



Fiscal Incentives, Exemptions & Subsidies

Industrial Promotion Subsidy:

- A. **New SSI/MSI/LSI (including IT/BT) units:** New projects, which are set up in these categories in different parts of the State, will be eligible for Industrial Promotion Subsidy. The quantum of subsidy will be linked to the Fixed Capital Investment. Payment of IPS every year will be equal to 25% of any Relevant Tax paid by the eligible unit to the GoM or to any of its departments or agencies. The quantum of benefit and period will be as follows:

Taluka / Area Classification	Ceiling as % of Fixed Capital Investment		Number of years	
	SSI	MSI/LSI	SSI	MSI/LSI
A	-	-	-	-
B	20	-	6	-
C	30	20	7	5
D	40	25	8	6
D+	50	30	9	7
No Industry District	60	35	10	8

- B. **Expansion units:** Existing SSI / MSI / LSI (including IT/BT) units making additional investment to the extent of 25% or more over the Gross Fixed Capital investment, as on the last date of the previous financial year, for expansion, diversification or modernization, will also be eligible to get the Industrial Promotion Subsidy equivalent to 75% of the incentives admissible for new units. The admissible period

for availing the subsidy will be reduced by one year in the respective category and area.

Explanation:

The Zero Vat Units will be eligible for getting employment based incentive in lieu of IPS as proposed for low HDI districts in the form of 75% reimbursement of expenditure on account of contribution towards Employees State Insurance (ESI) and Employees Provident Fund (EPF) Scheme for a period of 5 years. However the quantum of incentives for these units will be limited to 20%,30%,40%,50%,60% of FCI in "B","C","D","D+", No Industry District respectively whichever is lower.

Additional Incentives:

The eligible SSI units coming up in Industrial Clusters / Parks to be notified by the State Government and in Agro- based Industries, Textiles, Auto and Auto components, Electronic products, Pharmaceuticals and Gems and Jewellery, Services – Information Technology, I.T. enabled services, Biotechnology sectors in "C","D","D+" areas only will be eligible for the IPS applicable to the one step higher incentive category under clause Industrial Promotion Subsidy.

Special Incentives for Units coming up in Districts low in HDI:

The State Government will make special efforts for speedier economic development in the 10 districts lowest in the State on the Human Development Index as given in the annexure. It is proposed to offer the following employment based incentives to the units coming up in these districts.

New units setting up facilities in these notified districts and employing at least 75% local persons as defined in the Employment of Local Persons Policy will be offered 75% reimbursement of expenditure on account of contribution towards Employees State Insurance (ESI) and Employees Provident Fund (EPF) Scheme for a period of 5 years. However these benefits will be limited to 25% of FCI. The amount of reimbursement will be paid annually based on minimum statutory limit subject to the condition that the unit has paid its contribution towards ESI & EPF on the due dates.

Interest Subsidy:

All new eligible units in textile, hosiery, knitwear and readymade garment sector units in the SSI sector will receive interest subsidy. The Interest Subsidy will be payable only on the interest actually paid to the Banks and Public Financial Institutions on the term loan for acquisition of fixed capital assets, equal to the interest payable at 5% per annum as stated in the table below.

Taluka/Area Classification	Monetary ceiling limit (Rs. In lakhs)	Maximum period in years
A	-	-
B	-	-
C	10	4
D	20	5
D+	25	6
No Industry District	35	7

Exemption from Electricity Duty:

Eligible new units in C, D, and D+ areas and No-Industry District(s) will be exempted from payment of Electricity Duty for a period of 15 years. In other parts of the State, 100% Export Oriented Units (EOUs), Information Technology (IT) and Bio-Technology (BT) units will also be exempted from payment of Electricity Duty for a period of 15 years.

Waiver of Stamp Duty:

The 100% exemption from Stamp duty will be extended up to 31st March 2011 in "C, D, D+ Talukas and No Industry Districts. However, in A and B areas, stamp duty exemption would be available as give below:

BT and IT units in public IT Parks	: 100%
BT and IT units in private IT Parks	: 75%
Mega Projects	: 50%

Exemption of payment of Royalties / NA charges:

Units in MIDC areas / Cooperative Industrial Estates will be exempted from payment of Non Agricultural Assessment Charges. Royalty payable on minor minerals extracted during construction under taken in MIDC area as well as in cooperative industrial estates will be 100% exempted.

Royalty Refund:

All eligible units, (new as well as units undertaking expansion) in Vidarbha region will be eligible for refund of royalty paid on purchase of minerals from mine owners within the State of Maharashtra for a period of five years from commencement of production

Refund of Octroi / Entry Tax in lieu of Octroi:

Octroi based incentive will continue to be offered by way of refund of Octroi Duty / Entry Tax etc. An eligible unit, after it goes into commercial production, will be entitled to Refund of octroi duty , or any entry tax or account based cess levied by the municipal bodies in lieu of octroi and paid to the local authority on import of all the items required by the Eligible Unit. This incentive will be admissible in the form of a grant restricted to 100% of the admissible Fixed Capital Investment of the Eligible Unit for a period of 5/7/9/12 years respectively in the B/C/D/D+ areas. In respect of No Industry District areas, however, the period will be 15 years.

Octroi Exemption on Raw Materials:

Several manufacturing units in the Municipal Corporation limits are facing acute problem on account of high incidence of octroi. Some units have already shifted while others are planning to relocate even outside the State. This migration would result in rendering a large number of employed persons jobless. It is, therefore, proposed to exempt 100% the octroi payable on all raw materials used by units in Municipal Corporation areas for manufacture of products to be exported out of the limits of the Municipal Corporations. The burden of such exemption will have to be borne by the concerned Municipal Corporations.

Modification in Seed Money Scheme:

Under the Seed Money Scheme, the educated unemployed youths are getting seed money assistance between 10% to 22.5% of the project cost limited to a maximum of Rs 10 lakhs for starting self-ventures from the Directorate of Industries as margin money. The seed money assistance carries interest @ 10% p.a. with a rebate of 3% for prompt payment. At present penal interest @14% is charged on delay in payment of the seed money dues. It is proposed to carry out the following modifications in the Seed Money Scheme:

Quantum of Seed Money Assistance: Maximum amount to be increased to Rs 25 lakhs

Interest rate: 6% Penal rate: 1%

Strengthening the SME Sector

Looking at the impressive growth which the SME sector has registered in the last few years, especially in the field of light engineering, textiles, biotech and IT, the State Government will give special focus on the SME sector to achieve its objective of high growth with greater employment opportunities. The Government will, therefore, initiate measures to address the

challenges faced by the SME sector in the areas of availability of cheap and timely finance, technology upgradation, upgradation of skill sets of those employed in this sector and marketing. The State will also take all necessary measures to complement the initiatives proposed by the Central Government in its Small & Medium Enterprises Bill, including setting up of a special institution for the SMEs. It will also provide the following incentives to promote quality competitiveness, research and development and technology upgradation

5% subsidy on capital equipment for technology upgradation limited to Rs 25 Lacs

50% subsidy on the expenses incurred for quality certification limited to Rs. 1 Lakh

25% subsidy on cleaner production measures limited to Rs.5 Lakhs 50% subsidy on the expenses incurred for patent registration limited to Rs. 5 Lakh

Mechanism for payment of Incentives:

To clear the backlog of incentives of previous schemes and to ensure timely disbursement of the incentives under the PSI 2006, a PLA facility will be set up by transferring Rs. 400 Crores in the first year from State's Non Plan which will be replenished to the extent of utilization at the beginning of each subsequent financial year. The issue of increasing the quantum of PLA facility would be also is considered at the appropriate time. In addition, 25% of extra premium earned by MIDC & CIDCO from sale of lands or conversion of lease hold to free hold will also be allowed to be used for industrial promotion.

Simplification in PSI scheme:

With the discontinuation of Sales Tax based incentives, it is proposed to simplify the new package scheme. Commercial production would be crucial criteria for determining the eligibility of the unit.

The units seeking incentives under the PSI 2006 will be required to submit application in the prescribed form to the implementing agency before 31st March 2011 along with detailed project report and proof of completion of following effective steps.

- a) Effective possession of land
- b) IEM / LOI/ SSI registration
- c) In case of Partnership firm or Company or Cooperative Society or Trust, the registration of the firm or Company or Society or Trust

- The units will be required to commence production within the stipulated period from the date of submission of such valid application. The stipulated period for commencement of production as well as for making the intended investment for SSI units; MSI /LSI units; and Mega Projects will be three, four and five years respectively from the date of submission of application. While the investment made beyond the stipulated period will not be considered eligible, the delay in commencement of production will entail proportionate curtailment of incentives.
- The units will be allowed inclusion of related items freely.
- The investment in intangible assets including pre-operative expenses, interest capitalized, technical know-how etc will be allowed only to the extent of 10% of the total project cost for purpose of the incentives.
- It is proposed to amend / modify the earlier schemes of incentives particularly the 1988 and 1993 schemes by stipulating the time frame for commencement of commercial production and for making investment. The units which have filed valid applications and have been found to be eligible under PSI-1988, PSI 1993 and PSI 2001 will be given time upto 31st March 2007, 31st March 2008 and 31st March 2009 respectively for starting production. The units failing to start production within the stipulated time will not be eligible for any incentives.