

15. FINANCIAL INCENTIVES FOR ENVIRONMENTAL PROTECTION

15.1 INTRODUCTION

This publication is incomplete without highlighting the financial incentives legally admissible to those who incur expenditure on protection of environment – a national cause. Since the awareness of protection of environment is a comparatively new concept and the environmental, protection measures are in addition to the direct mining operations the persons in the mining industry are apt to consider the expenditure made on environmental protection measures however is to be recognised as an essential cost of mining operations. Only on the acceptance by the mining industry of the obligations for implementing these measures it can continue to have the mining rights. Even so the Government has thought it fit to provide certain incentives to those who undertake environmental protection measures. These incentives are briefly described below :

15.2 EXISTING PROVISIONS OF THE INCOME TAX ACT, 1961

Sec. 35 CCB : Expenditure by way of payment to associations and institutions for carrying out programmes of conservation of natural resources :

- (1) where an assessee incurs any expenditure by way of payment of any sum,
 - (a) to an association or institution, which has as its object the undertaking of any programme of conservation of natural resources or of afforestation to be used for carrying out any programme of conservation of natural resources or afforestation approved by the prescribed authority; or
 - (b) to such fund for afforestation as may be notified by the Central Government, the assessee shall, subject to the provisions of sub-section (2), be allowed a deduction of the amount of such expenditure incurred during the previous year.
- (2) The deduction under clause (a) of sub-section (1) shall not be allowed with respect to expenditure by way of payment of any sum to any association or institution, unless such association or institution is for the time being approved in this behalf by the prescribed authority, provided that the prescribed authority shall not grant such approval for more than three years at a time.
- (3) Where a deduction under this section is claimed and allowed for any assessment year in respect of any expenditure referred to in sub-section (1), deduction shall not be allowed in respect of such expenditure under any other provision of this Act for the same or any other assessment year.

Sec. 80 G : Deductions to be made in computing total income :

- (a) Any sums paid by the assessee in the previous year as donations to – (v) the Government or any local authority, to be utilised for any charitable purpose other than the purpose of promoting family planning; ('Charitable purpose' includes advancement of any object of general Public utility).
- (4) Where the aggregate of the sums referred to in sub-clause (iv), (v), (vi) and (vii) of clause (a) and in clause (b) of sub-section (2) exceeds ten percent, of the gross total income (as reduced by any portion thereof on which income tax is not payable under any provision of this Act and by any amount in respect of which the assessee is entitled to a deduction under any other provisions of this Chapter), then the amount in excess of ten percent of the gross total income shall be ignored for the purpose of computing the aggregate of the sums in respect of which deduction is to be allowed under Sub-section (1).

15.3 DEPRECIATION ALLOWANCE

Depreciation allowance as percentage of written down value is 40% from 1988-89 on devices and systems installed by individual units or mines for minimising the environmental pollution or for conservation of natural resources was introduced from 1982-83. The Ministry of Finance, Central Board of Direct Taxes, has notified the list of such devices and systems. The list was published in Gazette of India (E), Part-II, Sec. 3, Sub-section (ii), No.75 dated 25th February, 1983.

A valid list of machinery and plant deployed for Environmental Pollution Control measures is given below, vide Appendix 1 to 5 of Income Tax Rule :

- III(2) (iv) Air Pollution Control Equipments being,
 - (a) Electrostatic precipitation systems
 - (b) Felt-Filter systems
 - (c) Dust Collector system
 - (d) Scrubber-counter current/venturi/packed-bed/cyclonic scrubbers.
- III(2) (v) Water Pollution control equipments, being,
 - (a) Mechanical screens systems
 - (b) Aerated detritus chambers (including air compressor)
 - (c) Mechanically skimmed oil and grease removal systems
 - (d) Chemical feed systems and flash mixing equipment
 - (e) Mechanical flocculators and mechanical reactors
 - (f) Diffused air/mechanical aerated activated sludge systems
 - (g) Aerated lagoon system
 - (h) Biofilters
 - (i) Methane-recovery aeroclastic digester systems
 - (j) Air flotation system
 - (k) Air/Stream stripping systems
 - (l) Urea hydrolysis systems
 - (m) Marine outfall system
 - (n) Centrifuge for dewatering sludge
 - (o) Rotating biological contractor or bio-disc

- (p) Ion exchange resin column
- (q) Activated Carbon Column

III(2) (vi) Solid waste control equipments, being, caustic/lime/chrome/mineral/cryolite recovery system.

The Hon'ble Finance Minister has stated in his Budget Speech that "To promote a cleaner and healthier environment, I propose to allow depreciation admissible on plant and machinery relating to environment protection and pollution control at 100% instead of the existing 40% of capital cost under the Income Tax Rule" (vide para 59 of the Part B of the speech on Budget for 1993-94).

15.4 INVESTMENT ALLOWANCE

Investment Allowance is granted at a higher rate of 35% (as against the general rate of 25%) of the actual cost of new machinery or plant which would assist in control of pollution or protection of environment if the machinery or plant is notified by the Central Government for the purpose of the said provision. This incentive is available from the financial year 1983-84. A new Section (2C) in section 32A has been inserted in Income Tax Act, 1961 for this purpose.

15.5 REBATE ON CESS LEVIED ON CONSUMPTION OF WATER

Under Section 7 of the Water Cess Act, 1977, if any person or local authority liable to pay the cess, installs any plant for the treatment of sewage or trade effluent, such person or authority shall from such date as may be entitled to rebate of 70% of the cess payable by such person or local authority, as the case may be.