

## GOVERNMENT OF KARNATAKA

No. FD 190 CSL 2012

Karnataka Government Secretariat,  
Vidhana Soudha,  
Bangalore, dated: 3<sup>rd</sup> September, 2014

### NOTIFICATION-1

In exercise of the powers conferred by sub-section(5) of Section 8 of the Central Sales Tax Act, 1956 (Central Act 74 of 1956), the Government of Karnataka being satisfied that it is necessary so to do in public interest, hereby exempts the tax payable under the said Act, by Mangalore Refinery and Petrochemicals Limited in respect of interstate sales made by the company out of the production attributed to Phase 3 expansion programme for 15 years from the date of commencement of commercial production or till such time Central Sales Tax on the company's products is in force, whichever is earlier.

The amount of tax exempted will be computed in the following manner.

#### Computation of Inter-State Sales attributed to Phase 3

1. Poly Propylene and Petroleum Coke are New Products are being produced in Phase 3 alone, while LSHS, Naphtha, LPG, Mixed Xylenes and Reformate are Old Products being produced in all three phases. Following common terms shall be used in computing the quantities.

- a. Local Sales\* of New Product (np(i)) =  $LS_{np(i)}$
- b. Total Local Sales\* of Old Product (j) from all 3 Phases =  $Q_{op(j)}/Is$

*Note: \*Sales to SEZ, OMPL and direct/indirect exports and sales leading to indirect inter-state sales will not be counted in computation of  $LS_{np(i)}$  at a and  $Q_{op(j)}/Is$  at b above.*

- c. Total Sales of New Products,  $TS_{np} =$

$$\sum_{i=1}^n (\text{Inter-State Sales } (IS_{np(i)}) \text{ and Local Sales* of New Product } (LS_{np(i)}))$$

*Note: # Sales to SEZ, OMPL and direct/indirect exports and sales leading to indirect inter-state sale are counted in computation of  $TS_{np}$  at c above.*

- d. Total Inter-State Sales of Old Product (j) from all 3 Phases =  $Q_{op(j)}/is$

2. Inter-State Sales of Old Product<sub>(j)</sub> attributable to Phase 3 ( $IS_{op(j)}$ ) may be computed in following manner.

Inter-State Sales of Old Product<sub>(j)</sub>.

a. For  $TP \leq 12.65$  MMTA

$$IS_{op(j)} = 0$$

b. For  $TP \leq (12.65 + TS_{np} \times 1.07)$  MMTA

$$IS_{op(j)} = 0$$

c. For  $TP > (12.65 + TS_{np} \times 1.07)$  MMTA

$$IS_{op(j)} = \frac{(TP - 12.65 - TS_{np} \times 1.07)}{TP} \times Q_{op(j)/is}$$

#### Computation of CST exemption amount

3. The quantity of Inter-State Sales of old products attributable to Phase 3 ( $IS_{op(j)}$ ) and quantity of Inter-State Sales of new products attributable to Phase 3 ( $IS_{np(i)}$ ) shall be computed as per the formulation indicated above. Average sale value per unit product for each of these products in a year shall be used to compute the Sale Value of the relevant quantity in that year. With these values, the eligible interest loan shall be computed as follows.

$$CST \text{ Exemption} = CST \text{ Rate} \times \left[ \sum_{j=1}^n \text{Sale Value of } IS_{op(j)} + \sum_{i=1}^m \text{Sale Value of } IS_{np(i)} \right]$$

4. Mangalore Refinery and Petrochemicals Limited shall produce a certificate in original issued by the Director of Industries and Commerce, Government of Karnataka, certifying:-

- (i) the quantum of investment in fixed assets made for creating new assets under the Phase 3 expansion programme;
- (ii) the dates of commencement and completion of project implementation relating to the Phase 3;
- (iii) the date of commencement of the commercial production in the Phase 3; and
- (iv) that it is eligible for exemption from payment of entry tax as per the Government Order No.CI 419 SPI 2010, dated 11<sup>th</sup> August, 2014.



5. In each of the subsequent years for which tax exemption is claimed under this notification, the unit shall produce a certificate from the Director of Industries and Commerce, Government of Karnataka within 60 days of the commencement of the year certifying that the exemption certificate already issued is valid for the year.

6. The availability of tax exemptions under this notification is subject to fulfillment of the condition regarding employment of local people and other conditions as per the Government Industrial policy and Director of Industries and Commerce, Government of Karnataka shall review compliance of the above condition on a year to year basis and certify the continuation of the eligibility for the exemption extended in this notification.

7. This exemption shall be effective from commencement of the commercial production. During Financial Year 12-13 and in Financial Year 13-14, if the company has paid the tax without availing the incentive as per this notification for its investment in the Phase 3, the extra tax paid by the company for which it is eligible for the exemption shall be adjusted in the tax due from the company in Financial Year 14-15.

By Order and in the name of the  
Governor of Karnataka,

*R. Sundara Rama*

(R. SUNDARA RAMA)

Under Secretary to Government,  
Finance Department (C.T.-1).

To:

The Compiler, Karnataka Gazette, Bangalore for publication in the Extraordinary Gazette dated: 3<sup>rd</sup> September, 2014 and supply 700 copies to the Finance Department (CT-1) and 1000 copies to the Commissioner of Commercial Taxes, Gandhinagar, Bangalore-9.

Copy to:

1. Additional Chief Secretary to Hon'ble Chief Minister, Bangalore.
2. The Commissioner of Commercial Taxes, Gandhinagar, Bangalore-9.
3. The Accountant General (Accounts) (Audit), Karnataka, Bangalore.
4. The Secretary, Karnataka Legislature Secretariat, Bangalore.
5. The Secretary, Department of Parliamentary Affairs & Legislation, Bangalore.
6. Weekly Gazette/Spare Copies.

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No. FD 190 CSL 2012

Karnataka Government Secretariat,  
Vidhana Soudha,  
Bangalore, dated: 3<sup>rd</sup> September, 2014

### NOTIFICATION-II

In exercise of the powers conferred by Section 11-A of the Karnataka Tax on Entry of Goods Act, 1979 (Karnataka Act 27 of 1979), the Government of Karnataka, being of the opinion that it is necessary in the public interest so to do, hereby exempts the tax payable by Mangalore Refinery and Petrochemicals Limited under the said Act in respect of its Phase 3 expansion programme at Kuthethur P.O., Via Katipalla, Mangalore. The exemption shall be available:

- a. on the entry of plant and machinery and capital goods into the local area for a period of four years from the date of commencement of implementation of the Phase 3 project; and
- b. on the entry of crude oil into the local area for a period of fifteen years from the date of start of commercial production in the Phase 3 or till such time Entry Tax is in force, whichever is earlier.

2. Following reference (benchmark) values shall be adopted for computing the incentives for the Phase 3:

- (a) Average throughput attributable to Phase 1 and 2 in 3 years prior to start of the incentive package shall be taken as 12.65 MMTPA.
- (b) The average capacity of Phase 1 and Phase 2 shall be benchmarked as 4.22 (1/3<sup>rd</sup> of 12.65) and 8.44 (2/3<sup>rd</sup> of 12.65) MMTPA respectively.

3. The throughput taxable ( $TP_{\text{Taxable}}$ ) to Entry Tax for the crude oil consumption in Phase 1 and 2 shall be computed as per following formulations.

a. Upto FY 13 – 14 and  $TP > 12.65$  MMTPA,

$$TP_{\text{Taxable}} = 4.22 - P_{\text{Export}} \times \frac{4.22}{TP}$$

b. For FY 14 – 15 and  $TP > 12.65$  MMTPA,

$$TP_{\text{Taxable}} = \left(4.22 + 8.44 \times \frac{284}{365}\right) - P_{\text{Export}} \times \frac{(4.22 + 8.44 \times \frac{284}{365})}{TP}$$



c. From FY 15 – 16 onwards till FY 26 – 27 and  $TP > 12.65$  MMTPA,

$$TPT_{\text{Taxable}} = 12.65 - P_{\text{Export}} \times \frac{12.65}{TP}$$

d. In any year upto FY 26 – 27 for  $TP \leq 12.65$  MMTPA, and

From FY 27 – 28 onwards irrespective of TP,

Where,

TP = Total Throughput for the year (in MMT)

TP<sub>Taxable</sub> = Throughput Taxable for the year (in MMT)

P<sub>Export</sub> = Products Exported for the year (in MMT)

4. Mangalore Refinery and Petrochemicals Limited shall produce a certificate in original issued by the Director of Industries and Commerce, Government of Karnataka, certifying:-

(i) the quantum of investment in fixed assets made for creating new assets under the Phase 3 expansion programme;

(ii) the dates of commencement and completion of project implementation relating to the Phase 3;

(iii) the date of commencement of its commercial production in the Phase 3; and

(iv) that it is eligible for exemption from payment of entry tax as per the Government

**Order No.CI 419 SPI 2010, dated 11<sup>th</sup> August, 2014.**

5. In each of the subsequent years for which tax exemption is claimed under this notification, the unit shall produce a certificate from the Director of Industries and Commerce, Government of Karnataka within 60 days of the commencement of the year certifying that the exemption certificate already issued is valid for the year.

6. The availability of tax exemptions under this notification is subject to fulfillment of the condition regarding employment of local people and other conditions as per the Government Industrial policy and Director of Industries and Commerce, Government of Karnataka shall review compliance of the above condition on a year to year basis and certify the continuation of the eligibility for the exemption extended in this notification.

7. This exemption will be effective from commencement of the commercial production in the Phase 3. During Financial Year 12-13 and in Financial Year 13-14, if the company has paid the tax without availing the incentive as per this notification for its investment in the Phase 3, the extra tax paid by the company for which it is eligible for the exemption will be adjusted in the tax due from the company in Financial Year 14-15.

By Order and in the name of the  
Governor of Karnataka,

*R. Sundara Rama*

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Under Secretary to Government,  
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