

2014

# Information Technology Investment Policy



Government of Madhya Pradesh

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## Vision

This policy aims to develop Information Technology (IT), Information Technology Enabled Services (ITES), and Electronic Hardware Manufacturing (EHM) as a vibrant industry for inclusive growth and creating employment opportunities for people in the state in the area of Information Technology.

## Objectives

1. To increase the flow of investments in the state in Information Technology industry.
2. To maximize direct and indirect employment generation opportunities for the youth in the state.
3. To extend the development and infrastructure opportunity in smaller cities.
4. To promote establishment of IT units in IT Parks/IT Investment Areas.

## Strategies

1. Fiscal incentives for attracting investments to the sector and getting IT services firms to set up a base in the state.
2. Providing better opportunities for employment to the educated youth of the state and putting a check on brain drain from the state.
3. Developing human resource to create skilled & technical manpower.
4. Encourage adoption of internationally accepted quality certifications.

### Course of Action

The State Government is committed for overall development of IT industry in the state with specialized focus on Indore, Gwalior, Bhopal and Jabalpur for the development and promotion of IT investment. To attract IT industry and development of IT parks following will be the course of action:

- 1) Information Technology (IT), Information Technology Enabled Services (ITES), Electronic Hardware Manufacturing (EHM) and other allied activities as certified by the Authorized Agency will qualify as Information Technology Industry.

An area of land or building constructed/proposed to be constructed for the purpose of housing IT Industry, subject to the provisions of this Policy shall qualify as IT Investment area.

Such Industry/IT Investment area shall be eligible for benefits/incentives under this policy.

- 2) Large chunks of land have been earmarked by the State for Information Technology investment area. Composite townships with food courts, hospital, shopping mall, residential complex, schools, star hotels, and other entertainment facilities for the IT/ITES professionals will be allowed in these areas.
- 3) The State Government will pursue for the development of Electronic Manufacturing Clusters (EMC) with the help of Govt. of India.
- 4) The State Government will pursue for the development of Information Technology Investment Region (ITIR) with the help of Govt of India.
- 5) The State Government will work in close coordination with private sector agencies for undertaking construction in the IT investment area. Suitable private sector infrastructure development agencies will be identified who will undertake the development, marketing and management of the IT Investment area.
- 6) The Government will facilitate pooling of private land with mutual consent of land owners for development of IT investment area by leading and reputed private sector companies who possess experience of making sizable investment in this sector.

## Available Incentives

### 1) SINGLE WINDOW CLEARANCE SYSTEM

Department of Science and Technology, Government of Madhya Pradesh would work for attracting IT Industries for Investment in the State and MP Trade & Investment Facilitation Corporation (MP-TRIFAC) would act as a Single Window for undertaking the formalities related to Project Clearance & Facilitation mechanism.

### 2) APPLICABILITY OF INDUSTRIAL PROMOTION POLICY

Relevant incentives provided under the Industrial Promotion Policy shall be applicable to the IT Industries established on Government allotted land/ Private Land with a provision of single window processing/clearances for all government formalities.

Incentives of similar nature can be claimed either through Industrial Promotion Policy or IT Investment Policy.

### 3) INCENTIVE ON QUALITY CERTIFICATIONS

- a. The Government shall reimburse prospectively, 75% of the cost incurred by an IT Unit operating in the State on securing quality certification of Capability Maturity Model (CMM/CMMi) Peoples Capability Maturity Model (PCMM) subject to a maximum ceiling of Rs. 6 Lakhs. This incentive will be available only once to the applicant Unit.
- b. The Government shall reimburse prospectively, 50% of the cost incurred by an IT Unit operating in the State on securing quality certification of ISO 9001 or an equivalent/better Certification subject to a maximum ceiling of Rs. 1 Lakh. This incentive will be available only once to the applicant Unit.

### 4) LAND USE EXEMPTIONS

- a) Exemptions in the existing FAR for IT Investment area can be considered on a case to case basis, subject to the relevant provisions of the respective City Development Plan.

- b) A minimum 60% of the total of the IT investment area will be used for IT operations and the balance 40% can be used for ancillary use and support services. However SEZ rules shall be applicable for lands allotted for SEZ or notified as SEZ.

#### **5) STAMP DUTY CONCESSIONS**

- a. Stamp duty payable by IT Units on mortgage/hypothecation with banks/financial institutions in IT investment area will be exempted provided the new unit is certified to be an IT Unit by an Authorized agency.
- b. Stamp duty and registration fee exemption will be applicable on Sale/lease by Financial Institution/Government Agencies/Pvt. Sector who acquire space/premises in IT investment area for subsequent lease to IT units provided the new unit is certified to be an IT Unit by an Authorized agency.

#### **6) INCENTIVE RELATED TO POWER**

- a. No prior permission will be required for installation of captive power plant. However, the relevant provisions of the Electricity Act 2003 will be applicable in this regard.
- b. In Madhya Pradesh, uninterrupted power supply is being supplied to the units in the industrial area. Further, the IT Industry shall be provided power through a dedicated feeder as per the prescribed terms & conditions on payment of requisite charges.

#### **7) REBATE IN COST OF LAND**

Rebate in Cost of Land is being included as one of the major incentives for attracting investments in the state. The terms for allotting land and the procedure for availing the rebate for establishment of IT Investment area is defined below:

- a) Rebate shall be applicable only on Government lands.
- b) The land will be made available at the rate of 25% of the prevalent Collector Guideline Rate for Un-irrigated Agricultural Land, subject to availability of land and with the condition that the investment in fixed capital will be made within a period of three years. Land to such units will be allotted according to the table given below:

S/N	Project Cost (In Rs Crores)	Land available at concessional rate
1	Up to Rs 100 Crores	Maximum 25 Acres as per requirement subject to a limit of One Acre for every Rs.4 Crore of Investment
2	More than Rs 100 Crores	Case to case basis

However, it is being clarified that the development cost would be levied separately, if the land has been developed by GoMP or its Agencies/ Authorities.

- c) The lease rent will be charged at the rate of 1% per year of the actual lease premium payable by the Unit.
- d) Minimum number of IT/ITES Professionals hired by a Unit in order to avail the concession shall be 100 per acre, of which, minimum 50% employment shall be for the persons who are residents of Madhya Pradesh. Of all other employment created in the facility minimum 50% will be for the residents of Madhya Pradesh. However, for EHM Units the minimum number of hired professionals shall be 50 per Acre.
- e) The Units shall be allowed to license the constructed area to Third Parties for activities permissible for IT Units, with prior permission, provided they fulfil the employment generation requirement given above.
- f) Land will be allotted for up-to 99 years on lease with provision for further renewal.

#### 8) SUBSIDY ON INTEREST

All new IT Units making Capital Investment up-to Rs. 10 Crores in the State of Madhya Pradesh shall be entitled for interest subsidy of 5% subject to a maximum limit of Rs. 4 (Four) lakhs per year, upto Rs. 25 (Twenty Five) Lakhs for a period of 7 Years.

#### 9) SUBSIDY ON CAPITAL INVESTMENT

All new IT Units having Capital Investment up-to Rs. 10 Crores in the State of Madhya Pradesh shall be entitled for One Time Capital Subsidy of 25% for new Units subject to a maximum limit of Rs. 25 Lakhs.

#### 10) IT INVESTMENT PROMOTION ASSISTANCE

All new IT Units shall be entitled for Investment Promotion Assistance after adjusting the input Tax Rebate on the amount of Value Added Tax (VAT) and

Central Sales Tax (CST) (Excluding the amount of VAT on purchase of Raw Materials) deposited by them (only if applicable), to the extent given below:

Sl. No.	Eligible Capital Investment	Percentage of Tax Paid as Investment Promotion Assistance	Period of Assistance (No. of Years)
1	Upto Rs. 10 Crores	50	5
2	Above Rs. 10 Crores	75	10

The reimbursement of IT Investment Promotion Assistance will be made directly to the unit on yearly basis.

#### 11) REIMBURSEMENT ON SKILL GAP TRAININGS

For providing skill gap trainings to the Engineers/ IT/ITES Professionals that are domicile of Madhya Pradesh, One time reimbursement will be available to the Unit, upto 50% of the cost incurred subject to maximum limit of Rs. 10,000 per employee, who are trained by the Unit within first Two years of commencement of operations.

#### 12) INCENTIVE RELATED TO STATUTORY REGULATIONS

The following exemptions under the relevant Acts will be applicable to the IT units:

- a) The IT units shall be granted exemption from the provisions of the Madhya Pradesh Shops and Establishment Act 1958 relating to the hours of business and weekly closure by issuing notification under the Act. Women workers shall also be allowed to work 24 hours subject to the conditions fulfilled by the employers relating to women workers' security and safety at the work place and during the transit.
- b) The hours of work for women employees working in an IT manufacturing unit shall be relaxed under the Factories Act. Accordingly for IT establishments, Women may be able to work 24 hours in such manufacturing units subject to the conditions fulfilled by the employers relating to women workers' security and safety at the work place and during the transit.
- c) The IT units shall be added as an independent employment in the schedule of Minimum Wages Act 1948 so that the workers shall be classified separately and their wages could be fixed as per their efficiency and skill level.



d) IT Units shall be permitted for self certification of the registers and forms as contemplated under various following Acts viz Payment of Wages Act, Minimum Wages Act, Employees State Insurance Act, Payment of Gratuity Act, Maternity Benefit Act, Equal Remuneration Act, Water & Pollution Act, Employment Exchange Act, Factories Act, Employees' Provident Fund & Misc. Provisions Act, Contract Labor (Regulation and Abolition) Act and shall also be allowed to maintain unified register and record instead of maintenance of different registers and records under different Labour Acts.

**13) BENEFIT ON ENTRY TAX**

Electronics Hardware Manufacturing (EHM) units shall be exempted for Payment of Entry Tax for procurement of raw materials for a period of 5 years.

**14) ASSISTANCE IN MARKETING**

All IT Units shall be entitled to receive 50% subsidy on Stall Rentals for participating in designated National/International Exhibitions/Events etc. subject to a maximum limit of Rs. 2 Lakh for International and 1 Lakh for National Events. This incentive shall be available to a unit once in a financial year.

**15) FACILITIES TO THE UNITS ON EXPANSION/MODERNIZATION**

All existing IT units which shall undergo expansion/modernization of their capacity will get all the above facilities on their incremental production as "new IT units" subject to certification by a Authorized agency. In order to qualify for this incentive the additional Capital investment in expansion should be minimum 50% of the existing capital investment subject to a minimum of Rs. 25 Lakh.

This Policy shall remain in force till the year 2019 or announcement of New Policy superseding this Policy.