Chapter – 5

Investment Incentives Scenario in Various States
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Investment Incentives Scenario in Various States

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II. Incentives Offered by the State Governments
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I. Introduction

The incentives offered by the state government towards industrial development are comparable in the country. These incentives have been proposed to enhance the competitiveness of the states and also faster the pace of industrialization.

Following table is a comprehensive list of concessions and incentives offered by the states to encourage investment and promote industrial activities.

We can see that an attempt is made here to ensure balanced growth. There are some incentives to promote industries in backward or under-developed areas. At the same time there are schemes, which help in the empowerment of weaker sections of the society.

Sales Tax benefits are offered in two ways – either the unit has complete exemption for a defined period from the beginning date of operations or there is a deferment period during which time no sales tax is to be paid to the government. Payment of Sales Tax is due only after the deferment period.
Incentives by States

Capital Subsidies
- Backward Area Subsidy
- Special Capital Subsidy Based on the Nature of Industry
- Mega Projects Subsidy
- Women Employment Subsidy
- Generator Subsidy
- Tourism Subsidy

Sales Tax Concessions
- Location Based
- Mega Projects
- Super Mega Projects
- Direct Export Exemption
- Reimbursement of Tax on Inputs for 100% EOU
II. Incentives Offered by the State Governments

With the process of Economic Reforms unfolding in India, different states are positioning themselves in the mind of prospective investors in a bid to garner a substantial share of the investment boom. Not surprisingly, Andhra Pradesh, Gujarat, Karnataka, Maharashtra & Tamilnadu are known for their investor friendly atmosphere over the years. Enthused by the massive spurt in industrial activities in the post-liberalization period, the above five states have laid out a comprehensive industrial policy and setting futuristic directions for development.

As a part of the overall strategy for accelerating industrial growth in the state, incentive packages offered to industries have been made more attractive.

Given below is the detailed information of incentive policies offered by various states:

A Andhra Pradesh

The state provides following incentives for the industry:

1. Sales Tax Incentives
   - Sales tax exemption/deferment for 7/14 years up to 135% of fixed capital investment.

2. Inventory Subsidy
   - 20% of fixed capital investment subject to a ceiling of Rs.2 million

3. Power Subsidy
   - 25% of rebate in power bills for 3 years subject to a limit of Rs.5 million

4. Special Incentives
   - For mega projects on case to case basis
5. Incentives for functioning units

- 20% of cost of captive power generating units subject to a ceiling of Rs.2 million
- Sales Tax Concession on fuel used in captive power generation

B. Gujarat

Incentive Policy 1995-2000

The scheme is applicable from 16th August 1995 for a period of 5 years up to 15th August 2000 unless otherwise specified in the concerned Government Resolution.

B.1. Salient Features:

The salient features of Investment Policy announced by State Government of Gujarat are as follows:

- As much as over two-third of the area of the state eligible for benefits under various packages of incentives. In addition, 8 special backward regions continue to remain eligible.
- Eligible area grouped into two main categories, giving a wider choice of location.
- New Chemical Units or expansion of existing Chemical Units now eligible for incentives in the Estates/Zone designated for the purpose. This will control pollution and will ultimately protect the environment.
- Thrust industries, Premier and Prestigious units, eligible for incentives all over the state, except in a few banned areas.
- Electronics industries eligible to receive capital subsidy (small & tiny) and sales tax incentives (all) throughout the state, including metropolitan cities.
- Tiny units set up and managed by SC/ST/other backward classes/women entrepreneurs/educated unemployed youths offered cash subsidy at a higher rate.
- Investments in project-related infrastructure, made eligible for the purpose of incentives.
- Premier units eligible for sales tax incentives up to as much as 175% of fixed capital investment for a maximum period of 17 years.
- Investments made in social, common & public purpose infrastructure also considered as eligible fixed capital investment under the schemes for Premier & Prestigious units.
• Existing units undertaking one expansion and all diversifications carried out during the operative period of the scheme considered eligible for incentives.
• List of ineligible industries reduced to a minimum.
• For pipeline cases to be eligible for incentives, effective steps to be taken on the expiry of the scheme defined in advance to remove uncertainty.

B.2 Capital Investment Subsidy Scheme:

• The scheme is applicable only to new tiny and small-scale units, which will be set up during the operative period of the scheme.
• An existing unit undertaking only one expansion will be eligible for subsidy provided it remains a small scale unit even after the completion of expansion.
• All diversifications fulfilling the criteria, independently by an existing unit will be considered eligible for a separate subsidy provided it remains a small scale unit after the completion of diversifications.
• The amount of subsidy at the applicable rate under the scheme shall be reduced to the extent of amount of subsidy of grant than may be made available by the Central Government or State Government or any other agency under any other scheme for setting up of the industrial unit.
• The quantum of the capital investment subsidy is given in the following table:

<table>
<thead>
<tr>
<th>Type of Industry</th>
<th>Category – I</th>
<th>Category – II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tiny units set up by SC/ST/other backward classes/woman entrepreneur/unemployed youth</td>
<td>40% of the eligible fixed capital investment or Rs. 2 Lakhs whichever is less.</td>
<td>40% of the eligible fixed capital investment or Rs. 2 Lakhs whichever is less.</td>
</tr>
<tr>
<td>Small Scale Units</td>
<td>20% of the eligible fixed capital investment or Rs. 15 Lakhs whichever is less.</td>
<td>15% of the eligible fixed capital investment or Rs. 10 Lakhs whichever is less.</td>
</tr>
</tbody>
</table>

B.3 Sales Tax Incentive Scheme:

• Tiny, small, medium and large units can avail of sales tax benefits under Sales Tax Exemption or Sales Tax Deferment schemes.
• Under the Sales Tax Exemption scheme, an eligible unit will be entitled to purchase free of purchase tax/sales tax, the raw materials, consumable stores, packing materials and processing materials required for the purpose of manufacturing goods. In addition, the
unit will be exempted from the payment of sales tax on the sale of goods manufactured by it - including intermediate products, by-products and scrap/waste. It will also be eligible for exemption from turnover tax. The eligible unit will also be entitled to avail of exemption in Central Sales Tax as long as the sale originates from within Gujarat.

- Alternatively, the unit can opt for Sales Tax Deferment Scheme, under which the recovery of sales tax collected by the unit on the sale of goods manufactured by it including intermediate products, by-products and scrap as also the turnover tax, will be deferred and the amount so deferred will be recovered in six equal annual installments by the Sales Tax Department, beginning from the financial year subsequent to the year in which the unit exhausts its limit of incentives under the scheme, or the expiry of relevant period or time limit during which deferment is available, whichever is earlier.

- The quantum of incentives available under the scheme is given in the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Sales Tax Exemption</th>
<th>Sales Tax Deferment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rate</td>
<td>Period</td>
</tr>
<tr>
<td>I</td>
<td>100% of eligible Fixed Capital Investment</td>
<td>7 Years</td>
</tr>
<tr>
<td>II</td>
<td>80% of eligible Fixed Capital Investment</td>
<td>5 Years</td>
</tr>
</tbody>
</table>

B.4 Incentive to Thrust Industries

- The units setup to manufacture the following products belong to the category of Thrust Industries:

1. Garments (including hosiery)
2. Gems and jewellery
3. Agro-processing (except edible oil seeds)
4. Food processing
5. Leather products
6. Ancillary Engineering Industries
7. 100% Export Oriented Units

- Thrust Industries set up in the small scale sector are eligible to receive cash subsidy at the following rates:
<table>
<thead>
<tr>
<th>Type of Industry</th>
<th>Category – I</th>
<th>Category – II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tiny units set up by SC/ST/other backward classes/woman entrepreneur/unemployed youth</td>
<td>40% of the eligible fixed capital investment or Rs. 2 Lakhs whichever is less.</td>
<td>40% of the eligible fixed capital investment or Rs. 2 Lakhs whichever is less.</td>
</tr>
<tr>
<td>Small Scale Units</td>
<td>.25% of the eligible fixed capital investment or Rs. 15 Lakhs whichever is less</td>
<td>20% of the eligible fixed capital investment or Rs. 10 Lakhs whichever is less.</td>
</tr>
</tbody>
</table>

B.5 Incentives to Premier and Prestigious Units:

To encourage setting up of large projects in the state, the state government offers liberal incentives to Premier and Prestigious Units. New industrial units or complexes fulfilling the following criteria will be considered for the status of Premier or Prestigious units:

- The minimum project cost required for availing of the incentives under the scheme of prestigious units shall be Rs. 100 Crores.
- Industrial units having project cost exceeding Rs. 500 Crores will be granted the status of Premier Units. The projects exceeding investment of Rs. 1,000 Crores will be entitled for incentives for an extended period.
- Only one unit per taluka will be considered eligible for the status of premier unit. Any number of prestigious units will be entitled for registration in any of the talukas covered under Category 1 and 2, while only first 5 units will be granted this status in Category 3 areas. In banned areas, no unit will be entitled for premier/prestigious status.
- The unit will have to employ at least 100 workers on a permanent basis, and follow the Employment Policy of the State Government.
- Eligible units may avail of the facilities of both exemption and deferment of sales tax under composite scheme. Composite scheme means the unit could make certain transactions under exemption and certain transactions under deferment facilities simultaneously. Under this scheme, the eligible unit will be entitled to purchase free of tax, the raw-materials, consumable stores, packing materials and processing materials for the purpose of manufacturing goods. The goods manufactured by the unit including intermediate products, by-products and scrap/waste materials shall be allowed to enjoy the benefits by way of sales tax exemption or sales tax deferment.
In order to sustain and support the massive investment boom, the state government is fully aware of the need to expand its infrastructure base substantially in the coming years. To supplement the efforts of the state government through private sector investment, infrastructure projects have now been made eligible for additional sales tax incentives. For the purpose, investment in following fixed assets will be considered eligible.

B.6.1 Project-Related Infrastructure Investment:

Direct expenditure made by Industrial Units in creation of following assets will be considered eligible for incentives:

- Residential Colony, Hospital, School for Workers/Staff of the industrial unit and sports facilities.
- Feeder roads to industrial unit and adjoining nearest ODR or MDR/State Highways/National Highways.
- Creation of dedicated water transportation facilities through pipelines for the unit.
- Non-refundable Deposits paid to GEB for transmission lines from the nearest available sub-station.
- Expenditure on electronic exchange and laying of telecommunication cables.
- Construction of building for post offices and bank, if provided free by the unit.
- Training Centers to train local people for employment in the project.
- Transport facilities like buses for the conveyance of the workers from the surrounding villages/towns to the factory and back.

For the purpose of eligibility, expenditure on above referred project-related infrastructure will be eligible for incentives, limited to a maximum of 20% of the quantum admissible to the unit, in terms of eligible fixed capital investment.
B.6.2 Social Infrastructure Investment:

Direct expenditure made by Premier and Prestigious units to create following assets within the taluka will be considered eligible for the incentives:

- Technical institutes like it is, Polytechnics and Engineering Colleges.
- Establishment of Management Schools and Private Schools.
- Hospitals.
- Creation of social infrastructure facilities like drinking water, schoolrooms, buildings for hospitals in the adjoining villages.

For the purpose of eligibility, 50% of the total expenditure on acquisition of above referred social infrastructure will be considered eligible for incentives, limited to a maximum of 10% of the quantum admissible to the unit, in terms of eligible fixed capital investment.

B.6.3 Common and Public Purpose Infrastructure Investment:

Direct expenditure made by Premier and Prestigious Units to create following assets will be considered eligible for the incentives:

- Construction of dams for water storage purpose at source.
- Common pipeline for transportation of water from nearest available source.
- Common power transmission line.
- Linkage roads to industrial areas and nearest highway and over bridges.
- Common transport facilities for conveyance of the workers of industrial area.
- Common plant for desalination of water for industrial use.
- Common effluent treatment plant including channel/pipelines for disposal and recycling of wastewater.

For the purpose of eligibility, 50% of the total expenditure incurred by the unit on creation of above referred social infrastructure will be considered for incentives, limited to a maximum of 10% of the quantum admissible to the unit, in terms of eligible fixed capital investment.
B.7 Incentives to Electronics Industries:

- Government of Gujarat has identified electronics as a thrust industry and has decided to offer capital investment subsidy to tiny and small-scale electronic units and sales tax incentives to all electronic units including tiny and small-scale units to attract investment in electronic industry in the State. Accordingly, electronic units will also be eligible for incentives on eligible fixed capital investment including investment made in project related infrastructure.

- The electronics units registered as SSI units including tiny units will be entitled for subsidy as per the rate ceiling prescribed below:

<table>
<thead>
<tr>
<th>Type of Industry</th>
<th>Category – I</th>
<th>Category – II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tiny units set up by SC/ST/other backward classes/woman entrepreneur/unemployed youth</td>
<td>40% of the eligible fixed capital investment or Rs. 2 Lakhs whichever is less.</td>
<td>40% of the eligible fixed capital investment or Rs. 2 Lakhs whichever is less.</td>
</tr>
<tr>
<td>Small Scale Units</td>
<td>25% of the eligible fixed capital investment or Rs. 15 Lakhs whichever is less</td>
<td>20% of the eligible fixed capital investment or Rs. 10 Lakhs whichever is less.</td>
</tr>
</tbody>
</table>

New units as well as the units undertaking one expansion and all diversifications during the operative period of the scheme will be eligible for cash subsidy at the same rate.

C Karnataka

Having regard to the new industrial policy resolution and to achieve the objectives detailed therein, the package of incentives and concessions as per Government order is modified as under:

C.1 Reclassification of Development and Developing Areas & Other allied matters:

a) Areas, which are industrially developed and have concentrated industrial activities, have been classified as Developed Areas.

b) All other remaining parts of the State will be treated as Developing Areas.

c) The incentives and concessions are available to industrial units to be established in the state subject to Government of India’s locational and licensing policies.
C.2 Investment Subsidy:

a) Investment Subsidy to Tiny and Small Scale Industrial units will be offered as under:

<table>
<thead>
<tr>
<th>Zone</th>
<th>Particulars</th>
<th>Quantum Investment subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>DEVELOPED AREAS (Bangalore South &amp; North Talukas and Bangalore Urban Agglomeration area as per 1991 Census)</td>
<td>NIL</td>
</tr>
<tr>
<td>2.</td>
<td>DEVELOPING AREAS (All the remaining parts of the State excluding areas in Zone-1 – 173 talukas)</td>
<td>25% value of fixed assets (ceiling Rs. 25 Lakhs)</td>
</tr>
<tr>
<td>3.</td>
<td>GROWTH CENTRES (Hassan, Raichur, Dharwad &amp; other centers as indicated in Para-1 [c] above)</td>
<td>30% value of fixed assets (Ceiling Rs. 30 Lakhs)</td>
</tr>
</tbody>
</table>

Tiny and Small Scale industries set up in developed areas in specified non-polluting high technology industrial unit shall be eligible for an investment subsidy of 25% of value of fixed assets, subject to ceiling of Rs.25 Lakhs.

b) Thrust Sector Industries-Enhanced Scale of Subsidy:

Projects falling under the category of Thrust Sector as indicated in appendix-1 shall be eligible for enhanced scale of investment subsidy of additional 5% investment subsidy subject to a ceiling of Rs. 5 Lakhs for Tiny and Small Scale Industries in the developing areas and in growth centers.

c) Industrial units making new industrial investment under expansion/diversification/modernization-scale of investment subsidy:

Tiny and SSI units in specified categories of industries in Developed areas (As per Appendix-2) and all units in Developing areas and Growth Centers, undertaking expansion/diversification/modernization shall also be eligible for investment subsidy.
d) Additional subsidy to special categories of Entrepreneurs:

An additional investment subsidy 5% of the value of fixed assets subject to a ceiling of Rs. 1.0 lakh shall be offered for tiny and SSI units coming up in Zone-1, Zone-2 and Zone-3 areas established by entrepreneurs belonging to the special categories.

e) Subsidy towards development of industrial infrastructure:

Industrial estates promoted in Private/Co-operative Sector shall be offered an investment subsidy towards development of infrastructure at the rate of 20% of such investment not exceeding Rs. 20 Lakhs. This is applicable for projects with cost up to Rs. 5.0 Crores each.

C.3 Incentives for installation of equipment for utilization of renewable sources of energy/captive generation:

a) Incentives for installation of equipment towards Captive Power Generation.

b) Refund of Sales Tax on Diesel towards Power Generation.

c) Exemption from Electricity Tax.

d) Subsidy for existing units installing CPG units without any additional production.

C.4 Industries Encouraged to be located in Developed areas:

High and Non-Polluting industries in Tiny, Small Medium and Large Scale sectors would be permitted to be located even within the Developed areas-Zone-1.

C.5 Sales Tax concession for new units:

Industrial Investment in the Tiny/SSI/Medium & Large Scale Sectors would be provided with the option of either Sales Tax exemption or Sales Tax deferral (KST/CST). The option is allowed one time at the initial stage of availing the concession.
a) Sales Tax Concession for Thrust Sector Industries:

In respect of Thrust Sector Industries to be set up in developing areas including Growth Centers, the period of Sales Tax Exemption or deferment, as the case may be, shall be extended by one more year over and above the eligible period.

b) Sales Tax concession for existing units making New Investment under expansion/diversification:

Industrial Units in specified categories set up in Developed areas, and the units set up in Developing areas including Growth Centers, undertaking new industrial investment, for expansion/diversification shall be eligible for Sales Tax Exemption/Sales Tax Deferment as applicable to new industrial units as detailed below:

<table>
<thead>
<tr>
<th>Zone/Category</th>
<th>Tiny &amp; Small Scale Industries</th>
<th>Medium &amp; Large Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Period</td>
<td>Ceiling (Rs.)</td>
</tr>
<tr>
<td>Developed Area</td>
<td>4 Years</td>
<td>60% Value of Fixed Assets</td>
</tr>
<tr>
<td>Developing Area</td>
<td>6 Years</td>
<td>60% Value of Fixed Assets</td>
</tr>
<tr>
<td>Growth Centers</td>
<td>7 Years</td>
<td>60% Value of Fixed Assets</td>
</tr>
</tbody>
</table>

c) Encouragement for Modernization:

Existing units undertaking new investment for modernization where there may not be any additional production, but leads to significant improvement in one or more of the following areas, would be sanctioned a grant in aid of 10% of the capital cost of such modernization projects subject to a ceiling of Rs. 10 Lakhs.

d) Incentives for industrial infrastructure project:

Industrial infrastructure projects, irrespective of the investment limits, will be considered for a special package of incentives and concessions based on merits.
Some of the important features of new package scheme of incentives, effective from October 1, 1993 are as under:

- More liberal sales tax incentives in the newly designated "D+" areas.
- Higher levels of incentives to a pioneer unit over a longer period.
- 100% Expert-oriented units get refund of Electricity duty, sales tax paid on purchases of capital equipment and Exemption from sales tax on purchase of raw material, regardless of their location.
- Refund of electricity bill for a period of five years to the units coming up in "D" and "D+" areas.
- Capital subsidy to small-scale sector.

Broadly the incentives available under the package scheme of incentive are classified as follows:

D.1 Under part 1- following incentives are available:
- Special Capital Incentive
- Sales Tax Exemption/Deferral
- Sales Tax Incentives as an interest free unsecured loan under certain specified circumstances

D.2 Under part 2 - Sales Tax Deferral only

D.3 Incentives for Expansion/Diversification
- Special Capital Incentive
- Sales Tax Exemption/Deferral
- Sales Tax Incentives as an interest free unsecured loan under certain specified circumstances

D.4 Refund of Electricity Duty
D.5 Refund of Octroi

D.6 Preferential treatment in the Purchase Programmes of Government/Government Undertakings/Statutory Bodies

D.7 Contribution towards on credit points

D.8 Addition incentives on credit points

It may be noted that Part 1 and Part 2 Scheme of Incentives are mutually exclusive and no unit would be eligible to get both the incentives simultaneously. The option once exercised shall be final and binding on the unit.

Deferment Period: The period for which the Sales tax liability will be deferred under Part 1 and Part 2 will be 10 years from the date of availment and shall be repayable thereafter in five equal annual installments.

E Tamilnadu

Tamilnadu Government’s Industrial Policy aggressively promotes private investment offering an attractive package of incentives.

The incentives offered by the Government of Tamilnadu towards industrial development in the state are comparable to the best in the country. These incentives have been proposed to enhance the competitiveness of the state and also to faster the pace of industrialization. The following table is a comprehensive list of concessions and incentives offered by the state to encourage investment and promote industrial active less.
<table>
<thead>
<tr>
<th>Type</th>
<th>Subsidy (On fixed assets)</th>
<th>Maximum Value (Rs. Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Location Based</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Subsidy available to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>71 most backward blocks (sub-division of a district), select SIPCOT Industrial Complexes &amp; other areas.</td>
<td>20%</td>
<td>2.0</td>
</tr>
<tr>
<td>216 backward blocks, select SIPCOT Industrial Complexes &amp; other areas</td>
<td>15%</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Industry Based</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Thrust Sectors:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electronics</td>
<td>20%</td>
<td>2.0</td>
</tr>
<tr>
<td>Leather (after 1-10-1998)</td>
<td>20%</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Select Sectors:</strong></td>
<td>SSI</td>
<td>Medium &amp; Large</td>
</tr>
<tr>
<td>Automobile spare parts</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Drugs and pharmaceuticals</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Solar energy equipment</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Pollution Control equipment</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Food Processing Industries</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Cost effective building materials</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Sports goods &amp; accessories</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Tourism</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,2,3 Star hotels with investment</td>
<td>10%</td>
<td>1.0</td>
</tr>
<tr>
<td>Less than Rs. 100 Lakhs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amusement Parks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Golf Courses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restaurants</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Generator Subsidy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Industries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment of women (more than 30 percent of their work force)</td>
<td>5%</td>
<td>0.5</td>
</tr>
<tr>
<td>Effluent treatment plant</td>
<td>10%</td>
<td>0.5</td>
</tr>
<tr>
<td>Generator for captive use</td>
<td>15%</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Power Tariff Concession</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Night shift operation</td>
<td>40%</td>
<td>N.A.</td>
</tr>
<tr>
<td>Day and Night shift operation</td>
<td>20%</td>
<td>N.A.</td>
</tr>
<tr>
<td>(These concessions are from July to January for 5 years)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concession rate for Floriculture units based on consumption</td>
<td>N.A.</td>
<td></td>
</tr>
<tr>
<td><strong>Effluent treatment plant</strong></td>
<td>10%</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Generator for captive use</strong></td>
<td>15%</td>
<td>0.5</td>
</tr>
</tbody>
</table>
The different incentive schemes offered by the states is briefly mentioned below:

**Andhra Pradesh**

- 20% subsidy on fixed capital for units outside Hyderabad, Vijayawada and Visakhapatnam.
- Special incentives for projects with investments including Rs. 100 Crores.
- Sales tax deferment up to 14 years of 135% of fixed capital investment for new industrial units.
- Sales tax exemption and deferral benefits for existing units enhancing turnover by 2%.
- 25% rebate, up to Rs. 30 Lakhs on power bills for 3 years for small-scale units.
- Rebate on power bills up to Rs. 50 Lakhs for first 3 years of operation for medium scale units.
- 20% subsidy, up to Rs. 20 Lakhs for captive power and co-generation plants.
- Sales tax reduced to 4% for captive power generation plants.
Gujarat

- Capital investment subsidy of between 15% and 20% up to Rs. 5 Lakhs for small-scale units.
- 100% EQUS exempted from purchase and sales taxes on capital goods procured within the state.
- Special incentives for the purchase of environment-friendly plant and machinery.
- Capital subsidies and sales tax incentives for electronic industries.
- 7 years' sales tax relief of up to 100% of fixed capital for category 1 and 5 years (80%) for category 2.
- Sales tax deferment for 9 years, up to 125% of fixed capital for category 1.
- Sales tax incentives for up to 17 years for premier units.
- Incentives of 50% of the total expenditure on social infrastructure.

Karnataka

- Investment subsidy to EQUS and SSI of 25% of fixed assets (Zone-2) and 30% of (Zone-3).
- Additional capital investment subsidy of 5% of fixed capital for thrust sector projects.
- Special incentives, on a case-by-case basis, for mega projects with investment of Rs. 100 Crores.
- Special incentives, on a case-by-case basis, for investments in automobile sector.
- Special package of incentives, concessions and exemptions for the software industry.
- Exemption from purchase tax and from planned power cuts for 100% EQUS.
- Sales tax exemption up to 100% of fixed assets for periods between 4 and 7 years for new units.
- Sales tax deferral up to 100% of fixed assets for periods between 5 and 8 years for new units.
**Maharashtra**

- 75% concession on the cost of conducting feasibility studies.
- Exemption from stamp duty for small-scale units on amortization in favour of states FIS and banks.
- Special capital incentives of up to 30% of fixed capital investment for small-scale units.
- Capital investment subsidy of 15% of medium scale units in Vidarbha and Marathwada.
- Refund of electricity duty for EQUIS and power-intensive units for periods between 5 and 10 years.
- Concessions on the capital cost of power supply of prestigious units.
- Sales tax relief of 60% of fixed capital investment for Area B (5 years)
- Sales tax relief of 80% of fixed capital pioneer units.

**Tamilnadu**

- Investment subsidy of 20% of fixed assets up to Rs. 20 Lakhs, for units in most backward areas.
- Investment subsidy of 20%, up to Rs. 20 Lakhs, of fixed assets for new electronics and leather units.
- Capital subsidy of 10% of fixed assets for medium-scale units in thrust sector industries.
- Capital subsidy of 20% of fixed assets for small-scale units in thrust sector industries.
- Subsidies of between Rs. 25 Lakhs and Rs. 1 Crore for projects with investments up to Rs. 50 Crores.
- Power subsidy of up to 40% of units located outside the Chennai metropolitan areas.
- 15% of reimbursement, up to Rs. 5 Lakhs, of the cost of generators installed for captive use.
- An additional subsidy of 5% up to Rs. 5 Lakhs, for new units more than 30% of women employees.
IV. **Institutional Support from the Government**

Institutional support is absolutely vital in the overall scheme of industrial and infrastructure development. Normally such incentive packages are conceptualized and floated by institutions, and they have a supervisory role to ensure that the schemes reach the target areas and that they are administered correctly.

In some cases, Corporations or Boards setup by the government to look after a particular section of industry such as ports, petrochemicals or IT sector provide institutional support directly. Some institutions provide financial support while there are others who specialize in technical know-how and consultancy services in their particular area.

The following section provides information on the strong institutional infrastructure that has been created by individual states for the promotion of industries, which could be of use to the entrepreneur and even to corporate entities for setting up projects in the respective states:

**Andhra Pradesh**

- Andhra Pradesh Investment Promotion Board
- Andhra Pradesh State Finance Corporation Limited
- Commissionerate of Industries
- Andhra Pradesh Industrial Development Corporation.

**Gujarat**

- Industries Commissionerate.
- Gujarat Industries Development Corporation (GIDC)
- Gujarat Industrial Investment Corporation (GIIC)
- Gujarat State Financial Corporation (GSFC)
- Gujarat Maritime Board
- Gujarat State Power Corporation Limited (GSPCL)
- Gujarat Informatics Limited
- Gujarat State Road Transport Corporation
- Industrial Extension Bureau (indexB)
**Karnataka**

- Commissioner for Industrial Development and Director of Industries and Commerce
- Karnataka State Industrial Investment and Development Corporation Limited
- Karnataka Industrial Areas Development Bank
- Karnataka State Finance Corporation
- Karnataka State Electronics Development Corporation Limited
- Karnataka State Small Industries Development Corporation Limited
- Karnataka Udyog Mitra

**Maharashtra**

- Maharashtra Industries Development Corporation (MIDC)
- The State Industrial and Investment Corporation of Maharashtra (SICOM)
- Maharashtra State Finance Corporation (MSFC)
- Maharashtra Electronic Limited (MELTRON)
- Maharashtra Small Scale Industrial Development Corporation (MSSIDC)
- Maharashtra Petrochemicals Limited (MPCL)
- Maharashtra State Electricity Board (MSEB)
- Maharashtra Pollution Control Board (MPCB)
- Maharashtra Energy Development Agency (MEDA)

**Tamilnadu**

- Tamilnadu Industrial Guidance and Export Promotion Bureau (TIGEPB)
- Tamilnadu Industrial Development Corporation Limited (TIDCO)
- Tamilnadu Industrial Investment Corporation Limited (TIICL)
- Tamilnadu Corporation of Industrial Infrastructure Development Limited (TACID)
- Tamilnadu Small Industries Development Corporation Limited
- Electronics Corporation of Tamilnadu Limited
- State Industries Promotion Corporation of Tamilnadu Limited