

**STATE GOVERNMENT INDUSTRIAL
INCENTIVE & SUBSIDY SCHEME
(MAHARASHTRA & GUJARAT)**

By

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MAHARASHTRA

The Financial, Industrial and
Entertainment Capital of India





FAVOURABLE DEMOGRAPHICS

112 Million Population
Equivalent to 12th most
populous country

52 Million (46%)
Population < 24 years of age



BOOMING ECONOMY

USD 384 billion
India's Largest Economy

15% of India's GDP
Country's Highest



SEAMLESS CONNECTI

10% of India's Geo
Area- 308k sq. km

1.3x the size of the
Kingdom with 1.7x

Mumbai - Thane

IT and ITeS

Gems and Jewellery

Logistics

Pharma / Chemical



Pune

Auto , Defence

IT/ITeS and ESDM

Engineering

Chemical

FMCG



Volkswagen

Mercedes-Benz



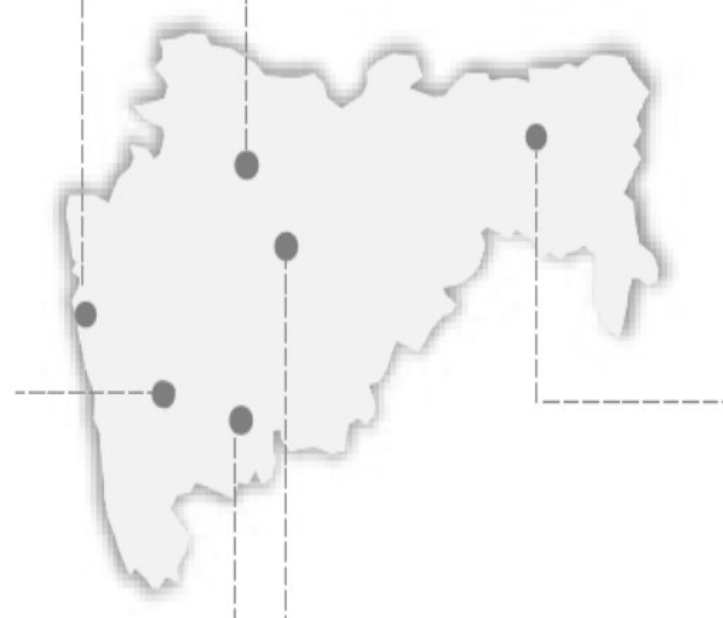
Mahindra



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Industrial Policies of Maharashtra Government

- Maharashtra Industrial Policy 2019
- Women Entrepreneurs' Policy
- Textile Policy



Maharashtra Industrial Policy 2019

Maharashtra Industrial Policy 2019

- Scheme is valid from 1st April, 2019 to 31st March, 2024

Eligibility Criteria

- MSME – as per MSMED Act, 2006 – up to Rs. 10 crore investment
- small industries with Fixed capital investment of upto INR 50 crore

Classification of areas of state

Category	Specification	District/cities
A	Denotes Industrially developed areas	Mumbai, Pune,
B	Denotes Areas where some industrial development has taken place, but are less developed than Group A	Alibagh, Dhanu, Nashik etc.
C	Denotes Areas, which are less developed than those Group B	Bhivandi, Baramati
D	Denotes the lesser-developed areas of the State, not covered under A/B/C	Aurangabad, Satara, Nagpur
D+	Denotes the least developed areas, not covered under GroupA/ B/ C/ D	Pithan, Barshi, Kagal , etc
No Industry District	Denotes District having no Industries and not covered under A, B, C, D & D+ Group	Gadchiroli, Hingoli, etc
Naxalism Affected Area	Denotes Area affected by naxalism, as described in GR No. NAVIKA-2008/CR 209/Ka.1416 Dated 31.5.2009	Gondia, Kinvat, Chandrapur, etc

Meaning of Capital investment

Capital investment includes:

- Land
- Building including administrative building, residential quarters, industrial housing as required for manufacturing process
- Plant and machinery
- Cost of development of location such as fencing, construction of roads and other infrastructure facilities
- Installation charges and pre-operative expenses capitalized
- Technical know-how including cost of drawing and know-how fees
- Amount paid to electricity distribution company for supply of power

Financial incentives – Industrial Promotion Subsidy

Taluka / Area	Ceiling as % of fixed capital investment	No. of years
A	-	-
B	30%	7
C	40%	7
D	50%	10
D+	60%	10
Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule	80%	10
No Industry Districts, Naxalism Affected Areas, Aspiration Districts (Osmanabad, Gadchiroli, Washim and Nandurbar)	100%	10

Industrial Promotion Subsidy Calculation

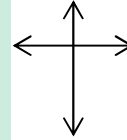
Refund will be given by way of SGST and Interest subsidy as follow:

SGST refund mechanism

1) 100% Gross SGST payable

Interest refund

Up to 5% of interest paid on bank loan or electricity bill whichever is lower



SGST and interest refund mechanism

Benefits to Units in D+

Capital investment	Rs. 10 crore
Refund eligible – 60%	Rs. 6 crore in 10 years
Eligible refund per year	Rs. 60 lakh

1) SGST refund	(in Lakh)
(A) Gross SGST payable on sale	Rs. 80
SGST eligibility	Rs. 80

2) Interest subsidy	
Interest paid	Rs. 10 lakh
Electricity bill	Rs. 7 lakh
Claimable refund	Rs. 7 lakh

Total refund of SGST and interest

SGST refund	Rs. 80 lakh
Interest refund	Rs. 7 lakh
Total refund Maximum	Rs. 60 lakh

Additional major benefits in PSI

Exemption - Electricity duty	C, D,D+, No industries Districts and Naxalism Affected Area - for tenure equal to the eligibility period
Waiver of Stamp Duty	100% Exempted for acquiring land, assignment of lease rights, for term loan purposes
Power Tarrif subsidy	Vidarbha, Marathwada, North Maharashtra, and Districts of Raigad, Ratnagiri and Sindhudurg in Konkan – Re. 1 per unit for 3 years Other areas (other than A area) – Re. 0.5 per unit for 3 years

WOMEN ENTERPRENEUE POLICY – MAHARASHTRA

Women Entrepreneur Policy - Maharashtra

Scheme is valid from 10th November, 2017 to 9th November, 2022.

Eligibility Criteria

- 100% shareholding/ Ownership by women only
- Unit should have minimum 50% women as employee
- Unit should be in MSME category only

Meaning of Capital investment

Capital investment includes:

- Land
- Building including administrative building, residential quarters, industrial housing as required for manufacturing process
- Plant and machinery
- Cost of development of location such as fencing, construction of roads and other infrastructure facilities
- Installation charges and pre-operative expenses capitalized
- Technical know-how including cost of drawing and know-how fees
- Amount paid to electricity distribution company for supply of power

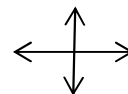
Financial incentives

Taluka / Area – as per PSI	Incentive – Non food Units	Incentive – food Units	No. of Years
A & B	40% Eligible CI	50% Eligible CI	7
C	70%	80%	7
D	80%	90%	10
D+	100%	100%	10

Refund will be given by way of SGST and Interest subsidy

SGST refund mechanism

1) 100% Gross SGST payable



Interest refund

Up to 5% of interest paid on bank loan or electricity bill whichever is lower

Additional Capital Subsidy

Taluka / Area – as per PSI	On eligible project cost	Max. Cash subsidy
A & B	15%	Rs. 20 Lakh
C	15%	Rs. 20 Lakh
D	20%	Rs. 25 Lakh
D+	25%	Rs. 50 Lakh
No industry District	35%	Rs. 100 Lakh

Additional Incentive

50% of EPF contribution reimbursement of Employers' share for 5 years.

Capital + SGST and interest refund mechanism for MSME

Benefits to MSME in VASAI (A Zone)

Capital investment	Rs. 10 crore
Refund eligible -40%	Rs. 4 crore in 7 years
Eligible refund per year	Rs. 57 lakh p.a

1) SGST refund	(in Lakh)
(A) Gross SGST payable on sale	Rs. 50
SGST eligibility	Rs. 50

2) Interest subsidy	
Interest paid	Rs.10 lakh
Electricity bill	Rs. 7 lakh
Claimable refund	Rs. 10 lakh

Total refund of Capital + SGST and interest

SGST refund	Rs. 50 lakh
Interest refund	Rs. 10 lakh
Total refund Maximum	Rs. 57 lakh
+ Capital subsidy	Rs. 20 lakh (one time)

Textile Policy - Maharashtra

Scheme for incentive to Textile industries

Scheme is valid from 17th February, 2018 to 31st March, 2023.

Eligible Amount for subsidy

- Long term loans for capital subsidy under C- TUFSS scheme for machinery
- long term loans approved by FI or banks for machinery approved by state government
- Cost of machinery approved by state government

Capital Subsidy

	Processing (yarn, fabric, printing), technical textile knitting, Hosiery and Garmenting	Compos ite unit	Spinnin g Ginning, Pressin g
	% of eligible amount		
General category unit	40%	35%	25%
SC/ST/Minority category	45%	40%	30%
Additional subsidy for production of Yarn, fabric and other products from non- conventional yarn	10%	10%	-

Capital Subsidy

	Conversion of old Plain powerlooms to shuttle less rapier looms or looms based on latest technology	New powerlooms based on latest technology, weaving, preparatory, warping, sizing, conning, twisting, doubling, TFO and other textile units
	% of eligible amount	
General category unit	25%	25%
SC/ST/Minority category	30%	30%

Disbursement of capital subsidy

- First instalment : 30% of eligible amount after 12 months from start of production
- Second instalment: 30% of eligible amount after 24 months from start of production
- Third instalment: 40% of eligible amount after 36 months from start of production

Scheme for modernization of plain powerlooms

Type of modernization	Subsidy rate per loom		
	General Category	Scheduled castes	Scheduled Tribes
Conversion of simple powerloom to semi-automatic shuttle loom	Rs. 10,000	Rs. 6800	Rs. 2400
Conversion of semi-automatic shuttle loom to shuttle less rapier loom	Rs. 17,500	Rs. 10000	Rs. 4000
Conversion of simple powerloom to shuttle less rapier loom	Rs. 28000	Rs. 16000	Rs. 6400

This is available only to owners received grant from central government under “Pilot scheme of in situ upgradation of plain powerloom for SSI sector”

Technology Upgradation Fund Scheme (TUF) – Central Government – For Textile units

Scheme for incentive to Textile industries

Scheme is valid from 13th January, 2016 to 31st March, 2022.

Technology Upgradation

- Induction of new machinery by textile unit with state-of-the-art technology as specified annually by Technical advisory-cum-monitoring committee – technology lesser than specified one will not be eligible for this scheme

Eligible Amount for subsidy

- Basic cost of machinery after its installation and commissioning
- Accessories/ sample machines/ spares up to 20% of basic cost of machinery

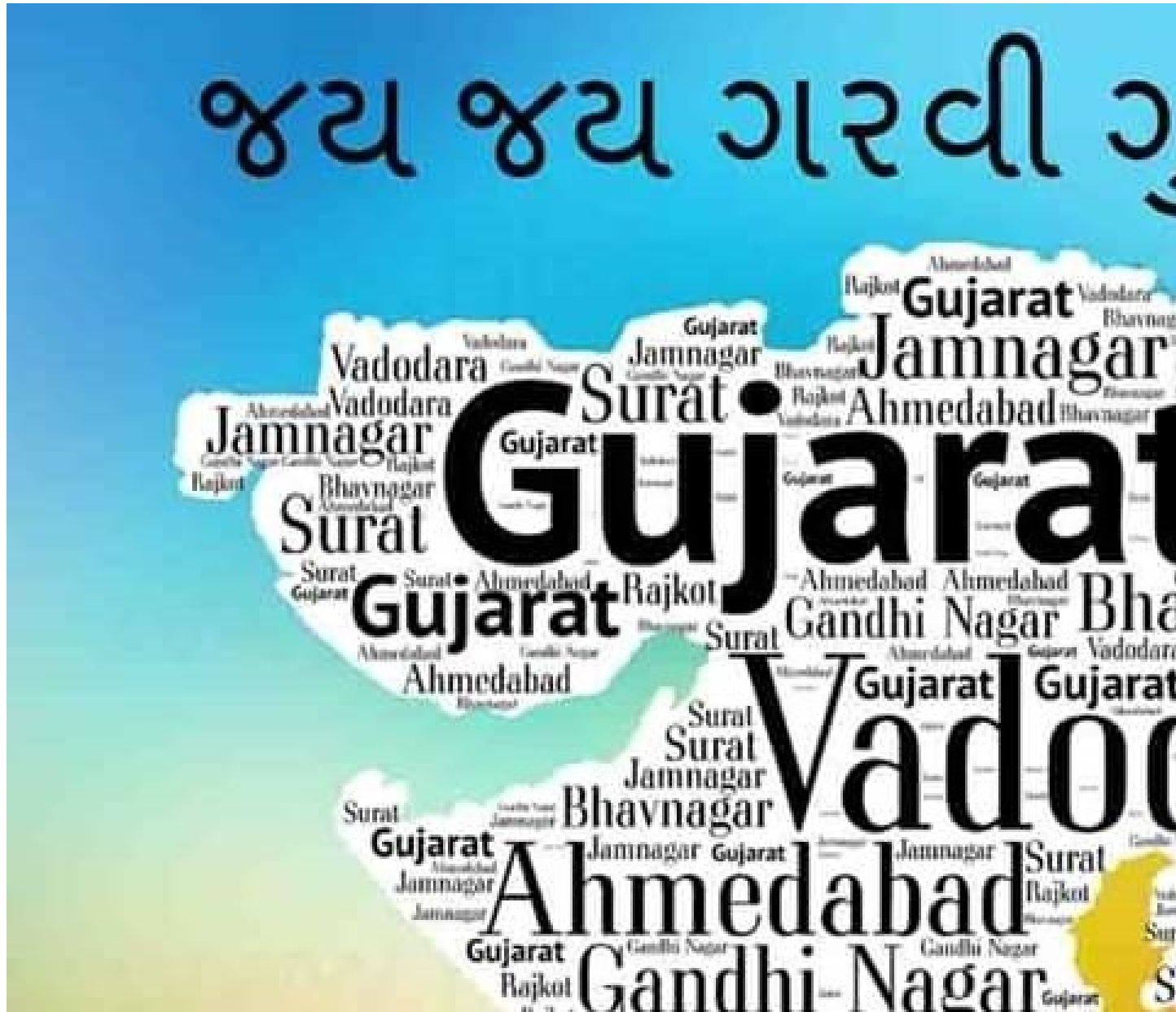
Capital Subsidy

Segment	Rate of capital Investment subsidy
Garmenting, technical textiles	15% subject to Max. Rs. 30 crore
Weaving for brand new shuttle-less looms (including weaving preparatory and knitting), processing, jute, silk and Handloom	10% subject to Max. Rs. 20 crore
Composite unit/Multiple segments – if the eligible capital investment in respect of garmenting and technical textiles category is more than 50% of eligible project cost	15% subject to Max. Rs. 30 crore
Composite unit/Multiple segments – if the eligible capital investment in respect of garmenting and technical textiles category is less than 50% of eligible project cost	10% subject to Max. Rs. 20 crore

Conditions for availing subsidy

- Entity should take term loan from notified bank with minimum 50% of total eligible machinery cost – minimum repayment period for MSME 3 years and other category 5 years
- Unit shall function for loan taken period
- Second hand machinery not eligible
- Application to be filed within 6 months of sanction of term loan
- Installation and commissioning of machinery shall done within one year from date of sanction of term loan

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Economic Growth of Gujarat

- Gujarat's **industrial output** was INR 84,808 Crore in 1994-95 - grown to INR 12,70,125 Crore in 2014-15, which is almost **15 times**
- Gujarat's **installed capacity of electricity** was 6241 MW in 1994-95 - grown to 30,394 MW as of January, 2018, which is almost **5 times**
- **FDI** to Gujarat was INR 18,837 crore up to 2004-05 - FY 2017-18 alone received **INR 22,610** crore worth of FDI.
- Among Indian States, Gujarat accounted for the **highest share in total private corporate investment** (FY 2016-17) for 22.7%

Economic Growth of Gujarat

- **machinery sector** output grew at a CAGR of over **47%**
- **dairy products** output grew at a CAGR of **23%**
- **plastics** output grew at a CAGR of over **13%**
- **pharmaceuticals** output grew at a CAGR of over **12%**
- **machinery sector** output grew at a CAGR of over **10%**
- **chemicals** output grew at a CAGR of over **8%**
- **textile** output grew at a CAGR of over **7%**

Industrial Policies of Gujarat Government

- Industrial Policy 2016
- Plastic Industry Policy
- Interest and Capital subsidy
- Textile Policy



Industrial policy 2015- Scheme for incentive to industries - Gujarat

Scheme for incentive to industries 2016-2021

- The Government of Gujarat issued scheme for incentive to industries 2016-2021 with focus on industrial development and investment destination.
- Scheme is valid from 25th July, 2016 to 31st March, 2021.
- In scheme, talukawise classification of different areas of the state done as 1,2,3 etc zone

Applicability of scheme

- Applicable to new industrial unit or an existing industrial unit that undertakes expansion and commence production during the operative period of scheme

Time period for eligible investment

Fixed assets acquired after 1.1.2015 and upto following time

Large Industrial Undertaking	15 months from the DOCP
MSME Industrial Undertaking	12 months from the DOCP

DOCP: Date of Commencement of Production

Eligible fixed Capital investment

Investment made on or after 1-1-2015 and on or before the date specified for completion of investment:

- Land
- New Building: new building constructed or acquisition of new unused building including administrative building – old building or expenditure incurred on repairing a building not allowed
- Other construction: compound wall and gates, security cabins, internal roads, water tank.
- Plant and machinery: new plant and machinery and imported second hand P & M having usable life for at least further ten years which is certified by chartered engineer, utilities, dies, moulds, including cost of transportation, foundation, erection, installation, sub-station and transformers capitalized under P & M

Eligible fixed Capital investment

- Plant for non-conventional energy
- Vehicles used for transportation within premises of industrial units
- Plant for captive power generation / co-generation
- Technology, design and drawing, patents limited to 10% of project cost

Ineligible fixed Capital investment

- Working capital
- Royalty
- Preliminary and pre-operative expenses
- Indigenous second hand plant and machinery
- Interest capitalized
- Power generation except for captive use

Quantum of incentive

incentives available as follow:

Category of taluka	% of eligible investment	% of net SGST reimbursement	Incentive period (no. of years)
1	100%	90%	10
2	80%	80%	10
3	70%	70%	10

- Net SGST reimbursement in one financial year will not exceed 1/10th of total amount of eligible incentive
- Carry forward of incentive is not available

Incentive mechanism for category 3

Capital investment	50 crores
eligible fixed capital investment – 70%	$50 * 70\% = 35$ crore
Eligible maximum refund per year	3.50 crore

VAT / SGST	(in crore)
(A) SGST collected	Rs. 10.40
(B) SGST/IGST paid on purchase	Rs. 4.00
(C) SGST Paid (A-B)	Rs. 6.40
SGST eligible @ 70% of C	Rs. 4.48
Maximum refund available	Rs. 3.50

Additional conditions

- Undertaking shall be required to employ persons domiciled in Gujarat to extent of at least 85% of its total number of employees
- Managerial and supervisory capacity person shall not be less than 60% domiciled in Gujarat

Application procedure

Apply for registration certificate after purchasing land



Obtain RC (it will be valid upto 180 days from commencement of production)



After commencement of production - Apply for provisional eligibility (it will make eligible for 20% vat incentive)



On completion of project obtain final eligibility certificate

PLATISC POLICY - GUJARAT



Scheme for incentive to Plastic industries

Scheme is valid from 1st January, 2015 to 31st December, 2019.

Applicability of scheme

Unit manufacturing of plastic products/items/articles by using plastic as main raw materials. Plastic material means organic polymers of high molecular mass such as Polyolefin (LLDPE, LDPE, HDPE, PP), PVC, Nylon, Polyesters, Polystyrene, Polycarbonate, polyamide (nylon 6, nylon 66), etc

Eligible fixed Capital investment

Investment made on or after 1-1-2015 and on or before the date specified for completion of investment:

- New Building –
- New plant and machinery / equipment
- Imported second hand plant and machinery/ equipment having residual life of minimum five years as certified by chartered Engineer
- Cost of installation, erection, transportation, electrification
- other related assets for manufacturing product

LAND COST IS NOT AVAILABLE

Additional conditions

- Undertaking shall be required to employ persons domiciled in Gujarat to extent of at least 85% of its total number of employees
- Managerial and supervisory capacity person shall not be less than 60% domiciled in Gujarat

Time period for eligible investment

Fixed assets acquired after 1.1.2015 and upto following time

MSME	6 months from the DOCP
Investment upto Rs.100cr	12 months from the DOCP
Investment more than Rs. 100 crore	18 months from the DOCP

DOCP: Date of Commencement of Production

Quantum of incentive

1) Interest Subsidy : @7% p.a. interest on the term loan – maximum Rs. 1 crore p.a. for period of 5 years.

2) SGST related incentive

% of eligible investment	% of net SGST reimbursement	Incentive period (no. of years)
75%	80%	7

eligible enterprise entitled to avail SGST incentive to the extent of 1/7th of ceiling in particular year.

Incentive mechanism

1) SGST Incentive:

Capital investment	30 crores
eligible fixed capital investment– 75%	$30 * 75\% = 22.5$ crore
Eligible maximum refund per year for 7 year	3.21 crore per year

SGST	(in crore)
(A) SGST collected	Rs. 8.55
(B) SGST/IGST paid on purchase	Rs. 4.50
(C) SGST Paid (A-B)	Rs. 4.05
SGST eligible @ 80% of C	Rs. 3.24
Maximum refund available	Rs. 3.21

2) **Interest incentive:** term loan of Rs. 20 crore @10% p.a.

Interest amount – 20 crore term loan * 7% interest rate = 1.4 crore – maximum eligible interest would be Rs. 1 crore

Total Reimbursement = Rs. 3.21 cr + 1 cr = Rs. 4.21 cr

Capital and Interest Incentive – MSME - 2015



Scheme for MSME for interest and Capital

Scheme is valid from 1st April, 2017 to 31st December, 2019.

Eligible fixed Capital investment

- New Building –
- New plant and machinery / equipment
- Electrification, tools, accessories, Utilities
- Effluent treatment plant

LAND COST and Second hand machinery IS NOT AVAILABLE

Eligible Enterprise

- New Enterprise
- Exiting enterprise carrying out expansion/diversification with investment more than 50% of (out of which minimum 60% investment should be in plant and machinery) its existing gross fixed capital investment on date of initiating expansion/ diversification
- Service sector not eligible for capital subsidy but interest subsidy eligible

Eligibility

- Obtain first disbursement of term loan on or after 1/4/2017 and commenced commercial production during operative period of scheme

Capital investment subsidy

Investment in Plant and Machinery	Municipals corporation		Out side municipal corporation	
	% of subsidy on term loan	Max. limit	% of subsidy on term loan	Max. limit
upto Rs. 50 Lakh	15%	15 lakh	20%	25 Lakh
More than Rs. 50 Lakh upto Rs. 2crore	12%	15 lakh	17%	25 Lakh
More than Rs. 2crore upto Rs. 10 crore	10%	15 lakh	15%	25 Lakh

Interest subsidy

Maximum period	Municipals corporation		Out side municipal corporation	
	% of interest subsidy on term loan	Max. limit	% of interest subsidy on term loan	Max. limit
5 years	5%	Rs. 25 lakh	7%	Rs. 30 lakh

- 1% additional for physically challenged entrepreneur/ women entrepreneur in manufacturing and service sector
- 1% additional for young entrepreneur below age of 35 years on date of sanction of loan

Conditions

- Apply to authority within one year from date of first disbursement of loan or on or before the date of commencement of production whichever is later
- Loan sanctioned by bank or financial institution as per RBI
- Enterprise shall obtain Pollution control certificate
- Enterprise to employ atleast 85% of total employment and 60% supervisory and managerial staff from local persons.
- Enterprise has to give undertaking to confirm that he has paid all government dues on his letter head

Textile Policy - Gujarat



Scheme for incentive to Textile industries

Scheme is valid from 4th September, 2018 to 31st December, 2023.

Eligible fixed Capital investment

- New Building –
- New plant and machinery / equipment
- Electrification, tools, accessories, Utilities
- Effluent treatment plant

LAND COST and Second hand machinery IS NOT AVAILABLE

Eligible activities of scheme

- Weaving, including preparatory (excluding woven sacks)
- Knitting, Dyeing and/or Printing (Processing)
- Machine Carpeting, Machine embroidery
- Technical Textile (excluding woven sacks in any form of packtech)
- Made-ups (article manufactured and/or stitched from any type of cloth, but does not include garment)
- Crimping, Twisting, Texturizing, Thread, sizing, winding

Ineligible activities of scheme

- Ginning, Spinning
- Garment and Apparel (Eligible under separate policy)
- SEZ Units

Quantum - Credit linked interest Subsidy

1) Interest Subsidy

Category	No. of Employees	Interest subsidy
MSME	-	6%
Large Enterprise	Direct employment upto 100 persons	4%
	Direct employment to more than 100 and upto 200 persons	4.5%
	Direct employment to more than 200 and upto 500 persons	5%
	Direct employment to more than 500 persons	6%

Maximum upto Rs. 20 crore p.a. for 5 years

Additional benefits

Technology up gradation	50% of investment for upgradation – Max upto Rs. 25 lakh
Power Tariff subsidy	<u>Weaving activity</u> – Rs. 3 per billed unit (Kwh) for LT power connection and Rs. 2 per billed unit (Kwh) for HT pwer connection for 5 years <u>Other:</u> Rs. 2 per billed unit (Kwh) – for 5 years
Energy, water conservation	20% cost of machinery and equipment – Max Rs. 30 Lakh

Conditions for interest subsidy

- To determine number of direct employment, only employees registered under Employees' provident Fund scheme will be considered
- Bank loan to be availed from commercial/cooperative bank or financial institution approved by RBI
- Apply for interest subsidy within one year from disbursement of loan or starting commercial production whichever is later – if late application then proportionate claim reduce
- Upward revision in loan within one year from date of commencement of commercial production eligible for subsidy
- If default in payment of instalments to bank then not eligible for subsidy

Loan Assistance to MSME

Make in India Soft loan for MSME - SIDBI

- Eligible: MSME – manufacturing or service sector
- Scope: Term loan (Land, Building, Plant & Machinery)
- Loan amount: New enterprise – Minimum Rs. 50 lakh
Existing enterprise – Minimum Rs. 25 Lakh
- Interest rate: 8.15% onward
- Loan giving agency: SIDBI
- Promoter contribution: 15% of project cost up to Rs. 1 crore and above that then 20% subject to DER 3:1
- Repayment : upto 10 years including moratorium 3 years
- Security: 20% to 30% collateral as FD or property of loan

Interest Subvention Scheme

- Scheme period: 22nd November, 2018 to 31st March, 2020
- Eligible: MSME having Udhog Aadhar and GST
- Scope: Incremental term loan, fresh term loan or incremental or fresh working capital loan disbursed during operative period
- Interest Subvention: 2%
- Maximum amount for subvention: Up to Rs. 100 lakh (if loan is above then remaining amount at regular rate)
- Loan giving agency: Schedule commercial bank or SI-NBFC or SIDBI

DIRECT TAX BENEFITS TO INDUSTRIES



Deduction of employment of new employees

- Any assessee derives income from business or profession shall be allowed 30% deduction of additional employee cost incurred – deduction available for 3 years subject to following condition:
- Business not formed by split up but re-establishment is allowed
- CA report to be furnished
- For new business – first year- total employees emoluments is eligible for deduction subject to other condition
- For existing business: additional any new employees employed during year subject to other conditions

Deduction of employment of new employees

- Condition of additional employee:
 - Amount should be paid by cheque or electronic transfer
 - Employee emoluments should be less than 25000
 - Worked for more than 240 days in year
 - Employee should be part in recognized provident fund
 - Emoluments doesnot include amount paid by employer as PF, pension, VRS, gratuity

Additional Depreciation @20% - sec. 32(1)(ia)

- If any new machinery or plant which has been acquired and installed.
- By assessee engaged in business of manufacture or production of any article or thing.
- A sum equal to 20% of the actual cost of such machinery or plant shall be allowed as deduction.



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