INVEST KARNATAKA

Sri Siddaramaiah
Hon'ble Chief Minister

Sri R.V. Deshpande
Minister for Large and Medium Industries
and Infrastructure Development

Karnataka
Industrial Policy
2014 - 19
(with Amendments)

Nurturing
Industrial
Growth

Commerce and Industries Department
Government of Karnataka

Commerce & Industries Department
Government of Karnataka

Karnataka
Industrial Policy
2014-19
(with Amendments)

(Policy G.O. No. CI 58 SPI 2013, Dtd: 01.10.2014)

(Additions / Modification to the Industrial Policy 2014-19
G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)

(Additions / Modification to the Industrial Policy 2014-19
G.O. No. . CI 204 SPI 2015, Dtd:12.09.2016)

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PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Sub : Karnataka Industrial Policy 2014-19 - reg.

Read : Government Order No. CI 233 SPI 2008. dated: 28.02.2009.

PREAMBLE:

The State Government considers industrial growth as a means to mitigate poverty and unemployment. Development of industry, trade and service sector promotes higher capital formation, improves per capita income level, absorbs surplus work force. To realize these benefits and expedite socio economic changes, the State accords top priority for industrial development. In the process, it is aimed at advancing the cause of inclusivity, balanced industrialization and creating employment opportunities across different classes and categories of populace.

The State Government had announced Karnataka Industrial Policy 2009-2014 vide G.O. No. CI 233 SPI 2008, Bangalore, dated 28.02.2009 for promoting manufacturing and selected service industries in the State. This Policy came into effect from 01.04.2009 and had validity up to 31.03.2014. Further the validity of Industrial Policy 2009-2014 was extended till the introduction of new Industrial Policy 2014-19.

Government of India has come out with the National Manufacturing Policy in 2011 with an objective of accelerated development, inclusive growth and provision of gainful employment. The policy aims to enhance share of manufacturing in GDP to 25% by 2025 and create 100 million jobs with appropriate skill sets, increase the depth in manufacturing and enhance global competitiveness.

The Karnataka Manufacturing Taskforce (MTF) constituted by the State Government to study the manufacturing sector in Karnataka and suggest interventions to drive growth in the sector in a sustainable and holistic manner, taking into account global trends and existing challenges in the manufacturing sector has given its valuable recommendations and suggestions.

It is in this context that the State Government is desirous of formulating a new Industrial Policy to be in alignment with the objectives and goals of the National Manufacturing Policy 2011 and the recommendations of Karnataka Manufacturing Taskforce (MTF) which would enable smooth transition of policy measures for the benefit of investors in the State.

The policy has been drafted through an extensive consultation process with all the stake holders i.e. Trade Bodies /Associations, related Government Departments and deliberations on various components of the policy such as Infrastructure, facilitation mechanism, HRD, incentives and concessions, MSME development, focused sector etc. and Government appreciates the valuable suggestions of the Karnataka Manufacturing Taskforce (MTF) and all other stake holders. The views and suggestions offered by all the stakeholders have been incorporated suitably in the policy with the objective of making Karnataka a preferred destination for Industry.

In the light of the above, a decision has been taken by the Government to formulate and adopt a New Industrial Policy for the period 2014-19. Hence the following order:

GOVERNMENT ORDER No: CI 58 SPI 2013, BANGALORE, DATED:01.10.2014

In the circumstances explained in the preamble, Government is pleased to announce the Karnataka Industrial Policy 2014-19 as detailed in Annexe to this order supported by the following annexures :

Annexure 1	List of Service Enterprises eligible for package of Incentives and Concession
Annexure 2	List of Industrial Activities / Enterprises not eligible for Incentives and Concession
Annexure 3A	Terms and Conditions for extending incentives and concessions
Annexure 3B	Terms and Conditions for Private Industrial Areas/ Estates
Annexure 4	Initiatives for Export Promotion
Annexure 5	Definitions

The vision of Karnataka Industrial Policy 2014-19 is to build a prosperous Karnataka through inclusive, sustainable and balanced industrial development thereby creating large employment opportunities. The objectives of the policy are as follows:

(i) To maintain an industrial growth rate of 12 % per annum.

(ii) To enhance the contribution of manufacturing sector to the State GDP from present level of 16.87% to 20% by end of policy period

(iii) To attract investment of Rs. 5.00 lakh crore

(iv) To create employment opportunities for 15 lakh persons

(v) To create an environment to enhance ease of doing business in the State.

Government desires to achieve these objectives through the following policy measures:

(i) Creation of quality infrastructure with comprehensive facilities.

(ii) Human resource development through capacity building and skill up gradation.

(iii) Simplification of facilitation mechanism and procedural reforms.

(iv) Thrust for Hyderabad Karnataka area.

(v) Special thrust for encouraging SC/ST entrepreneurs, Women entrepreneurs, Non Resident Kannadigas (NRKs) etc.

(vi) Encouragement for export promotion.

(vii) Support for R&D and Digital Direct Manufacturing

(viii) Encouragement for Anchor Industries

(ix) Attractive incentives and concessions

The above industrial policy and package of incentives and concessions shall come in to effect from 01/10/2014 and will be valid for a period of five years or till a new policy is announced.

This order issues with the concurrence of Finance Department vide U.O. Note FD/726/Exp-1/2014 dated 16/07/2014 and 06/08/2014, Water Resources Department vide U.O. Note WRD/140/KBN/2014 dated 21/6/2014, Infrastructure Development Department vide U.O. Note IDD/28/I-TC/2014 dated 05/06/2014, Labour Department received vide Ka E /170/LET/2014 dated. 29/4/2014, Forest Ecology and Environment Department vide letter dated 08/04/14, Energy Department vide their UO note EN2/VSC/2014/P1 dated 30/06/2014 and dated 31/07/2014, Planning Department vide their UO Note: PD/26/FRO/2014 dated 16/06/2014, Urban Development Department received vide UDD/45 / UMS/2014 dated 21/07/2014, Revenue Department vide U.O. Note NO: RD/230/ LGB/2014 dated 21/07/2014 and U.O. Note NO: KA E/25/MU NO MU/ 2014 dated: 22-07-2014, Department of Women and Child Welfare received vide UO Note no WCD/4397/PRS/2014 dated 21/7/2014, Rural Development and Panchayath Raj vide U.O note KSRLPS/Kai Nee- 2014-19/2014-15 dated 23/7/2014 and Cabinet approval dated 11/09/2014.

By Order and in the name of the
Governor of Karnataka
-Sd/-
(K. RATNA PRABHA, IAS)
Additional Chief Secretary to Government
Commerce & Industries Department

PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Sub : **Additions / Modifications to the Industrial Policy 2014-19 reg.**

Read: **Government Order No. CI 58 SPI 2013, dated: 01.10.2014.**

-:0:-

PREAMBLE:

The State Government has announced the New Industrial Policy 2014-19 on 01.10.2014 to build a prosperous Karnataka through inclusive, sustainable & balanced industrial development thereby creating large employment opportunities. The Policy aims at achieving an industrial growth rate of 12% per annum by attracting investments of about five lakh crore & generates employment to about fifteen lakh persons during the Policy period.

The policy lays emphasis on providing good infrastructure support for promotion of industries. Many reforms have been proposed across major departments including online filing of combined application and approvals to facilitate ease of doing business, optimum utilization of resources, encourage vertical development in industrial area, protect industrial land, reduce inspections, enable submission of online returns etc. to boost the morale of investors.

Entrepreneurs belonging to SC/ST, Minority Community, Backward Classes, Ex-servicemen and Women have been given special attention to encourage enterprise creation and industrial capacity building by them for an inclusive growth and sustained development. Hyderabad-Karnataka Region along with industrially backward Taluks has received adequate attention with a view to create a strong industrial base for overall development of the State.

In view of the above, it is proposed for additions / modifications to the Industrial Policy 2014-19.

Hence the following order:

GOVERNMENT ORDER No: CI 224 SPI 2015(P2), BANGALORE, DATED: 01.02.2016

In the circumstances explained in the preamble, Government is pleased to approve additions / modifications to Industrial Policy 2014-19 as mentioned in Annexure.

This order issues with the concurrence of Finance Department vide Note No. FD 1278 Exp-1 2015, dated 16.01.2016 and Revenue Department vide Note No: ಕಂಇ 94 ಮುನೋಮು 2015, dated 19.12.2015.

By Order and in the name of the
Governor of Karnataka,
-Sd/-
(S. UMADEVI)
Desk Officer (Technical Cell),
Commerce & Industries Department.

PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Sub : Amendments to Karnataka Industrial Policy 2014-19.

Read : 1) Government Order No. CI 58 SPI 2013, dated: 01.10.2014.

2) Government Order No. HFW 95 IMM 2012, dated: 24.01.2013.

3) Government Order No. CI 224 SPI 2015(P2), dated:01.02.2016.

-:0:-

PREAMBLE:

"Karnataka Pharmaceutical Policy 2012" an exclusive policy issued vide Government Order No. HFW 95 IMM 2012, dated: 24.01.2013, for promotion of pharmaceutical sector in a holistic way, covering major segments of pharma sector viz., bulk drugs, drugs intermediate, bio- pharmaceuticals and formulations for the rapid development and it was formulated by Health and Family Welfare Department, Government of Karnataka. As most of the requirements of the Pharma Industry were related to providing infrastructure and hand holding wherein the Commerce and Industries Department has the required setup, the Government vide Government Order No. CI 204 SPI 2015, dated: 09.10.2015 made Commerce and Industries Department as the Nodal Department for implementation of the Policy.

Karnataka Drugs and Pharmaceutical Manufacturers Association (KDPMA) represented to the Government that the pharmaceutical industry requires infrastructure facilities as any manufacturing industry and requested to extend the attractive incentives and concessions offered in the Industrial Policy 2014-19 and also suggested certain modifications keeping in view the changed circumstances since announcement of the Pharmaceutical Policy 2012.

Medical Devices Industry manufactures over 14,000 different products and most of them are imported. In order to encourage their manufacture in India, Government of India has come out with a draft National Medical Devices Policy 2015. In order to encash the new opportunity & gain the first mover advantage and be in line with the GoI, it is proposed to dedicate a separate chapter in Industrial Policy 2014-19, for Promotion of Medical Devices Manufacturing Enterprises.

Hon'ble Chief Minister has announced some new schemes pertain to Industrial Policy 2014-19 in the Budget Speech 2016-17 as below;

- *Land & sheds will be allotted to SC/ST entrepreneurs by KIADB/ KSSIDC at 50% of the rate. The payment of cost of land & shed will be realized in instalments. Out of this, 50% will have to be paid as down payment and remaining 50% will be in 8 equal quarterly instalments.*

- *Reservation of 10% of plots/sheds in the Industrial Areas/Estates developed by KIADB/KSSIDC for Minorities, Backward Classes - (Category 1 and 2A only), Physically Challenged and Ex-Servicemen Entrepreneurs in all the future industrial areas/estates. This amount will have to be paid in 6 equal quarterly instalments.*

It is now proposed to bring in amendments to the Industrial Policy 2014-19 in order to attract investments in the Pharmaceutical Sector, Medical Devices Manufacturing Sector and to bring on par with the incentives and concession offered in Industrial Policy 2014-19 along with incorporation of the Budget 2016-17 announcements.

Hence the following order.

Government Order No. CI 204 SPI 2015, Bengaluru, dated:12.09.2016

In view of the circumstances explained in the preamble, Government is pleased to accord approval for the additions / modifications to Karnataka Industrial Policy 2014-19, as mentioned in Annexure – I, II & III.

Karnataka Pharmaceutical Policy 2012 issued vide Government Order No. HFW 95 IMM 2012, dated: 24.01.2013 is withdrawn with immediate effect.

This order issues with the concurrence of Finance Department vide Note No. FD 230 Exp-1 2016, dated: 17.08.2016 and Cabinet approval vide subject No: C.No. 424/2016, dated: 31.08.2016.

By Order and in the name of the
Governor of Karnataka,

-Sd/-
(S. UMADEVI)
Desk Officer (Technical Cell),
Commerce & Industries Department.

Annexe to
G.O. No : CI 58 SPI 2013 Dtd : 01.10.2014

Preamble:

India outlook:

India has achieved significant holistic growth and development in the last two decades. Today, the Indian economy with a population of 1.2 billion people ranks as the tenth-largest economy in the world and third largest in terms of GDP on Purchasing Power Parity basis. It is characterized by a liberalized foreign investment and trade policy, with a significant role being played by the private sector. However, like all other economies, India too faced a setback due to the global recession of 2008-09 and has witnessed a slowdown in economic growth in recent years.

The Planning Commission has set an average GDP growth target of 8% for the 12th Five Year Plan. The average GDP growth rate targets for Industry and Services sector are 7.6% and 9% respectively. It is crucial to accelerate the output of core sectors and speed up implementation of big ticket projects, while laying emphasis on research and development and adequate availability of skilled manpower to improve India's competitiveness in the manufacturing sector.

Karnataka outlook:

General:

Karnataka is one of the leading States in driving India's economic growth. The State GDP of Rs.2970 billion (US$ 49 billion) in 2012-13 (at constant prices) grew at 5.3%, higher than the national GDP of 5% when compared to FY 2011-12.

The State's export of Rs. 2400 billion (US $ 40 billion) during the period 2012-13 constitutes 12.69% of all India exports. Its share in the national exports for IT is 40% and for electronics and hardware is 38%. The share of electronics and software in State's exports stands at 60% for the period 2012-13. The State is home to the fourth largest technology cluster in the world after Silicon Valley, Boston and London.

Manufacturing sector employs 11% of the work force followed by Construction sector with 9.60%. Service sector (Secondary and Tertiary sector) employs 46% of the work force as per Economic Survey of Karnataka 2013-14.

Karnataka is the Knowledge Hub of Asia with 201 plus Engineering colleges, 114 plus Medical colleges/institutions, 50 Universities and 13 International Schools apart from presence of more than 370 plus world renowned high end research and development organizations. The World Economic Forum has identified Karnataka among the top four innovation hubs in the World.

With good rail, road & air connectivity, logistic support, infrastructure, excellent telecommunication network and peaceful labour, the State has been a preferred destination for investment attracting 4th largest FDI in the country. The State is considered as the fastest growing market in India.

State has been ranked 1st for a healthy business climate and attracting investments by World Bank's Investment Climate Index and Bangalore – Best India City to Live in - 'Quality of Living Survey - Worldwide Rankings, 2011'– Mercer.

Industrial Scenario:

There are about 1054 large & medium manufacturing industries in various sectors in the State which include Machine Tool, Steel, Cement, Automotive and Aerospace industries. In addition, about 2500 IT companies including 700 MNCs, about 600 Textile units and a large Agro based industries providing substantial employment opportunities to the youth are thriving in the State.

The State is home to major automotive industries such as Toyota Kirloskar, Volvo, Honda Motors, TVS, Tata-Marco polo, L&T Komatsu, Mahindra Reva, Scania, Bosch, Siemens, JK Tyres etc.

It is also the Biotech Capital of India and home to nearly 60% India's biotech units. It has planned dedicated Biotechnology parks and centers such as Nutri / Nutraceutical and Phyto-Pharmaceutical Park (N2P2) at Mysore, Marine Biotech Park at Mangalore, Agri Biotech Park at Dharwad and Vivarium (Animal House) at Bidar. Some of the key players such as Biocon, Glaxo Smith Kline Pharmaceuticals Ltd., Jubilant Life Sciences Ltd. and Astra Zeneca India have established their key centers in the State.

With the presence of HAL, NAL, AIRBUS, BOEING, ISRO, HCL, Honeywell, UTC Aerospace, Goodrich Corporation etc and with a good ecosystem the State is emerging as the favoured global destination in Aerospace Sector.

MSME sector is a vibrant and vital sector of the State economy in terms of employment generation and share of production. There are nearly 4.81 lakh registered MSMEs in Karnataka as on 31.03.2014 providing employment to over 28 lakh persons with a total investment of around Rs. 18,635 crore.

The State has also carved a niche for itself in the textile sector. It is the largest producer and exporter of silk and silk products in the country and produces over 20% of the national garment production. The State has planned dedicated apparel zones in Bangalore Rural, Tumkur, Kolar, Mandya, Belgaum, Bidar and Dharwad.

Karnataka Industrial Area Development Board (KIADB) has developed 145 Industrial Areas spread over 33,513 acres across the State and has allotted lands to over 16,960 units. KIADB has also acquired 44,704 acres of land in favour of 437 units under SUC scheme.

Karnataka Small Scale Industrial Development Corporation (KSSIDC) has allotted Industrial Sheds/ Plots to 13,513 units in its 174 industrial estates across the State.

Power Scenario:

Karnataka has an installed generation capacity of about 14,159 MW of which about 6,158 MW is from thermal power generation, 3,600 MW from hydel power, 3,571 MW from renewable energy sources and 500 MW from other sources (nuclear and diesel). Hydel power generation has helped the State plan and match its requirements spread over different seasons throughout the year.

As on this date 2,332 MW of wind energy and 736 MW of small hydel power are put to use with an additional co-generation of 1,126 MW.

The potential of the renewable energy sector in Karnataka is estimated to be about 30,000 MW of which the share of wind energy is about 13,323 MW and that of solar energy is 10,000 MW which can be explored by private sector investors.

With the ongoing and proposed power projects taken up by KPCL, NTPC, IPPs and renewable energy developers about 15,535 MW is expected to be added to the installed capacity of the State in the next few years.

Water Scenario:

Karnataka accounts for about six per cent of the country's surface water resources of 17 lakh million cubic meters (Mcum). About 40 percent of this is available in the east flowing rivers and the remaining from west flowing rivers. There are seven river basins with which their tributaries drain the State. The river systems include: Krishna, Cauvery, Godavari, West flowing rivers, North Pennar, South Pennar and Palar. Most of the rivers in the river systems are inter-State rivers and are east flowing. Yield in the seven river basins is estimated at 3,418 TMC at 50% dependability and 2,934 TMC at 75% dependability. The State receives annual normal rainfall of about 1,138 mm in over 55 rainy days and the availability of ground water is estimated at 485 TMC.

With a view to conserve water resources and adopt a systematic approach for overall development, the State has formulated a State Water Policy in 2002, according to which drinking water has the first priority, irrigation and industries follow next in the order.

The State water resources other than west flowing are riparian in nature and are governed by various tribunal awards. As per Desai committee report, availability of water under various basins have been identified and based on the requirement of industries, water can be made available depending upon the source and the yield.

The industry shall draw water directly from the source during the monsoon period. The industry which requires water throughout the year may have to construct pondage at their cost and meet the water requirement during the lean period.

Other Infrastructure Scenario:

Karnataka is blessed with 320 KM of coastal line with 2 major ports at Mangalore & Karwar and 10 minor ports. Tadadi port is being developed by the State Government.

Mangalore port, deepest inner harbour on the west coast with 15.4 meters depth (being increased to 19 mts) at the entrance channel has the highest productivity among major ports of India. It is connected to three National Highways:- NH 13, 17 & 18, Southern, South-Western and Konkan Railways. There is an urgent need to connect this port with the hinterlands such as Bangalore, Hassan, Tumkur, Chitradurga districts to improve its utility for the State apart from augmenting the material handling capacity. A four lane tunnel at Shiradi Ghat is planned by NHAI with JICA assistance. State Government will collaborate with NMPT in achieving these objectives and would like to include this as an important component of Chennai Bangalore Chitradurga Industrial Corridor (CBCIC) and Bangalore Mumbai Economic Corridor (BMEC) projects and to promote exports from the State.

State has a share of about 4,490.71 KMs of National Highway and about 20,774.37 KMs of State Highway network across the length and breadth of the State apart from other Major District Road network of 49,905.56 KMs which makes the movement of goods and passenger traffic easier.

Karnataka has a total of 3,250 KMs of railway line spread along the length and breadth of the State and has proposed to Government of India (GoI) to take up the establishment of more railway lines in Karnataka on cost sharing basis. PPP model is also being examined.

The State Government has already submitted and is pursuing the proposal of Hubli-Ankola railway line with Government of India for environmental clearance which will connect the hinterland to the coast in addition to the Hassan-Mangalore railway line. Doubling of Bangalore-Mysore railway line is expected to be completed by March 2015.

Karnataka has five functional Airports of which two are International Airports (Kempegowda International Airport, Bangalore and Mangalore Airport, Mangalore). State proposes to upgrade the Hubli Airport to international status. Belgaum Airport connects northern Karnataka with other States and Mysore Airport is being expanded. It is proposed to develop minor Airports at Gulbarga, Shimoga, Bijapur, Bellary and Hassan thereby providing air connectivity across the State. State also has two Air Force flying stations in the State, one at Bidar and the other at Belgaum.

Logistics parks are also being developed for planned and systematic handling of goods in and around major cities.

Metro Project for Bangalore (42.3 km in phase - I) is expected to be completed by the end of 2015 and phase - II of 72Kms has been approved.

Natural Gas Pipeline Infrastructure in the State:

Gas Authority of India Limited (GAIL), a Government of India undertaking, has laid main trunk pipelines with a design capacity of 16 MMSCMD for about 746 kms for transporting gas from Dhabol to Bangalore and it covers nine districts in Karnataka from Belgaum to Bangalore. The total length with spur lines is proposed to cover 1,370 kms. This pipeline is in the influence region of the proposed Bangalore Mumbai Economic Corridor (BMEC) and Chennai Bangalore Chitradurga Industrial Corridor (CBCIC) being initiated by Government of India, and gives fillip to development of industrial areas / regions as nodes along the BMEC and CBCIC.

The commissioning of Dhabol – Bangalore gas pipeline will be a catalyst and has opened up immense possibilities for environment-friendly industrial development with greater efficiency and cost effectiveness in the State. This corridor is being proposed to be developed as “Green Corridor” considering the environmental friendliness of natural gas.

The Gas pipe line will cater to the needs of Industry, Transport sector and City Gas Distribution (CGD) in the major cities along the corridor commencing with Bangalore city.

Industrial Policy of Karnataka:

The State Government considers industrial growth as a means to mitigate poverty and unemployment. Development of industry, trade and service sector promotes higher capital formation, improves per capita income level and absorbs surplus work force. To realize these benefits and expedite socio economic changes, the State accords top priority for industrial development. In the process, it is aimed at advancing the cause of inclusivity, balanced industrialization and creating employment opportunities across different

classes and categories of populace. The State was the first to bring out an Industrial Policy and has brought subsequent policies with the sole objective of taking Karnataka to newer heights in respect of industrialization and to sustain growth over the years.

The State Government had announced Karnataka Industrial Policy 2009-14 vide G.O. No. CI 233 SPI 2008 Bangalore dated 28.02.2009 for promoting manufacturing and selected service industries in the State. This Policy came into effect from 01.04.2009 and had validity up to 31.03.2014. Further the validity of the Industrial Policy 2009-14 has been extended till the introduction of Industrial Policy 2014-19.

Progress achieved during policy period - 2009-14

As against the targeted investment of Rs. 3.00 lakh crore and employment generation for about 10.00 lakh persons during the policy period, about 1,450 project proposals with a proposed investment of Rs. 7.13 lakh crore were approved with an employment potential for about 26.84 lakh persons. Out of these, about 169 proposals were implemented with an investment of about Rs. 1.08 lakh crore generating employment to about 1.47 lakh persons. Around 863 proposals with an investment of about Rs. 3.21 lakh are under various stages of implementation. Apart from this 1.07 lakh MSMEs are registered with the Government with an investment of Rs.9,037 crore generating employment for about 6.77 lakh persons.

Few other achievements are listed below.

Land & Infrastructure:

- *Under the Land Bank Scheme, about 1,15,000 acres were identified and about 50,887 acres were notified for acquisition and 21,486 acres were acquired.*
- *KIADB has taken steps for establishment of tertiary treatment plants to supply water to industrial areas.*
- *Action has been initiated for establishment of Sector specific parks namely, Pharma, Aerospace, Spice, Hardware, IT, Food, Textile and Apparel.*
- *As a first step in the State, Electronic City Phase-I, II and III with an extent of 903 Acres 11 guntas, is declared as "e-City Industrial Township Area" under section 364-A of the Karnataka Municipalities Act, 1964 and to manage the area Electronics City Industrial Township Authority (ELCITA) was formed.*

Facilitation:

- *Amendments to Industrial Facilitation Act 2002 were brought in to give more powers to the District and State Level Single Window Clearance Committees (DLSWCC/SLSWCC)*
- *E-Udyami, an online application filing and monitoring system was introduced in Karnataka Udyoga Mitra*
- *To sort out various issues faced by Industries, Kaigarika Adalats were conducted at District and Divisional level.*
- *To showcase investment opportunities in the State, Global Investors Meet (GIM) 2010 and GIM 2012 were conducted successfully.*

Incentives and Concessions

- Incentives and concessions of Rs. 250 Cr were granted to more than 4000 units.

Skill Development:

- *To impart skill development and better employment opportunities, 13 Skill Development Training Centres were established in association with Private Institutions under PPP mode.*

Timely Services to Industries

- *In order to provide timely services to industries Six services of industries department were brought under Karnataka Sakala Services Act – 2011.*

The overall economy of India during the 11th five year plan could not grow at the pace as planned due to global slowdown witnessed from the beginning of 2008. Karnataka was not an exception. In general the industrial growth in Karnataka was slow during policy period 2009-14. The wide spread drought situation in the State also contributed to the sluggishness.

Need for New Industrial Policy:

The State Government now intends to consolidate the strategies and achievements made so far by providing adequate infrastructure support with attractive enhanced incentives and improved facilitation mechanism coupled with governance reforms.

Government of India has come out with the National Manufacturing Policy in 2011 with the objective of accelerated development, inclusive growth and provision of gainful employment. The policy aims to enhance share of manufacturing in GDP to 25% within a decade and create 100 million jobs with appropriate skill sets, increase the depth in manufacturing and enhance global competitiveness.

The Karnataka Manufacturing Taskforce (MTF) constituted by the State Government to study the manufacturing sector in Karnataka and suggest

interventions to drive growth in the sector in a sustainable and holistic manner, taking into account global trends and existing challenges in the manufacturing sector has given its valuable recommendations and suggestions.

It is in this context that the State Government is desirous of formulating a new Industrial Policy to be in alignment with the objectives and goals of the National Manufacturing Policy 2011 and the recommendations of Karnataka Manufacturing Taskforce (MTF) which would enable smooth transition of policy measures for the benefit of investors in the State.

Industrial Policy 2014-19:

(i) VISION

To build a prosperous Karnataka through inclusive, sustainable and balanced industrial development thereby creating large employment opportunities.

(ii) MISSION

2.1 To make Karnataka as preferred destination for industrial investment with special focus on manufacturing sector

2.2 To provide opportunities across the State for industrial development and enable scope for large scale local employment through private sector

2.3 To develop human capital to meet the needs of industry

2.4 To create conducive environment for optimal utilization of natural resources for sustainable industrial development

(iii) OBJECTIVES

3.1 To maintain an industrial growth rate of 12 % per annum.

3.2 To enhance the contribution of manufacturing sector to the State GDP from present level of 16.87% to 20% by end of policy period

3.3 To attract investment of Rs. 5.00 lakh crore

3.4 To create employment opportunities for 15 lakh persons

3.5 To create an environment to enhance ease of doing business in the State.

(iv) STRATEGIES

4.1 Creation of quality infrastructure with comprehensive facilities.

4.2 Human resource development through capacity building and skill up gradation.

4.3 Facilitation mechanism and procedural reforms.

4.4 Classification of taluks

4.5 Encouragement for industrial development in Hyderabad Karnataka Area.

4.6 Promotion of MSMEs.

4.7 Special thrust for encouraging SC/ST entrepreneurs.

4.8 Encouragement to Women entrepreneurs.

4.9 Encouragement to Minorities, Backward classes, Physically challenged persons, Ex-servicemen entrepreneurs

4.10 Encouragement to Non Resident Kannadigas (NRKs)

4.11 Encouragement for export promotion.

4.12 Encouragements to units adopting energy efficiency measures.

4.13 Encouragements to renewable energy projects.

4.14 Encouragements for adoption of green and clean practices.

4.15 Support for R&D and Digital Direct Manufacturing

4.16 Intellectual property rights initiatives

4.17 Promotion of investment and trade

4.18 Encouragement for anchor industries

4.19 Incentives and concessions for Large, Mega, Ultra Mega, Super Mega enterprises:

4.20 Focused manufacturing industries

4.21 Budget Support

(v) POLICY MEASURES

5.1. Creation of quality infrastructure with comprehensive facilities

5.1.1 Establishment of new industrial areas through KIADB

5.1.1.1 Readily available and adequate extent of land is a pre-requisite for industrial development. The State would focus more on making available allottable industrial lands with comprehensive infrastructure facilities to the project proponents across the State.

5.1.1.2 The guidelines of 'The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act 2013' promulgated by Government of India will be followed while acquiring land for industrial purpose. Due care will be taken to ensure that only waste, barren, kharab, dry and single crop lands are acquired for industrial purposes.

KIADB will make provisions for providing at least one employment per land loser family while acquiring land for industries as far as possible.

5.1.1.3 Each industrial area will be formed on commercial viability basis with proper access, adequate water, power and other essential facilities. Plots will be allotted only after complete development of the industrial area.

5.1.1.4 It is proposed to reserve 10% of the land area for promotion of supporting social infrastructure like housing, service apartments, hospitals, shopping complexes, restaurants, etc., in all future KIADB industrial areas of over 1,000 acres.

5.1.1.5 Priority will be given in land allotment for power generating units within KIADB industrial areas.

5.1.1.6 Land requirement of the projects will be audited by Government before approval to ensure optimal utilization of available land.

5.1.1.7 Industrial land by KIADB henceforth shall be allotted to the project proponents only on 99 years lease basis with adequate flexibility.

5.1.1.8 KIADB will supply treated water to industrial areas for industrial use. Suitable arrangements will also be made by KIADB for supply of potable water.

5.1.1.9 KPTCL will take up power sub stations of suitable capacities in various existing and proposed KIADB industrial areas funded by the State Government or the cost to be built up through tariff.

5.1.1.10 All industrial feeders of 33KV/66KV/110KV/220KV shall be treated as express feeders with 24/7 power supply.

5.1.1.11 KIADB will make available the updated information about the availability of land/plots to public through their website.

5.1.1.12 It is proposed to acquire about 40,000 acres of land across the State for industrial requirements during the policy period by KIADB. The land would be acquired in a phased manner at the rate about 8,000 acres of land (including SUCs) every year for allotment to industries.

5.1.1.13 To meet the fund requirements, KIADB will create a corpus fund on revolving basis which will be structured so that it is financially viable on its own and remains self- sustaining.

5.1.2. Establishment of Industrial Corridors:

5.1.2.1 Chennai-Bangalore-Chitradurga Industrial Corridor (CBCIC) and Bangalore-Mumbai Economic Corridor (BMEC) would be expedited on the lines of Delhi-Mumbai Industrial Corridor (DMIC) with the support of Government of India. To trigger industrial growth along the corridors, it is proposed to utilize the technical and financial assistance available through Japan International Cooperation Agency (JICA)

5.1.2.2 Further, State will also explore the option of setting up of following State Industrial Corridors (SIC) for benefitting backward districts and leading to sustainable industrial development along the length and breadth of the State.

i. Bangalore-Mandya-Mysore-Chamarajangar,
ii. Chitradurga-Bellary-Gulbarga-Bidar
iii. Dharwad–Koppal-Raichur
iv. Bangalore –Hassan-Mangalore
v. Chitradurga-Haveri-Karwar
vi. Tumkur-Shimoga-Honnavar
vii. Raichur-Bagalkot-Belgaum

5.1.2.3 Bangalore-Mandya-Mysore-Chamarajanagar corridor is suitable for establishment of Knowledge based industries corridor.

5.1.2.4 Government of India has accorded in principal approval for establishment of four National Investment and Manufacturing Zone (NIMZs) at Tumkur, Kolar, Gulbarga and Bidar Districts. These NIMZs or the Industrial Nodes at these locations along the CBCIC/SIC will be the engines of growth for manufacturing sector.

5.1.2.5 NIMZs will be developed through Special Purpose Vehicles (SPVs) as per the guidelines of National Manufacturing Policy, Government of India. State Government will support these SPVs through equity participation (not more than Rs.500 crore per NIMZ). State will pass required legislations to empower the SPVs to discharge their duties.

5.1.2.6 PPP route will be encouraged to bring in additional private investments into development of industrial infrastructure including roads, water supply, power and ports.

5.1.2.7 State Government to maximize utilization of Mangalore port capacity and develop Tadadi port into an all weather port. Upgradation of new Mangalore port and establishing connectivity with NIMZ Tumkur and Bangalore to be included as an important component of CBCIC project.

5.1.3. Special Investment Region (SIR)

To decongest Bangalore and to promote other areas through industrial development it is proposed to notify potential areas as Special Investment Regions (SIRs) to provide substantial infrastructure support from State Government. It is proposed to notify one such SIR area encompassing Dharwad, Gadag, Haveri and Belgaum Districts.

Mysore, Mangalore, Hassan, Bagalkote, Bijapur, Raichur, Koppal, Bellary will be developed as industrial nodes.

5.1.4. Establishment of Industrial Areas and Estates by Private Investors or through PPP or in association with other Government agency:

Considering the constraints of KIADB and KSSIDC (funds mobilization and shortage of manpower etc.) for establishment of new industrial areas, it is proposed to encourage establishment of industrial areas and estates in the State either by private investors or in association with another Government or through PPP mode.

a) Eligibility:

Projects with a minimum area of 100 acres either approved by Government of India or recommended by a committee headed by ACS/Principal Secretary to Government, C & I Department and approved by SHLCC.

b) Land:

Land would be made available to the proponents for development of Private industrial areas / estates / layouts / parks by one of the following procedures:

i. *Permission to purchase lands from land owners with exemption under section 109 of KLR Act,1961 for development of private industrial areas / estates / layouts / parks subject to compliance of land use pattern in the approved Master Plan by local planning authority.*

ii. *To utilize proponent's own land for development of private industrial areas/ estates/ layouts/ parks subject to compliance of land use pattern in the approved Master Plan by local planning authority.*

iii. *Allotment of bulk land in areas acquired by KIADB to the Private investors / Developers for industrial areas/ estates/ layouts / parks through a transparent process.*

c) Development:

Developers or Co-developers of such projects shall develop, construct and install all basic support infrastructure like road, bridge, power generation, transmission and distribution, water supply, underground drainage (UGD) system in the industrial areas / estates / layouts / parks. Private investors need to create support services like gas distribution network, communication and data network transmission, waste water treatment and solid waste management, warehouse etc., in the industrial area/ estate/ layout / parks.

The Private investor is required to obtain plan sanction from the KIADB / local authority and observe all the condition laid down therein. Wherever required the Private Investor will obtain environment clearances for the entire industrial area/ estate/ layout / park as required by law and abide by the conditions of approval.

Private Investor will be responsible for operating, managing and maintaining all the infrastructure facilities, amenities and support services on 'pay and use' basis of the industrial area/estate.

d) Permission to sublease :

In respect of bulk land allotted in KIADB industrial area the promoters will be permitted to sublease the plots /sheds only after the complete development of industrial area/estate/layout /park as per the project report submitted at the time of obtaining approval to the project from the competent authority.

Such acquired lands shall not be permitted to be diverted to non industrial use.

e) Operational Guidelines will be issued separately

5.1.5 Optimal utilization of land:

5.1.5.1 With a view to release/ unlock the land available in existing industrial areas and reduce the need to procure more land for industry by KIADB action will be taken to increase Floor Area Ratio (FAR) from the present average levels of 1.0 to 3.0 and average ground coverage will be increased from 45-50% to 70%.

5.1.5.2 Lands acquired by KIADB for industrial purposes and allotted to project proponents will not be permitted to be used/ diverted for any other purpose other than industrial purposes even after execution of sale deed/lease deed. Likewise under no circumstances change of land use will be permitted or recommended to any local planning authority and no local planning authority shall permit the change of industrial land use. Suitable rules will be framed to this effect and local planning authorities will be advised to maintain KIADB acquired areas as Industrial Zones in their Master Plans revised from time to time.

5.1.6 Upgradation of Infrastructure in existing industrial areas and estates:

5.1.6.1 Existing industrial areas and estates older than ten years will be provided with budgetary support in a phased manner to upgrade their critical infrastructures under the ongoing plan scheme 'Infrastructure support to institutions' subject to appropriate contributions from the concerned industrial area/ estate Association/ KIADB/KSSIDC.

5.1.6.2 Assistance available under Modified Industrial Infrastructure Upgradation Scheme and other similar schemes of Government of India will be explored and leveraged in upgrading such infrastructure.

5.1.7 Maintenance of Industrial Areas.

5.1.7.1 It is proposed to declare large industrial areas and estates in Peenya, Mysore, Bommasandra, Belgaum and Hubli as Industrial Township Areas under section 364-A of the Karnataka Municipalities Act, 1964 and establish authorities in respective townships to be managed by the industrialists as per section 364-(b)(2) of the Karnataka Municipalities Act, 1964.

5.1.7.2. It is proposed to bring in amendments to the Karnataka Municipalities Act, 1964, the Karnataka Panchayat Raj Act, 1993 to delegate appropriate powers to KIADB/KSSIDC to approve the building construction plan of the industrial units in the notified industrial areas/estates /townships.

5.1.7.3. Rural Development and Panchayat Raj Department will evolve uniform guidelines to fix property tax, development cess, etc. for industrial units in industrial areas/ estates.

5.1.7.4. Till the townships are declared, KIADB / KSSIDC will collect property taxes, development cess, etc. from all the industries and pay it to the concerned local authorities with nominal service charge. Necessary orders will be issued by respective departments.

5.2 Human Resource Development through Capacity Building and Skill Upgradation

5.2.1 Skills and Knowledge are the driving forces of economic growth and social development of any country. Accelerated economic growth has increased the demand for skilled manpower. Availability of employable skilled work force is a key for industrial development.

5.2.2 Department of Industries and Commerce will work closely with the Department of Employment and Training to bridge the gap. It would also focus on quality training, accreditation and certification issues.

5.2.3 Government Tool & Training Centre (GTTC) which is engaged in training and supplying skilled manpower to the industry will be strengthened. GTTC Tool Rooms will be set up across the State by suitably using State and Central Government funds in potential Industrial Areas with active engagement of the industry. A suitable mechanism would be evolved to run these institutes in a professional manner.

5.2.4 Reputed institutions will be encouraged to open new centers at potential locations to impart training on emerging skill sets. Suvarna Kayaka Kaushalyabhivruddhi Yojane (SKKY) scheme will be revised based on the present requirement.

5.2.5 Industries offering 'on the job training' to fresh candidates will also be encouraged under Suvarna Kayaka Udyoga Shikshana Yojane (SKUSY), being operated by the Employment and Training Department.

5.2.6 Scheme of Modular Training Program of Director General of Vocational Training, Government of India shall be dovetailed optimally to create required skilled manpower in the State.

5.2.7 ITIs would be encouraged in each industrial area to meet the clusters skill requirement. Original Equipment Manufacturers (OEMs) and large companies would be partnered in this initiative.

5.2.8 Entrepreneurship Development would get top priority under the Policy to motivate youth to take up self employment ventures. CEDOK will be strengthened to take up more EDP activities throughout the State educating entrepreneurs on regional opportunities. CEDOK would also introduce EDP for existing industries to create awareness about technology up gradation, product diversification, quality marks, and opportunities for exports etc to be competitive in globalized scenario.

5.2.9 A new scheme will be formulated to train first generation entrepreneurs in essentials of conceiving, planning, initiating and launching micro and small manufacturing/service enterprises successfully. They will be assisted in preparing their business plans and firming up arrangements with financial institutions/banks on completion of training program. Support of reputed industrial organizations will be taken.

5.2.10 GTTC, CEDOK and other recognized institutions will be funded from the State budget to conduct the training programs. To encourage Entrepreneurship, State and District Level Entrepreneurship Awards will be instituted.

5.2.11 A State Level Body would be constituted with members from industry, academia and Government to coordinate the requirements of industry. This will work to ensure quality training is imparted in various training institutions of the Department of Industries & Commerce and other Vocational Training Institutions. This body would focus on

- ***Quality:*** *To set standards to align the curriculum to the needs of the industry. National and global occupational training standards would be kept in mind in this exercise. New course modules would be developed based on current and future requirements. Focus would also be on imparting relevant language skills to increase the student's ability to grasp the curriculum.*
- ***Certification:*** *A widely recognized certification system would be evolved to ensure that the industry would get trainees with core skills required by that sector.*
- ***Accreditation:*** *It will develop a methodology to accredit institutes based on curriculum, facilities, faculty, industry exposure, etc.*

This would enable to provide more local jobs.

5.2.12 **Sectoral Training Institutes:** Based on the concentration of the industries and potential for their growth it is proposed to set up the Sectoral Training institutes (ITIs/ Vocational Training Institutes etc) as follows:

Sector	Place
Auto	*Bidadi / Narsapura*
Machine Tools	*Peenya / Tumkur*
Aerospace	*HAL / Devanahalli*
Foundry/Casting	*Belgaum*
Agro/Food	*Gulbarga / Bijapur*
Electronics	*Electronics City / Hosur Road / Whitefield*
Chemicals and Fertilizers	*Jigani / Haveri / Mangalore*
Pharmaceuticals and FMCG	*K R Puram / Hoskote*
Consumer Durables	*Whitefield / Hosur Road*
Plastics and Rubber	*Mysore*
Textiles	*Peenya / Mysore Road*

5.2.13 On the Job Training: A scheme would be formulated to provide on the job training to 2,000 ITI and Diploma passed candidates each year to increase the employability of the candidates. It is proposed to give stipend to the extent of 50% of salary paid by the Industry and MSMEs subject to ceiling of Rs. 3,000 pm for ITI candidates and Rs.5,000 pm for Diploma candidates. This incentive would be extended up to 6 months of on the job training.

5.2.14 Finishing schools will be established in association with industry houses and trade bodies.

5.2.15 Use of high speed internet connectivity, computers, printers and other ICT infrastructure will be encouraged in all skill development centers across the State. Such systems and equipments will be provided to skill centers where it is currently not available and upgraded Virtual Learning Environment (VLE) would be encouraged to bring quality in training.

5.2.16 Labour Market Information System (LMIS):

One of the priorities of the department in this policy term period will be to create a dedicated LMIS to enable realistic assessment of economic trends and labour market needs. This information system will be set up at both State and district levels to help in planning for skill demand, supply and remuneration and other requirements. A nodal agency will be appointed for regional mapping of demand & supply of

available and projected skilled labour. The nodal agency will also be responsible for mapping supply of skilled candidates from training institutes to skill requirements of area specific industry and services clusters.

Skill development centers will act as support bodies of the nodal agency for conducting the regional mapping. Providing details of manpower requirement in a predefined format at the time of filing of application for single window approval and / or for incentives under State policies will be made mandatory.

5.2.17 Utilization of Private Infrastructural Facilities for imparting training programs:

Provision will be made to allow private industries to collaborate with GTTC and other allied institutes to conduct training programs for students and trainers using their facility and infrastructure, periodically, on new technologies in the market. Subsequently, industries conducting such programs may also be allowed to issue certificate equivalent to that issued by skill development centers with prior approval of Department of Technical Education and Department of Industries and Commerce and under pre-defined guidelines. Such industries may be subsidized for the cost of training, certification and usage of private infrastructure subject to provision of employment for 85% of trained students.

5.3 Facilitation Mechanism and Procedural Reforms

5.3.1 Single Window Clearance Mechanism will be made more effective in improving ease of doing business in the State. Special focus will be given to translate the investment intentions in the State with required facilitation and appropriate escort services.

Provisions of Karnataka Industries (Facilitation) Act, 2002 will be implemented in letter and spirit to reduce the transaction cost.

5.3.2 Streamlining the Single Window Mechanism:

5.3.2.1 Applications will be processed by KUM only after the confirmation of availability of land and opinion of line departments.

5.3.2.2 The time frame for furnishing opinions by line departments will be prescribed and the scrutinized proposals with opinions of the line departments will be placed before SLSWCC / SHLCC for discussion and decision. It is proposed to consider deemed consent if opinions of the concerned departments are not received in time.

5.3.2.3 All the regulatory and statutory approvals required for the projects approved by SHLCC and SLSWCC will be provided with a prescribed time limit benchmarked in line with best practices in the country. Enabling notification(s) prescribing time limit for various clearances will be issued separately.

5.3.2.4 Prescribed applications of respective departments required for such regulatory approvals along with the prescribed fee will be accepted by Karnataka Udyoga Mitra and forwarded to the concerned department through the nodal officer appointed by the respective department who will also follow up the proposals till the issuance of clearances.

5.3.2.5 E-Udyami portal of KUM will be used for online receipt of all applications, prescribed fee etc from promoters with a facility to track the status of their applications.

5.3.2.6 An online project monitoring system will be introduced.

5.3.2.7 Investors' handbook will be introduced to guide investors on all aspects of starting and doing business in Karnataka.

5.3.3 Simplification of regulatory procedures:

5.3.3.1 A comprehensive study for simplification of regulatory procedures will be undertaken by Government to reduce time & cost of compliance to Government procedures for industrial investments. All regulatory and statutory approvals required for project clearances will be covered in the study and necessary actions will be taken on the recommendations of the study for simplification of regulatory procedures across all departments.

5.3.3.2 It is proposed to abolish trade licence to all industries.

5.3.3.3 Necessary amendments will be proposed in Karnataka Land Reforms Act,1961 to simplify procurement of land and for speedy conversion of agriculture land for industrial purposes and within stipulated time

5.3.3.4 To enable purchase of land up to 30 acres by proponents of industries without extensive regulatory procedures and permit deemed conversion for such land within stipulated time, necessary amendments will be proposed in Karnataka Land Reforms Act,1961.

5.4 Classification of Taluks into Zones

The vision statement of this policy is to build a prosperous Karnataka through inclusive, sustainable and balanced industrial development. An analysis of investments made by the industries in various taluks of the State with respect to their population reveals that many of the taluks are industrially backward.

Focused effort is needed for dispersal of the industries to the industrially backward taluks to realize this vision. Considering the average per capita industrial investment and per capita employment in the taluks, the taluks are classified into different zones.

Keeping in view the carving out of a separate Hyderabad Karnataka region as per the provisions of Article 371(j), the State has been classified into two areas namely Hyderabad Karnataka Area and Other Than Hyderabad Karnataka Area.

In order to create a strong industrial base with equitable allocation of funds and for overall development of the State the taluks are grouped with separate incentives and concessions in different zones as below:

i. *Hyderabad Karnataka Area is classified into two Zones namely HK Zone 1 and HK Zone 2.*
ii. *Likewise taluks in other than Hyderabad Karnataka Area are classified into four Zones namely Zone 1, Zone 2, Zone 3 & Zone 4.*
iii. *Most backward taluks are in Zone 1, more backward taluks in Zone 2, backward taluks in zone 3 and industrially developed taluks in Zone 4. In Hyderabad Karnataka Area, most backward taluks are in HK Zone 1, more backward taluks are in HK Zone 2.*
iv. *Keeping in view the rapid urbanization, potential for industrial development and dispersal of industries to tier II cities, taluks like Mysore, Mangalore, Tumkur, Nanjangud, Hubli-Dharwad and Belgaum are brought under Zone 3.*
v. *The classifications of the taluks are given below:*

Classification of Zones as per Industrial Policy 2014-19

Sl. No.	Districts	Total No. of Taluks	Hyderabad Karnataka Area taluks		Other than Hyderabad Karnataka Area taluks			
			HK Zone 1	HK Zone 2	Zone 1	Zone 2	Zone 3	Zone 4
1	2	3	4	5	6	7	8	9
1	B'lore (U)	4	-	-	-	-	-	Anekal
			-	-	-	-	-	B'lore (N)
			-	-	-	-		B'lore (S)
			-	-	-	-	-	B'lore (E)
2	B'lore (R)	4	-	-	-	-	-	Devanahalli
			-	-	-	-	-	D'ballapura
			-	-	-	-	-	Hoskote
			-	-	-	-	-	Nelamangala
3	Ramanagara	4	-	-	-	-	Magadi	Ramanagara
			-	-	-	-	Channapattana	-
			-	-	-	-	Kanakapura	-
4	Chitradurga	6	-	-	-	Hiriyur	-	-
			-	-	-	Molkalmuru	-	-
			-	-	Holalkere	Chitradurga	-	-
			-	-	-	Hosadurga	Challakere	-
5	Davanagere	6	-	-	Channagiri	Honnali	Davanagere	-
			-	-	Jagalur	-	Harihar	-
			-	-	Harappanahalli	-	-	-
6	Chikka ballapura	6	-	-	Gudibande	Chintamani	Gowribidanur	-
			-	-	Bagepalli	Chickka ballapura	Sidlaghatta	-
7	Kolar	5	-	-	Mulbagal	-	Kolar	-
			-	-	Srinivasapura	-	Bangarpet	-
			-	-	-	-	Malur	-
8	Shimoga	7	-	-	Soraba	Hosanagara	Shivamogga	-
			-	-	-	-	Bhadravathi	-
			-	-	-	-	Sagar	-
			-	-	-	-	Shikaripura	-
			-	-	-	-	Thirthahalli	-
9	Tumakuru	10	-	-	-	Madhugiri	Tumakuru	-
			-	-	-	-	Turuvekere	-
			-	-	-	Koratagere	Tiptur	-
			-	-	-	Gubbi	Chikkanaya-kanahalli	- -
			-	-	-	Sira	Kunigal	-
			-	-	-	Pavagada	-	-
10	Chamarajanagar	4	-	-	Yelandur	Chamaraja nagar	-	-
			-	-	Gundlupet	Kollegala	-	-

Sl. No.	Districts	Total No. of Taluks	Hyderabad Karnataka Area taluks		Other than Hyderabad Karnataka Area taluks			
			HK Zone 1	HK Zone 2	Zone 1	Zone 2	Zone 3	Zone 4
1	2	3	4	5	6	7	8	9
11	Chickmagaluru	7	-	-	-	Kadur	Chickmagaluru	-
			-	-	-	Mudigere	Shringeri	-
			-	-	-	Tarikere	Koppa	-
			-	-	-	-	N R Pura	-
12	Dakshina Kannada	5	-	-	-	-	Mangaluru	-
			-	-	-	Bantwal	Puttur	-
			-	-	-	-	Sulya	-
			-	-	-	-	Belthangadi	-
13	Hassan	8	-	-	Arakalgud	Arasikere	Hassan	-
			-	-	Belur	C R Patna	Sakleshpura	-
			-	-	-	H N Pura	-	-
			-	-	-	Alur	-	-
14	Kodagu	3	-	-	Virajpet	Madikeri	-	-
			-	-	-	Somwarpet	-	-
15	Mandya	7	-	-	Malavalli	Srirangapatna	Mandya	-
			-	-	-	Nagamangala	Maddur	-
			-	-	-	K R Pet	-	-
			-	-	-	Pandavapura	-	-
16	Mysore	7	-	-	Periyapatna	Hunsur	Mysuru	-
			-	-	H D Kote	T N Pura	Nanjangud	-
			-	-	-	K R Nagara	-	-
17	Udupi	3	-	-	-	-	Udupi	-
			-	-	-	-	Kundapura	-
			-	-	-	-	Karkala	-
18	Bagalkote	6	-	-	-	Bilagi	Bagalkote	-
			-	-	-	Badami	Mudhol	-
			-	-	-	-	Jamkhandi	-
			-	-	-	-	Hunagund	-
19	Belgaum	10	-	-	-	-	Belagavi	-
			-	-	-	Bailhongal	Athani	-
			-	-	-	Soundathi	Hukkeri	-
			-	-	-	Chikkodi	Gokak	-
			-	-	-	Raibag	Khanapur	-
			-	-	-	-	Ramdurg	-
20	Vijayapura	5	-	-	Muddebihal	Sindgi	-	-
			-	-	B Bagewadi	Indi	-	-
			-	-	-	Vijayapura	-	-
21	Dharwad	5	-	-	-	-	Dharwad	-
			-	-	-	-	Hubballi	-
			-	-	-	Navalgund	Kalghatagi	-
			-	-	-	-	Kundaghol	-

Sl. No.	Districts	Total No. of Taluks	Hyderabad Karnataka Area taluks		Other than Hyderabad Karnataka Area taluks			
			HK Zone 1	HK Zone 2	Zone 1	Zone 2	Zone 3	Zone 4
1	2	3	4	5	6	7	8	9
22	Gadag	5	-	-	Nargund	Mundargi	Gadag	-
			-	-	Ron	-	Shirahatti	-
23	Haveri	7	-	-	Hirekerur	Savanur	Ranebennur	-
			-	-	Hanagal	Shiggaon	Byadagi	-
			-	-	-	Haveri	-	-
24	Uttara Kannada	11	-	-	-	Honnavar	Karwar	-
			-	-	-	Sirsi	Haliyal	-
				-	-	Mundagod	Supa	-
		-	-	-		Yellapura	Bhatkal	-
			-	-	-	Siddapura	Ankola	-
			-	-	-	-	Kumta	-
25	Bellary	7	H B Halli	Bellary	-	-	-	-
			Hadagalli	Hospet	-		-	-
			Kudligi	Sandur	-	-	-	-
				Siraguppa	-	-	-	
26	Bidar	5	Bhalki	Bidar	-		-	-
			Humnabad	-	-	-	-	-
			Basava kalyana		-	-	-	-
			Aurad		-	-	-	-
27	Gulbarga	7	Gulbarga	Sedam	-	-	-	-
			Afzalpur	Chittapur	-	-	-	-
			Aland	Chincholi	-	-	-	-
			Jewargi	-	-	-	-	-
28	Yadgir	3	Yadgir	-	-	-	-	-
			Shahapur	-	-	-	-	-
			Shorapur	-	-	-	-	-
29	Koppal	4	Kushtagi	Koppal	-	-	-	-
			Yelburga	Gangavathi	-	-	-	-
30	Raichur	5	Sindhanur	Raichur	-	-	-	-
			Manvi	-	-	-	-	-
			Lingasugur	-	-	-	-	-
			Devadurga	-	-	-	-	-
	Total	**176**	**20**	**11**	**23**	**51**	**62**	**9**

5.5 Encouragement for Industrial Development in Hyderabad Karnataka Area :

Leveraging on the Article 371 (j) status for Hyderabad Karnataka Area and to create a strong industrial base, special incentives are proposed for the region with equitable allocation of funds for overall development and to provide equitable opportunities and facilities for the people of the region as below:

i. Depending on average per capita industrial investment and per capita employment in industries taluks of Hyderabad Karnataka Area are classified into two zones namely HK Zone 1 and HK Zone 2.

ii. Hyderabad Karnataka Area will get additional incentives and concessions over and above the standard package.

iii. The State Government will prevail upon the Central Government to offer incentives such as excise duty exemption; income tax exemption etc to Hyderabad Karnataka Area as being offered to Seemandhra as Hyderabad Karnataka Area is also declared as a backward region and it needs special focus with funds for development of the region.

5.6 Promotion of Micro, Small & Medium Enterprises (MSMEs)

MSMEs play a dominant role in socio-economic development of the State and the Country. This sector is a nursery of entrepreneurship and often driven by individual creativity and innovation. It contributes 8% to the country's GDP, 45% to the manufacturing sector, 40 % to the exports and provides employment to more than 80 million youth through more than 40 million registered MSMEs.

MSMEs are widely dispersed across the State and produce a diverse range of products and services to meet the needs of the local markets, the global market and the national and international value chains.

Therefore special attention is given to MSMEs while framing the New Industrial Policy in Karnataka.

5.6.1 Infrastructure Support:

5.6.1.1 KIADB to earmark minimum 20% of allotable land in their industrial areas for MSMEs.

5.6.1.2 KSSIDC will be allotted land in KIADB industrial area, upon request for making industrial plots and sheds of smaller sizes for MSME sector.

5.6.1.3 Out of the 20% land reserved for MSMEs, KIADB/KSSIDC to reserve a minimum of 75% of allotable land/sheds for micro & small and 25% of allotable land to medium enterprises.

5.6.1.4 District Level Single Window Clearance Committee (DLSWCC) constituted under the Karnataka Industries Facilitation Act, 2002 will allot the land for MSMEs.

5.6.1.5 KSSIDC will also procure land on its own for developing industrial estates exclusively for micro and small enterprises. The area to be procured will not be less than 50 acres. 20% of the allotable area will be reserved for sheds, out of which 10% of the area will be earmarked for multi storied sheds (wherever feasible) near Bangalore, Mysore, Hubli-Dharwad, Mangalore, Belgaum, Tumkur and Gulbarga, to provide flats on lease / rental basis to micro enterprises considering the constraints in land procurement. Liberal FAR of up to 3 would be considered for flatted development/ industrial sheds /multi-storied industrial units.

5.6.1.6 Development of Rural Industrial Areas exclusively for MSMEs in the impact area of industrial corridors will be undertaken along with infrastructure, like road connectivity, drainage system, street lighting, and water supply by KIADB/KSSIDC. Rural industrial areas and estates will have minimum 100 to 150 plots measuring 2,000sq. ft. to 10,000 sq. ft. and will be developed in potential areas in every district.

5.6.1.7 Industrial plots/ sheds by KSSIDC henceforth shall be allotted to the project proponents only on 99 years lease basis.

5.6.1.8 KSSIDC will supply treated water to industrial estates for industrial use. Suitable arrangements will also be made for supply of potable water.

5.6.1.9 KSSIDC will make available updated information about the availability of plots /sheds to public through their website.

5.6.1.10 KSSIDC to continue procurement and distribution of various industrial raw materials required by MSMEs. At present KSSIDC is procuring and distributing iron & steel, coal, paraffin wax and cement. KSSIDC will explore procurement and distribution of additional industrial raw materials to MSMEs at competitive prices.

5.6.1.11 Funds available under Infrastructure support to institutions, Special Development Program and Kaigarika Vikasa will be used for upgradation of existing industrial estates older than 10 years and acquiring fresh lands for industrial estates by KSSIDC.

5.6.1.12 Schemes like Micro & Small Enterprises - Cluster Development Program (MSE-CDP), Modified Industrial Infrastructure Up-gradation Scheme (MIIUS) of Government of India will also be utilized to develop lands by KIADB/ KSSIDC for augmenting the gap in infrastructure.

5.6.2 Finance:

5.6.2.1 The Government will ensure strict adherence to the stipulated targets by the commercial lending institutions under Credit Linked Capital Subsidy Scheme (CLCSS), Credit Guarantee Trust for Micro & Small Enterprises (CGTMSE), etc.

5.6.2.2 Venture Capital fund will be created to support start up enterprises especially in Micro and Small sector.

5.6.2.3 It is proposed to set up Angel funding schemes to encourage first generation entrepreneurs to establish micro and small industries in the State with innovative ideas.

5.6.2.4 A targeted approach to establish new enterprises especially in rural and semi urban areas would be initiated with the schemes like Prime Minister's Employment Guarantee Program (PMEGP) etc.

5.6.2.5 Commercial and rural regional banks will be requested to lend loans under cluster based approach to improve the flow of credit to rural entrepreneurs and artisans.

5.6.2.6 Publicity of lending schemes from financial institutions especially in Micro and Small sector will be done through institutions and MSME Associations.

5.6.3 Technology Upgradation & Technical Support:

5.6.3.1 Department of Commerce and Industries will introduce an exclusive scheme to encourage adoption, commercialization, transfer & upgradation of newer technologies by Industries.

5.6.3.2 The scheme will provide incentives to the local industry over and above the incentives available under Government of India scheme such as incentive for capital expenditure, process upgradation, reducing carbon foot print, reducing the water consumption, reducing power consumption, adoption of new technology to improve quality compliance & standards, patent registration, etc.

5.6.3.3 Specific emphasis would be given for collaborations with domestic/international research institutes/agencies and promote export oriented units.

5.6.3.4 State will create a shelf of projects along with detailed project reports to facilitate adoption of newer technologies.

5.6.3.5 Visvesvaraya Trade Promotion Centre (VTPC) & Karnataka Council for Technological Upgradation (KCTU) will run quarterly workshops and seminars for SME entrepreneurs to increase awareness for adoption of new technologies.

5.6.3.6 Government will award MSMEs for achieving excellence / growth in Technology development, Innovation, Production, Profit levels, Quality and Environment friendly initiatives.

5.6.3.7 Quality improvement interventions by State MSMEs such as upgradation of existing technologies and installing of new technologies for quality control, cleaner environment friendly production, quality testing, and fee paid for quality certifications would be eligible for one time subsidy through reimbursement of actual costs. This benefit would also be available to MSMEs who have already taken benefits under central Government schemes and would like to go for renewal.

5.6.3.8 Thrust will be given to increase labour productivity as that is the key to improved returns and greater output especially in MSMEs.

5.6.3.9 In order to extend Technical support to MSME sector, it is proposed to establish Technology Development Centres in association with Ministry of MSME, Government of India in all the four NIMZs proposed in the State.

5.6.4 Marketing Support:

5.6.4.1 Department of Industries & Commerce will conduct a bi-annual vendor development event at the State level to bring together MSMEs and Large Manufacturers/Public Sector Undertakings (PSUs). Similar events at the District level will also be conducted. An online system will be developed for matchmaking of collaboration/vendor opportunities for MSMEs.

5.6.4.2 Selected recipients of awards from each district would get priority for sponsored participation in national and international trade fairs.

5.6.4.3 To improve the competitiveness of MSMEs in marketing at international level, the State Government will continue to offer assistance for participation in international trade fairs/ exhibitions.

5.6.4.4 MSMEs will be supported with market research studies, competition analysis studies, etc. to access new markets globally.

5.6.4.5 MSMEs will be assisted in market development by way of setting up virtual and physical exhibition centres. Common branding and promotion shall be encouraged.

5.6.4.6 The State Government has already constituted Micro & Small Enterprises Facilitation Council under MSME Development Act, 2006 situated in Bangalore under the Chairmanship of Commissioner for Industrial Development and Director of Industries & Commerce for redressal of disputes regarding delayed payments to Micro & Small Enterprises.

5.6.4.7 The Department of Commerce & Industries will constitute Regional Micro & Small Enterprises Facilitation Councils in Mysore, Belgaum & Gulbarga under the Chairmanship of concerned Regional Commissioners within the jurisdiction of their revenue division. However, the facilitation council for Bangalore Region will continue to function under the Chairmanship of Commissioner for Industrial Development and Director of Industries & Commerce. An online system will be developed to receive and track the grievances regarding delayed payments to Micro & Small Enterprises.

5.6.4.8 Goods manufactured by Micro & Small Enterprises located in the State will be allowed price preference of 15% against the Large and Medium industries of the State and industries of other States during Government departments purchases.

5.6.4.9 To enable wider dispersal of enterprises particularly in rural areas, the Government Departments & State owned PSUs shall procure 358 items from micro and small enterprises, which have been reserved for exclusive purchase from them as per Ministry of MSME, Government of India order S.O 581 (E) Dated 23-3-2012.

5.6.4.10 KTPP rules will be amended as below for evaluation of the price to give fillip to industries in Karnataka.

In a tender where the tenderers are both from the State of Karnataka as well as from outside the State of Karnataka, the sales tax / VAT shall be excluded for the evaluation of the price.

5.6.4.11 To reduce transaction cost of doing business, Micro & Small Enterprises registered with NSIC under a single point vendor registration scheme, shall be facilitated by providing them tender sets free of cost, exempting from payment of earnest money during purchases by all Government Departments and State owned PSUs.

5.6.5 Procedural Reforms for MSMEs

5.6.5.1 State will evolve a mechanism to reduce inspections of MSMEs by various line departments and give thrust on self certification.

5.6.5.2 The Procedure for submission of returns under various labour laws will be streamlined with the co-ordination of Labour Department and MSMEs may furnish the consolidated annual report in the prescribed form.

5.6.5.3 Government may examine the possibility of exempting all MSMEs falling under the green category and not included in the list of polluting industries from obtaining CFE/ CFO from Karnataka State Pollution Control Board (KSPCB).

5.6.5.4 All the regulatory approvals /clearances required for the MSME projects approved by DLSWCC will be provided within a prescribed limit. District Industries Centres to co-ordinate with the concerned departments.

5.6.6 Value Chain Cluster Development

5.6.6.1 Benefits under Micro and Small Enterprises Cluster Development programme of Government of India will be facilitated for MSME cluster development. The objective of the scheme is to support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, access to capital, etc. It also seeks to build capacity for MSEs, create/ upgrade infrastructural facilities in the industrial areas/clusters of MSEs, and to set up common facility centers.

5.6.6.2 KCTU will continue to be the monitoring / nodal agency on behalf of the State Government for the Micro and Small Enterprises Cluster Development Programme that has been launched by the Ministry of Micro, Small and Medium Enterprises.

5.6.6.3 Minimum 100 Clusters in different sectors will be set up during the policy period at the rate of 20 clusters per year.

5.6.6.4 In order to encourage and support the establishment of clusters in the State, it is proposed to provide them with the services of Expert Agencies / Program Manager (PM) to advise, handhold and support suggested interventions of Government schemes in the clusters.

5.6.6.5 The Program Manager (PM) shall be an agency with diversified expertise in infrastructure development, financial services, cluster capacity building, with pan India presence and experience in assisting the implementation of similar schemes of Government of India (GoI).

5.6.6.6 The responsibility of Program Manager (PM) would be to act as a catalyst between the policy makers and the industry stakeholders by carrying out following activities and to assist State Government in developing procedures and operationalizing the scheme:

- *Project identification*
- *Project structuring for optimization of benefits*
- *Project appraisal for financing and other social requirements*
- *Institutional co-ordination with various agencies involved*
- *Project implementation & monitoring*
- *Other need based support*

5.6.6.7 KCTU shall undertake preparation of action plans for each cluster/ region and work with clusters for promotion of requisite ecosystems in the region through Program Managers.

5.6.7 Dovetailing Government of India Schemes

Government of India schemes like Credit Guarantee Fund Trust Scheme, Credit linked Capital Subsidy Scheme for Technology Upgradation, National Manufacturing Competitiveness Programme, Marketing Assistance Scheme, Lean Manufacturing Scheme & various promotional schemes of Ministry of MSME and other Ministries will be suitably dovetailed for the benefit of MSME. A separate cell under the Chairmanship of Additional Director (MSME), Department of Industries & Commerce will be set up for creating awareness, and to co-ordinate & monitor implementation of Government of India schemes/ Programmes.

5.6.8 Ongoing supportive schemes/programs for development of MSMEs.

The Commerce and Industries Department is implementing following main schemes for growth of MSME and will continue to be implemented during the policy period.

- *Venture capital fund for small and medium enterprises*
- *Kaigarika Vikasa Yojane*
- *Suvarna Kayaka Kaushalya Abhivruddi Yojane with revised guidelines*
- *Living-cum-work sheds and improved tool kits to SC / ST artisans.*
- *Modernisation / Technology / Training programmes*
- *Handicraft Gurukula Training Institute*
- *Specialised skill development institutions*

5.6.9 Support for promotion of Khadi, Artisan and Coir sector

5.6.9.1 Khadi, Artisan and Coir sector will continue to be supported through ongoing schemes.

5.6.9.2 Assistances available from Government of India schemes (such as Prime Minister's Employment Generation Programme, Rural Industry Service Centre, Export Incentive Scheme, Interest Subsidy Scheme, etc.) will also be used.

5.6.9.3 Following benefits will also be extended.

5.6.9.3.1 Power subsidy at Rs.2/- per unit for the recognised common facility centres (CFCs).

5.6.9.3.2 Wage support for Khadi workers as per the ongoing scheme will continue.

5.6.9.3.3 Additional 3% interest subsidy on term loan for coir industry and Khadi Village Industries over and above 5%, which is already prescribed in the policy for Micro Enterprises.

5.6.10 Incentives and Concessions to MSMEs Promoted By General Category Entrepreneurs Details of incentives and concessions to MSMEs are as under:

A) Investment Promotion Subsidy

a) Micro Enterprises

i) Other than Hyderabad Karnataka Area

Zone 1 : 25% Value of Fixed Assets (VFA) (max. Rs.15.00 lakh)
Zone 2 : 20% Value of Fixed Assets (VFA) (max. Rs.12.00 lakh)
Zone 3 : 15% Value of Fixed Assets (VFA) (max. Rs 9.00 lakh)
Zone 4 : Nil

ii) Hyderabad Karnataka Area

HK Zone 1: 30% Value of Fixed Assets (VFA) (max. Rs. 18.00 lakh)
HK Zone 2: 25% Value of Fixed Assets (VFA) (max. Rs.15.00 lakh)

b) Small Enterprises

i) Other than Hyderabad Karnataka Area

Zone 1: 20% Value of Fixed Assets (VFA) (max. Rs. 40.00 lakh)
Zone 2: 15% Value of Fixed Assets (VFA) (max. Rs.30.00 lakh)
Zone 3: 10% Value of Fixed Assets (VFA) (max. Rs.20.00 lakh)
Zone 4: Nil

ii) Hyderabad Karnataka Area

HK Zone 1: 25% Value of Fixed Assets (VFA) (max. Rs. 45.00 lakh)
HK Zone 2: 20% Value of Fixed Assets (VFA) (max. Rs. 40.00 lakh)

c) Medium Manufacturing Enterprises (as defined in MSME Act and those who provide minimum of 25 direct employment)

i) Other than Hyderabad Karnataka Area

Zone 1 : Rs. 50.00 lakh
Zone 2 : Rs. 40.00 lakh
Zone 3 : Rs. 30.00 lakh
Zone 4 : Nil

ii) Hyderabad Karnataka Area

HK Zone 1: Rs.55.00 lakh
HK Zone 2 : Rs. 50.00 lakh

B) Exemption from Stamp Duty

MSMEs:

Stamp duty to be paid in respect of (i) loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing loans from State Government including VAT loan from C&I Department and / or State Financial Corporation, National Level Financial Institutions, Commercial Banks, RRBs, Co-operative Banks, KVIB / KVIC, Karnataka State SC/ST Development Corporation, Karnataka State Minority Development Corporation and other institutions which may be notified by the Government from time to time for the initial period of five years only and (ii) for lease deeds, lease-cum-sale, sub-lease and absolute sale deeds executed by industrial enterprises in respect of industrial plots, sheds, industrial tenements by KIADB, KSSIDC, KEONICS, Industrial Co-operatives and approved private industrial estates, food parks and other approved industrial parks shall be exempted as below: (Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)

i) Other than Hyderabad Karnataka Area

Zone 1 : 100%
Zone 2 : 100%
Zone 3 : 75%
Zone 4 : Nil

ii) Hyderabad Karnataka Area

HK Zone 1: 100%

HK Zone 2: 100%

C) Concessional Registration Charges

MSMEs:

For all loan documents, lease deeds and sale deeds as specified in B above, the registration charges shall be at a concessional rate of Rs 1 per Rs 1000.

Note:

(i) The exemption of stamp duty and concessional registration charges are also applicable to lands purchased under Section 109 of the KLR Act, 1961 and also for direct purchase of industrially converted lands for the projects approved by SLSWCC / DLSWCC. This incentive will also be applicable for the land transferred by KIADB to land owners as compensation for the acquired land.

(ii) *The exemption of stamp duty and concessional registration charges are also available for registration of final sale deed in respect of land, sheds, plots, industrial tenements after the expiry of lease period at the rate as specified in the Industrial Policy which was in vogue at the time of execution of lease-cum-sale deed.*

D) Reimbursement of Land Conversion Fee

MSMEs:

The payment of land conversion fee for converting the land from agriculture use to industrial use will be reimbursed as detailed below:

i) Other than Hyderabad Karnataka Area

Zone 1 : 100%
Zone 2 : 100%
Zone 3 : 75%
Zone 4 : Nil

ii) Hyderabad Karnataka Area

HK Zone 1 :100%
HK Zone 2 : 100%

E) Exemption From Entry Tax

MSMEs in Zone 1, 2 & 3 and HK Zone 1 & 2 are eligible for 100% exemption from payment of Entry Tax on 'Plant & Machinery and Capital Goods' for an initial period of three years from the date of commencement of project implementation. For this purpose, the term Plant & Machinery and Capital Goods also includes Plant & Machinery and Equipments procured for captive generation of electricity.

On raw materials, inputs, component parts & consumables (excluding petroleum products) [wherever applicable] for a period of five years from the date of commencement of commercial production.

F) Subsidy for Setting up Effluent Treatment Plant (ETP) Manufacturing MSMEs:

One time capital subsidy up to 50% of the cost of ETPs, subject to a ceiling of Rs.50 lakh in respect of HK Zone 1 & 2, other than Hyderabad Karnataka Zone 1, 2, 3 and Rs.25 lakh in other than Hyderabad Karnataka Zone 4.

G) Interest Subsidy for Micro Enterprises:

Interest subsidy of 5% per annum on term loans will be provided to Micro enterprises. This interest subsidy is payable to financial institutions

on behalf of the enterprise only if the enterprise has not defaulted in payment of either principle or interest instalments. The amount of interest subsidy will be effective rate of interest (after deducting interest subsidy receivable by any institution/s under any Government of India scheme) or 5% per annum whichever is less. The period of interest subsidy is six years, five years and four years in other than HK Zone 1, Zone 2, Zone 3 and seven years and six years in HK Zone 1 & HK Zone 2 respectively.

H) Exemption from Tax on Electricity Tariff

Micro, Small & Medium Manufacturing Enterprises

100% exemption of tax on electricity tariff for the initial period of six years, five years, four years, seven years and six years in Zone 1, Zone 2, Zone 3, HK Zone 1 & HK Zone 2 respectively.

I) Technology upgradation, Quality Certification

Micro, Small & Medium Manufacturing Enterprises:

(i) Interest Subsidy on Technology Upgradation Loan:
Zone 1, 2, 3 & HK Zone 1 & 2 : 5 % on loans availed from KSFC & Scheduled commercial banks which are not covered under CLCSS of GoI.

(ii) ISO Series Certification: *(Annexure to G.O. No. CI 224 SPI 2015 (P2), Dtd: 01.02.2016) Zone 1, 2, 3, 4 & HK Zone 1 & 2: 75% of cost (max. 75,000).*

(iii) BIS Certification:
50% of fees payable to BIS (max. Rs. 20,000) and 25% of cost (max. Rs 50,000) for purchase of testing equipment as approved by BIS.

(iv) Technology Adoption:
25% of cost (max. Rs.50,000) for adopting technology from recognized national laboratories.

(v) Technology Business Incubation Center:
25% of the cost (max: Rs.50.00 lakh).

(vi) Recycling of electronic waste and plastic waste:
Additional investment promotion subsidy of 5% with a ceiling limit of Rs 10 lakh in Zone 1,2,3 and HK Zone 1& 2

J) Water Harvesting / Conservation Measures (Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)

Micro, Small and Medium Manufacturing Enterprises in Zone 1,2, 3 & HK Zone 1& 2

(i) Rain water harvesting: 50% of cost of equipment (max. Rs 1.00 lakh)
(ii) Waste water recycling: 50% of cost of equipment (max. Rs 5.00 lakh)
(iii) Zero discharge process: 50% of cost of equipment (max.Rs 5.00 lakh)

K) Energy Conservation

Micro, Small & Medium Manufacturing Enterprises in all Zones

Practicing Energy Conservation measures resulting in reduction of Energy Consumption of at least 10% of earlier consumption: 10% of capital cost (max Rs 5.00 lakh).

Use of non-conventional energy sources: 10% of capital cost (max. Rs 5.00 lakh)Subsidy of Rs 0.50 per unit of Captive Power Generated and consumed through Solar & Wind Energy sources only.

5.6.11 Special thrust for encouraging SC/ST entrepreneurs

With a view to encourage enterprise creation and industrial capacity building in SC/ST entrepreneurs, units established either as a proprietary concern or a partnership firm / private limited company wherein all the partners or directors belong to SC / ST community, following initiatives are proposed.

i. KIADB and KSSIDC will be directed to reserve 22.5% of the allottable land/shed for SC/ST entrepreneurs in all the future industrial areas/estates. Separate guidelines will be issued.

ii. KIADB and KSSIDC to allot land and shed at subsidised rates.

iii. Reservation of space in Government funded incubation centres and skill development centres for SC/ ST- MSME entrepreneurs.

iv. Trained entrepreneurs by Centre for Entrepreneurship Development of Karnataka (CEDOK) or recognized training institutions will be provided with low interest start up loans (with interest subsidy) and flexible repayment schedule.

v. State to introduce Entrepreneurship Development Programmes exclusively for prospective SC/ST entrepreneurs.

vi. Special package of incentives and concessions offered to MSMEs promoted by SC/ST entrepreneurs are as under.

A) Investment Promotion Subsidy

a) Micro Enterprises

i) Other than Hyderabad Karnataka Area

Zone 1: *30% Value of Fixed Assets (VFA) (max. Rs 18.00 lakh)*

35% Value of Fixed Assets (VFA) (max. Rs 20.00 lakh)- In respect of SC/ ST women entrepreneurs.

Zone 2: *25% Value of Fixed Assets (VFA) (max. Rs 15.00 lakh)*

30% Value of Fixed Assets (VFA) (max. Rs 18.00 lakh) - In respect of SC/ ST women entrepreneurs.

Zone 3: *20% Value of Fixed Assets (VFA) (max.Rs12.00 lakh)*

25% Value of Fixed Assets (VFA) (max.Rs15.00 lakh) - In respect of SC/ ST women entrepreneurs.

Zone 4: *10% Value of Fixed Assets (VFA) (max. Rs 8.00 lakh)*

15% Value of Fixed Assets (VFA) (max.Rs 12.00 lakh) - In respect of SC/ ST women entrepreneurs.

ii) Hyderabad Karnataka Area

HK Zone 1: *35% Value of Fixed Assets (VFA) (max. Rs 20.00 lakh)*
40% Value of Fixed Assets (VFA) (max. Rs 22.00 lakh)
- In respect of SC/ ST women entrepreneurs.

HK Zone 2: *30% Value of Fixed Assets (VFA) (max. Rs 18.00 lakh)*

35% Value of Fixed Assets (VFA) (max. Rs 20.00 lakh)
- In respect of SC/ ST women entrepreneurs.

b) Small Enterprises

i) Other than Hyderabad Karnataka Area

Zone 1: *25% Value of Fixed Assets (VFA) (max. Rs 45.00 lakh)*
30% Value of Fixed Assets (VFA) (max. Rs 50.00 lakh)
-In respect of SC/ST women entrepreneurs.

Zone 2: *20% Value of Fixed Assets (VFA) (max. Rs 35.00 lakh)*
25% Value of Fixed Assets (VFA) (max. Rs 40.00 lakh)
- In respect of SC/ ST women entrepreneurs.

Zone 3: *15% Value of Fixed Assets (VFA) (max. Rs25.00 lakh)*
20% Value of Fixed Assets (VFA) (max. Rs 30.00 lakh)
- In respect of SC/ ST women entrepreneurs.

Zone 4: *10% Value of Fixed Assets (VFA) (max.Rs 10.00 lakh)*
15% Value of Fixed Assets (VFA) (max. Rs 15.00 lakh)
- In respect of SC/ ST women entrepreneurs.

ii) Hyderabad Karnataka Area

HK Zone 1: *30% Value of Fixed Assets (VFA) (max. Rs.50.00 lakh)*
35% Value of Fixed Assets (VFA) (max.Rs 55.00 lakh) - In respect of SC/ ST women entrepreneurs.

HK Zone 2: *25% Value of Fixed Assets (VFA) (max.Rs 45.00 lakh)*
30% Value of Fixed Assets (VFA) (max. Rs 50.00 lakh) - In respect of SC/ ST women entrepreneurs.

c) Medium Manufacturing Enterprises (as defined in MSME Act and those who provide minimum of 25 direct employment)

i) Other than Hyderabad Karnataka Area

Zone 1: *Rs 55.00 lakh*
Rs 60.00 lakh- In respect of SC/ ST women entrepreneurs.

Zone 2: *Rs 45.00 lakh*
Rs 50.00 lakh- In respect of SC/ ST women entrepreneurs.

Zone 3: *Rs35.00 lakh*
Rs 40.00 lakh- In respect of SC/ ST women entrepreneurs.

Zone 4: *Rs20.00 lakh*
Rs 25.00 lakh- In respect of SC/ ST women entrepreneurs.

ii) Hyderabad Karnataka Area

HK Zone 1: *Rs 60.00 lakh*
Rs 65.00 lakh- In respect of SC/ ST women entrepreneurs.

HK Zone 2: *Rs 55.00 lakh*
Rs 60.00 lakh- In respect of SC/ ST women entrepreneurs.
(Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)

B) Exemption from Stamp Duty
MSMEs:

Stamp duty to be paid in respect of (i) loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing loans from State Government including VAT loan from C&I Department and / or State Financial Corporation, National Level Financial Institutions, Commercial Banks, RRBs, Co-operative Banks, KVIB / KVIC, Karnataka State SC/ST Development Corporation, and other institutions which may be notified by the Government from time to time for the initial period of five years only and (ii) for lease deeds, lease-cum-sale, sub-lease and absolute sale deeds executed by industrial enterprises in respect of industrial plots, sheds, industrial tenements by KIADB, KSSIDC, KEONICS, Industrial Co-operatives and approved private industrial estates, food parks and other approved industrial parks shall be exempted as below : (Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd:01.02.2016)

*i) **Other than Hyderabad Karnataka Area***
Zone 1, 2, 3: 100%
Zone 4: 75%

*ii) **Hyderabad Karnataka Area***
HK Zone 1 & 2: 100%

C) Concessional Registration Charges

MSMEs:

For all loan documents, lease deeds and sale deeds as specified in B above, the registration charges shall be at a concessional rate of Rs 0.50 per Rs 1000.

Note:

i. The exemption of stamp duty and concessional registration charges are also applicable to lands purchased under Section 109 of the KLR Act, 1961, and also for direct purchase of industrially converted lands for the projects approved by SLSWCC / DLSWCC. This incentive will also be applicable for the land transferred by KIADB to land owners as compensation for the acquired land.

ii. The exemption of stamp duty and concessional registration charges are also available for registration of final sale deed in respect of lands, sheds, plots, industrial tenements after the expiry of lease period at the rate as specified in the Industrial Policy which was in vogue at the time of execution of lease-cum-sale deed.

D) Reimbursement of Land Conversion Fee

MSMEs:

The payment of land conversion fee for converting the land from agriculture use to industrial use will be reimbursed as detailed below:

i) Other than Hyderabad Karnataka Area
Zone 1, 2, 3: 100%
Zone 4: 75%

ii) Hyderabad Karnataka Area
HK Zone 1 & 2: 100%

E) Exemption from Entry Tax

MSMEs in Zone 1, 2 & 3 and HK Zone 1 & 2 are eligible for 100% exemption from payment of Entry Tax on **'Plant & Machinery and Capital Goods'** for an initial period of 3 years from the date of commencement of project implementation. For this purpose, the term Plant & Machinery and Capital Goods also includes Plant & Machinery and Equipments procured for captive generation of electricity.

On raw materials, inputs, component parts & consumables (excluding petroleum products) [wherever applicable] for a period of 6 years from the date of commencement of commercial production.

F) Subsidy for Setting up ETPs

Manufacturing MSMEs:

One time capital subsidy up to 75% of the cost of ETPs, subject to a ceiling of Rs.100 lakh in respect of HK Zone 1 & 2, other than Hyderabad Karnataka Zone1,2,3 and Rs.50 lakh in other than Hyderabad Karnataka Zone4.

G) Interest Subsidy to Micro Enterprises only:

Interest subsidy of 6% per annum on term loans will be provided to Micro enterprises. This interest subsidy is payable to financial institutions on behalf of the enterprise only if the enterprise has not defaulted in payment of either principle or interest installments.

The amount of interest subsidy will be effective rate of interest (after deducting interest subsidy receivable by any institution/s under any Government of India scheme) or 6% per annum whichever is less.

The period of interest subsidy is six years, five years, four years and three years in other than HK Zone 1, Zone 2, Zone 3, Zone 4 and seven years and six years in HK Zone 1 & HK Zone 2, respectively. (Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)

H) Exemption from Tax on Electricity Tariff

Micro, Small & Medium Manufacturing Enterprises

100% exemption of tax on electricity tariff for the initial period of seven years, six years, five years, four years, eight years and seven years in Zone 1, Zone 2, Zone 3, Zone 4, HK Zone 1 & HK Zone 2 respectively.

I) **Technology upgradation, Quality Certification**
Micro, Small & Medium Manufacturing Enterprises

(i) Interest Subsidy on Technology Up gradation Loan:

Zone 1, 2, 3 & HK Zone 1 & 2: 5 % on loans availed from KSFC & Scheduled commercial banks which are not covered under CLCSS of GoI.

(ii) ISO series certification: *(Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)*

Zone 1, 2, 3, 4 & HK Zone 1 & 2: 75% of cost (max. `1.00 lakh).

(iii) BIS Certification:

50% of fees payable to BIS (max. Rs 20,000) and 50% of cost (max. Rs 1.00 lakh) for purchase of testing equipments as approved by BIS.

(iv) Technology Adoption:

50% of cost (max.Rs 1.00 lakh) for adopting technology from recognized national laboratories.

(v) Technology Business Incubation Centre:

50% of the project cost (max: Rs 75.00 lakh).

(vi) MSME units established using recycling of electronic waste and plastic waste:

Additional investment promotion subsidy of 5% with a ceiling limit of Rs 15.00 lakh in zone 1,2,3 and HK Zone 1 & 2.

J) Water harvesting / Conservation Measures

(Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)

Micro, Small and Medium Mfg enterprises in Zone 1,2,3 & HK Zone 1 & 2.

(i) Rain water harvesting : *75% of cost of equipment (max. Rs. 1.50 lakh) (ii) Waste water recycling : 75% of cost of equipment (max. Rs.7.50 lakh) (iii) Zero discharge process : 75% of cost of equipment (max. Rs.7.50lakh).*

K) Energy Conservation

Micro, Small & Medium Manufacturing enterprises in all zones. Practicing Energy Conservation measures resulting in reduction of Energy Consumption of at least 10% of earlier consumption: 15% of capital cost (max Rs 7.50 lakh).

Use of non-conventional energy sources:15% of capital cost (max. Rs7.50 lakh). Subsidy of Rs 0.75 per unit of Captive power generated and consumed through Solar & Wind Energy sources only.

L) Land / Shed allotment by KIADB and KSSIDC at concessional rates (Annexure-I of G.O. No. CI 204 SPI 2015, Dtd:12.09.2016)

Land & sheds will be allotted to SC/ST entrepreneurs by KIADB/ KSSIDC at 50% of the rate in all zones. The payment of cost of land & shed will be realized in installments. Out of this, 50% will have to be paid as down payment and remaining 50% will be in 8 equal quarterly installments.

This concession is in addition to the investment promotion subsidy provided at (A) above.

Separate operational guidelines will be issued.

M) Reimbursement of the cost of preparation of project reports:

Reimbursement of the 75% of cost of preparation of project reports up to Rs 2.00 lakh per unit, prepared by TECSOK and CEDOK required for which bank loans are sanctioned.

5.6.12 Encouragement to Women Entrepreneurs:

With a view to encourage and give a special thrust to women entrepreneurship and to improve the contribution of women entrepreneurs and facilitate creation of more women enterprises in the State in the next five years, enterprises promoted either as a proprietary concern or a partnership firm / private limited company where all the partners or directors are women, following initiatives are proposed:

i. *It is proposed to promote two industrial areas in the State at potential locations such as Hubli/Dharwad and Harohalli in Kanakapura taluk for women.*
ii. *Reservation of 5% of plots/sheds in the Industrial Areas/ Estates developed by KIADB/KSSIDC for women entrepreneurs in all the future Industrial areas/estates.*
iii. *Exclusive cluster for women in Textile, Gem & Jewellery.*
iv. *Trained entrepreneurs by CEDOK or recognized training institutions will be provided with low interest start up loans (with interest subsidy) and flexible repayment schedule.*
v. *State to introduce Entrepreneurship Development Programmes exclusively for prospective women entrepreneurs.*
vi. *MSMEs promoted by women entrepreneurs will be encouraged with attractive incentives and concessions as mentioned below:*

A. Investment Promotion Subsidy

a) Micro Enterprises

i) Other than Hyderabad Karnataka Area

Zone 1: *30% Value of Fixed Assets (VFA) (max. Rs18.00 lakh)*
35% Value of Fixed Assets (VFA) (max. Rs 20.00 lakh) - In respectof SC/ ST women entrepreneurs.

Zone 2: *25% Value of Fixed Assets (VFA) (max. Rs15.00 lakh)*
30% Value of Fixed Assets (VFA) (max. Rs 18.00 lakh) - In respect of SC/ST women entrepreneurs.

Zone 3: *20% Value of Fixed Assets (VFA) (max Rs 12.00 lakh)*
25% Value of Fixed Assets(VFA)(max.Rs15.00 lakh) -In respect of SC/ST women entrepreneurs.

Zone 4: *10% Value of Fixed Assets (VFA) (max Rs 8.00 lakh)*
15% Value of Fixed Assets (VFA) (max.Rs 12.00 lakh) -In respect of SC/ST women entrepreneurs.

ii) Hyderabad Karnataka Area

HK Zone 1: *35% Value of Fixed Assets (VFA) (max. Rs 20.00 lakh)*
40% Value of Fixed Assets(VFA) (max. Rs 22.00 lakh)
-In respect of SC/ ST women entrepreneurs.

HK Zone 2: *30% Value of Fixed Assets (VFA) (max.Rs 18.00 lakh)*
35% Value of Fixed Assets (VFA) (max. Rs 20.00 lakh)
-In respect of SC/ ST women entrepreneurs.

b) Small Enterprises

i) Other than Hyderabad Karnataka Area

Zone 1: *25% Value of Fixed Assets (VFA) (max. Rs 45.00 lakh)*
30% Value of Fixed Assets (VFA) (max. Rs 50.00 lakh) - In respect of SC/ ST women entrepreneurs.

Zone 2: *20% Value of Fixed Assets (VFA) (max. Rs 35.00 lakh)*
25% Value of Fixed Assets (VFA) (max. Rs 40.00 lakh) - In respect of SC/ ST women entrepreneurs.

Zone 3: *15% Value of Fixed Assets (VFA) (max. Rs 25 .00lakh)*
20% Value of Fixed Assets (VFA) (max.Rs 30.00 lakh) - In respect of SC/ ST women entrepreneurs.

Zone 4: *10% Value of Fixed Assets (VFA) (max. Rs 10.00 lakh)*
15% Value of Fixed Assets (VFA) (max. Rs15.00 lakh) - In respect of SC/ ST women entrepreneurs.

ii) Hyderabad Karnataka Area

HK Zone 1: *30% Value of Fixed Assets (VFA) (max.Rs50.00 lakh)*
35% Value of Fixed Assets (VFA) (max.Rs55.00 lakh)
- In respect of SC/ST women entrepreneurs.

HK Zone 2: *25% Value of Fixed Assets (VFA) (max. Rs 45.00 lakh)*
30% Value of Fixed Assets (VFA) (max. Rs 50.00 lakh)
- In respect of SC/ST women entrepreneurs.

c) Medium Manufacturing Enterprises (as defined in MSME Act and those who provide minimum of 25 Direct employment)

i) Other than Hyderabad Karnataka Area

Zone 1: *Rs 55.00 lakh*
Rs 60.00 lakh- In respect of SC/ ST women entrepreneurs.

Zone 2: *Rs 45.00 lakh*
Rs 50.00 lakh- In respect of SC/ ST women entrepreneurs

Zone 3: *Rs 35.00 lakh*
Rs 40.00 lakh- In respect of SC/ ST women entrepreneurs.

Zone 4: *Rs 20.00 lakh*
Rs 25.00 lakh- In respect of SC/ ST women entrepreneurs.

ii) Hyderabad Karnataka Area

HK Zone 1: *Rs 60.00 lakh*
Rs 65.00 lakh- In respect of SC/ ST women entrepreneurs

HK Zone 2: *Rs55.00 lakh*
Rs 60.00 lakh- In respect of SC/ ST women entrepreneurs

B. Exemption from Stamp Duty

MSMEs:

Stamp duty to be paid in respect of (i) loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing loans from State Government including VAT loan from C&I Department and / or State Financial Corporation, National Level Financial Institutions, Commercial Banks, RRBs, Co-operative Banks, KVIB / KVIC, Karnataka State SC/ ST Development Corporation, Karnataka State Minority Development Corporation and other institutions which may be notified by the Government from time to time for the initial period of five years only and (ii) for lease deeds, lease-cum-sale, sub-lease and absolute sale deeds executed by industrial enterprises in respect of industrial plots, sheds, industrial tenements by KIADB, KSSIDC,KEONICS, Industrial Co-operatives and approved private industrial estates, food parks and other approved industrial parks shall be exempted as below: (Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)

i) Other than Hyderabad Karnataka Area

Zone 1, 2, 3 : 100%

Zone 4: 75%

ii) Hyderabad Karnataka Area

HK Zone 1 & 2 : 100%

C. Concessional Registration Charges

MSMEs:

For all loan documents, lease deeds and sale deeds as specified in B above, the registration charges shall be at a concessional rate of ` 0.50 per Rs 1000.

Note:

i. *The exemption of stamp duty and concessional registration charges are also applicable to lands purchased under Section 109 of the KLR Act, 1961 and also for direct purchase of industrially converted lands for the projects approved by SLSWCC / DLSWCC. This incentive will also be applicable for the land transferred by KIADB to land owners as compensation for the acquired land.*

ii. *The exemption of stamp duty and concessional registration charges are also available for registration of final sale deed in respect of lands, sheds, plots, industrial tenements after the expiry of lease period at the rate as specified in the Industrial Policy which was in vogue at the time of execution of lease-cum-sale deed.*

D. Reimbursement of Land Conversion Fee

MSMEs:

The payment of land conversion fee for converting the land from agriculture use to industrial use will be reimbursed as detailed below:

i) Other than Hyderabad Karnataka Area

Zone 1, 2, 3 : 100%

Zone 4: 75%

ii) Hyderabad Karnataka Area

HK Zone 1 & 2: 100%

E. Exemption from Entry Tax

MSMEs:

MSMEs in Zone 1, 2 & 3 and HK Zone 1 & 2 are eligible for 100% exemption from payment of Entry Tax on **'Plant & Machinery and Capital Goods'** for an initial period of three years from the date of commencement of project implementation. For this purpose, the term Plant & Machinery and Capital Goods also includes Plant & Machinery and Equipments procured for captive generation of electricity.

On raw materials, inputs, component parts & consumables (excluding petroleum products) [wherever applicable] for a period of six years from the date of commencement of commercial production.

F. Subsidy for Setting up ETPs

Manufacturing MSMEs

One time capital subsidy up to 75% of the cost of ETPs, subject to a ceiling of Rs 100 lakh in respect of HK Zone 1 & 2, other than Hyderabad Karnataka Zone 1, 2, 3 and Rs 50 lakh in other than Hyderabad Karnataka Zone 4.

G. Interest Subsidy to Micro Enterprises only:

Interest subsidy of 6% per annum on term loans will be provided to Micro enterprises. This interest subsidy is payable to financial institutions on behalf of the enterprise only if the enterprise has not defaulted in payment of either principle or interest installments.

The amount of interest subsidy will be effective rate of interest (after deducting interest subsidy receivable by any institution/s under any Government of India scheme) or 6% per annum whichever is less. The period of interest subsidy is six years, five years, four years and three years in other than HK Zone 1, Zone 2, Zone 3, Zone 4 and seven years and six years in HK Zone 1 & HK Zone 2 respectively. (Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)

H. Exemption from Tax on Electricity Tariff

Micro, Small & Medium Manufacturing Enterprises

100% exemption of tax on electricity tariff for the initial period of seven years, six years, five years, four years, eight years and seven years in Zone 1, Zone 2, Zone 3, Zone 4, HK Zone 1 & HK Zone 2 respectively.

I. Technology Upgradation, Quality Certification

Micro, Small & Medium Manufacturing Enterprises

(i) Interest Subsidy on Technology Upgradation Loan:

Zone -1, 2, 3 & HK Zone 1 & 2: 5 % on loans availed from KSFC & Scheduled commercial banks which are not covered under CLCSS of GOI.

(ii) ISO series certification: *(Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016) Zone 1, 2, 3, 4 & HK Zone 1 & 2: 75% of cost (max. Rs1.00 lakh).*

(iii) BIS Certification:

50% of fees payable to BIS (max. Rs 20,000) and 50% of cost (max. Rs 1.00 lakh) for purchase of testing equipments as approved by BIS.

(iv) Technology Adoption:

50% of cost (max.Rs 1.00 lakh) for adopting technology from recognized national laboratories.

(v) Technology Business Incubation Centre:

50% of the project cost (max: Rs 75.00 lakh).

(vi) MSME units established using recycling of electronic waste and plastic waste:

Additional investment promotion subsidy of 5% with a ceiling limit of Rs15.00 lakh in Zone 1,2,3 and HK Zone 1 & 2.

(vii) Weconnect Certification for Women owned Business Enterprises (WBEs):

(Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)
For a period of 3 years, maximum limit Rs. 75,000/-
100% of certification fees for the 1st year – Rs. 30,000/- max.
90% of certification fees for the 2nd year – Rs. 27,000/- max.
80% of certification fees for the 3rd year – Rs. 18,000/- max.

J. Water harvesting / Conservation Measures

(Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)

Micro, Small and Medium manufacturing enterprises in Zone 1, 2, 3 & HK Zone 1 & 2

i. Rain water harvesting: 75% of cost of equipment (max.Rs.1.50 lakh)
ii. Waste water recycling : 75% of cost of equipment (max. Rs.7.50 lakh)
iii. Zero discharge process: 75% of cost of equipment (max. Rs.7.50 lakh)

K. Energy Conservation

Micro, Small & Medium manufacturing enterprises in all zones

Practicing Energy Conservation measures resulting in reduction of Energy Consumption of at least 10% of earlier consumption: 15% of capital cost (max Rs 7.50 lakh).

Use of non-conventional energy sources: 15% of capital cost (max. Rs 7.5 lakh). Subsidy of Rs 0.75 per unit of Captive Power Generated and consumed through Solar & Wind Energy sources only.

L. Reimbursement of the cost of preparation of project reports

Reimbursement of the 75% of cost of preparation of project reports up to Rs 2.00 lakh per unit, prepared by TECSOK and CEDOK required for which bank loans are sanctioned.

5.6.13 Encouragement to Minorities, Backward Classes (Category 1 & 2A only), Physically Challenged and Ex-Servicemen Entrepreneurs :

With a view to encourage entrepreneurship among, Minorities, Backward Classes (Category 1 and 2A only), Physically Challenged and Ex-Servicemen Entrepreneurs and give a special thrust to enterprises promoted either as a proprietary concern or a partnership firm / private limited company wherein all the partners or directors are from Minorities, Backward Classes (Category 1 and 2A only), Physically Challenged and Ex-Servicemen Entrepreneurs, following initiatives are proposed:

i. *Reservation of 10% of plots/sheds in the Industrial Areas / Estates developed by KIADB/ KSSIDC for Minorities, Backward Classes - (Category 1 and 2A only), Physically Challenged and Ex-Servicemen Entrepreneurs in all the future industrial areas /estates. This amount will have to be paid in 6 equal quarterly installments. (Annexure-I of G.O. No. CI 204 SPI 2015, Dtd:12.09.2016)*

ii. *Trained entrepreneurs by CEDOK or recognized training institutions will be provided with low interest start up loans (with interest subsidy) and flexible repayment schedule.*

iii. *State to introduce Entrepreneurship Development Programmes exclusively for prospective Minorities, Backward Classes (Category 1 and 2A only), Physically Challenged and Ex-Servicemen Entrepreneurs*

iv. *MSMEs promoted by Minorities, Backward Classes (Category 1 and 2A only), Physically Challenged and Ex-Servicemen Entrepreneurs will be encouraged with attractive incentives and concessions as mentioned below:*

A. Investment Promotion Subsidy

a) Micro Enterprises

i. Other than Hyderabad Karnataka Area

Zone 1 : 30% Value of Fixed Assets (VFA) (max. Rs 17.00 lakh)
Zone 2 : 25% Value of Fixed Assets (VFA) (max. Rs 15.00 lakh
Zone 3 : 20% Value of Fixed Assets (VFA) (max. Rs 12.00 lakh
Zone 4 : Nil

ii) Hyderabad Karnataka Area

HK Zone 1: 35% Value of Fixed Assets (VFA) (max. Rs20.00 lakh)
HK Zone 2: 30% Value of Fixed Assets (VFA) (max.Rs18.00 lakh)

b) Small Enterprises

i) Other than Hyderabad Karnataka Area

Zone 1 : 25% Value of Fixed Assets (VFA) (max. Rs 45.00 lakh
Zone 2 : 20% Value of Fixed Assets (VFA) (max. Rs 35.00 lakh
Zone 3 : 15% Value of Fixed Assets (VFA) (max. Rs25.00 lakh
Zone 4 : Nil

ii) Hyderabad Karnataka Area

HK Zone 1: 30% Value of Fixed Assets (VFA) (max.Rs 50.00 lakh)
HK Zone 2: 25% Value of Fixed Assets (VFA) (max.Rs 45.00 lakh)

c) Medium Manufacturing Enterprises (as defined in MSME Act and those who provide minimum of 25 direct employment)

i) Other than Hyderabad Karnataka Area

Zone 1 : Rs 55.00 lakh
Zone 2 : Rs 45.00 lakh
Zone3 : Rs 35.00 lakh
Zone 4 : Nil

ii) Hyderabad Karnataka Area

HK Zone 1 : Rs 60.00 lakh
HK Zone 2 : Rs 55.00 lakh

B. Exemption from Stamp Duty

MSMEs:

Stamp duty to be paid in respect of (i) loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing loans from State Government including VAT loan from C&I Department and / or State Financial Corporation, National Level Financial Institutions, Commercial Banks, RRBs, Co-operative Banks, KVIB / KVIC, Karnataka State SC/ST Development Corporation, Karnataka State Minority Development Corporation and other institutions which may be notified

by the Government from time to time for the initial period of five years only and (ii) for lease deeds, lease-cum-sale, sub-lease and absolute sale deeds executed by industrial enterprises in respect of industrial plots, sheds, industrial tenements by KIADB, KSSIDC, KEONICS, Industrial Co-operatives and approved private industrial estates, food parks and other approved industrial parks shall be exempted as below:(Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)

i) Other than Hyderabad Karnataka Area

Zone 1, 2, 3 : 100%

Zone 4 : Nil

ii) Hyderabad Karnataka Area

HK Zone 1 & 2 : 100%

C. Concessional Registration Charges

MSMEs:

For all loan documents, lease deeds and sale deeds as specified in B above, the registration charges shall be at a concessional rate of Rs 0.50 per Rs 1000.

Note:

i. *The exemption of stamp duty and concessional registration charges are also applicable to lands purchased under Section 109 of the KLR Act, 1961 and also for direct purchase of industrially converted land for the projects approved by SLSWCC / DLSWCC. This incentive will also be applicable for the land transferred by KIADB to land owners as compensation for the acquired land.*

ii. *The exemption of stamp duty and concessional registration charges are also available for registration of final sale deed in respect of land, sheds, plots, industrial tenements after the expiry of lease period at the rate as specified in the Industrial Policy which was in vogue at the time of execution of lease-cum-sale deed.*

D. Reimbursement of Land Conversion Fee

MSMEs:

The payment of land conversion fee for converting the land from agriculture use to industrial use will be reimbursed as detailed below:

i) Other than Hyderabad Karnataka Area

Zone 1, 2, 3: 100%

Zone 4 : Nil

ii) Hyderabad Karnataka Area

HK Zone 1 & 2 : 100%

E. Exemption from Entry Tax

MSMEs:

MSMEs in Zone 1, 2 & 3 and HK Zone 1 & 2 are eligible for 100% exemption from payment of Entry Tax on **'Plant & Machinery and Capital Goods'** for an initial period of three years from the date of commencement of project implementation. For this purpose, the term Plant & Machinery and Capital Goods also includes Plant & Machinery and Equipments procured for captive generation of electricity.

On raw materials, inputs, component parts & consumables (excluding petroleum products) [wherever applicable] for a period of six years from the date of commencement of commercial production.

F. Subsidy for Setting up ETPs

Manufacturing MSMEs

One time capital subsidy up to 75% of the cost of ETPs, subject to a ceiling of Rs 100 lakh in respect of HK Zone 1 & 2, other than Hyderabad Karnataka Zone 1, 2, 3 and Rs 50 lakh in other than Hyderabad Karnataka Zone 4 respectively .

G. Interest Subsidy for Micro Enterprises only:

Interest subsidy of 6% per annum on term loans will be provided to Micro enterprises. This interest subsidy is payable to financial institutions on behalf of the enterprise only if the enterprise has not defaulted in payment of either principal or interest installments. The amount of interest subsidy will be effective rate of interest (after deducting interest subsidy receivable by any institution/s under any Government of India scheme) or 6% per annum whichever is less. The period of interest subsidy is six years, five years, four years and three years in other than HK Zone 1, Zone 2, Zone 3, Zone 4 and seven years and six years in HK Zone 1 & HK Zone 2 respectively. (Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)

H. Exemption from Tax on Electricity Tariff

Micro, Small & Medium Manufacturing Enterprises

100% exemption of tax on electricity tariff for the initial period of seven years, six years, five years, four years, eight years and seven years in Zone 1, Zone 2, Zone 3, Zone 4, HK Zone 1 & HK Zone 2 respectively.

I. Technology upgradation, Quality Certification and Patent Registration

Micro, Small & Medium Manufacturing Enterprises

(i) Interest Subsidy on Technology Upgradation Loan:

Zone 1, 2, 3 & HK Zone 1 & 2: 5 % on loans availed from KSFC & Scheduled commercial banks which are not covered under CLCSS of GOI.

(ii) ISO series certification:

(Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)
Zone 1, 2, 3, 4 & HK Zone 1 & 2: 75% of cost (max.Rs 1.00 lakh).

(iii) BIS Certification:

50% of fees payable to BIS (max.Rs 20,000) and 50% of cost (max. Rs 1.00 lakh) for purchase of testing equipments as approved by BIS.

(iv) Technology Adoption:

50% of cost (max. Rs 1.00 lakh) for adopting technology from recognized national laboratories.

(v) Technology Business Incubation Centre:

50% of the project cost (max: Rs 75.00 lakh).

(vi) MSME units established using recycling of electronic waste and plastic waste:

Additional investment promotion subsidy of 5% with a ceiling limit of Rs 15.00 lakh in Zone 1,2,3 and HK Zone 1 & 2

J. Water harvesting / Conservation Measures

(Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)

Micro, Small and Medium manufacturing enterprises in Zone 1, 2, 3 & HK Zone 1 & 2

(i) ***Rain water harvesting :*** *75% of cost of equipment (max. Rs 1.50 lakh*

(ii) ***Waste water recycling :*** *75% of cost of equipment (max. Rs7.50 lakh*

(iii) ***Zero discharge process:*** *75% of cost of equipment (max. Rs7.50 lakh)*

K. Energy Conservation

Micro, Small & Medium Manufacturing enterprises in all zones.

Practicing Energy Conservation measures resulting in reduction of Energy Consumption of at least 10% of earlier consumption: 15% of capital cost (max Rs 7.50 lakh).

Use of non-conventional energy sources: 15% of capital cost (max. Rs 7.50 lakh). Subsidy of Rs 0.75 per unit of Captive Power Generated and consumed through Solar & Wind Energy sources only.

L. Reimbursement of the cost of preparation of project reports

Reimbursement of the 75% of cost of preparation of project reports up to Rs 2.00 lakh per unit, prepared by TECSOK and CEDOK required for which bank loans are sanctioned.

5.7 Encouragement to Non Resident Kannadigas (NRKs)

Many Non Resident Kannadigas staying in other countries are desirous of coming back to Karnataka to invest and/or to share their expertise and knowledge for the development of the State.

As per the prevailing norms, the NRIs have following privileges:

a) *NRIs are allowed investing up to 100% equity with full benefits of repatriation in most industry sectors.*

b) *There is no restriction on the extent of equity that can be held by an NRI as an individual/partner in an MSME unit.*

c) *NRIs and Overseas Corporate Bodies (OCB) predominantly owned by NRIs are allowed to invest up to 100% foreign equity in high priority industries with full repatriation benefits.*

d) *To set up large industrial ventures in products reserved for the small scale sector, the unit has to take up a 50% export obligation.*

It is proposed to encourage NRKs with an early seed capital fund to invest in Karnataka and facilitate them to invest in projects in compliance with current Foreign Direct Investment policies of Government of India.

It is also proposed to provide Angel funding for start ups in collaboration with NRI companies / Organizations.

Many cities of the developed countries have signed MoUs with Bangalore in Karnataka for promotion of trade, investment & culture and many more cities have envisaged similar interest. It is proposed to encourage henceforth signing MoUs with tier two cities of the State and using this opportunity to bring NRK investment into the State for development.

The incentives and concessions which are applicable to other category of industries explained in this policy are also applicable to the investment proposals of NRKs.

An exclusive NRK investment promotion cell will be established in KUM in association with Karnataka NRI Forum to facilitate them with expeditious clearance of proposals, priority in land allotment and other escort services.

5.8 Encouragement for Export Promotion:

With an objective of increasing Karnataka's Share in all India's Merchandise Exports from the current level of 6.3% to 12% and to enhance the share of exports in GSDP to 60% in the next five years from the present level of 48%, various strategies are planned.

The strategies proposed are in Annexure-4.

The State shall continue to support SEZs in line with GoI policies to boost trade and exports from the State.

Funds under ASIDE scheme shall also be dovetailed for infrastructure development in the State with the objective of enhancing exports from the State.

5.9 Encouragement to units adopting Energy Efficiency measures:

i. *Efforts will be made to educate industries about low-carbon, low waste, non-polluting and safe technologies.*

ii. *Encourage industries to go for carbon auditing.*

iii. *Use of energy efficient equipments in industries will be encouraged.*

iv. *Industries with connected load of above 100 KW will be encouraged to adopt energy auditing.*

v. *Facilitate industries in implementing the clean technology projects using the various Government of India Schemes.*

5.10 Encouragements to Renewable Energy Projects

i. *All Energy projects including Renewable Energy projects are proposed to be treated as manufacturing industry and are eligible for incentives and concessions as applicable to manufacturing industries mentioned in this policy.*

ii. *It is proposed to simplify land purchase and conversion procedures for all renewable energy projects including Solar, Wind, Biomass and Mini hydel projects.*

iii. *50% of VAT paid on Plant and Machinery procured for renewable energy projects will be reimbursed.*

5.11 Encouragement for adoption of Green & Clean Practices

i. *Department of Commerce and Industries in co-ordination with Karnataka State Pollution Control Board (KSPCB) will create awareness, educate and engage the industry in reducing environment pollution.*

ii. *Department of Commerce and Industries will conduct a benchmarking study in major KIADB industrial areas in the State keeping in view the international industry standards and best practices to map the water consumption pattern, energy consumption pattern, solid waste management practices, discharge practices, etc.*

iii. *Efforts will be made to persuade industries to adopt energy efficient, lowcarbon, low waste, non-polluting and safe technologies and those that produce products that are responsibly managed throughout their life cycle while providing sustainable livelihoods and continuous job creation.*

iv. *Units practicing zero discharge will be eligible for one time subsidy on relevant equipment/technology upgradation.*

v. *Commerce and Industries Department will work along with KSPCB to review and rationalize existing list of green, red and orange categories of industries.*

vi. *Adequate land will be earmarked in all new industrial areas/ estates for setting up Common Effluent Treatment Plant (CETP) and other common environment protection measures.*

vii. *Provide incentives on specific cleaner production measures adopted in new industries @ 25% of the cost incurred limited to Rs 5.00 lakh.*

viii. *Civic Amenities Sites for Hospital, Post Office, Bank, Fire Station, Police Station, Inland Container Depot/Container Freight Station (ICD/CFS), Common Facility Centre (CFC), etc. in KIADB/KSSIDC industrial areas/ estates wherever necessary will be allotted on long lease basis on concessional/nominal charges.*

ix. *Land identified for amenities like canteens, association office etc and common environmental protection measures such as CETP, Solid Waste Management, etc. in each industrial area/estate will be allotted to respective industries associations on long lease basis at concessional/nominal rates for effective management.*

x. *Setting up of e-waste recycling units will be encouraged.*

5.12 Support for R & D and Direct Digital Manufacturing

5.12.1 To promote research & development(R&D)

Recognized R&D centres coming up in other than HK Zone 1, 2, 3, HK Zone 1 and HK Zone 2 supporting manufacturing industry will be eligible for a 50% capital subsidy limited to Rs 500.00 Lakh. Minimum two R & D centres per annum will be promoted.

State Government shall introduce a Technology Development Fund of Rs 100.00 crore to assist in R & D and Development of Technologies to benefit MSMEs in the State through Research Institutions, Industrial Associations and other Partnerships.

5.12.2 Direct Digital Manufacturing:

Recognizing the new trend and to capture the next wave in manufacturing i.e. Direct Digital Manufacturing / Rapid Prototyping / 3D Printing and the essentiality, advantage of having confluence of high technology, IT and high skilled people in the State and to facilitate entrepreneurs to take advantage of this emerging technology, it is proposed to create a pay-per-use initial facility of 3D printers and other machinery in collaboration with industry associations in Bangalore to begin with and later in select industrial areas in a phased manner.

This common facility will be identified, housed and managed by the industry associations on a pay-per-use basis and will be eligible for a capital subsidy of 50% limited to Rs 10.00 crore per centre for the first five units in the State during the policy period.

The centre will enhance/accelerate research, innovation, customization and creativity in manufacturing & act as a repository of 3D printing knowledge and a place for Input, Output & Augmented Environment.

5.13 Intellectual Property Rights (IPR) Initiatives

Karnataka is one of the most innovative and creative States in the world triggering a robust growth for a viable, multi disciplined, industrial culture with dedicated industrial and infrastructural policies in place. The State is home to the largest number of traditional Geographical Indications (GI) in the world and the highest number of registered GIs in the country, numbering 32. It is a gateway to many IP intensive products and services catering to the needs of the global IP economy and contributing to the GDP of the nation.

Karnataka ranks 3rd in IP filing and has distinguished itself as one of the prominent States for Research and Development activities. It is one of the top five States in the country in the area of R&D spending, with a host of

pragmatic and creative initiatives to project "Karnataka as the emerging IP hub of Asia".

Hence, there is a need for a strong premise and case for nurturing a robust IP eco system in the State that provides impetus to IP creation, IP Protection, IP Commercialization and IP Enforcement. This in turn accentuates the need for a comprehensive IP Strategy / Measures for the State. This will be announced separately.

5.14 Promotion of Investment and Trade

Investors Meets and road shows will be organized regularly at State/ National/ International level to attract investments into the State.

Similarly Business Meets/ Buyers-Sellers Meets will be organized regularly at State/ National/ International level to promote trade from the State. Industrial Adalats will be organized regularly at District/ Regional/ State level with a view to understand problems of industries and to settle pending cases.

5.15 Encouragement for Anchor Industries:

To encourage investments in taluks where there are no industries with investments above Rs 250 crore and direct employment of 150 persons investment promotion subsidy is proposed.

The first two manufacturing enterprises in a taluk providing a minimum direct employment of 150 persons with a minimum investment of Rs 250 crore (Two hundred and fifty crores) are called as Anchor Industries. The definition applies to taluks where no such industry exists at present.

5.15.1 State Government proposes to promote Anchor Industries in at least 20 taluks during the policy period in order to encourage dispersal of industries throughout the State and creation of local employment. At present there are 135 taluks without any Anchor Industry.

5.15.2 Anchor Industries will be eligible for special investment subsidy as follows:

5.15.2.1 The anchor units will be provided with an investment subsidy of Rs 20.00 crore in HK Zone 1 and Rs 15.00 crore in all other Zones. Anchor Unit subsidy will be applicable only in taluks where no industrial enterprises of the above size exist at present.

5.15.2.2 If the anchor unit invests more than Rs 1,000 crore (one thousand crores) following additional incentives will be granted.

a) *Interest free loan equal to 100% Net VAT plus CST from the date of commencement of commercial production for 18 years but not exceeding 125 % of the Value of Eligible Fixed Assets created. The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year & so on.*

This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.

b) *The quantum of all incentives and concessions put together should not exceed 125% of the Value of Eligible Fixed Assets* created.

5.16 Incentives and concessions for Large, Mega, Ultra Mega, Super Mega enterprises:

The details of standard package of incentives and concessions offered for establishment of Industries under Large, Mega, Ultra Mega, Super Mega category of enterprises are as under:

A. Exemption from Stamp Duty

Stamp duty to be paid in respect of (i) loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing loans from State Government including VAT loan from Department and / or State Financial Corporation, Industrial Investment Development Corporation, National Level Financial Institutions, Commercial Banks, RRBs, Co-operative Banks, and other institutions which may be notified by the Government from time to time for the initial period of five years only and (ii) for lease deeds, lease-cum-sale and absolute sale deeds executed by industrial Enterprises in respect of industrial plots, sheds, industrial tenements, by KIADB, KEONICS, KSIIDC, Industrial Co-operatives and approved private industrial estates (iii) for lease deeds, lease-cum- sale and absolute sale deed executed by developer in respect of lands purchased for development of private industrial estates / park shall be exempted as below:

i) Other than Hyderabad Karnataka Area

Zone 1: 100%
Zone 2: 100%
Zone 3: 75%
Zone 4: Nil

ii) Hyderabad Karnataka Area

HK Zone 1: 100%
HK Zone 2: 100%

B. Concessional Registration Charges

For all loan documents, lease deeds and sale deeds as specified in A above, the registration charges shall be at a concessional rate of Rs 1.00 per Rs 1,000.

Note:

(i) The exemption of stamp duty and concessional registration charges are also applicable to lands purchased under Section 109 of the KLR Act, 1961 and also for direct purchase of industrially converted lands for the projects approved by SHLCC / SLSWCC. This incentive will also be applicable for the land transferred by KIADB to land owners as compensation for the acquired land.

(ii) The exemption of stamp duty and concessional registration charges are also available for registration of final sale deed in respect of lands, sheds, plots, industrial tenements after the expiry of lease period at the rate as specified in the Industrial Policy which was in vogue at the time of execution of lease-cum-sale deed.

C. Reimbursement of Land Conversion Fee

The payment of land conversion fee for converting the land from agriculture use to industrial use including for development of industrial areas by private investors will be reimbursed as detailed below:

i) Other than Hyderabad Karnataka Area

Zone 1: 100%
Zone 2: 100%
Zone 3: 75%
Zone 4: Nil

ii) Hyderabad Karnataka Area

HK Zone 1: 100%
HK Zone 2: 100%

D. Exemption from Entry Tax

Large, Mega, Ultra Mega and Super Mega Enterprises

In other than HK Zone 1, 2 & 3 and HK Zone 1 & 2 these units are eligible for 100% exemption from payment of Entry Tax on **'Plant & Machinery and Capital Goods'** for an initial period of three years for large and mega and five years for ultra mega and super mega enterprises from the date of commencement of project implementation. For this purpose, the term Plant & Machinery and Capital Goods also includes Plant & Machinery and Equipments procured for captive generation of electricity.

On raw materials, inputs, component parts & consumables (excluding petroleum products) [wherever applicable] for a period of five years from the date of commencement of commercial production. In respect of Mega, Ultra Mega and Super Mega Enterprises, additional One, Two and Three years will be allowed respectively for operational period.

E. Subsidy for Setting up ETPs

Large, Mega, Ultra Mega, Super Mega Enterprises and Private Industrial Area Layouts (CETP):

One time capital subsidy up to 50% of the cost of Effluent Treatment Plants (ETPs), subject to a ceiling of Rs 200 lakh in respect of HK Zone1 & 2, other than HK Zone 1, 2, 3 and Rs 100 lakh in other than HK Zone 4.

F. Interest-free loan to Large, Mega, Ultra Mega and Super Mega Enterprises on Net VAT and CST.

All Large, Mega, Ultra Mega & Super Mega Enterprises established in Zones 1, 2, 3 and HK Zone 1 & 2 will be eligible for an interest-free loan on Net VAT and CST, subject to industries providing minimum number of direct employment as specified.

<table>
<tr><th>Investment range on fixed assets (Rs.cr.)</th><th>Interest-free loan in other than Hyderabad Karnataka area</th><th>Interest free loan in Hyderabad Karnataka area</th></tr>
<tr>
<td>Large Enterprises:
(i.e.investment on fixed assets above Rs.10 crore to Rs.250 crore)

Minimum direct Employment 20 Number for first Rs.10 crore & additional 35 employment for every additional investment of Rs.50 crore proportionately.</td>
<td>100% of Net VAT + CST will be sanctioned as interest-free loan from the date of commencement of commercial production as follows:
<table>
<tr><th>Zone</th><th>Max. Period</th><th>Investment limit</th></tr>
<tr><td>1</td><td>9</td><td>65% of VFA</td></tr>
<tr><td>2</td><td>8</td><td>50% of VFA</td></tr>
<tr><td>3</td><td>7</td><td>40% of VFA</td></tr>
</table>
The loan shall be repaid as follows:
The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year & so on.
This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</td>
<td>100% of Net VAT + CST will be sanctioned as interest-free loan from the date of commencement of commercial production as follows:
<table>
<tr><th>Zone</th><th>Max. Period</th><th>Investment limit</th></tr>
<tr><td>1</td><td>10</td><td>75% of VFA</td></tr>
<tr><td>2</td><td>9</td><td>60% of VFA</td></tr>
</table>
The loan shall be repaid as follows:
The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year & so on.
This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</td>
</tr>
<tr>
<td>Mega Enterprises:
(i.e.investment on fixed assets above Rs.250 crore up to Rs.500 crore)

Minimum direct Employment 200 Number for first Rs.250 crore & additional 40 employment for every additional investment of Rs.50 crore.</td>
<td>100% of Net VAT + CST will be sanctioned as interest-free loan from the date of commencement of commercial production as follows:
<table>
<tr><th>Zone</th><th>Max. Period</th><th>Investment limit</th></tr>
<tr><td>1</td><td>10</td><td>80% of VFA</td></tr>
<tr><td>2</td><td>9</td><td>60% of VFA</td></tr>
<tr><td>3</td><td>8</td><td>50% of VFA</td></tr>
</table>
The loan shall be repaid as follows:
The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year & so on.
This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</td>
<td>100% of Net VAT + CST will be sanctioned as interest-free loan from the date of commencement of commercial production as follows:
<table>
<tr><th>Zone</th><th>Max. Period</th><th>Investment limit</th></tr>
<tr><td>1</td><td>11</td><td>90% of VFA</td></tr>
<tr><td>2</td><td>10</td><td>75% of VFA</td></tr>
</table>
The loan shall be repaid as follows:
The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year & so on.
This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</td>
</tr>
</table>

<table>
<tr><th>Investment range on fixed assets (Rs.cr.)</th><th>Interest-free loan in other than Hyderabad Karnataka area</th><th>Interest-free loan in Hyderabad Karnataka area</th></tr>
<tr><td>Ultra Mega Enterprises:
(i.e.investment on fixed assets above Rs.500 crore up to Rs.1000 crore)

Minimum direct Employment 400 Number for first Rs.500 crore & additional 40 employment for every additional investment of Rs.50 crore proportionately.</td><td>100% of Net VAT + CST will be sanctioned as interest-free loan from the date of commencement of commercial production as follows:
<table><tr><th>Zone</th><th>Max. Period</th><th>Investment limit</th></tr><tr><td>1</td><td>11</td><td>85% of VFA</td></tr><tr><td>2</td><td>10</td><td>75% of VFA</td></tr><tr><td>3</td><td>9</td><td>60% of VFA</td></tr></table>The loan shall be repaid as follows:
The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year & so on.

This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</td><td>100% of Net VAT + CST will be sanctioned as interest-free loan from the date of commencement of commercial production as follows:
<table><tr><th>Zone</th><th>Max. Period</th><th>Investment limit</th></tr><tr><td>1</td><td>12</td><td>95% of VFA</td></tr><tr><td>2</td><td>11</td><td>85% of VFA</td></tr></table>The loan shall be repaid as follows:
The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year & so on.
This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</td></tr>
<tr><td>Super Mega Enterprises:
(i.e. investment on fixed assets above Rs.1000 crore)

Minimum direct Employment 800 Number for first Rs.1000 crore & additional 40 employment for every additional investment of Rs.200 crore.</td><td>100% of Net VAT + CST will be sanctioned as interest-free loan from the date of commencement of commercial production as follows:
<table><tr><th>Zone</th><th>Max. Period</th><th>Investment limit</th></tr><tr><td>1</td><td>13</td><td>95% of VFA</td></tr><tr><td>2</td><td>12</td><td>85% of VFA</td></tr><tr><td>3</td><td>11</td><td>75% of VFA</td></tr></table>The loan shall be repaid as follows:
The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year & so on.

This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</td><td>100% of Net VAT + CST will be sanctioned as interest-free loan from the date of commencement of commercial production as follows:
<table><tr><th>Zone</th><th>Max. Period</th><th>Investment limit</th></tr><tr><td>1</td><td>14</td><td>100% of VFA</td></tr><tr><td>2</td><td>13</td><td>95% of VFA</td></tr></table>The loan shall be repaid as follows:
The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year & so on.
This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</td></tr>
</table>

5.17 Focused Sector Industries

5.17.1 Aerospace Sector:

With the presence of many leading MNCs and PSUs in Aerospace Sector and a good ecosystem, the State is emerging as the favoured global destination in Aerospace Sector. To give further fillip to growth of the sector Karnataka has introduced an Aerospace policy, Karnataka Aerospace Policy 2013-23 with separate policy measures and enhanced incentives and concessions. It is expected to attract Rs. 24,000 crore investment in the first five years.

Efforts will be made to attract at least two OEM anchor units in the sector with tailor made incentives package.

All other Investments of Aerospace Sector industries will continue to be governed by Aerospace Policy 2013-23.

5.17.2 Automotive Sector:

The State is home to auto majors like Tata Motors, TVS Motors, Toyota, Volvo, Honda, Scania India, L&T Komatsu, Tata Hitachi, TATA Marco polo. Other auto majors like Hero Motocorp, Triumph are showing keen interest in the State. Considering the potential for generation of large employment opportunities and spin off effects from the downstream industries in this sector it is proposed to provide an enabling environment to attract further investments.

i. *To incentivize and institutionalize the R&D environment for auto sector in the State.*
ii. *Fostering and supporting linkages between industry and academia for research.*
iii. *Propose to commission the 'Karnataka Automobile Research & Innovation Centre' in Karnataka which would also be an incubation centre. The centre is proposed to be established on a PPP model with State support.*
iv. *To set up an industry group to study and recommend measures for growth of the auto component sector in the State.*
v. *With a view to reduce air pollution and encourage manufacture of green Hybrid and Electrical Vehicles it is proposed to reduce road tax, registration tax as indirect incentives.*

5.17.3 Machine Tool Sector:

Machine tool sector in the State forms the backbone of manufacturing operations in various industries and is supported by a large base of MSMEs. The machine tools sector supports key industries such as automotive, aerospace and defence, textile, heavy engineering and steel, etc. Karnataka produces a majority of India's machine tools with Bangalore area alone producing about 60% of the machine tools of India in terms of value which is estimated at Rs 2,160 crore.

The following measures are proposed to retain the leadership in the sector

i. *It is proposed to promote an exclusive machine tool park in the State either through KIADB or on a PPP module.*
ii. *It is proposed to set up a machine tools focused technology incubation centre in the State in association with the industry on a PPP mode.*
iii. *Skill Development Corporation, Karnataka will offer special tailor made courses in consultation with the user industry to support creation of skilled employable workforce for the machine tools industry.*
iv. *Upgrading of existing tool rooms and creation of new tool rooms in PPP mode will also be explored.*

5.17.4 Steel and Cement Sector:

Karnataka has been blessed with abundant and good quality mineral wealth About 2 billion metric tonnes of major mineral like iron ore is estimated in the State and also substantial quantity of minor minerals such as limestone, silica, manganese and others are available for commercial exploitation.

The State is home to major steel plants and has attracted investments in the sector. The combined steel production capacity of 18 units in the State at present is around 22 MMTPA. There are about 11 major integrated steel which are in various stages of implementation.

Cement requirement of the neighbouring States are catered to by the Cement plants in Karnataka. The combined cement production capacity of 22 units in the State at present around 16 MMTPA. About thirteen more cement projects are under implementation. Efforts will be made to ground all the projects in pipeline.

It is proposed to come out with a policy decision for allotment of mining leases for captive consumption keeping in view the guidelines issued by the Supreme Court and MMRD Act. Priority will be given to value addition while allocating the mines.

5.17.5 Additional Package of Incentives & Concessions to Focused Manufacturing Sectors i.e. Automotive, Machine Tool (excluding Steel & Cement) Ultra Mega and Super Mega projects.

i. *Electricity duty exemption is available to Ultra Mega and Super Mega projects for a period of Nine years (09), Eight years (08) & Seven years (7) in Zone 1, 2 & 3 of other than Hyderabad Karnataka Area respectively and Ten(10) & Nine(09) years in Zone 1 & 2 of Hyderabad Karnataka area respectively.*
ii. *Interest- free loan on the Net VAT+CST paid will be made available to Ultra Mega and Super Mega projects as under.*

<table>
<tr><th>Investment range on fixed assets (Rs.cr.)</th><th>Interest-free loan in other than Hyderabad Karnataka area</th><th>Interest free loan in Hyderabad Karnataka area</th></tr>
<tr><td>Ultra Mega Enterprises:
(i.e.investment on fixed assets above Rs.500 crore up to Rs.1000 crore)

Minimum direct Employment 400 Number for first Rs.500 crore & additional 40 employment for every additional investment of Rs.50 crore proportionately.</td><td>100% of Net VAT + CST will be sanctioned as interest-free loan from the date of commencement of commercial production as follows:
<table><tr><th>Zone</th><th>Max. Period</th><th>Investment limit</th></tr><tr><td>1</td><td>13</td><td>90% of VFA</td></tr><tr><td>2</td><td>12</td><td>80% of VFA</td></tr><tr><td>3</td><td>11</td><td>75% of VFA</td></tr></table>The loan shall be repaid as follows:
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This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</td></tr>
<tr><td>Super Mega Enterprises:
(i.e. investment on fixed assets above Rs.1000 crore)

Minimum direct Employment 800 Number for first Rs.1000 crore & additional 40 employment for every additional investment of Rs.200 crore proportionately.</td><td>100% of Net VAT + CST will be sanctioned as interest-free loan from the date of commencement of commercial production as follows:
<table><tr><th>Zone</th><th>Max. Period</th><th>Investment limit</th></tr><tr><td>1</td><td>14</td><td>100% of VFA</td></tr><tr><td>2</td><td>13</td><td>90% of VFA</td></tr><tr><td>3</td><td>12</td><td>80% of VFA</td></tr></table>The loan shall be repaid as follows:
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<table><tr><th>Zone</th><th>Max. Period</th><th>Investment limit</th></tr><tr><td>1</td><td>16</td><td>100% of VFA</td></tr><tr><td>2</td><td>15</td><td>100% of VFA</td></tr></table>The loan shall be repaid as follows:
The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year & so on.
This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</td></tr>
</table>

iii. Entry tax exemption during project implementation and operational period (excluding petroleum products) will be as under:

In Zone 1, 2 & 3 and HK Zone – 1 & 2 are eligible for 100% exemption from payment of Entry Tax on 'Plant & Machinery and Capital Goods' for an initial period of five years from the date of commencement of project implementation. For this purpose, the term Plant & Machinery and Capital Goods also includes Plant & Machinery, equipment etc. including machineries for captive generation of Electricity.

On raw materials, inputs, component parts & consumables (excluding petroleum products) [wherever applicable] for a period of nine years from the date of commencement of commercial production.

5.17.6 The focused sector industries would be declared as public utilities under Industrial disputes Act, 1947 during the policy period to boost the morale of the investors.

5.18 Introduction of separate policy for relocation, revival and smooth exit policy

Regular annual survey will be conducted to study the total number of industrial units registered, working, sick and closed units and reasons thereon. Based on the outcome of the survey, it is proposed to bring in separate policy for relocation, revival and smooth exit of industries.

5.19 Budgetary Support

Suitable budgetary provisions will be made to meet the expenditure of incentives and other policy measures proposed.

Apart from the above, suitable arrangements will be made towards equity participation in the proposed SPVs to promote NIMZs.

Government will provide guarantee in favour of KIADB/KSIIDC/KSSIDC wherever necessary.

5.20 Special incentives

Special package of incentives /concessions and relaxation in the conditions mentioned in the policy will be considered for deserving cases giving due weightage to investment, location of the project, direct and indirect employment to be generated and potential for attracting further investment through vendors and ancillaries.

5.21 Land, water and power requirement

With the above policy initiatives it is expected that an investment of over rupees five lakh crore would be attracted and employment opportunities for about fifteen lakh persons would be generated.

The requirement of land, water and power to these enterprises during the policy period is estimated as below:

Sector	No. of units	Investment (Rs crore)	Employment	Land requirement in Acres	Power in MW	Water in Million liter per day
Micro	194448	31950	898350	5000	100	15
Small	16018	60400	377550	2500	300	10
Medium	459	17600	59100	3000	300	15
Large, Mega, Ultra Mega & Super Mega	323	390050	165000	29500	2300	200
TOTAL	**211248**	**500000**	**1500000**	**40000**	**3000**	**240**

The estimate is based on the following assumptions

- *Land Requirement*
- *Around 40,000 Micro units require either sheds or small plots to an extent of about 5000 acres from KIADB / KSSIDC and the rest will establish units either in leased premises or in their own land / shed.*
- *Around 5,000 small units require either sheds or small plots to an extent of about 2,500 acres from KIADB / KSSIDC and the rest will establish units either in leased premises or in their own land / shed.*
- *Around 1,500 units require either sheds or small plots to an extent of about 3,000 acres from KIADB / KSSIDC and the rest will establish units either in leased premises or in their own land / shed.*
- *Large, Mega, Ultra Mega and Super Mega Enterprises, require around 14,500 acres, to be acquired and allotted through KIADB and balance 15,000 acres to be procured under the provision 109 of KLR Act, 1961 or through private procurement.*

  Water, Power and Labour requirements are based on respective industry standards and are only indicative estimates.

5.22 Encouragement to Labour Intensive Industries: (Annexure to G.O.No. CI 224 SPI 2015 (P2) Dated: 01.02.2016)

Karnataka enjoys the advantage of demographic dividend and increasing literacy rates. Approximately 12 lakh people attain age of 21 every year, out of which 9 lakh need employment and 4 lakh have either a degree or diploma. There is an urgent need to create large number of formal jobs.

Labour Intensive Industry will be defined as enterprise which provides one job for an investment in fixed asset of up to Rs. 10 lakh.

Indicative list of Labour Intensive Industries are

- *Gems & Jewellery*
- *Toys & Handicrafts*
- *Agro-based industries*

New Small, Medium and Large Scale Enterprises setting up facilities in HK Zone-1 & 2 and other than HK Zone-1, 2 & 3, and employing at least 70% local persons on an overall basis will be offered 75% reimbursement of expenditure on account of contribution towards ESI & EPF for a period of initial 3 years.

However, these benefits over a period of 3 years will be limited to 10% of value of fixed asset.

6. Implementation Mechanism

6.1 A High Level Departmental Monitoring Committee under the Chairmanship of Additional Chief Secretary/Principal Secretary to Government, Commerce and Industries Department with ACS/Principal Secretaries/ Secretaries of line departments will be constituted to monitor the progress of implementation of all the provisions of the policy regularly.

This Committee will ensure timely issue of enabling Government Orders by various departments in relation to the policy.

The Committee will recommend mid-course corrections, if any, for smooth implementation of the Policy.

The Committee will also bring out half yearly reports indicating the progress in implementation of the Policy.

This Committee will be assisted by a Policy Monitoring Cell in the department / outsourced professional agency. This cell will have requisite staff and resources to conduct research, undertake studies, surveys, etc to assess impact of policy initiatives and provide relevant feedback regarding the policy and its implementation.

6.2 Following milestones are set for ensuring periodical progress:

By the end of the year	Approval of the investment proposals (Rs.crore.)	Anticipated employment Generation (lakh nos.)	Grounding of Investment (Rs.crore)	Actual Employ ment (lakh nos.)
2014-15	*50,000*	*1.00*	*30,000*	*0.50*
2015-16	*2,50,000*	*3.50*	*1,00,000*	*1.50*
2016-17	*3,50,000*	*7.00*	*1,50,000*	*2.50*
2017-18	*4,25,000*	*11.00*	*2,00,000*	*3.75*
2018-19	*5,00,000*	*15.00*	*2,50,000*	*5.00*

6.3 In order to implement the policy effectively and meaningfully there is a dire need to reorganize the department by way of strengthening the grass root level offices viz. Taluk and District level offices.

6.4 In order to make the State a preferred destination for investments and to create a conducive investment climate, the functioning of KUM, KIADB and KSSIDC needs a relook and also reengineering in their processes with more emphasis on bringing in a norm-based approach and reducing human interferences.

The department will initiate action to reorganize these entities.

6.5 The provisions of this industrial policy 2014-19 are applicable to eligible industries subject to terms and conditions as detailed in **Annexure 3A.**

Annexure - 1

LIST OF SERVICE ENTERPRISES ELIGIBLE FOR PACKAGE OF INCENTIVES AND CONCESSIONS

Applicable to projects approved by DLSWCC, SLSWCC and SHLCC only

1. Logistics facilities supporting to industries:

a) Container Freight Station Operators;

b) Warehouses;

c) Cold Storages and cold chain for logistic support to Food Processing Industry;

d) Material handling equipment
(except transport vehicles and goods carriers).

2. Powder coating / Painting Enterprises, Industrial paintings, etc., engaged in job work.

3. Weigh bridges and health care facility set up within the KIADB / KSSIDC industrial areas / estates.

4. Material / Product Testing Laboratory.

State Level Coordination Committee is empowered to add / delete service activities listed in this Annexure.

Annexure - 2

LIST OF INDUSTRIAL ACTIVITIES / ENTERPRISES NOT ELIGIBLE FOR INCENTIVES AND CONCESSIONS

1. Breweries & Distilleries of all types excluding winery
2. Khandasari and Jaggery making enterprises
3. Photo Studios & Color Processing and instant photo printing Enterprises
4. Photo Copying / Xerox Machines / Fax Machines / Data Entry/Data Recovery, enterprises
5. Fertilizer Mixing units
6. Units engaged in Re-packing of Drugs / Medicines / Chemicals, without any processing or value addition
7. All types of Saw Mills excluding manufacture of particle board/ Low Density Fiber Board (LDF)/Medium Density Fiber Boards(MDF)/High Density Fiber Boards(HDF)
8. Beedies / Cigarettes / Cigars / Gutka & Tobacco based products manufacturing enterprises.
9. Azoic / Reactive Dyes manufacturing enterprises
10. Fire Cracker manufacturing enterprises
11. Industries manufacturing and / or utilizing Ozone depleting substances
12. Laundries including Power Laundries
13. Brick making Enterprises excluding Cement Hollow Blocks, Wire Cut, Fly Ash Bricks and Refractory Bricks (Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)
14. Poultry excluding hatcheries
15. Popcorn and Ice candy making Enterprises excluding Ice Cream Manufacturing
16. Coffee roasting and Grinding units having installed capacity of less than 2MT a day.
17. Clock and Watch / Mobile / Computer and Hardware equipment repair enterprises
18. Cassette recording [Audio & video] enterprises
19. Cyanide Manufacturing enterprises
20. Mining and Mining Equipment
21. Lime kiln / burnt lime units
22. X-ray clinics and clinical / pathological laboratories and scanning, M.R.I. testing enterprises
23. All industries of mobile nature like rigs, concrete/tar mixing plants/hot mix plants including site oriented industries.
24. Units engaged in manufacture of Chrysolite Asbestos (White crystal)
25. All types of Saloon / Spas / Massaging Centers, etc.
26. All types of hotels/restaurants/resorts/amusement parks, etc.

Annexure - 3A

TERMS & CONDITIONS FOR SANCTION OF INCENTIVES AND CONCESSIONS

a) The Industrial Policy 2014-19 will come into force from the date of issue of enabling Government order and will be in operation for five years or as revised by the Government. Once the new Industrial Policy 2014-19 comes into operation the Industrial Policy 2009-14 stands withdrawn. However, Enterprises which have been sanctioned and have partly availed incentives and concessions under earlier policies shall continue to enjoy those benefits as per respective sanction orders.

b) The applicability of the Industrial Policy 2009-14 or Industrial Policy 2014-19 for the Projects which are under implementation (pipeline projects) at the time of announcement of Industrial Policy 2014-19 is decided as follows:

(i) Projects/Enterprises cleared through District level, State Level and State High Level Clearance Committee during the 2009-14 Policy period and if they have availed any of the incentives and concessions for the project as per 2009-14 policy are eligible to avail other incentives and concessions under 2009-14 policy only.

(ii) If any unit including self-financed project has taken any one of the following effective steps and the date of any one of these steps is before the date of issue of Government Order of the new industrial policy 2014-19, then the unit shall avail incentives as per policy 2009-14 only.

1. *Date of entering lease or sale agreement of the premises(either land or building)*
2. *Date on which possession certificate of the plot or shed is taken from KIADB/KSSIDC or any other agency*
3. *Date of approval of building plan by competent authority*
4. *Date of release of first installment of loan from Financial Institution /Bank*
5. *Date of placement of first purchase order for plant and machinery*

(iii) If any enterprise has not taken any effective steps, not invested any amount and not availed any incentives and concessions during the 2009-14 policy period, they shall avail incentives as per Industrial Policy 2014-19 only.

c) The Projects which are under implementation (pipeline projects) at the time of announcement of Industrial Policy 2014-19 as explained above shall commence commercial production before 31/08/2017 failing which their eligibility to avail incentives as per Industrial Policy 2009-14 will lapse. They will not be eligible to claim incentives either under Industrial Policy 2014-19.

d) Incentives and concessions under this policy shall primarily be available only for Manufacturing Enterprises / Industries and specified categories of enterprises / industries related service enterprises as listed in **Annexure 1,** will also be eligible for incentives and concessions.

e) The incentives and concessions under this policy will be available to all new and additional investments made during the policy period for establishment of new enterprises and expansion/diversification / modernization (as defined in **Annexure 5** at u).

f) The Stamp duty exemptions, Entry tax exemptions and Exemption on tax on electricity tariff as per the 2014-19 Policy will come in to effect only after the issuance of enabling notifications by Revenue, Finance and Energy departments respectively.

g) Irrespective of the location, industrial activities / enterprises as listed in **Annexure 2** will not be eligible for any incentives and concessions.

h) Enterprises can avail incentives and concessions under only one policy of the Industries Department.

i) Investment Promotion Subsidy will be available only to enterprises availing a minimum of 50% term loans on eligible fixed assets from Financial Institution/Banks. Such eligible units shall claim Investment Promotion subsidy within one year from the date of commencement of commercial production.

j) There is no restriction on the quantum of loan to be availed from the financial institutions for availing tax based incentives. Own financed units are also eligible for tax based incentives.

k) The value of eligible fixed assets as approved by the financial institutions / commercial banks will be the basis for computation of quantum of investment promotion subsidy.

Commerce and Industries Department will prescribe a standard format for a certificate to be issued by financial institutions / commercial banks keeping in view the definition of fixed assets, intangible assets and the assets not eligible for sanction of incentives and concessions.

l) While calculating the value of eligible fixed assets created during expansion / diversification / modernization of an enterprise only additional new investments shall be considered. The original investment for which subsidy has already been sanctioned shall not be accounted.

m) Investment Promotion Subsidy sanctioned to enterprises will be released in two to four installments depending upon the availability of budgetary resources.

n) Manufacturing Enterprises and Service Enterprises have been classified as Micro, Small and Medium Enterprises (MSME) based on investment in plant & machinery / equipment as per the MSMED Act, 2006.

The incentives and concessions under this policy will reckon these definitions of MSME and shall automatically stand revised to the revision made by Government of India from time to time and eligible incentives and concessions will be as per new definition from the date of change in the definitions.

o) Further an industrial unit which is not classified as Micro, Small and Medium Enterprise, the State Government has defined as Large Scale Enterprise, Mega Enterprise, Ultra Mega Enterprise, Super Mega Enterprise based on the investment as detailed at C,D,E,F in **Annexure 5.**

p) The incentives and concessions under this policy will reckon these definitions of Large Scale Enterprise, Mega Enterprise, Ultra Mega Enterprise, Super Mega Enterprise and shall automatically stand revised to the revision made by State Government from time to time and eligible incentives and concessions will be as per the new definition from the respective date of change in the definitions.

q) VAT /CST related Incentives:

i. Interest free loan on VAT and CST means, the eligible enterprise have to pay the prevailing VAT and CST and later claim interest free loan of net VAT and CST from Commerce and Industries Department.

ii. VAT related incentive will be provided only with reference to the sales attributed to the production from the new investments.

iii. VAT related incentive will be in respect of the sales meant for final consumers within the State only. The sales made by the industrial unit to other dealers within the State who in turn make inter-State sales, stock transfer or export sales, will not be eligible for the VAT related incentive.

iv. *The sales made out of the goods imported or stock transferred or purchased from other States and sold within Karnataka without substantive value addition of at least 25 percent of the input cost will be specifically excluded from purview of the VAT incentive.*

v. *On introduction of GST, no compensatory incentive will be provided in case of abolition of CST or any other tax or change in rate of tax, which currently accrues to the State Government. However VAT related incentive will be converted to SGST related incentive with scope as originally approved.*

vi. *Investment made within a period of maximum five years from commencement of the project implementation will be considered to determine the quantum and period of the incentive package.*

r) The total incentives and concessions under this policy in different heads is limited to 100% of the value of eligible fixed assets (VFA) created by a new unit or unit taking up expansion/modernization/diversification during the policy period in all areas including Hyderabad Karnataka Area (except for an Anchor Industry as separate limits are fixed).

s) For Ultra Mega and Super Mega units where SHLCC approves investments to be made in phases, the tax related incentive will commence from the date of commencement of commercial production in the first phase and these incentives will be proportionate to the investments in the first phase and will automatically graduate to the next level depending on the actual investments made.

Entry Tax exemptions on plant and machinery for such units will be available for each phase separately but the Entry Tax exemption on raw material is reckoned from the date of commencement of commercial production in the first phase only.

t) Employment Criteria for units availing incentives and concessions under Industrial Policy 2014-19 are as follows:

i. *All new industrial investment projects shall endeavor to create maximum possible additional direct employment opportunities with a minimum employment of 70% to Kannadigas on an overall basis and 100% in case of Group D employees.*

ii. *Implementation of provisions of labour act for women should be complied with wherever applicable.*

iii. *Protection for women employees must be provided by the companies and provisions of Sexual Harassment of Women at Work Place (Prevention, Protection and Redressal) Act 2013 to be implemented in true spirit.*

iv. *District Industries Centres will monitor the compliance of employment to Kannadigas for a period of initial 5 years. Failure of the industries to provide employment to Kannadigas as stipulated above will be reported to the concerned DLSWCC/ SLSWCC/ SHLCC which may recommend for recovery of incentives and concessions sanctioned to the unit.*

u) The manufacturing industries shall comply with the corporate social responsibility (CSR) obligations as per the section 135 of the Companies Act 2013.

v) Investments made by any existing/new unit/entrepreneur/partnership firm/ companies etc on land, building, plant & machinery acquired from any financial institution/ bank under Sec 29 of SFCs Act, SARFAESI Act, Debt Recovery Tribunal, or any of the acts or any tribunal etc are not eligible for any investment promotion subsidy. However this condition does not apply to tax based incentives i.e. the promoters after take over can either expand, modernize, diversify and / or revive the industry.

w) Removing anomaly in granting APMC cess waiver to agro based industries as per Industrial Policy 2009-14 and Integrated Agro Business Development Policy 2011.

APMC cess waiver facility was provided to agro based industries in both Industrial Policy 2009-14 and Integrated Agro Business Development Policy 2011. The Industrial Policy 2009-14 provides APMC cess waiver for a period of five, four and three years for the eligible industries in zone 1,2 and 3 respectively.

Integrated Agri Business Development Policy 2011 provides for APMC cess waiver for eligible industries up to 10 years throughout the State without any zonal restrictions.

Joint Directors of DICs are the nodal officers to grant the concession under both policies.

The enabling Government orders after the amendment to the APMC Act were issued on April 6, 2011 and March16, 2013 for the above policies respectively.

Agro based industries which have gone into production between April 6, 2011 and March16, 2013 have obtained APMC cess waiver certificate from Joint Directors, DICs under the Industrial Policy 2009-14, though theoretically they were eligible to avail the concessions for longer durations under Integrated Agro Business Policy 2011, but for want of amendment to APMC Act, 1966.

Now Joint Directors of DICs are permitted to issue revised APMC cess waiver certificate for the units which have availed APMC cess concessions under Industrial Policy 2009-14 for the extended/balance period under Integrated Agro Business Policy 2011. They should ensure that the period of this concession shall not exceed 10 years.

x) Separate operational guidelines for administration of these incentives and concessions will be issued for the guidance of the concerned agencies and officers with the approval of the State Level Coordination Committee under the Chairmanship of the Additional Chief Secretary/ Principal Secretary to Government, Commerce & Industries Department.

y) State Level Coordination Committee shall be the authority to interpret the policy measures, incentives and concessions detailed in this policy (including those in previous policies wherever applicable) and its decision shall be final.

Annexure - 3B

TERMS & CONDITIONS FOR PRIVATE INDUSTRIAL AREAS / ESTATES

1. Private Industrial areas / estates shall be developed:
   a) By Private individuals, Companies, Co-operative Societies and Associations
   b) By Public Private Partnership
   c) By State Government in association with another Government
2. Proposals for development of private industrial areas / estates will be treated as industrial infrastructure projects and approval in accordance with Karnataka Industries Facilitation Act will be accorded by SLSWCC or SHLCC depending on investment.
3. This Policy is applicable to all Zones . However , in Zone 4, allotment of bulk land in the areas acquired by KIADB to private developers is not permitted. (Annexure to G.O. No. CI 224 SPI 2015(P2), Dtd: 01.02.2016)
4. The minimum area / extent of land shall be 100 acres.
5. The development of industrial area / estate shall be in line / consistence with the zoning regulations of local LPA or as per KTCP Act and others in practice. The building plans in individual plots shall be approved by KIADB / concerned local authorities.
6. The developers shall adopt a scientific method for fixation of price to make available the infrastructure at reasonable rates.
7. The developers of private industrial areas shall comply with siting guidelines of MoEF.
8. Proponent is liable to pay back all the fiscal benefits availed, if any, under this Policy to the Government in case the project is not implemented as per Schedule.
9. The Government land allotted for private industrial areas / estates will be resumed upon non implementation.

Annexure - 4

STRATEGIES FOR EXPORT PROMOTION

Export Promotion Measures:

Creating Export Infrastructure:

i. Provide Viability Gap Funding (VGF) for projects to be implemented on PPP mode.

ii. Government Departments / Organizations which are mandated for development of infrastructure are to reserve certain percentage of their annual budget to support critical infrastructure to encourage exports.

iii. Private participation would be encouraged for the development of Inland Container Depots, Container Freight Stations, Logistics Parks, pre & post harvest technology centers, warehousing and other infrastructure facilities.

iv. Trade bodies and industry associations would be encouraged to promote development of infrastructure, R & D Centre, Training Centre and Testing Centre to augment the development and growth of exports.

v. Private participation, Export Promotion Councils, Trade bodies / Industry Associations would be encouraged to create warehousing facilities overseas for exporters near transit ports to help trans-shipment of goods on main line vessels.

vi. Existing sea ports would be strengthened to enhance the capacity for facilitating exports.

vii. Development of minor ports would be taken up on top priority for creating capacities for handling varieties of commodities for imports and exports.

viii. The Bangalore Air Cargo Complex and Mangalore Air Cargo Complex would be supported to strengthen and upgrade facilities to meet the demand of exporters.

ix. The rail network in Karnataka would be strengthened to facilitate speedy movement of goods to ports.

x. The State would prevail upon the Central Government for new railway projects on PPP basis for increased connectivity between major business centers of the States to ports.

Encouraging SEZs:

Development of SEZs both multi product and sector specific, would be encouraged in the State by dovetailing the provisions available in the Central / State SEZ Policy.

Encouraging Development of ICDs & CFSs:

i. *Existing ICDs and CFSs would be supported for upgradation with necessary infrastructure facilities to ensure smooth exports.*

ii. *ICDs / CFSs and logistic parks would be developed in the clusters and in the major industrial areas of potential districts to facilitate exports*

iii. *Establishment of ICDs and CFSs would be encouraged on PPP mode with Viability Gap Fund.*

iv. *CFS facilities would be encouraged at potential locations to help exporters especially in MSME segments, which generally ship small quantities as they cannot utilize a full container load.*

Development of infrastructure for specific sectors:

Agro & Food Processing Sector:

i. *Food parks / Agri special zones / Agri Logistic Parks / Corridors would be encouraged for establishment at different locations across the State. These parks will have all the required infrastructure facilities like pre-harvest & post-harvest technology, cold chain, temperature controlled warehouses and refrigerated transport / reefer trucks to minimize loss in storage and transit.*

ii. *It is proposed to support the establishment of better connectivity from fruits and vegetables growing areas to ports and to the National / State highways to facilitate easy movement of goods.*

iii. *Market intelligence reports would be provided for dissemination of information to farmers on a real time basis.*

iv. *Modern packaging technology would be encouraged to reduce packaging costs.The State would support the establishment of a branch of Indian Institute of Packaging in this regard.*

v. *As the State is known for exports in gherkins, floriculture and rose onions & necessary support will be provided to this sector for quality production for exports.*

vi. *Establishment of Spice Park at potential locations would be supported with technical / financial support of Spice Board, Government of India.*

Textiles & Readymade Garments Sector:

State has announced a separate Textiles Policy 2013.

Chemical Industry Sector:

Establishment of Warehouse facilities for storage of hazardous chemicals and testing facilities would be encouraged at Bangalore and Mangalore.

Pharmaceuticals Sector:

i. *Establishment of separate Pharma Zone would be encouraged at potential places with infrastructure facilities and common effluent treatment plant / common users facilities for development of pharma sector in the State and to promote exports.*

ii. *Pharma SEZ located at Hassan and Yadgir / Bidar would be strengthened/promoted on priority.*

iii. *Establishment of separate storage facilities and cold chain facilities would be encouraged for handling pharma products at the Ports.*

Engineering Sector (Automobile, Aerospace & Precision Tools):

i. *Establishment of R & D and testing facilities would be encouraged at Bangalore, Mysore, Hubli, Dharwad and Belgaum.*

ii. *Free Trade Warehousing Zone (FTWZ) for the engineering sector including Automobile,Aerospace & Precision Tools would be encouraged through PPP mode.*

Electronics Sector:

State has announced a separate Karnataka ESDM policy 2013.

Gems & Jewellery Sector:

i. *As the State is a leading hub for the export of gems and jewellery articles, the State would extend support to artisan. centric locations, with design and development facilities for manufacture of innovative articles to explore the overseas market.*

ii. *Facilities for testing and capacity building would be created at potential locations.*

iii. *The State would encourage the establishment of Gems and Jewellery Park in Bangalore.*

Plastic Sector:

i. *Establishment of Plastic Parks in Bangalore, Dharwad and other potential locations would be supported.*

ii. *Facilities such as design and prototyping centers, testing and tool room facilities etc., required by the industry would be supported.*

iii. *CIPET would be encouraged to set up its Branch Office in Bangalore.*

Leather Sector:

State will support mega leather park under Mega Leather Cluster Scheme of Government of India.

Handicrafts Sector:

i. *R & D Centers and training facilities would be supported for development of handicraft products at specific locations.*

ii. *Creation of Crafts Parks, Agarbathi Parks etc., and improved infrastructure facilities would be encouraged in the existing Crafts Clusters.*

iii. *Facilitation of Crafts Tourism by linking Craft Clusters and Craft Parks to Tourism spots will be supported.*

iv. *Artisans will be encouraged and assisted with financial support to participate in the craft melas, trade fairs / exhibitions to sell their products directly to consumers.*

v. *Support would be extended to associations, trade bodies / department / agencies to organize handicraft exhibitions in potential cities for network development and to explore overseas market for their products.*

vi. *VTPC will work with artisans to improve quality so as to market their products to large retail entities for global sourcing operations.*

Marine Products:

i. *Development of infrastructure like cold storage, warehousing, reefer vans and up gradation of fishing harbours would be encouraged.*

ii. *Export and quality management programs would be supported for the associations.*

Focus on MSME Sector:

i. *Exports from the MSME sector over a period of time have acquired great significance in India's foreign trade. This sector accounts for over 40 per cent of the total exports from the Country.*

ii. *The State would lay high priority to MSME sector for venturing into export activities and also enhance their competitiveness in international trade.*

Other Strategies proposed for the development and growth of Exports:

i. *Trade Information Centers / Kiosks would be established at divisional headquarters with participation of leading industry associations and trade bodies.*

ii. *Certain industries are declared as Public Utility Services (PUS) under the Industrial Disputes Act, 1947 by the Government. In case of strike or lockout in respect of industries declared as Essential Services, prior notice is compulsory either by employees or by management, respectively. In all, 39 industries are declared as PUS and included in the First Schedule to the Act. Hence, EOUs are to be declared as PUS to have a conducive environment for exporters.*

iii. *Exporters with good track record will be issued Green Card to enable smooth movement of goods without any delay at check posts / verification of documents.*

iv. *Banks will be prevailed upon to issue Gold Cards for exporters with proven transaction record. Gold Card will enable exporters to avail financial assistance on easy terms and fast track mode.*

v. *The State will support studies and surveys for identifying potential export markets for State's products. Market research and entry strategies through various organizations would be encouraged by way of fiscal support.*

vi. *Study tours, business delegation to foreign countries and participation in International Trade Fairs to explore potential markets would be supported by dovetailing MDA and other similar schemes of the State.*

vii. *The State will continue to confer the Annual Export Awards for export excellence in the State and encourage existing and new exporters.*

viii. *Trade Point, as an extended wing of World Trade Point Federation, Geneva which has been established at VTPC, would continue to provide commercial services for exporters with a special focus on SMEs.*

ix. *The WTO Relay & IPR Cell would be strengthened to enhance capabilities of MSME sector and other stakeholders in order to keep them updated on the happenings across the globe.*

x. *The International Desk- Liaison Office would be strengthened for facilitating the establishment of International Desks in identified countries and that would function as an interface for the promotion of trade and investment.*

Incentives and Concessions:

As a commitment to provide a level playing environment and competitive edge to exporters, the State would endeavor to provide attractive package of incentives and concessions. The package of incentives and concessions for Export promotion is detailed below:

Exemption from Entry Tax:

For 100% EOUs and other EOUs with minimum export obligation of 50% of their total turnover, it is proposed to provide 100% exemption from payment of Entry Tax on purchase of 'Plant & Machinery and Capital Goods' for an initial period of three years from the date of commencement of project implementation irrespective of zones.

It is proposed to have 100% exemption from payment of Entry Tax on purchase of raw materials, inputs, component parts & consumables (excluding petroleum products) for an initial period of five years from the date of commencement of commercial production irrespective of zones.

Refund of Certification Charges:

Refund of expenses incurred for obtaining statutory certifications like Conformity Europeenne (CE), China Compulsory Certificate (CCC), GMP, Phytosanitary, Radiation, etc. to the extent of 50% of expenses subject to a maximum of Rs.1.00 lakh per unit.

Refund of Cost incurred for Export Consultancy/Market Intelligence Studies:

Financial Assistance shall be provided to exporters whose annual turnover is less than Rs. 5.00 crore for availing export consultancy by the units towards market intelligence, market studies / surveys and documentation through recognized consultancy organizations. The assistance shall be reimbursed to the extent of 50% of the cost subject to a maximum of Rs 2.00 lakh.

Brand Promotion and Quality Assurance:

Financial Assistance shall be provided to exporters whose annual turnover is less than Rs. 5.00 crore for setting up of showrooms, warehouse, displays in international department stores, publicity campaign, testing charges, registration charges, brand promotion and assistance for contesting antidumping litigations. The expenditure towards the above shall be reimbursed to the extent of 50% of the cost subject to a maximum of Rs.5.00 lakh.

Refund of fees for individual entrepreneurs incurred for certification courses on Export-Import Management:

Course fees paid by individual entrepreneurs for acquiring certification courses on Export - Import Management conducted by IIFT, New Delhi and FIEO and other recognized institutions for a minimum duration of four months shall be reimbursed to the extent of 50% of the fees, subject to a ceiling of Rs 25,000 per candidate per course. This incentive shall be available only for one time and for one course in the Policy period.

Support for Establishment of CFSs and other export infrastructure:

Financial support towards establishment of Container Freight Stations (CFSs) and other export infrastructure like logistic park, pre-harvest and post-harvest technology centers at potential locations in the State would be provided as Viability Gap Fund. This would entail 25 % of cost of the project subject to a ceiling of Rs 200 lakh. The setting up of necessary infrastructure would be encouraged through public private partnership to support exports.

KIADB shall reserve 10 / 15 acres of land in all industrial areas for allotment to prospective entrepreneurs for establishment of CFS and other export infrastructure to encourage exports. The promoter shall bear land cost and meet the required funds in the project cost towards establishment of CFS.

APMCs of the State would also be provided with financial assistance towards export infrastructure to promote exports in agro and food processing sector. The assistance will not be provided for the land cost. However, APMCs shall possess required land and bear the gap towards development of infrastructure.

Support for creation of Export facilities, R&D and testing services:

One time support to Trade bodies / Associations for creation of Export facilitation, incubation facilities, R&D and Testing Services etc., would be extended up to Rs.50.00 lakh or 50 percent of cost whichever is less. The assistance will not be provided for land cost.

Market Development Assistance:

Under the scheme, financial assistance would be extended as follows:

South American Countries

Assistance up to Rs. 1.75 lakh with the following component-wise cap:

i. *75% of the economy Air Fare subject to a maximum limit of Rs.1.00 lakh.*

ii. *50% of stall rentals subject to a maximum of Rs 50,000/- (for women & SC/ST entrepreneurs 100% of stall rentals shall be reimbursed subject to maximum Rs. 50,000/-), 50% of freight charges subject to a maximum of Rs 10,000/-.*

iii. *DA of $ 100 per day for three working days.*

Other Countries

i. *Assistance up to R.1.50 lakh with the following component- wise cap:*

ii. *75% of the economy Air Fare subject to a maximum limit of Rs. 75,000/-*

iii. *50% of stall rentals subject to a maximum of Rs. 50,000/- (for women & SC/ST entrepreneurs 100% of stall rentals shall be reimbursed subject to maximum Rs. 50,000/-)*

iv. *50% of freight charges subject to a maximum of Rs.10,000/-.*

v. *DA of $ 100 per day for three working days.*

Reimbursement of Export Credit Guarantee Insurance:

(Annexure to G.O.No. CI 224 SPI 2015 (P2) Dated: 01.02.2016)

Financial Assistance shall be provided to the exporters up to two star export category towards premium paid for Export Credit Guarantee Insurance for exporting the products to all the countries covered under Foreign Trade Policy 2015-20 of the Government of India.

The assistance would be reimbursed to exporters to extent of 10% premium paid subject to maximum of Rs.50,000/- per annum.

Financial Assistance for MSME, SC/ST, Artisans and Women Entrepreneurs:

i. Financial Assistance to MSME, SC/ST, Artisans and Women Entrepreneurs would be extended for their participation in exhibitions (including Dilli Haat and other Urban Haats) within the State and outside the State, as follows:

ii. Reimbursement of stall rentals up to Rs. 5,000/- within the State and Rs. 10,000/- outside the State.

iii. DA of Rs.100/- (within the State) or Rs. 150/- (outside the State) for two persons per stall for an exhibition period of maximum 15 days.

iv. Second class Railway Ticket for two persons per stall.

Support for development of exports in Gherkins, Rose Onions and Floriculture:

It is proposed to provide 10% of the financial assistance for procurement of imported seeds by exporters and towards training expenses for the farmers for the adoption of scientific methods in the growth of quality Gherkins, Rose Onions and Floriculture for exports.

Review and Monitoring Mechanism:

i. *The State Export Promotion Council which has been constituted under the Chairmanship of Hon. Chief Minister vide G O No. CI 290 SPC 94 (P) Bangalore, dated 28th Feb, 2005 to address Policy issues, formulation of suitable policy guidelines and action plan for promotion of exports from the State would be broad based to suggest various initiatives, to address the bottlenecks that are hindering the growth of exports, to address the gaps in the infrastructure and facilitate ease of doing business to encourage exports.*

ii. *The State Level Export Promotion Committee (SLEPC) for ASIDE scheme which has been constituted under chairmanship of Chief Secretary, Government of Karnataka vide G. O. No. CI 290 SPC 94 (P) Bangalore, dated 28th Feb, 2005 would also regularly monitor the implementation of policy initiatives in addition to monitoring of ASIDE scheme in the State. The Committee would be reconstituted with enhanced terms of reference by involving key Departments / Agencies of Central and State Governments, representatives of exporters associations, leading export houses and other stakeholders for smooth coordination and for the resolution of critical inter departmental issues to facilitate exports.*

iii. *The District Level Export Promotion Committee (DLEPC) which has been constituted under the Chairmanship of Deputy Commissioner of the Districts vide G. O. No. CI 290 SPC 94 (P) Bangalore, dated 28th Feb, 2005 would draw up comprehensive action plan for growth and development of exports from the districts. The Committee would also extend necessary guidance for District Industries Centre to prepare an exporters database, identification of industries / traders with potential products for exports, address the grievances of exporters and assist in the development and strengthening of the infrastructure in the Districts for the promotion of exports.*

Annexure - 5

Definitions

A. As per the MSMED Act, 2006, Manufacturing Enterprises have been defined based on investment in plant and machinery and classified into:

a) Micro Enterprises - Investment up to Rs. 25 lakh
b) Small Enterprises - Investment above Rs. 25 lakh and up to Rs.500 lakh
c) Medium Enterprises -Investment above Rs.500 lakh and upto Rs. 1,000 lakh.

B. As per the MSMED Act, 2006, Service Enterprises have been defined based on investment in equipment and classified into:

a) Micro Enterprises - Investment up to Rs. 10 lakh
b) Small Enterprises - Investment above Rs.10 lakh and up to Rs.200 lakh.
c) Medium Enterprises - Investment above Rs. 200 lakh and up to Rs.500 lakh.

C. Large Scale Enterprise:

An Industrial Unit which is not classified as Micro, Small and Medium Enterprise and with an investment in fixed assets up to Rs.250 crore shall be classified as large scale industry.

D. Mega Enterprise:

Projects with an investment in fixed assets above Rs.250 crore and up to Rs. 500 crore.

E. Ultra Mega Enterprise:

Projects with an investment in fixed assets above Rs.500 crore and up to Rs.1000 crore.

F. Super Mega Enterprise:

Projects with an investment in fixed assets above Rs. 1000 crore

G. 100% Export Oriented Enterprises [Export Oriented Enterprises] :

A 100 per cent export-oriented enterprise is an industrial enterprise offering for export its entire production, excluding the permitted levels by Government of India from time to time of domestic tariff area sales for manufacture of goods, including repair, re-making, reconditioning, re-engineering and rendering of services.

Such Enterprises may be set up either under the Export Oriented Enterprises or under EPIP [Export Promotion Industrial Park] Scheme or under the EHTP [Electronic Hardware Technology Park] Scheme or Software Technology Park Scheme or Special Economic Zone.

H. Value of Eligible Fixed Asset (VFA):

Value of Eligible Fixed Assets (VFA) shall mean the total investment made on land, building and plant and machinery and such other productive assets like tools, jigs, and fixtures, dyes, utilities like boilers, compressors, diesel generating sets, cranes, material handling equipments and such other equipments directly related to production purposes.

I. Units promoted by SC / ST Entrepreneurs:

Means those units established exclusively by an SC/ST entrepreneur as a proprietary concern or all the partners or directors of the partnership firm / Co-operative Society/Private limited companies or any other legal entity belonging to SC / ST Community.

J. Units promoted by SC / ST Women Entrepreneurs:

Means those units established exclusively by an SC/ST woman entrepreneur as a proprietary concern or all the partners or directors of the partnership firm / Co-operative Society/Private limited companies or any other legal entity belonging to SC / ST Community and are Woman.

K. Units promoted by Women Entrepreneurs:

Means those units established exclusively by a woman entrepreneur as a proprietary concern or all the partners or directors of the partnership firm / Co-operative Society/Private limited companies or any other legal entity are women

L. Units promoted by Minorities Entrepreneurs:

Means those units established exclusively by a minority community entrepreneur as a proprietary concern or all the partners or directors of the partnership firm / Co-operative Society/Private limited companies or any other legal entity belonging to Minority Community.

M. Units promoted by Backward Classes (Category 1 & 2A only) Entrepreneurs:

Means those units established exclusively by a Backward Classes (Category 1 & 2A only) entrepreneur as a proprietary concern or all the partners or directors of the partnership firm /Co-operative Society/Private limited companies or any other legal entity belonging to Backward Classes (Category 1 and 2A only) as per the notifications issued by GoK from time to time.

N. Units promoted by Physically Challenged Entrepreneurs:

Means those units established exclusively by a physically challenged entrepreneur as a proprietary concern or all the partners or directors of the partnership firm / Co-operative Society/Private limited companies or any other legal entity are physically challenged persons.

O. Units promoted by Ex-Servicemen Entrepreneurs:

Means those units established exclusively by an Ex-Serviceman entrepreneur as a proprietary concern or all the partners or directors of the partnership firm / Co-operative Society/Private limited companies or any other legal entity are Ex-Servicemen.

P. Employment:

Direct Employment shall mean employees who are on the rolls of the respective companies which will include contract labour engaged in production line. It will, however, not include casual labour. The percentage of contract labour engaged should not exceed 30% of total labour force.

Q. Anchor Industry:

The first two manufacturing enterprises in a taluk providing a minimum direct employment of 150 persons with a minimum investment of Rs. 250 crore are called as Anchor Industries. The definition applies to taluks where no such industry exists at present.

R. Date of Commencement of Project implementation:

Shall mean the date on which the unit has taken any one of the following effective steps and whichever is early:

i. Date of entering lease or sale agreement of the premises either land or building;

ii. Date on which possession certificate of the plot or shed is taken from KIADB/KSSIDC or any other agency;

iii. Date of approval of building plan by competent authority;

iv. Date of release of first installment of loan from Financial Institution / Bank;

v. Date of placement of first purchase order for plant and machinery.

S. Date of Commercial Production:

Date of issue of first sale invoice after trial production either by a new unit or after expansion diversification/modernization.

T. Captive Power Plant:

Means a power plant set up by a unit to generate electricity primarily for its own use.

U. Expansion/Diversification/Modernization:

New manufacturing facilities set up by an existing enterprise within the existing facility or in a new site or in an adjacent vacant site for manufacturing a product already being manufactured with or without upgradation of technology or

the process and/or a totally new product would be treated as expansion/ diversification/modernization for the purpose of incentives under the policy.

Further, the enterprise to be eligible for incentives under expansion / modernization / diversification program has to increase the installed capacity by at least 25% of the declared capacity or average production during immediate 3 years prior to commencement of the commercial production in the expanded / modernized / diversified enterprise, whichever is more and has to make an additional investment of at least 25% of the original fixed investment of the existing unit (Original fixed investment means, the investment prior to first sale invoice raised for the initial investment i.e prior to expansion/ modernization / diversification program).

V. Quantum of Incentive for Expansion / Modernization / Diversification under expansion / modernization / diversification program :

To determine the quantum of tax related concessions under expansion/ modernization / diversification program tax either the incremental production/ value or the average net tax liability during 3 year period prior to the expansion/ modernization/diversification as preferred by the enterprises.

"Incentive will be based on either of the following two approaches, which will be selected at the time of approval of the incentive package based on nature of the products of the enterprise.

i. ***Approach 1:*** *Incentive is provided with reference to the net tax liability over and above the "average net tax liability during three year period prior to the expansion and indexed to WPI during the incentive period.*

ii. ***Approach 2:*** *Tax liability on quantities sold and attributable to pre-expansion capacity is ring fenced, and the incentive is provided with reference to the tax above such threshold."*

However, while calculating the investment promotion subsidy for expansion/ diversification / modernization enterprises, the original investment made prior to the investment made for expansion / diversification / modernization shall not be taken for calculating eligible subsidy.

Annexure -7

Strategies for Promotion of Pharmaceutical Enterprises (Annexure-II of G.O. No. CI 204 SPI 2015, Dtd:12.09.2016)

Preamble:

Karnataka is one of the fastest growing States of the Country in pharmaceutical sector and currently ranks fifth in pharmaceutical exports. State contributes around 10% to the Indian pharmaceutical export revenues. Currently, over 230 Pharma and Bio-tech Companies are housed in the State. A host of reputed and globally known Pharmaceutical Companies functioning in the State have brought name and fame to Karnataka.

The Indian Pharma industry is expected to grow at a CAGR of 15-20% and achieve a turnover of US$ 50 Billion by 2020. The Active Pharmaceutical Ingredients (API) market is expanding at a rapid pace and formulation manufacturers have vast opportunities due to the upcoming patent cliff. Karnataka intends to maintain its leadership position in biopharmaceutical manufacturing which accounts for 60% share of the total biotech sector in India. Karnataka is recognized world over for its manufacturing capabilities and acknowledged as a source of high quality and affordable generic medicines. State has several modern plants with international regulatory certifications.

Keeping these points in view, the State recognized the necessity to formulate an exclusive policy for promotion of pharmaceutical sector in a holistic way and covering major segments of Pharma sector viz., bulk drugs, drugs intermediate, bio-pharmaceuticals and formulations for the rapid development and brought out "Karnataka Pharmaceutical Policy 2012" by G.O. No. HFW 95 IMM 2012, dated: 24.01.2013.

"Karnataka Pharmaceutical Policy 2012" was formulated and implemented by Health and Family Welfare Department. As most of the requirements of the Pharma Industry were related to providing infrastructure and hand holding wherein the Commerce and Industries Department has the required setup, the Government vide Government Order No. CI 204 SPI 2015, dated: 09.10.2015 made Commerce and Industries Department as the Nodal Department for implementation of the Policy.

Karnataka Drugs and Pharmaceutical Manufacturers Association has made representation to the Government that the pharmaceutical industry requires infrastructure facilities as any manufacturing industry and requested to extend the attractive incentives and concessions offered in the Industrial Policy 2014-19 and suggested certain modifications keeping in view the changed circumstances since announcement of the Pharmaceutical Policy 2012.

Keeping these points in view the spirit of special focus and promotion of pharmaceutical sector in a holistic way in the State it is proposed to merge the provisions of the "Karnataka Pharmaceutical Policy 2012" along with the Karnataka

Industrial Policy 2014-19 and append the same as annexure 7 to the Karnataka Industrial Policy 2014-19 and the "Karnataka Pharmaceutical Policy 2012" issued vide G.O.No. HFW/95/IMM/2012 dtd 24/01/2013 automatically stands withdrawn.

2.0 Special Initiatives for Pharmaceutical Sector:

2.1 Infrastructure for Pharma Sector:

2.1.1 Pharma Parks:

It is proposed to develop Pharmaceutical Parks with comprehensive infrastructure facilities like Common Effluent Treatment Plant (CETP), common testing laboratory, cold storage with warehousing, stand-alone power station, etc. Facilities for housing will also be created with all basic amenities facilitating the concept of 'walk-to-work' in potential locations of Karnataka. Yadgir, Mysore, Mangalore, etc. have good potential and would be developed during policy period.

2.1.2 Special Economic Zones:

Setting up of Special Economic Zones (SEZs) in the State would also be encouraged under the provisions prevailing in the SEZ Policy of Karnataka to promote exports from Pharma sector. Promoters of SEZs and also units in the SEZs will be offered incentives and concessions as per the SEZ Policies of the State and Government of India.

2.2 Research and Development:

Karnataka with its large number of educational institutions and presence of many pharmaceutical companies has a great potential for collaborative R&D activities initiated by industry and academic and emerge as a cost effective hub for the industry. Apart from this innovation, obtaining and protecting patents / Intellectual Property Rights (IPRs) will be the key for sustained development of Pharma sector in the emerging global scenario. To partially mitigate the huge cost involved in such activities necessary support in the form of grants would be provided.

2.3 Educational Institution Network:

Karnataka has internationally acclaimed Centres of Excellence like Indian Institute of Science, Jawaharlal Nehru Centre for Advanced Scientific Research along with a strong base of educational institutions imparting courses in pharmacy. Currently, the State has about 75 undergraduate and 40 postgraduate institutions supporting the industry.

There is a need for imparting industry-specific skills that will enhance the skill levels at various levels and it is proposed to support such Finishing Schools for Pharmaceutical Learning across Karnataka. To begin with, one such Finishing School will be financially supported for setting up necessary laboratory infrastructure along with providing stipend to students. Depending on the need more such Finishing Schools would be encouraged with the support of industry.

2.4 Venture Capital Funds:

Pharmaceutical sector is a niche sector wherein initial stage financial support is needed to nurture entrepreneurship. State Government will set up a dedicated Pharma Venture Capital Fund with active participation of pharmaceutical industries, financial institutions and private investors.

2.5 Effluent Treatment Plants:

2.5.1 Individual Effluent Treatment Plants:

Effluent treatment plants are essential part of Pharmaceutical industries as they generate large volumes of industrial waste and are encouraged to put up stand-alone effluent treatment and would be supported by way of one time fiscal incentives.

2.5.2 Common Effluent Treatment Plants:

Common Effluent Treatment Plants (CETPs) would be encouraged to be established in Pharma Parks, SEZs and other clusters of pharmaceutical industries and would be supported by way of one time grant to augment investments on such CETPs.

2.6 Go green initiatives:

Pharmaceutical companies adopting green initiatives towards reducing waste generation at source or recycling of wastes will be encouraged and will be supported by providing incentives. Wherever possible setting up of waste exchanges with private participation would be encouraged which will help in transferring waste materials after treatment to another company for reuse.

2.7 Cold-Chain facilities:

To encourage creating a distribution network for the temperature controlled transportation of temperature sensitive pharmaceuticals throughout the supply chain investments made on refrigerated vans by industry for captive use will be considered as part of capital investment of the unit.

2.8 Repackaging Units:

As the practice of repackaging or contract packaging where in the unit removes the drug product from the original manufacturers market container or bulk dosage container and places the product into a different container for distribution at retail counters with or without ownership from original manufacturer is prevailing in the Pharmaceutical Industry for example, tablets and capsules are repackaged from large containers into smaller containers or blister packs and creams and lotions are packed into small packs. All such units will also be eligible for incentives.

2.9 Contract / loan license manufacturing:

As the practice of contract / loan license manufacturing on job work basis is prevailing in Pharmaceutical Industry which could form a major portion of the capacity of the unit. Such units when compete with other manufacturing unit in tenders especially with Government are at disadvantage as the comparison is between job work and turnover.

To provide a level playing field to such Pharmaceutical units the turnover could be computed as the sum of the consideration for services of 'job-work' rendered by the unit (referred as manufacturing charges) and the declared excise value of the product.

2.10 Quality Assurance:

Administrative machinery will be strengthened by providing additional manpower and modern facilities in terms of appointing more Enforcement Officers and Drug Testing Laboratories with adequate state-of-the-art testing equipment.

2.11 Institutional Support:

2.11.1 Pharmexcil:

Karnataka has great potential to be a hub for Pharmaceutical Exports. To facilitate obtaining required certification and avail the benefits of various schemes, the State will prevail upon Government of India to set up a branch of Pharmaceutical Export Promotion Council (Pharmexcil) in Bengaluru.

2.11.2 Vision Group:

A Vision Group on Pharmaceutical sector headed by Sector expert and maximum of 9 other members with Commissioner for Industrial Development and Director of Industries & Commerce as member secretary would be constituted with a mandate to promote investments in the sector, make specific recommendations to Government on suitable course of action to be taken to implement the Pharma Initiatives of the State.

2.11.3 Pharmacia:

As a brand building and create a platform to showcase the strengths and opportunities in pharmaceutical sector a biennial event of trade show and conferences – Pharmacia would be organized in the State by the Vision Group on Pharmaceutical sector with financial support from the Government.

2.11.4 Karnataka Pharmaceutical Development Cell (KPDC):

Karnataka Pharmaceutical Development Cell (KPDC) will be constituted by the Government and would be housed as part of Karnataka Udyoga Mitra to serve as a dedicated single point contact for pharmaceutical sector. This cell will extend all facilitation services for investors and act as a link between Government and investor. Investors will be provided handholding support and escort services from the cell. The cell will also provide required literature, information and other details helpful to investors. In addition to this, it will monitor the overall activities of Finishing Schools.

3.0 Incentives and Concessions:

3.1 Industrial Policy 2014-19:

As Pharmaceutical Industries are predominantly a manufacturing Enterprises, the incentives and concessions as per the prevailing Industrial Policy 2014-19 would be available to the sector.

3.2 Special Incentives to Pharmaceutical Sector:

Special package of incentives in addition to the incentives and concessions available in the prevailing Industrial Policy 2014-19 would be available to Pharmaceutical Sector to encourage investments in the sector as follow:

3.2.1 Establishment of Pharma Park:

(a) Equity contribution to the extent of 26% to be sought from Karnataka State Industrial Infrastructure Development Corporation (KSIIDC) & Karnataka Industrial Areas Development Board (KIADB) in Public Private Partnership (PPP) model.

(b) Common testing laboratory, cold storage & warehousing – one time capital subsidy up to 50% of the total cost subject to a ceiling of Rs. 500 lakh and remaining 50% from the stakeholders.

(c) One time capital subsidy up to 50% of the cost of Common Effluent Treatment Plant subject to a ceiling of Rs. 500 lakh per project in all zones in the State. This subsidy shall be available for CETPs established in designated Pharma Parks, Pharma SEZs and clusters of pharmaceutical industries.

3.2.2 Research & Development:

(a) An annual grant of Rs 50 lakh from the Government for industry academia towards hardcore R&D projects irrespective of locations.

(b) An annual incentive up to 20% of expenditure towards clinical trials for bio availability and bio-equivalence subject to a maximum of Rs. 100 lakh per clinical trial.

3.2.3 Venture Capital:

The State Government will set up a Venture Capital Fund with a corpus of Rs. 50 crore with contribution of 26% from Government. Remaining funds will be contributed by the private sector such as industries, financial institutions and private investors.

3.2.4 Showcasing Karnataka Pharmaceutical Sector:

A grant up to 50% of the cost subject to a maximum of Rs. 600 lakh would be provided by the Government to organise the biennial event of trade show and conferences - Pharmacia organized in the State by the Vision Group and the balance by the stakeholders.

3.2.5 Finishing School:

State Government support will be limited to 50% of the cost subject to maximum of Rs. 200 lakh per Finishing School towards setting up necessary laboratory infrastructure.

3.2.6 Human Resource Development:

A monthly stipend of Rs. 10,000/- per candidate sponsored by the industry/ institution/department will be provided to the candidates trained in Finishing Schools. 50% of the stipend shall be provided by the concerned sponsoring industry/institution/ department. The total upper limit for the stipends will be Rs. 10.00 lakh per annum per Finishing School.

3.2.7 Go Green Initiative:

The initiatives will be supported by providing subsidy up to 50% of the cost subject to a maximum of Rs. 50 lakh.

3.2.8 Vision Group:

A provision up to Rs. 50.00 lakh will be provided by the Government to meet the recurring cost.

Annexure -8

Strategies for Promotion of Medical Devices Manufacturing Enterprises (Annexure-III of G.O. No. CI 204 SPI 2015, Dtd:12.09.2016)

Preamble:

Medical device industry is multi-product industry, producing wide range of products, with varied degree of capital intensity and multipurpose use. Though it constitutes a very small portion of the total manufacturing sector, in public health its importance is significant.

The Medical Electronics segment of this industry incorporates control, conversion, sensing, processing, storage, display, and transfer of information on anatomy and physiology by making use of the Electronics and Communication Technologies.

The Medical Equipment industry is quite wide with more than 14,000 different products types, as per the Global Medical Device Nomenclature (GMDN). The products range from wound closure pads to stents and IVD machines of medical devices.

The Medical Devices and Equipment industry, valued at US$ 2.5 billion contributes about 6% of India's US$ 40 billion healthcare sector. Moreover, it is growing at a faster annual rate of 15% than 10-12% growth seen in the Healthcare sector in its entirety.

A rise in the number of hospitals and the increased requirement for healthcare facilities creates a need for sophisticated devices and equipment, which can provide accurate treatment to individuals. Developing countries like India have much to gain from effective use of advanced medical technology.

A world Bank estimation reveals that India typically spends only 1% of its overall GDP on public health which is only a fifth of total health expenditure and more than ninety-five per cent of private health expenditure is out of pocket expenditure. With a traditionally very low investment on healthcare by the government, the onus is on private sector to expand and capitalize on the market.

Enhancing access to health care would critically depend on three basic factors, viz. domestic production capacity, market structure of the domestic production, import intensity and government regulation over the industry. 75% of India's total demand for medical devices is currently met by imports, with nearly 30% of it being supplied by the United States alone. There is a mismatch between the design of certain technologies being imported and realities of clinical conditions and healthcare infrastructure existing in India.

Domestic industry:

Manufacturing and trade in medical devices is growing quite steadily over time due to the growing importance in health care. Its requirement for skilled workforce is high compared to the overall manufacturing industry. The domestic industry produces those segments, which are relatively less technology intensive and mostly include disposable and supplies end of the market.

Exports:

The same pattern is found in export sector. X-ray machines and other devices related to radiotherapy constitute a fourth of the total value of exports-there are four such commodities figuring in top twenty. Disposables dominate the list of exports - catheters, cannulae, syringes, adhesive bandages, needles, etc. Other important exports include surgical tools and demonstration materials.

Imports:

India is a major importer of diagnostic equipment like Magnetic Image Resonance (MRI), Ultra-sound machines (USGs), X-Ray machines, full body scanners, etc. Almost 44 per cent of the total value of inputs used is imported inputs. Among the top twenty imported inputs medical devices are three-thus indicating that devices are being assembled in India. There are more than 80 imported inputs which constitute 90 to 100 per cent of the total value of inputs used for a specific product.

Private and Foreign Investments:

International companies in this field are also using India as a manufacturing base by either setting up facilities of their own or by acquiring domestic manufacturers.

FDI inflow will spur R&D and manufacturing innovations, in turn increasing the efficiency and effectiveness of medical electronic products.

Drivers for Growth of Medical Technology Sector in India:

- *Economic growth leading to higher disposable incomes*
- *Increased Public Spending in Healthcare*
- *Increased Private Investment in Healthcare*
- *Increased Penetration of Health Insurance*
- *Emergence of new models of healthcare delivery*
- *Public Private Partnership (PPP) route to Innovation*

Headwinds in Indian market:

- *Archaic regulatory standards*
- *Inadequate quality standards and noncompliance tarnish image of Indianmade products*
- *High import dependency*
- *Unfavorable duty structure whereby devices manufactured in India become more expensive than low-priced imported ones*
- *Lack of tax incentives to promote indigenous manufacturing*
- *Meager government funding to promote innovation*
- *Lack of local talent*

2. Initiatives of Government of India

Government of India in order to address these issues of the industry and encourage manufacturing in India has come up with a draft National Medical Device Policy-2015. As part of the policy it is proposed to establish an autonomous body "National Medical Devise Authority" (NMDA) with a mandate to provide single window clearances, develop medical devices parks, benchmarking of international practices, develop knowledge networks, revisit regulations, create an enabling environment and recommend incentives to encourage manufacture of Medical Devices in India.

Keeping these points in view, the State has recognized the necessity to formulate an exclusive Policy for setting up a strong base in Karnataka for Medical Devices Enterprises.

3. Special Initiatives for Medical Devices Sector:

Government of Karnataka is keen to support the Medical Devices Industry and would consider all or an appropriate mix of incentives and concessions recommended by NMDA and accepted by GoI and would extend the following support / incentives and concessions to encourage manufacture of Medical Devices in Karnataka.

3.1 Infrastructure Support

It is proposed to develop Medical Devices Park with comprehensive infrastructure facilities like common facilities, calibration, testing, quality control, waste management, etc. due to the strong presence of good eco-system viz, electronic hardware manufacturing & knowledge of software, through PPP mode. It is proposed to promote Startups right from incubation to product development and market reach out. Mangaluru, Tumakuru (Sira) & Mysuru have good potential to develop Medical Devices Park.

3.2 Research and Development

The State is good in Research & Development but may be unable to take their work in full pledged commercial production. The State will support the huge cost involved in setting up of Incubation Centre to support new ideas. Such centers would address gaps in capabilities within R&D infrastructure, testing calibration, etc.

3.3 Capacity Building

Largely units in the sector are characterized as MSMEs, wherein, they need a lot of feasibility with large industries & the market at large to grow in size. The State will financially support for Capacity Building initiatives like handholding of MSMEs, exposure visits, participation in Fairs, steps for quality improvement in production. The Government will set up Skill Development Committee with representatives from Medical Devices Industry, Academia & Healthcare Sector Skill Council under NSDC.

3.4 IPR Protected Joint Forum

Medical Devices sector is highly innovation and technology intensive, to create a system where industry may place / make available their IP in non-core activities available to the exchange which may help technological up-gradation of the sector.

Intellectual Property Rights (IPR) protection is the only method of ensuring that ideas remain with the respective people who generated them, however, these ideas need to be discussed with Joint Forum to take constructive inputs. It is proposed that an IPR Protected Joint Forum will be organized.

3.5 Venture Capital Funds

The Government will set up a Venture Capital Fund to address the lack of early stage venture capital for Medical Devices sector.

3.6 Vision Group

A Vision Group on Medical Devices sector headed by Sector Expert & maximum of 9 other members would be constituted with a mandate to promote investments in the sector, make specific recommendations to Government on suitable course of action to be taken to implement the initiatives of the State. A Biennial event of Trade Show and Conferences would be organized by the Vision Group with financial support from the Government.

4.0 Incentives and Concessions

4.1 Industrial Policy 2014-19

The incentives and concessions as per the prevailing Industrial Policy 2014-19 would be available to Medical Devices Enterprises.

4.2 Special Incentives to Medical Devices Sector

Special package of incentives in addition to the incentives and concessions available in the prevailing Industrial Policy 2014-19 would be available to Medical Devices Enterprises to encourage investments as follow:

4.2.1 Establishment of Medical Devices Park

(a) Equity contribution to the extent of 26% to be sought from Karnataka State Industrial Infrastructure Development Corporation (KSIIDC) & Karnataka Industrial Areas Development Board (KIADB) in Public Private Partnership (PPP) model.

(b) Common facilities, calibration, testing, quality control, waste management, etc. - one time capital subsidy up to 50% of the total cost subject to a ceiling of Rs. 500 lakh and remaining 50% from the stakeholders.

(c) One time capital subsidy up to 50% of the cost of Common Effluent Treatment Plant subject to a ceiling of Rs. 500 lakh per project in all zones in the State. This subsidy shall be available for CETPs established in designated Medical Devices Parks.

4.2.2 Research & Development

One time capital subsidy up to 50% of the cost of setting up of incubation centre to support new ideas subject to a ceiling Rs. 200 lakh per project.

4.2.3 Capacity Building

A monthly stipend of Rs. 10,000/- per candidate sponsored by the industry/institution/department will be provided to the candidates, trained in Finishing Schools / recognized institutions. 50% of the stipend shall be provided by the sponsorer of the candidate. The total upper limit for the stipends will be Rs. 10.00 lakh per annum.

4.2.4 Venture Capital

The State Government will set up a Venture Capital Fund with a corpus of Rs. 25 crore with contribution of 26% from Government. Remaining funds will be contributed by the private sector such as industries, financial institutions and private investors.

4.2.5 Showcasing Karnataka Medical Devices Sector

A grant up to 50% of the cost subject to a maximum of Rs. 300 lakh would be provided by the Government to organize the biennial event of trade show and conferences organized in the State by the Vision Group and the balance by the stakeholders.

4.2.6 Vision Group

A provision up to Rs. 50.00 lakh will be provided by the Government to meet the recurring cost.

Annexure - 6

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