ANNEXURE – III

PACKAGE OF INCENTIVES & CONCESSIONS 1996-2001

Having regard to the New Industrial Policy Resolution 1996 and to achieve the objectives detailed therein, the package of incentives and concessions as per Government Order No. Cl 140 SPC 93 dated 12th July 1993 is modified as under:

1. RECLASSIFICATION OF DEVELOPMENT & DEVELOPING AREAS & OTHER ALLIED MATTERS

a) Areas which are industrial developed and have concentrated industrial activities have been classified as Developed Areas [Zone-I] (See Appendix-V).

b) All other remaining parts of the State shall be treated as Developing Areas [Zone-II] (See Appendix-V).

c) The three Growth Centres being set up in the State, viz., Hassan, Dharwad & Raichur and the Mini Growth Centres proposed at Bijapur, Bellary, Malur, Kolar District, Nipani, Gadag, Chikmagalur and Chitradurga. Ancillary Complex for steel plant projects proposed at Thorangallu, Bellary District, have been classified as Zone-III – (See Appendix-V). New Growth Centres would be notified on merits.

d) The incentives and concessions are available to industrial units to be established in the State subject to Government of India location and licensing policies.

e) Incentives and Concessions are not available to industries listed in Appendix-III.

f) Definition of fixed assets would be the total investment made on land, building, plant and machinery and such other assets directly related to production purpose.

2. INVESTMENT SUBSIDY

a) Investment Subsidy to Tiny and Small Scale Industrial units [including Ancillary & Export Oriented Units with an investment of Rs.75 lakhs each in plant and equipment] will be offered as under:
<table>
<thead>
<tr>
<th>Zone</th>
<th>Particulars</th>
<th>Quantum investment subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td>DEVELOPED AREAS (Bangalore South and North Taluks and Bangalore Urban Agglomeration area as per 1991 Census)</td>
<td>Nill</td>
</tr>
<tr>
<td>II.</td>
<td>DEVELOPING AREAS (All the remaining parts of the State excluding areas in Zone-I – 173)</td>
<td>25% of value of fixed assets (ceiling Rs.25 lakhs)</td>
</tr>
<tr>
<td>III.</td>
<td>GROWTH CENTRES (Hassan, Raichur, Dharwad &amp; other centres as indicated in Para-1 (c) above)</td>
<td>30% of 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 [viz., Electronics, Telecommunications, Informatics, Precision Tooling/Tool Room Industries, Ready-made Garments including Leather Garments (excluding leather tanning units) units undertaking manufacture of pollution control and effluent treatment plant, equipment and facilities as also bio-technology] units 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 failing under the category of Thrust Sector as indicated in Appendix-I 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 centres. This additional subsidy shall be over and above the subsidies suggested in (a) above.

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

Tiny and SSI units in specified categories of industries in Developed areas (As per Appendix-II) and all units Developing areas and Growth Centres, undertaking expansion/ diversification/modernization shall also be eligible for investment subsidy, as applicable to new industrial units subject to condition that the grant of additional subsidy, shall not exceed monetary ceiling prescribed and shall be available only on additional investments made.
d) **Additional subsidy to special categories of entrepreneurs**

An additional investment subsidy 5% of the value of fixed assets subject a ceiling of Rs.1.00 lakh shall be offered for tiny and SSI units coming up in Zone-I (available only to specified hi-tech and non-polluting industries as per Appendix-II), Zone-II and Zone-III areas established by entrepreneurs belonging to the below mentioned special categories:

i. Scheduled Castes and Scheduled Tribes
ii. Minority Communities (as specified by the State Minorities Commission)
iii. Women
iv. Physically Handicapped
v. Ex-Servicemen
vi. Units employing more than 50% of skilled professional women workers in all categories, on a permanent basis for a period of more than 3 years provided minimum employment is 20;

vii. Technocrat entrepreneurs.

**NOTE**: For any unit total subsidy should not be more than the promoter's contribution. Subsidy, margin money and any other assistance in nature of a grant available from other sources would be treated as promoter's contribution, but will be deducted from eligible subsidy as per this order. This would, however, not apply to the additional subsidy envisaged for special categories as indicated in S.No.2 (d) above to the extent of such additional subsidy. This restriction will also however not be applicable to Tiny Sector units.

This incentive shall be offered over and above the normal incentives indicated above. However, entrepreneurs who are covered under more than one special category as defined above shall be eligible for an additional investment subsidy under any CNE of the special categories under SL. No. (1) in (vii) above only.

e) **Subsidy towards development of industrial infrastructure**

Industrial estates promoted in Private/Co-operative Sector (in Zone-II and Zone-III) shall be offered an investment subsidy towards development of infrastructure at the rate of 20% of such investment not exceeding Rs.20 lakhs. This applicable for projects with cost up to Rs.5.0 crores each. (This does not include cost of industrial sheds or industrial housing).

3. **INCENTIVES FOR INSTALLATION OF EQUIPMENT FOR UTILIZATION OF RENEWABLE SOURCES OF ENERGY/CAPTIVE GENERATION**

All Industrial units, (both new and existing units in the Tiny/SSI sectors) located anywhere in the State irrespective of Zone-I, Zone-II,
Zone-III and which install equipment for utilization of renewable sources of energy shall be eligible for an additional investment subsidy at 10% on such investment, subject to a maximum of Rs.5 lakhs per unit. This subsidy shall be over and above the normal subsidy prescribed under 2.

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

Captive Power units shall be considered as a part of new/expansion unit and considered as a part of project cost, eligible for incentives as per this package. This is applicable to all units in Zone-II and III and specified categories in Zone-I.

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

In terms of Government Order No. DE 97 PPC 92 dated 8\(^{th}\) June 1992 all new industrial units which utilize Diesel Oil, LSHS and Furnace Oil for captive Power Generation shall be refunded Sales Tax paid on such fuels, limited for a period of five years.

c) **Exemption from Electricity Tax**

In terms of Government Order No. DE 97 PPC 92 dated 8\(^{th}\) June 1992 exemption from Electricity Tax in respect of captive power generation shall be available in respect of energy generated towards self-consumption, for a period of five years.

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

Existing industries in Tiny/SSI Sector, which install CPG units without any additional production would be given an investment subsidy 10% of the cost of such equipment limited to Rs.10 lakhs. This will be available for all eligible units (excluding those in Appendix-III).

e) The present policy of 1/3 captive power generation from HT industrial consumers of 500 KVA and above would be abolished.

4. **INDUSTRIES ENCOURAGED TO BE LOCATED IN DEVELOPED AREAS**

Hi-tech and Non-Polluting industries in Tiny, Small, Medium & Large Scale sectors specified in Appendix-II would be permitted to be located even within the Developed areas – Zone-I.

These units in Tiny/SSI categories in Zone-I area would be eligible for an investment subsidy as applicable to Zone-II areas [as indicated in S>No. 2(a)]. Concessions towards Sales Tax
Exemption/Sales Tax Deferral is allowed for Tiny/SSI/Medium Scale/Large Scale units to such of these units coming up in Zone-I [as indicated in 5(a)].

5. SALES TAX CONCESSION FOR NEW UNITS

Industrial Investments in the Tiny/SSI/Medium & Large Scale Sectors would be provided with the opinion of either Sales Tax exemption or Sales Tax deferral (KST/CST). The option is allowed one time only at the initial stage of availing the concession.

a) Sales Tax Exemption/Deferral

<table>
<thead>
<tr>
<th>Zone</th>
<th>Tiny industries</th>
<th>Small Scale Industries</th>
<th>Medium &amp; Large Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Years</td>
<td>Ceiling (Rs.)</td>
<td>No. of years</td>
</tr>
<tr>
<td>i. Developed* Area</td>
<td>4 (6)</td>
<td>150% of value of fixed assets</td>
<td>4 (6)</td>
</tr>
<tr>
<td>ii. Developing Area</td>
<td>6 (8)</td>
<td>150% of value of fixed assets</td>
<td>6 (8)</td>
</tr>
<tr>
<td>iii. Growth Centres</td>
<td>7 (8)</td>
<td>150% of value of fixed assets</td>
<td>7 (8)</td>
</tr>
</tbody>
</table>

* Only the Specified categories as in Appendix-II.

NOTE : Figures in brackets indicate number of years for Sales Tax deferment in lieu of Sales Tax Exemption if opted. The above benefits shall also be available for existing units which undertake an expansion, project in a new location. However, tax payable on existing production in the existing location would continue without any change.

b) Sales Tax Concession for Thrust Sector Industries

In respect of Thrust Sector Industries to be set up in Developing areas including Growth Centres, 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 indicated in Sl. No. 5(a) without however any increase in the ceiling limit.

c) Additional incentives for special categories of entrepreneurs

For special categories of entrepreneurs listed in Sub Paras (i) to (vii) of Para 2(d) for units set up in Developing areas and Growth Centres, 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 indicated in Sl. No. 5(a) above, without however any increase in the ceiling limit. This additional sales tax exemption, deferment of one year period is also offered to the eligible hi-tech non-polluting industries (as per Appendix-II) in Zone-I area also.
d) **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 Centres, undertaking new industrial investments, for expansion/diversification shall be eligible for Sales Tax Exemption/Sales Tax Deferment mutatis-mutandis as applicable to new industrial units and as detailed below:

<table>
<thead>
<tr>
<th>Zone</th>
<th>Tiny &amp; Small Scale Industries</th>
<th>Medium &amp; Large Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Developed** Area</td>
<td>4 (6) 60% of value of fixed assets</td>
<td>4 (6) 60% of value of fixed assets</td>
</tr>
<tr>
<td>II. Developing Area</td>
<td>6 (8) 80% of value of fixed assets</td>
<td>5 (7) 80% of value of fixed assets</td>
</tr>
<tr>
<td>III. Growth Centres</td>
<td>7 (8) 80% of value of fixed assets</td>
<td>6 (8) 80% of value of fixed assets</td>
</tr>
</tbody>
</table>

** Only the specified categories as in Appendix-II.

Note: Figures in brackets indicate number of years of Sales Tax Deferment in lieu of Sales Tax exemption if opted.

The benefit shall be available only for additional production created out of such investment. Existing production, on which tax liability would continue, would be computed based on average production of three years prior to commencement of commercial production of expansion project.

e) **Encouragement for Modernization**

Existing units undertaking new investments 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. 10.0 lakhs.

i) Reduction in energy consumption of at least 10% of the earlier consumption (based on the average consumption norms of previous three years);

ii) Reduction in water consumption of at least 10% of the earlier consumption (based on the average consumption norms of previous three years);

iii) Setting up facilities for R&D and obtaining due recognition from the Department of Science & Technology, Government of India;

iv) Obtaining internationally accepted quality certification marks such as ISO/ISI certification;
v) Obtaining patents for products/processes from recognized National/International Agencies.

Note: The above benefit shall be extended to all units irrespective of their size and location (excluding industries listed in Appendix-III), This benefit would be available only once in a period of five years subject to a maximum limit of Rs.10 lakhs under one or more categories listed above.

6. KHADI AND VILLAGE INDUSTRIES SECTOR (KVIs)

All the KVI units as defined under the Khadi & Village Industries Act 1956, and as amended from time to time will be exempted from payment of Central Sales Tax (CST) and Karnataka Sales Tax (KST) on sale of finished goods. Living-cum-worksheds constructed by Government sponsored agencies will be made available for rural artisans with suitable subsidy.

7. MEGA PROJECTS

The projects which have investment in fixed assets in excess of Rs.100 crores shall be considered for a special incentive package depending on the merits of each case, and according to range of investment, scope for downstream industrial development, employment potential, etc.

8. SPECIAL INCENTIVES FOR AUTOMOBILE MANUFACTURING INDUSTRY

State is keen to attract major investments in the Automobile Manufacturing Industry, namely, manufacture of two-wheelers, passenger cars, LCVs, HCVs. Investments in this Sector will be offered a special package of incentives and concessions based on merits.

9. INCENTIVES AND INDUSTRIAL INFRASTRUCTURAL PROJECTS

Industrial infrastructural projects, irrespective of the investment limits, will be considered for a special package of incentives and concessions based on merits.
10. SPECIAL CONCESSIONS FOR EXPORT

a] 100% Export Oriented Units [EOUs]

I] Investment subsidy as applicable for Thrust Sector industries will be available for these industries as indicated in Sl. No. 2[b] along with Sales Tax concessions as per Sl. No. 5[b];

II] Exemption from power cut;

III] Exemption from payment of Entry Tax and Sales Tax payable on purchase of raw materials, components, packing materials, consumables, capital goods, spares, material handling equipment, intermediates, semi-finished goods and sub-assemblies from a registered dealer. While the Entry Tax exemption will be available for the items procured from within the state or outside, the Sales Tax Exemption on purchase of various items as detailed above would be available provided the procurement is from dealers located within the State.

b] Units other than 100% EOUs with an export effort of a minimum of 25% of the value of total turnover.

I] Investment subsidy as applicable for normal industries will be available for these industries as indicated in Sl.No. 2[a] along with Sales Tax concession as per Sl. No. 5[a];

II] Refund of Entry Tax and Sales Tax payable on purchase of raw materials, components, packing materials, intermediates, semi-finished goods and sub-assemblies from a registered dealer. While the Entry Tax refund will be available for these items procured from within the State or outside, the Sales Tax refund on purchase of various items as outside, detailed above would be available provided the procurement is from dealers located within the State.

c] In both the cases [a] and [b] above, the Entry Tax and Sales Tax on purchases would be payable on raw materials, components, packing materials, intermediates, semi-finished goods and sub-assemblies used for production for sale within the country.
11. EXEMPTION FROM STAMP DUTY & CONCESSIONAL REGISTRATION CHARGES

All Tiny and Small Scale Industries, and also such units taking up expansion/diversification/modernization, located anywhere in the state [and yet retaining their character as tiny or SSI unit] except in Developed Areas will be eligible for exemption of Stamp Duty and reduction of registration charges to Re. One per thousand in respect of loans and credit deeds executed for availing financial assistance from State Government, and/or State Financial Corporation/Industrial Investment, Development Corp., Nationalized Financial Institution, Commercial Bank LRRBs, Industrial Co-operative Bank, KVIB/KVIC and other institutions which may be notified from time to time by the Government. The concession of Stamp Duty exemption and reduction of registration charges will be available for lease, lease-cum-sale, and absolute sale deeds executed by industrial units in respect of industrial plots, sheds, flats, allotted by State infrastructural development agencies, viz., KIADB, KSSIDC, KEONICS, KSIIDC and infrastructural development agencies in the Co-operative Sector [except in Developed Area]. For all units and in all areas, registration of Lease, Lease-cum-Sale, and absolute sale deeds shall be registered on the basis of allotment price of the land/sheds allotted by KIADB/KSSIDC/KSIIDC/KEONICS and Co-operatives. The above concessions shall also be available at the time of registration of final sale deed in respect of land/sheds, after the expiry of lease period.

12. WAIVEER OF CONVERSION FEE FOR CONVERTING AGRICULTURAL LANDS TO INDUSTRIAL USE & DEEMED CONVERSION OF AGRICULTURAL LANDS IN SPECIFIED INDUSTRIAL ZONES

Payment of conversion fee for converting the land from agricultural use to industrial use will be waived for only Tiny and SSI units set up in all areas other than in Zone-I. This concession will be limited to a maximum extent of two acres of land only.

Conversion of agricultural land to industry land in identified industrial zones of the respective municipal/town planning authorities and other local bodies will henceforth need no prior approval of the Government. Approval to be given would be subject to general guidelines prescribed by the Government and on payment of the prescribed fee.
13. RELAXATION FROM POWER CUT

All the new tiny and SSI units would be exempted from power cut for a period of five years from the date of commencement of commercial production in Zone-II and Zone-III and also only for specified categories as in Appendix-II in Zone-I.