



## Andhra Pradesh

### Fiscal Incentives, Exemptions & Subsidies

The incentives offered by the government include:

- Andhra Pradesh boasts the highest level of fiscal incentive for investment in India.
- Its capital Hyderabad is the center for a software technology housing approximately 60 reputed national and multinational software firms and providing incentives such as 100% foreign equity allowable, income tax holiday, no customs or central excise duties, re-export of capital goods allowed, and availability of high-speed data links at international tariffs.
- Government proposes to phase out subsidies. However, 20% Investment Subsidy on Capital Investment on land, buildings and plant and machinery up to a maximum of Rs.20 lakhs will be given as subsidy to eligible SSI and Tiny units.
- Out of 20% Investment Subsidy, 50% upto a maximum of Rs.10 lakhs will be given as cash subsidy.
- The balance subsidy of 50% upto a maximum of Rs.1 lakhs will be provided for the following purposes:
  - Import of new (not second hand) machinery
  - Training of entrepreneurs
  - Training of workers
  - Testing & certification facilities for raw material and finished products.
- An additional cash subsidy of 10% on capital investment subject to a limit of Rs.10 lakhs will be given to SC/ST entrepreneurs in the eligible SSI and Tiny Units.

#### Details Related to Investment Subsidy

1. Investment subsidy:
  - a. To provide support to the investors at entry level and to give fillip to industrial growth, Government is considering the **Small/Tiny industrial units** for providing cash subsidy.
  - b. 15% investment subsidy on fixed capital investment will be given to SSI/Tiny industrial units subject to a maximum of Rs.15 lakhs
  - c. An additional subsidy of 5% on fixed capital investment subject to a maximum of Rs.5 lakhs will be provided to **SC/ST entrepreneurs**.
2. Growth enabling incentives:

- a. 25% of the tax paid during one financial year will be ploughed back to **Tiny/SSI/Large & Medium Industries** as a grant by the Government towards the payment of tax during next year. Benefit will be available for 5 years from the date of commencement of production i.e up to 6<sup>th</sup> year. This will act as impetus for sustained growth of industrial production.

3. Credit Support:

- a. Finance has been identified as the most important factor determining the survival and growth of **small and medium enterprises**. Access to finance allows industrial units to undertake productive investments to expand their businesses and to acquire the latest technologies, thus ensuring their competitiveness and that of the nation as a whole.
- b. Lowering interest rates is often proposed as the best way to spur investment and the Government of AP will provide subsidy for **Small and Tiny industrial units**.
- c. A 3% interest rebate on Prime Lending Rate (PLR) will be given on the term loan taken by **new Tiny/SSI industrial units** subject to a maximum of Rs.5.00 lakh per year for a period of 5 years.
- d. 5% of the project cost will be provided as seed capital assistance to **SSI/Tiny industries** started by **SC /ST entrepreneurs** as a grant for the industries which were sanctioned seed capital assistance by Prime Lending Institutions under National Equity Fund Scheme subject to a maximum of Rs.5 lakhs
- e. Under Credit Guarantee Fund (Scheme) operated by SIDBI, credit will be provided without any collateral security for industrial units upto a limit of Rs.25 lakhs of investment. To support this initiative and also to improve credit flow to **small scale sector**, a corpus fund will be provided matching the contribution made by the consortium of industries in IE's/Clusters subject to a maximum limit of Rs.25 Lakhs.