

Incentives available in Gujarat for IT / ITeS Service Sector

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Operative Period of Policy: 07/02/2022 to 31/03/2027



IT SECTOR IN INDIA:

Indian IT/ITeS Sector is steering India's leadership position in the global landscape in terms of employment and economic value creation. The IT industry accounted for 8 per cent of India's GDP in 2020. Indian IT industry is expected to contribute 10 per cent to the country's GDP by 2025.

IT SECTOR IN GUJARAT:

Having state-of-the-art infrastructure, 6% national geographical area, 5% of national population, 8% of national GDP share, Gujarat topped the index with a strong display in export and excelled in Ease of Doing Business and also been recognized nationally and globally for offering a conducive business ecosystem. Thus Gujarat has a huge potential for increasing the share of exports in the IT sector.

FOCUS:

Attracting investments and generating employment in IT/ITeS Sector across Gujarat

VISION:

To transform the IT landscape of Gujarat by becoming one of the leading states in terms of world-class IT infrastructure, availability of high-skilled resources and innovation in Emerging Technologies.

IMPORTANT DEFINITIONS:

'IT software': means any representation of instruction, data, sound and image, including source code and object code recorded in a machine readable form and capable of being manipulated or providing interactivity to use through automatic data processing machines.

'IT enabled Services (ITeS)' are construed as any service, which results from the use of any IT software over a system of IT products for realizing the value addition service rendering through the application of IT and shall include the following:

1. Call centers
2. Medical transcriptions
3. Back office operation/Business Process Outsourcing (BPO)
4. Knowledge Process Outsourcing (KPO)
5. Revenue accounting and other ancillary operations
6. Insurance claim processing
7. Web/digital content development/ERP/software and application development

8. Financial and accounting processing
9. HR and payroll processing
10. Bioinformatics
11. IT-enabled banking
12. Non-banking services, including insurance, pension, asset management and market related services
13. Depository, security registration and dematerialization services
14. GIS-enabled services
15. IT support centers
16. Website services
17. Emerging Technologies, such as Cyber Security, Big Data, Artificial Intelligence, Blockchain, Machine Learning, etc.

New Unit: Unit which commences its commercial operation during the operative period of the policy in Gujarat. (2022-2027).

Existing Unit: Means already running its operations within the state and is undertaking expansion in the project for carrying out activities indicated in the Policy and begins work for such expansion during the operative period of the Policy.

Expansion Unit: An existing unit in Gujarat undertaking expansion such that the total headcount of employees on its payroll, increases by 50 per cent of the existing headcount or by 1,000 employees, whichever is less during the operative period of the Policy.

Gross Fixed Capital Investment(GFCI): Investment in building, computers, software, networking related hardware and other related fixed assets, excluding the cost of land and expenditure on purchase of the building required to produce products or services by the eligible unit.

Eligible Unit: New unit having a minimum of 10 employees on its payroll or an expansion unit having a minimum of 15 employees on its payroll after expansion.

Eligible CAPEX expenditure:

Capital expenditure as per GFCI.

- a. GFCI made during the operative period of the Policy and up till 2 years after the date of commencement of commercial operations shall be considered under eligible CAPEX expenditure.
- b. Stamp Duty and Registration Fees paid to the Government for lease/sale/transfer of land and office space.
- c. Renewable energy expenditure — Expenditure incurred on the purchase of equipment for setting up of captive renewable energy plant.

Eligible OPEX expenditure:

A. Lease rental expenditure:

For a period of 5 years from the date of start of commercial operations or in-principle approval, whichever is less, up to a maximum monthly rental of INR 50/sq. ft. of built-up area or actual lease rental expenditure, whichever is lower.

B. Bandwidth expenditure:

Actual expenditure incurred on subscribing or leasing bandwidth from the licensed Internet service provider with a valid GST number.

C. Cloud rental expenditure:

Actual expenditure incurred on cloud rental by either subscribing or leasing from a cloud service provider, provided that the service providing company is registered in India and has a valid GST number.

D. Power tariff expenditure:

Actual expenditure incurred on energy units consumed by the IT/ITeS units.

E. Patent expenditure:

Expenditure incurred on the application of every successful patent during the operative period of the Policy up to INR 5 lakhs per patent. (maximum of 10 patents per year for five years allowed)

Base Employee Count: means the average employee count of the preceding 12 months from the month of declaration of expansion.

Eligible Employee Count:

For New unit: A minimum 10 employees on its payroll.

For Existing Unit going under expansion: A minimum 50% additional employee on payroll above 'Base Employee Count' or increase of employee count by 1,000 employees, whichever is lower.

Month of Eligibility means,

- The month when a Unit achieves an 'Eligible Employee Count' or starts commercial operation, whichever is later in case of IT/ITeS Units.
- The month when Occupancy Certificate / Building Use (BU) permission for IT Office space is obtained / Project Completion Certificate is obtained in case of IT City/IT Township.
- The month when an entity starts commercial operation in the case of Data Centers and Cable Landing Station (CLS).

INCENTIVES: CAPEX-OPEX MODEL:

Investment Category	Available Financial Incentives
Category I — GFCI less than INR 250 Cr.	<p>CAPEX Support:</p> <p>one-time CAPEX support of up to 25 % of the eligible CAPEX, subject to a maximum ceiling of INR 50 Cr. The disbursement will be done in 20 equal quarterly installments.</p> <p>OPEX Support:</p> <p>Upto 15 % of the annual eligible OPEX expenditure, subject to a maximum ceiling of INR 20 Cr. per year for a period of five years.</p> <p>The disbursement will be done in quarterly installments.</p>
Category II (Mega Projects) — GFCI more than or equal to INR 250 Cr. or project generating more than or equal to 2,000 direct IT employment on its payroll	<p>CAPEX Support:</p> <p>one-time CAPEX support of up to 25 % of the eligible CAPEX expenditure, subject to a maximum ceiling of INR 200 Cr. The disbursement will be done in 20 equal quarterly installments.</p>

	OPEX Support: Up to 15 % of the annual eligible OPEX expenditure, subject to a maximum ceiling of INR 40 Cr. per year for a period of five years. The disbursement will be done in quarterly installments.
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SPECIAL INCENTIVES FOR IT/ITES UNITS:

Investment Category	Available Financial Incentives
Employment Generation Incentive (EGI)	one-time support for every new and unique job created in the State. It is applicable for new local employees hired and retained for a minimum period of one year at 50 percent of one month's CTC up to INR 50,000 per male and INR 60,000 per female employee.
Interest Assistance	7% on term loan or the actual interest paid, whichever is lower with a ceiling of INR 1 Cr. per annum.
Atmanirbhar Gujarat Rojgar Sahay (AGRS)	reimbursement on the employer's statutory contribution under Employees' Provident Fund (EPF) made by them for their employees working in the offices situated within Gujarat for a period of five years. 100% for female employees and 75% for male employees with ceiling of 12% of basic salary + DA + retaining allowance .
Electricity Duty Incentive (EDI)	Can claim entire ED paid for period of 5 years from commencement of operations.

APPLICATION MODE: Online

Procedure from start to end:



APPLICATION FOR INCENTIVE CLAIM: All Eligible New Units must submit their incentive application within one year from the month of start of commercial operations. Furthermore, all Eligible Expansion Units must submit their incentive application within one year from the month of achievement of eligible employee count.

TERMS & CONDITIONS:

1. An existing unit outside Gujarat State carrying out new investment in the IT/ITeS industry at any location in Gujarat and commences commercial operation during the operative period of the Policy shall be considered as a new unit.

2. A new unit shall be eligible for assistance for maximum one-time expansion during the operative period of the Policy.
3. It shall be applicable for incentives only one time during the operative period of the Policy as an Expansion.
4. To be eligible for incentives going under expansion, the new investment made for the expansion must be brought into commercial operations during the operative period of the Policy.
5. These are the benefits other than Government of India offers.
6. **EGI:** The EGI assistance is tied to each individual IT employee and can only be claimed once for each individual IT employee in their lifetime.
7. **Work from Home:** AGRS and EGI available for employees operate from within Gujarat.
8. If the 'Employee on Payroll' count falls below 10 for 3 consecutive months, all further financial assistance will be discontinued for the Eligible New Unit.
9. If the 'Employee on Payroll' count falls below 'eligible employee count' for three consecutive months, all further fiscal assistance will be discontinued for the Eligible Expansion Unit.
10. An Eligible New Unit which is availing fiscal incentive assistance under this Policy can apply for expansion only after two years from the date of commencement of operation of the Eligible New Unit.

11. FOR CAPEX:

- i. Only domestic invoices with valid GSTIN (in case the invoices do not specify GSTIN, then an additional CA certified certificate mentioning the vendor and its GSTIN registration should be attached with the invoices) & International Invoices attached with the appropriate Bill of Entry will be eligible for claims under GFCL, provided the date of the invoice is within the eligibility period of the unit.
- ii. All the invoices claimed shall be in the same name as that of the entity/company registered with the Portal.
- iii. Purchase Order/Delivery Challan will not be admissible for computation of Eligible CAPEX
- iv. Expenditure.
- v. The invoices must be paid from the bank account registered in the name of the Eligible Unit.
- vi. Only the base invoice amount (excluding tax) will be considered while computing the eligible amount under Eligible CAPEX Expenditure.
- vii. Only new purchases will be considered eligible for computation of Eligible CAPEX Expenditure incurred on the purchase of old/refurbished/secondhand items will not be considered.
- viii. Any expenditure incurred on repairing/refurbishment of any equipment/machinery will not be considered for computation.
- ix. In the case of expansion, the expenditure made before the month of declaration of expansion will not be considered for determining the Eligible CAPEX Expenditure
- x. In case of an existing unit outside Gujarat State carrying out new investment in the IT/ITeS industry at any location in Gujarat, only the invoices of expenditure incurred in Gujarat State will be considered eligible for computation of Eligible CAPEX Expenditure, i.e., all the invoices must be in the name of the Eligible Unit with its billing address or shipping/delivery address as the address of the location of the upcoming Eligible Unit as mentioned in the Incentive Management Portal.

- xi. In case of Renewable Energy Expenditure, only expenditure incurred on the purchase of equipment for setting up of a captive renewable energy plant @25% of the cost of equipment up to INR 5 Cr. will be considered eligible for claim under Eligible CAPEX Expenditure.

FOR OPEX:

- I. The Lease Rental Expenditure head only covers the base lease rent and does not include any other adhoc services offered by the lessor. Furthermore, the expenditure incurred towards lease rental shall be computed for a maximum of 60 sq. ft. of built-up area per employee on the payroll of the eligible IT/ITeS unit.
- II. Only expenses incurred towards patent application fees and hiring of legal services will be eligible for claim under this expenditure. It may kindly be noted that only invoices billed to India based Legal firms/entities/freelancers are eligible for claim under this expenditure head.

INTEREST ASSISTANCE:

- I. Unit shall have to bear a minimum 2% interest
- II. Not available for penal interest or any other bank charges
- III. In case of reimbursement, it shall be made within 2 years from the date of commencement of commercial operation in case of New Unit and 1 year from the month of declaration of expansion in case of Expansion Unit.
- IV. The loan shall be availed from the Indian branch of the Indian financial institution and the interest repayment period should begin during the operative period of the Policy.
- V. Such IT/ITeS units shall be able to claim this incentive on an annual basis for a maximum period of five years from the date of start of actual interest repayment

EGI Assistance:

The EGI assistance shall be applicable for the following cases:

- I. The individual is working outside Gujarat and is recruited by a Gujarat based IT/ITeS unit, i.e. First IT/ITeS job in Gujarat in case of an existing IT/ITeS employee
- II. The individual working inside Gujarat and is recruited for the first time in IT/ITeS sector by any eligible Gujarat based IT/ITeS Unit
- III. The individual is fresh graduate and is hired by an eligible IT/ITeS Unit against a new employment position

Replacement hiring, i.e., hiring of resources to fill existing vacancies created as a result of attrition will not be considered eligible for claim under EGI

In any event, only the local employee having valid domicile certificate of Gujarat shall be eligible for assistance under the EGI claim.

SOURCE:

IT/ITeS Policy, Notified by the Government of Gujarat, Department of Science and Technology
G.R. No: ITP/10/2021/583612/IT, Sachivalaya, Gandhinagar, Date: 07.02.2022