will be treated as a small scale industrial undertaking.

Ancillary industrial undertaking

An industrial undertaking which is engaged or is proposed to be engaged in the manufacturing or production of parts components, sub-assemblies, tooling or intermediates, or the rendering of services, and undertaking supplies or proposes or supply or renders not more than 50% of its production or services, as the case may be, to one or more other industrial undertakings and whose investment in fixed assets in plant and machinery, whether held on ownership terms or on lease or on hire purchase, does not exceed Rs. 1 crore (prior to amendment dated 24 December 1999 this amount was Rs. 3 crore) will be treated as a ancillary industrial undertaking.

Not a subsidiary

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No small scale or ancillary industrial undertaking referred to above shall be subsidiary of, or owned or controlled by any other industrial undertaking.

**Value of investment in fixed assets as plant and machinery**

In calculating the value of plant and machinery the original price thereof, irrespective of whether the plant and machinery are new or second hand, shall be taken into account. From this price the following shall, however, be excluded:

- (1) the cost of equipments such as tools, jigs, dies, moulds and spare parts for maintenance and the cost of consumable stores;
- (2) the cost of installation of plant and machinery;
- (3) the cost of research and development equipment and pollution control equipment;
- (4) the cost of generation sets and extra transformer installed by the undertaking as per the regulations of the State Electricity Board;
- (5) the bank charges and service charges paid to the National Small Industries Corporation or the State Small Industries Corporation;
- (6) the cost involved in procurement or installation of cables, wiring, bus bars, electrical control panels (not those mounted on individual machines), oil circuit breakers or miniature circuit breakers which are necessarily to be used for providing electrical power to the plant and machinery or for safety measures;
- (7) the cost of gas producer plants;
- (8) transportation charges (excluding of sales-tax and excise) for indigenous machinery from the place of manufacturing to the site of the factory;

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- (9) charges paid for technical know-how for erection of plant and machinery;
- (10) cost of such storage tanks which store raw materials, finished products only and are not linked with the manufacturing process; and
- (11) cost of fire-fighting equipment.

In the **case of imported machinery**, the following shall be included in calculating the value, namely:

- (1) import duty (excluding miscellaneous expenses as transportation from the port to the site of the factory, demurrage paid at the port);
- (2) the shipping charges;
- (3) customs clearance charges; and
- (4) sales tax.

