

kcmGuide

Government Incentives

Gujarat IT / ITeS policy

2022-2027

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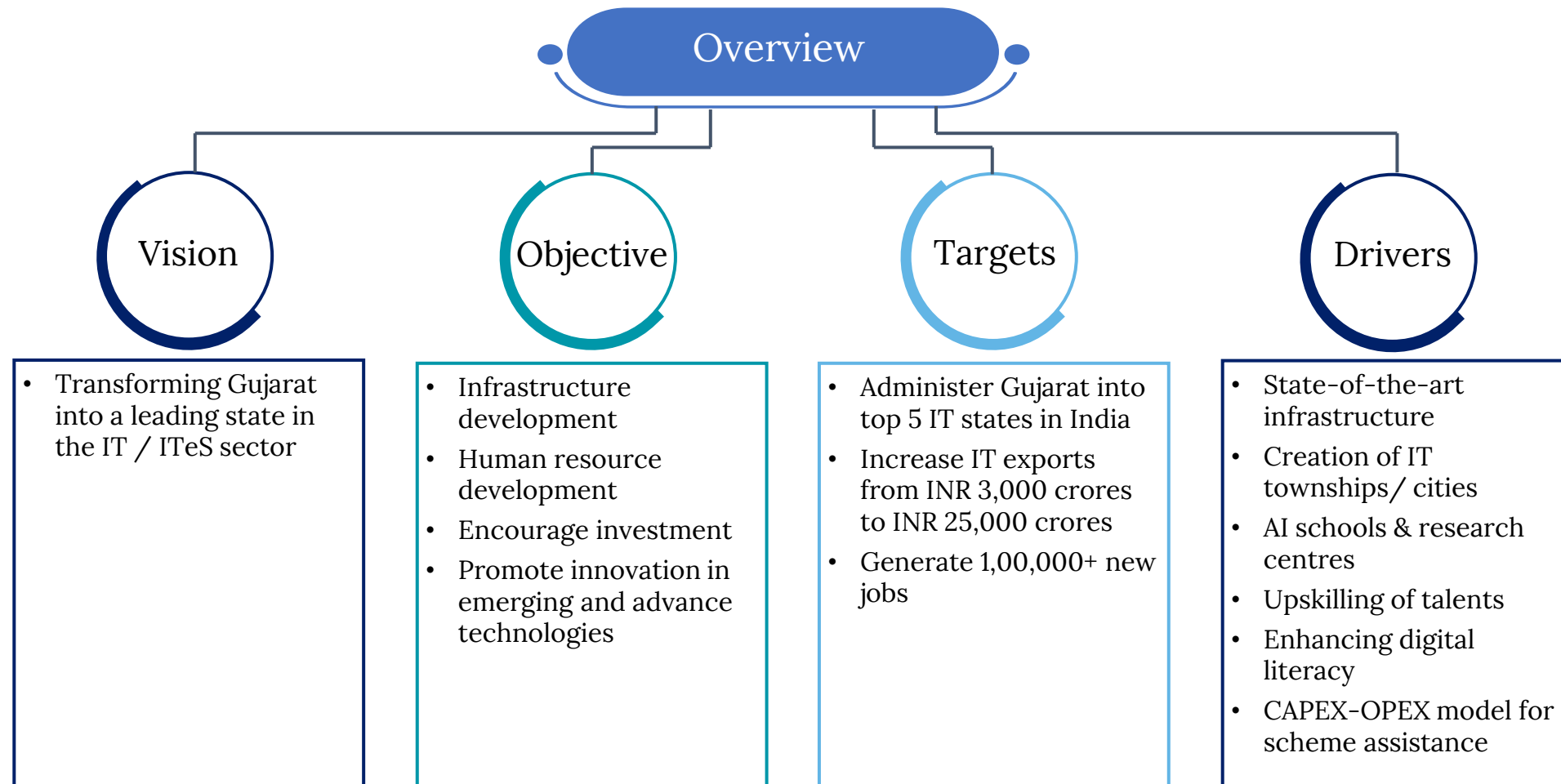
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Overview & Scope

Overview



With this vision, objective and targets, Government of Gujarat unveiled the IT / ITeS policy and the guidelines for the said was recently introduced on 06th July 2022

Launch of Incentive Portal

01

- With the launch of the incentive portal, right from the application stage to claiming disbursement to dispute resolution, everything shall be managed online as against the offline approach followed earlier

02

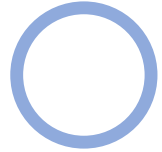
- All the existing IT/ITeS Units must register themselves on the Incentive Management Portal within one month of issuance of guidelines (i.e. upto 6th August 2022) or as specified on the portal (whichever is later)
- No incentives shall be provided if the Unit fails to register within the said time-frame

Process to be followed for availing the incentives:

Application >> In-principle approval >> Claims Submission >> Final Approval >> Disbursement

Existing IT/ITeS Units shall get itself registered on or before 06th August 2022 - <https://dstpolicy.gujarat.gov.in>

Scope



IT Software

IT software includes:

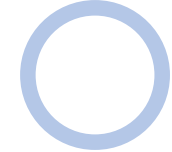
- Instructions
- Data
- Sound
- Image
- Including source code
- Object code
- Recorded in machine readable form
- Capable of being manipulated or
- Providing interactivity through automatic data processing machines



IT Enabled Services

ITeS are services that use any IT software for value additions and includes :

- Call Centers
- Medical transcriptions
- BPO/KPO
- Revenue accounting & ancillary operations
- Insurance processing
- Web/digital/ERP/software/app development
- HR & Payroll processing
- Bioinformatics
- IT banking
- IT support services
- Website services
- Emerging Technologies



Key terms

Key terms (1/2)

Operative period

Policy shall be in force from February 2022 to March 2027 (or till new policy is declared – w.e.e.)

New Unit

- An entity registered under Companies Act/LLP Act/ Partnership/ Proprietorship for **operations in Gujarat**
- An existing unit outside Gujarat carrying out new investments in Gujarat

Such New Unit may take up expansion incentives only once during the tenure of the said policy

Existing Unit

- A unit already conducting operations in Gujarat and is undertaking an expansion while the policy is in force

Expansion Unit

An Existing Unit **in Gujarat** undertaking expansion such that headcount of employees on payroll

- Increases by 50% or
- Increases by 1000 employees which ever is lower.

Incentives can be availed once

New Unit having minimum of 10 employees on its payroll or expansion unit having minimum of 15 employees on its payroll after expansion shall be eligible to avail incentive under this scheme

Key terms (2/2)

Gross Fixed Capital Investment ('GFCI')

Expenditure made in construction of building, computers, software, networking related hardware and other related fixed assets but excluding the cost of land and expenditure on purchase of building required to produce products/services

Eligible Capex expenditure

- GFCI made during the operation of this policy and till 2 years after the date of commencing operations
- Stamp duty and registration fees for lease/sale/transfer of land and office space
- Expenditure on purchase of equipment to set up a captive renewal energy plant

Eligible Opex expenditure

- Lease rental expense (paid to third party) up to INR 50/sq. ft.
- Bandwidth expenditure incurred for service of a licensed ISP
- Cloud rental expenditure incurred for services of a cloud service provider
- Power tariff expenditure actually incurred on energy units consumed
- Patent expenditure incurred on every successful patent subject to a limit of INR 5 Lakhs per patent up to 10 patents per year

All the above Opex are available for a period of 5 years from the date of start of commercial operations or in-principle approval, whichever is later

Guidelines on certain key terms

Eligible Employee Count

- For New Unit- Minimum 10 employees on its payroll
- For Expansion Unit- Minimum 50% additional employee on payroll above base employee count or increase of employee count by 1000 employees w.e. lower

Month of Eligibility

- For New Unit and Expansion Unit – The month when the unit achieves the eligible employee count
- For IT city/IT Township- The month when occupancy certificate/ BU permission/ project completion certificate is obtained

Guidelines / Clarifications issued for Key terms

New Unit

- If the employee count of the New Unit falls below 10 for three consecutive months, incentives under this scheme shall be discontinued

Expansion Unit

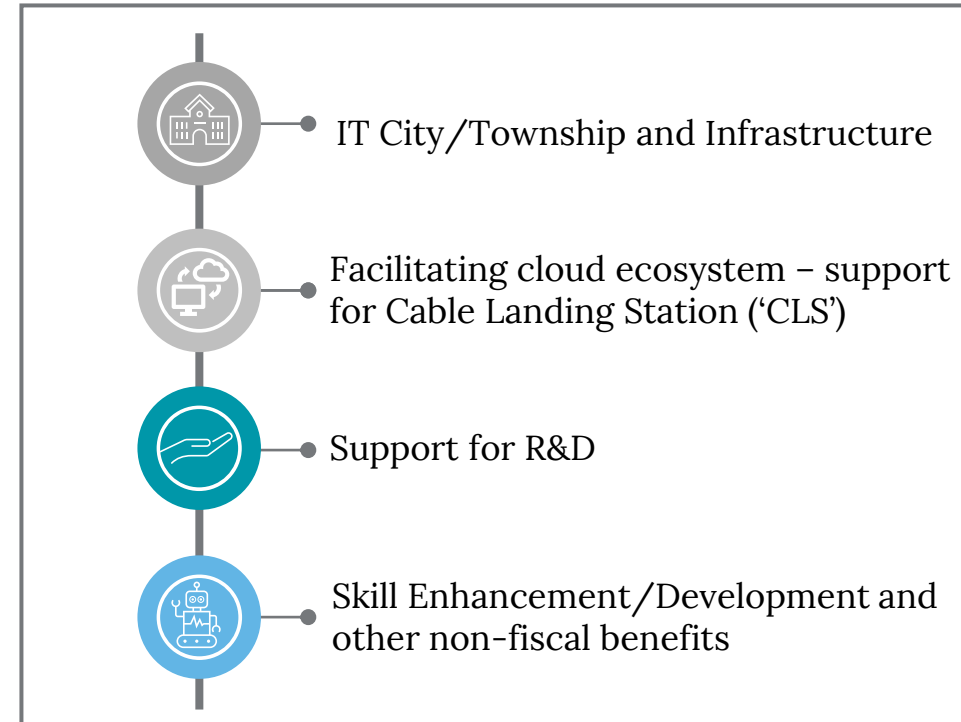
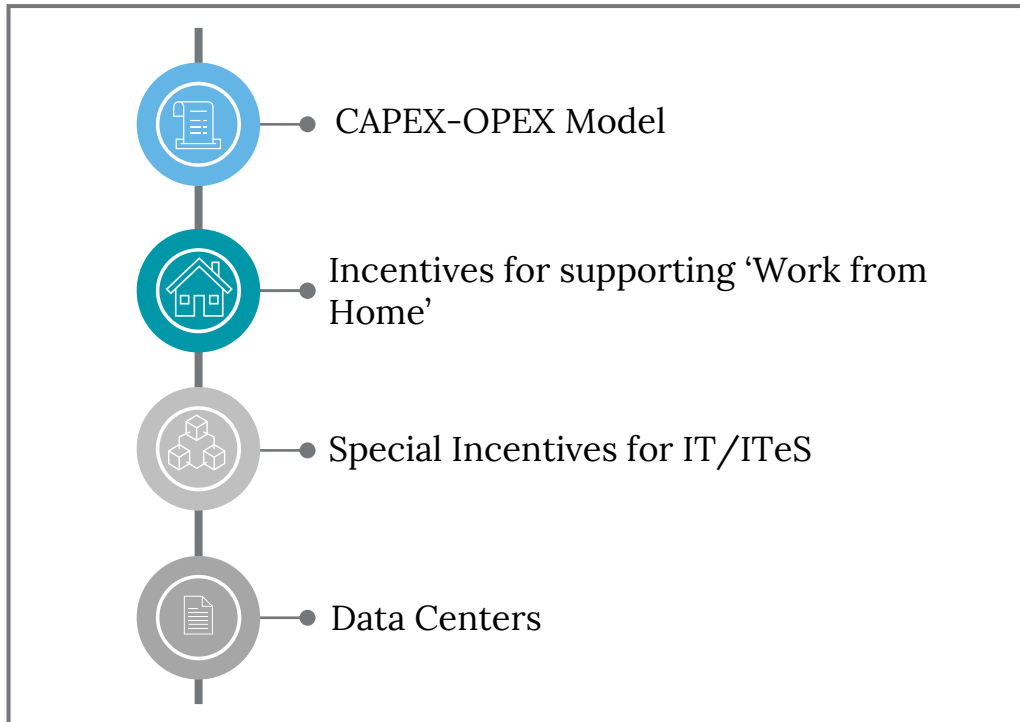
- 50% additional employees is to be computed over the Base employee count, which is the average employee count of the preceding 12 months from the month of declaration of expansion
- 'Eligible Employee Count' should be achieved within one year from the month of declaration of Expansion
- If the employee count of the existing unit falls below eligible employee count for three consecutive months, incentives under this scheme shall be discontinued
- An Eligible New Unit which is availing fiscal incentive assistance can apply for expansion only after two years from commencement of operations
- Incentives shall be provided only on the additional expenditure* incurred (CAPEX and OPEX)

CAPEX Expense

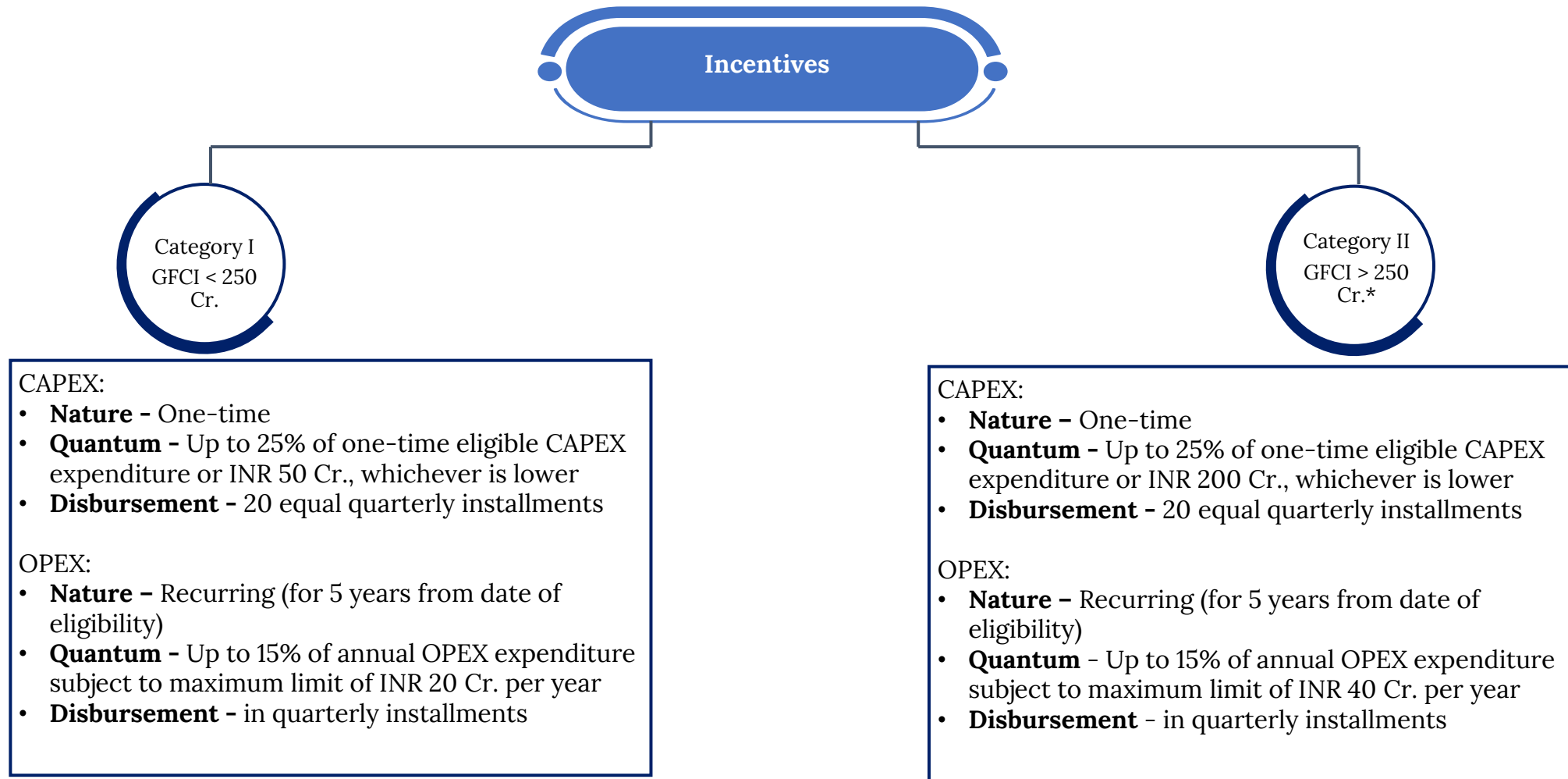
- Domestic invoices should be with valid GSTIN & International invoices with appropriate Bill of Entry
- Invoice amount excluding tax shall be considered
- Payments made only through bank account registered in the name of eligible unit will be considered
- Only new purchases are eligible
- Repair/refurbishment expenditure will not be considered
- In case of expansion, expenditure made before the month of declaration of expansion won't be considered
- For an existing unit from outside Gujarat carrying investments in Gujarat only invoices of expenditure incurred in Gujarat state will be eligible

Incentives and Offerings

Incentives and offerings



CAPEX-OPEX Model



**Project will be classified as Category II Project if Direct IT employment > 2000 (even if GFCI is not more than 250 Cr.). Further, to stimulate growth, government is providing Early Mover Advantage for the first 3 eligible units by considering GFCI >= INR 100 Cr. (instead of 250 Cr.) as Category II projects*

Special Incentives

Employment Incentive ('EGI') Generation

- One-time support for every new/unique job created (including WFH) in Gujarat for 'local employee' for 1 year
- Quantum shall be 50% of monthly CTC subject to max. limit of INR 50K & INR 60K for males & females, respectively

Interest Assistance

- Interest subsidy @ 7% on term loan or actual interest paid whichever is lower
- Max. limit of INR 1 Cr. p.a. for 5 years from commencement of actual interest repayment
- Term loan to be acquired from Indian financial institution approved by RBI (excluding NBFC)

Electricity Duty Incentive ('EDI')

Entire amount of electricity duty paid to Govt. of Gujarat for 5 years from commencement of commercial operations or in-principle approval, whichever is later

Atmanirbhar Gujarat Rojgar Sahay ('AGRS')

- Employers' contribution to EPF for employees working in Gujarat
- 100% and 75% for female & male employees respectively
- Ceiling = 12% * (Basic salary + D.A. + retaining allowance)
- For Expansion Unit reimbursement available on incremental employees
- AGRS will be available for WFH employees

Clarifications issued for Special Incentives

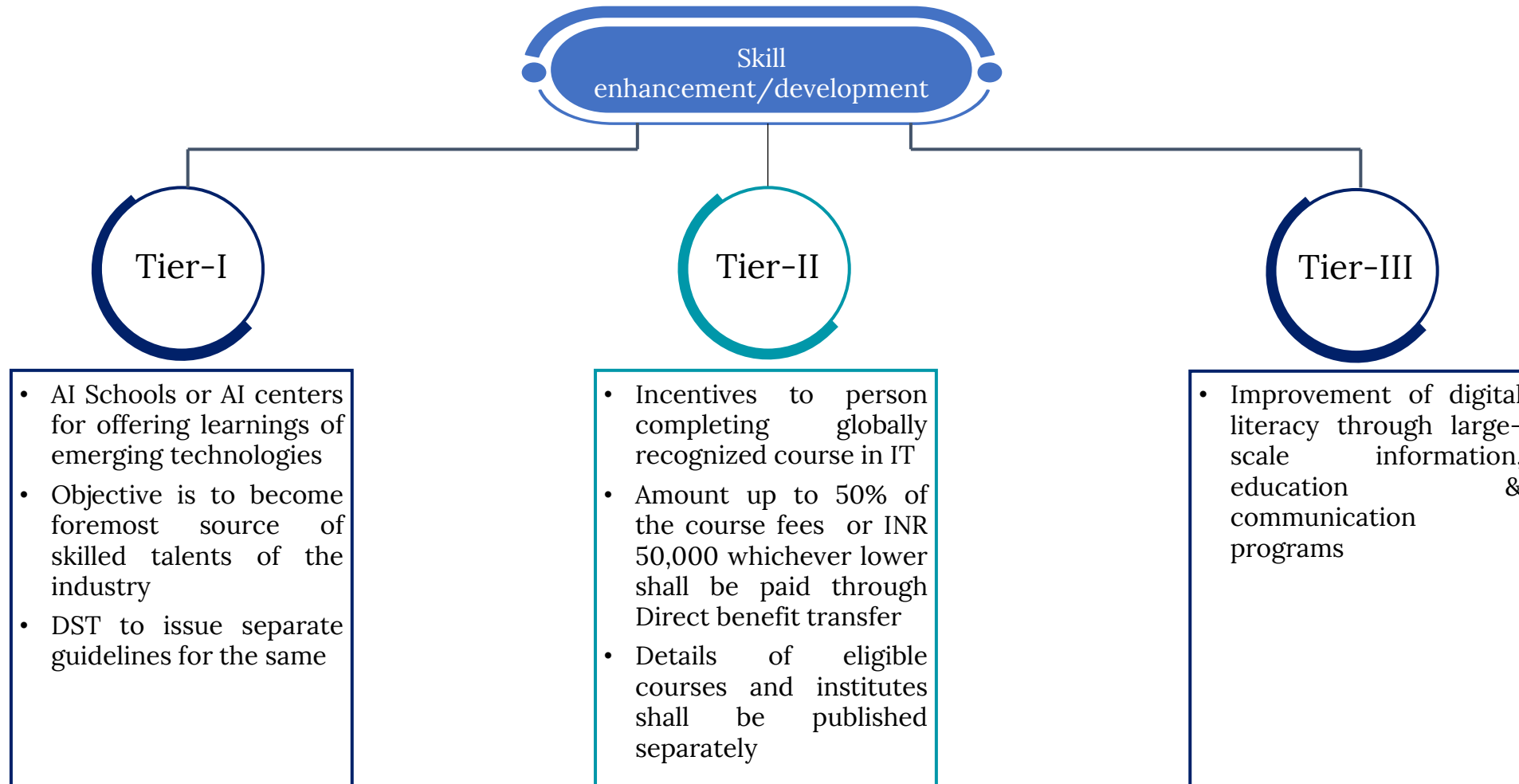
Interest Assistance

- As discussed, Eligible unit shall be provided with interest incentive of 7% or actual payable (w.e. lower). However, the guidelines has clarified that the Eligible Unit shall be required to bear a minimum of 2% interest For example; 1) If interest payment is 10%- Incentive available will be 7%
2) If interest payable is 6%- Incentive will only be upto 4%, and 2% to be borne by the unit
- No assistance available for penalty interest or any other bank charges
- Term Loan shall be sanctioned within 2 years of commencement of operation of a New Unit and 1 year from the month of declaration of expansion in case of Expansion Unit
- A separate interest certificate to be submitted, if the Eligible Unit has obtained multiple facilities (like working capital, cash credit etc.) in the same loan

EGI Assistance

- EGI assistance to be available only if:
 - Individual is working outside Gujarat and is recruited by Gujarat based IT/ITeS unit (i.e. first IT/ITeS job in Gujarat of existing IT/ITeS employee
 - Individual working inside Gujarat and is recruited for the first time in IT/ITeS sector by IT/ITeS unit
 - Individual is fresh graduate and is hired by IT/ITeS unit
- Replacement hiring not to be considered for claim under EGI
- Only local employee having valid domicile certificate of Gujarat to be eligible for assistance under EGI scheme

Skill enhancement/development



IT City/Township & Other incentives

Support R&D

- One-time CAPEX support of 60 % of expenditure on equipment, hardware, software for setting up R&D center subject to max. limit of INR 5 Cr.
- R&D institute to be acknowledged by CSIR/DSIR

Developer of IT City/Township

- One-time CAPEX support of 25% of eligible expense subject to max. limit of INR 100 Cr.
- Other non-financial incentives may include relaxation of zonal laws, floor space index norms, obtaining statutory clearance, etc.

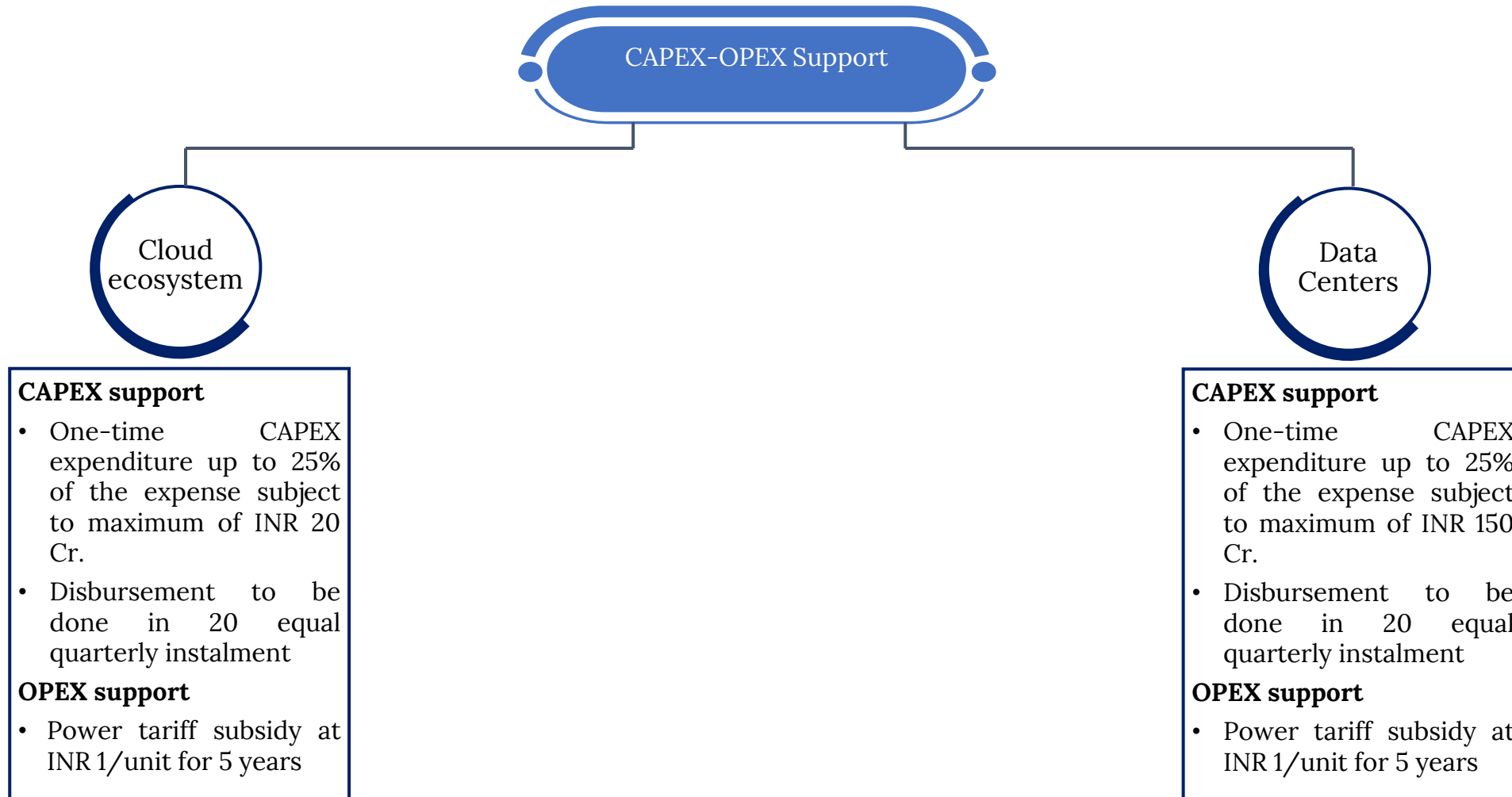
Facilitating Infrastructure

Government to support IT ecosystem by development of ready to occupy spaces by implementing the following:

- Government-facilitated model
 - Empanelment model
- Assistance shall be given to co-working spaces for 5 years:
- 50% of monthly rentals for first 2 years subject a maximum of INR 10,000 per month
 - 25% of monthly rentals form 3rd year till 5th year subject a maximum of INR 5000 per month

It may be noted that units availing benefits this incentive shall be ineligible for other financial incentive other than EGI and AGRS

Cloud eco-system



Other non-fiscal benefits

Facilitation of allotment of land

Facilitation of allotment of land subject to the eligibility and availability as determined by the state

Preferential Market Access

- Participation in government tenders to offer unique opportunity
- Available to units registered in Gujarat

Self-Certification

- IT/ITeS units to be allowed self-certification without inspection under various acts
- It may be noted that random checks and complaints are barred from the same

Investor Facilitation Center

- Centralized 24x7 helpdesk
- Platform to connect investors with stakeholders
- Assist in marketing/promoting IT/ITeS services
- Platform for knowledge exchange
- Access to government sectors

Guidelines on timelines

Timelines - Claim eligibility period (1/2)

CAPEX Claim

New Unit/
Data Center &
Cable landing
station (CLS)

From

1st investment bill or 07.02.2022
(w.e. later)

To

2 years from start of commercial
operations

Expansion Unit

From

1st investment bill from the month
of declaration of expansion or
07.02.2022 (w.e. later)

To

2 years from the month of achievement
of eligible employee count

OPEX Claim

Lease rental,
Bandwidth,
cloud rental,
power tariff,
patent expense

From

5 years starting from the month of eligibility or in-principle approval (whichever is later)

To

Power tariff
subsidy for
Data center/
CLS

Timelines - Claim eligibility period (2/2)

Special claims

EGI



5 years starting from date of incorporation (for New Unit) / date of declaration of expansion (for Expansion Unit) or in-principle approval (w.e. later up to 31.03.2027)



AGRS / EDI



5 years from the month of eligibility or in-principle approval (w.e. later)



Interest assistance



5 years starting from actual interest repayment



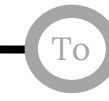
CAPEX Claim

For IT City/
township



1st investment bill towards construction after in-principal approval

- Single Phase - 2 years from receipt of occupancy certificate / BU permission or 31.03.28 (w.e.earlier)
- Multiple phase - 2 years from receipt of occupancy certificate / BU permission **of the last phase** or 31.03.28 (w.e.earlier)



R&D Institutes/
R&D Centers



Issuance of in-principle Approval

2 Years from issuance of in-principle approval



Other incentive and offerings

Upskilling industry - ready Talent

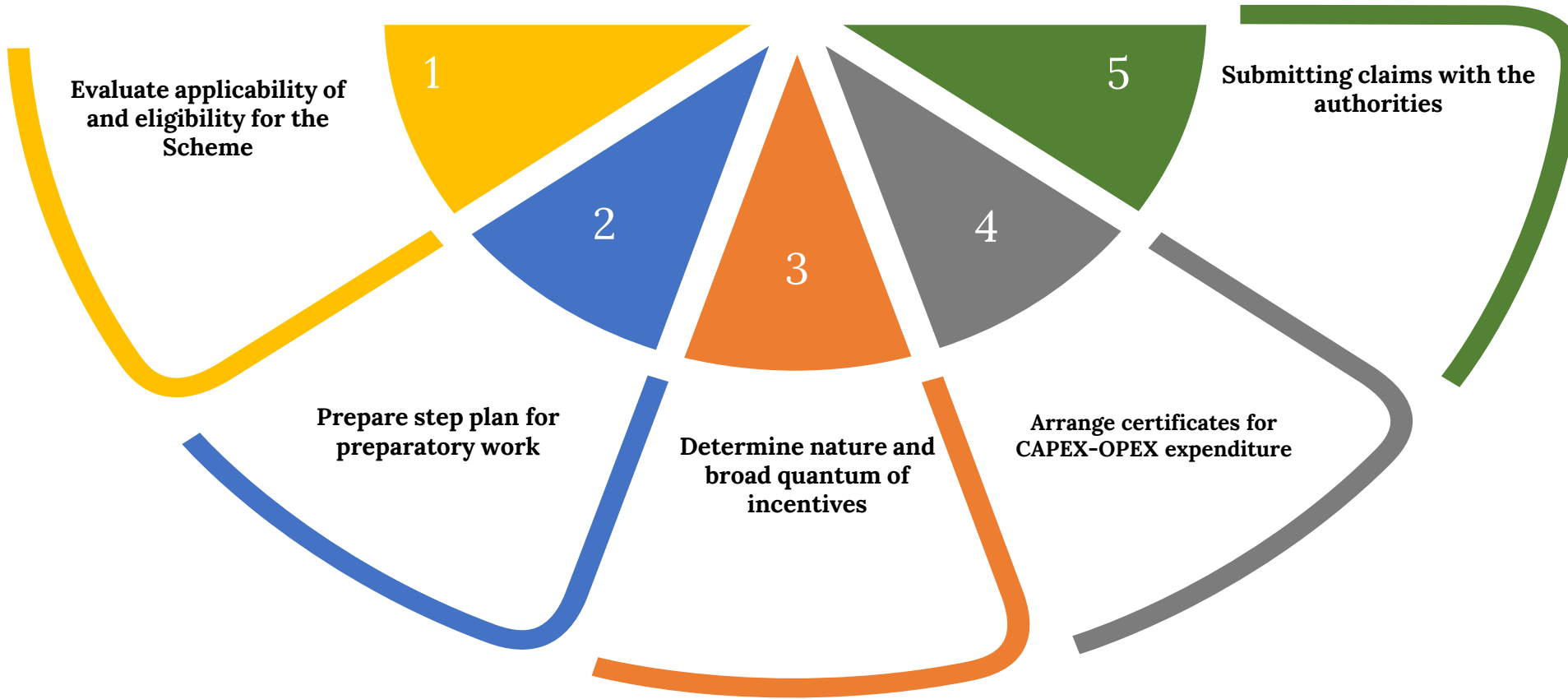
- As discussed, direct benefit transfer upto maximum of INR 50,000 per course or upto 50% of the course fees, whichever is lower will be available
- Maximum 2 courses in one financial year and total of 5 courses during operative period of policy
- An individual who is a graduate from Govt recognized educational Institution can apply on the Portal only before the beginning of respective course
- Course completion certificate must be uploaded within 3 months of receipt of course completion, but the same should have been issued and uploaded before 31-3-2027

Co-Working Spaces

- State Govt. shall support the development of ready to occupy co-working space at an easy to commute location to allow IT/ITeS to immediately start their operation
- Govt shall empanel state of art IT Co-working spaces having a minimum built up area of 5000 sq. ft.
- Minimum facilities required to qualify under Empanelment Model are high speed internet connectivity, power supply, CCTV camera, reception area, minimum one conference room etc.

Action Points

What should you do?



Connect with us

Locations

Vadodara

Milin Mehta

Meghdhanush, Race Course,
Vadodara 390 007, INDIA

Phone: +91 265 2341626 / 2440400

Email: milin.mehta@kcmehta.com

website: www.kcmehta.com

Ahmedabad

Arpit Jain

Level 11, Tower B, Ratnaakar Nine
Square, Vastrapur, Ahmedabad,
380 015, Gujarat, India

Phone: + 91 79 4910 2200

Email: arpit.jain@kcmehta.com

Bengaluru

Payal Shah

19/4, Between 7th & 8th Cross,
Malleswaram, Bengaluru, 560 003,
Karnataka India

Phone: +91 80 2356 1880

Email: payal.shah@kcmehta.com

Mumbai

Bhadresh Vyas

508, The Summit Business Bay, Nr.
WEH Metro Station, Gundavali,
Andheri East, Mumbai, 400069, India

Phone: +91 22 2612 5834

Email: bhadrsh.vyas@kcmehta.com

Services

Audit & Assurance

Vishal Doshi

+91 265 2440407

vishal.doshi@kcmehta.com

Transaction Advisory

Milin Mehta

+91 265 2440401

milin.mehta@kcmehta.com

Management Audit

Chirag Bakshi

+91 265 2440403

chirag.bakshi@kcmehta.com

International Tax & TP

Arpit Jain

+91 79 26423344

arpit.jain@kcmehta.com

Corporate Advisory

Darshana Mankad

+91 265 2440412

darshana.mankad@kcmehta.com

Corporate Tax

Shripad Deshpande

+91 265 2440409

shripad.deshpande@kcmehta.com

Incubation Support

Arpit Jain

+91 79 26423344

arpit.jain@kcmehta.com

Goods and Services Tax

Chirag Bakshi

+91 265 2440403

chirag.bakshi@kcmehta.com