

A map of Maharashtra, India, showing the boundaries of its districts. The map is rendered in a light gray color with white outlines for the district borders. It is set against a light blue background. The text 'Incentives under Maharashtra Industrial Policy 2019' is overlaid on the map in a bold, red font.

Incentives under Maharashtra Industrial Policy 2019

Factors attracting investments in Maharashtra

Availability of ample skilled manpower

Availability of natural resources like Water, land, etc

Availability of State of the Art infrastructure

Controlled law and order situation

Stable Economic Outlook

One of the highest literacy ratios amongst major States

Financial Capital of the country-Mumbai, Maharashtra

Historically proven destination for doing business in India

Modern-Socio Economic outlook

Introduction

- ❖ The Maharashtra Industrial Policy (MIP - 2019 or PSI-2019 or Policy) is valid from **1 April 2019 to 31 March 2024**, or until the issuance of a new Package Scheme of Incentives (PSI)
- ❖ Incentives are allotted under the Policy according to the size of the industrial unit and the taluka/area in which it is established
- ❖ Aggregate fiscal incentives provided by State departments/agencies cannot exceed the basket of incentives as a percentage of FCI
- ❖ **New Units:**
 - ❖ Established for the first time within a Taluka where no existing unit of the entity exists
 - ❖ At least one of the Effective Steps for setting up the unit is completed on or after **1 April 2019**
 - ❖ It is not formed as a re-establishment, ownership or constitution change, reconstruction or revival

Introduction

- ❖ **Expansion/Diversification Units:**
 - ❖ In Talukas other than Zone A that, from 1 April 2019 onwards, invests additional FCI in production/manufacturing facilities for the same or different products
 - ❖ **Additional FCI should exceed 25% of the Gross Block** of the unit, subject to further restrictions
 - ❖ Employment should be expanded by 10% with the 80% local employment criteria still maintained
- ❖ Separate GST registration to be taken for units willing to avail incentives under the policy. This applies to both New and independent Expansion units

Types of incentive

- ❖ **Industrial Promotion Subsidy (Capital subsidy) -**
The Scheme provides with subsidy which is percentage of capital investment in the projects differentiated on the basis of Groups
- ❖ **Interest Subsidy -**
Interest paid on finances obtained for qualified investments is eligible for subsidy at rates specified in the Scheme document
- ❖ **Electricity duty exemption -**
Scheme provides exemption from payment of electricity duty to all eligible units to the extent of eligible period
- ❖ **Stamp duty exemption -**
Waiver of stamp duty on transactions undertaken during the investment period
- ❖ **Power Tariff Subsidy -**
Fixed subsidy is granted per unit consumption basis
- ❖ **Other incentives -**
Investments qualifying for promotion of Quality Competitiveness, Research & Development, Technology Upgradation, Water & Energy Conservation, Cleaner Production Measures and Credit Rating will get specified benefits under the Scheme

Important definitions

Investment Period

- ▶ MSME - 3 years
- ▶ Large and Special Large units - 4 years
- ▶ Mega and Ultra Mega units - 5 years
- ▶ Investment Period should commence within the policy period (only land can be procured prior to policy period)

Annual cap of incentives

- ▶ Annual disbursement is capped at the total quantum of incentives, divided by the number of years as per the applicable eligibility period
- ▶ The surplus differential between the actual sanctioned amount for a given year and the yearly disbursement limit would be carried forward. Deficit differential would lapse

Labour Conditions

- ▶ Should be on company's payroll
- ▶ **Minimum 80% domiciled** in Maharashtra
- ▶ Minimum employment number for Large, Mega and Ultra Mega to be generated within 3 years from commencement of commercial production
- ▶ Employment threshold to be maintained throughout the year for which IPS is being claimed

Important definitions

MSME Units

- ▶ Defined as per the MSMED Act, 2006, as well as the units with FCI of up to **INR 50 crore**

Special Large Scale Industries

- ▶ Units with Gross FCI between **INR 50 Crore** and up to the minimum thresholds for LSI

Large scale industry or mega unit

- ▶ In order to fulfil the criteria for classification as **large scale industry or mega unit**, the proposed project must either fulfil the **minimum admissible FCI limit or the minimum employment threshold**

Ultra Mega Project

- ▶ **FCI of INR 4,000 crore OR need to employ at least 4,000 persons** irrespective of the taluka/area in which it intends to

Basket of Incentive

- ▶ Maximum limit of eligible incentives is restricted to the basket of incentives (IPS, Interest Subsidy, Stamp Duty & Power Tariff subsidy)
- ▶ MSME units are entitled to Electricity Duty benefits that are over and above the basket of incentives granted

Important definitions

Eligible Investment

- ▶ Acquired and utilized at the site of the Eligible Unit
- ▶ Paid for within the permissible investment period
- ▶ Limited to the item-wise maximum limit as per the approved Project Scheme

Effective Steps

- ▶ Effective possession of land/shed/gala, with permission for industrial use, by an Eligible Unit
- ▶ Registration of Firm/Limited Liability Partnership (LLP)/ Company/Trust/Cooperative Society
- ▶ Letter of Intent for IT/Biotechnology manufacturing units from the Directorate of Industries, MIDC, Government of India or State Government of Maharashtra (if such permission is required)
 - ▶ For MSME units, the procedure would be as per the MSMED Act, 2006 along with a Consent to Establish from the Maharashtra Pollution Control Board (MPCB)
- ▶ For other than MSME Units, a copy of the Industrial Entrepreneur's Memorandum (IEM) along with a copy of its acknowledgement for the proposed location of the unit

Eligible industrial units

Private sector, Cooperative sector and State Public sector

- ▶ Industries listed in the First Schedule of Industries (Development and Regulation) Act, 1951, as amended from time-to-time
- ▶ IT manufacturing units registered with either
 - ▶ The Directorate of Industries
 - ▶ The Maharashtra Industrial Development Corporation (MIDC)
 - ▶ The Development Commissioner, Santa Cruz Electronic Export Processing Zone (SEEPZ)
 - ▶ Software Technology Parks of India (STPI) located in the State
- ▶ Biotechnology manufacturing units as specified by the Government from time-to-time
- ▶ Mechanized, Food/Agro-Processing units in the secondary and tertiary sectors, comprising of:
 - ▶ Dairy, fruit and vegetable processing
 - ▶ Grain processing
 - ▶ Fish/meat/poultry processing
 - ▶ Consumer foods, including Packed foods
 - ▶ Non-alcoholic beverages from fruits and vegetables

Thrust sectors

1

Electric vehicles

2

Aerospace and defense

3

Industry 4.0, including:

- ▶ Artificial Intelligence (AI)
- ▶ 3D printing
- ▶ Robotics

4

Integrated data center parks

5

Textile machinery

6

Biotechnology and medical and diagnostic devices

7

Agro and food processing

- ▶ Secondary and tertiary food processing units

8

Information Technology (IT) and IT Enabled Services (ITeS)

9

Electronic systems design and manufacturing (ESDM) and semiconductor fabrication (FAB)

10

Logistics and warehousing

11

Green energy/Biofuel production

12

Sports and gym Equipment Manufacturing

13

Nuclear Power Plant equipment manufacturing

14

Mineral/Forest based industries

Eligibility

Mega / LSI Units -

Taluka/Area classification	Large scale industries (LSI)		Mega units	
	Minimum admissible FCI [INR crore]	Minimum employment [Number of people]	Minimum admissible FCI [INR crore]	Minimum employment [Number of people]
A & B	750	1,000	1,500	2,000
C	500	750	1,000	1,500
D	250	500	750	1,000
D+	150	400	500	750
Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule	100	300	350	500
No industry districts, *Naxalism Affected Areas, and **aspirational districts	100	250	200	350

- ▶ ***Naxalism Affected Areas** have been defined as per Government Resolution No: PSI-2013/(CR-54)/IND-8. dated 01 April 2013 and issued by Government of Maharashtra Industries, Energy and Labour Department
- ▶ ****Aspirational Districts** consist of Osmanabad, Gadchiroli, Washim and Nandurbar

MSMEs Unit-PSI Benefit Matrix

Groups	Industrial Promotion Subsidy		Interest Subsidy	Electricity Duty Exemption	Stamp Duty Exemption	Power Tariff Subsidy
	%	In Years				
A	-	-	-	100% for EO/IT/BT Units for seven years	100% for IT/BT units in Public IT/BT parks and 75% for IT/BT units in Private IT/BT Parks	-
B	30%	7	5%			Re. 0.50 per unit
C	40%	7	5%	100%	100%	Re. 0.50 per unit
D	50%	10	5%	100%	100%	Re. 0.50 per unit
D+	60%	10	5%	100%	100%	Re. 0.50 per unit
Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule*	80%	10	5%	100%	100%	Re.1.00 per unit
No Industry District, Naxalism Affected Areas and Aspirational Districts	100%	10	5%	100%	100%	Re. 0.50 per unit

*Power Tariff Subsidy is provided for INR 0.5/unit for 3 years in Dhule and for North Maharashtra and Districts of Raigad will be to the extent of INR 1/- per unit

Additional information relating to MSMEs

- ▶ Units in the secondary and tertiary food processing, eligible green energy/bio-fuel manufacturing and Industry 4.0 sectors receive an **additional 20%** quantum of incentives, with an **extension of 2 years** to the eligibility period (total admissible incentives still cannot exceed 100% of eligible FCI)
 - ▶ The above addition is also applicable to Farmer's Producer Companies and units set up in Government assisted Food Parks
- ▶ **For expansion/diversification projects**, the sum total of Gross FCI of the existing unit and the proposed expansion/diversification unit should **be up to INR 50 Crores** in order to qualify as an MSME unit
- ▶ Eligible Expanding/Diversifying units receive **80%** of the incentives applicable to New Units and the eligibility period is reduced by **1 year**
- ▶ Interest Subsidy will be provided up to the value of electricity consumed and bills paid for the particular year
- ▶ **Intangible assets** are considered only to the extent of 10% of total project cost for the purpose of incentives

LSI and Special LSI Unit Unit-PSI Benefit Matrix

Taluka/Area classification	Period [Years]	Ceiling as % of FCI	Stamp Duty exemption	Electricity Duty exemption
A (LSI)	7	25%	100% for IT/BT manufacturing units in Public IT/BT parks	100% for EO/IT/BT Units for seven years
B (LSI)	7	25%	75% for IT/BT manufacturing units in Private IT/BT Parks	
C	7	40%	100%	100% for eligibility period
D	7	60%	100%	100% for eligibility period
D+	7	70%	100%	100% for eligibility period
Vidarbha, Marathwada, Ratnagiri, Sindhudurg and Dhule	9	80%	100%	100% for eligibility period
No industry districts, Naxalism Affected Areas and aspirational districts	9	100%	100%	100% for eligibility period

Additional information

Large Scale Units and Special Large Scale Industries

- ▶ Large, Mega and Ultra Mega Projects receive **50% Stamp Duty Exemption** only on first lease/conveyance deed (for Zones A & B only)
- ▶ Eligible New/Expansion Units under PSI 2013 and PSI 2019 may also avail Stamp Duty Exemption during the investment period
- ▶ Units in the secondary and tertiary food processing, eligible green energy/bio-fuel manufacturing and Industry 4.0 sectors receive an **additional 20%** quantum of incentives, with an **extension of 2 years** to the eligibility period (total admissible incentives still cannot exceed 100% of eligible FCI)
 - ▶ The above addition is also applicable to Farmer's Producer Companies and units set up in Government assisted Food Parks
- ▶ **Eligible Expanding/Diversifying units** receive **80%** of the incentives applicable to New Units and the eligibility period is reduced by **1 year**
- ▶ Customised packages to be provided to projects of special importance under Large, Mega and Ultra Mega (not to Special LSI) scale units, on a case to case basis

Additional incentives and operational conditions

Large scale industries and mega/ultra-mega units

The sum total of fiscal incentives provided at the state level cannot exceed the IPS limit (as percentage of FCI) as defined by the state government

While the entire range of applicable incentives will be provided in the first year of the policy period, a reduction of 5% will be imposed for each year that the application is delayed in the subsequent years (except thrust sector units)

Additional incentives pertaining to quality competitiveness, research and development, technology up-gradation, water and energy conservation, cleaner production measures and credit rating will be provided

Mega/ultra-mega units

The criteria for minimum direct employment need to be attained within three years from commencement of commercial production

Employees for mega and ultra mega units need to be hired from the local labor pool

The investment in captive power plant (excluding captive solar power plants) may be considered (up to 20% of total project cost) under the qualifying criteria for eligibility as mega or ultra-mega project. However, it will not be incentivized

Computation of Industrial Promotion Subsidy

Groups	MSMEs	LSI
A	<p>Gross SGST paid by the unit on the first sale of eligible products billed and delivered to the same entity within Maharashtra</p>	<p>LSI: 50% Gross SGST paid on the first sale of eligible products, billed and delivered to the entity within Maharashtra</p> <p>Special LSI: Except for Zones A & B, 40% Net SGST paid on the first sale of eligible products, billed and delivered to the entity within Maharashtra</p>
B		
C		
D		
D+		
Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule		
No Industry District, Naxalism Affected Areas and Aspirational Districts		

Negative List-Under PSI 2019 Scheme

- ▶ Beer, liquor manufacturing industries
- ▶ Cigarette, bidi or any other tobacco containing products, manufacturing industries
- ▶ Gutka and pan masala manufacturing industries
- ▶ Any other product(s) banned by the Central/State Government

Notes:-

- ▶ Units manufacturing all types of textiles, that include cotton ginning and pressing, sizing, spinning, weaving, bleaching, dying, mercerizing, etc. covered under the Textile Policy (2018-2023) of Maharashtra State shall be eligible only for incentives other than those offered by the other State Government Agencies

THANK YOU

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