

Karnataka Industrial Policy 2014-19

10 December 2014



Karnataka Industrial Policy 2014-19

- The Government of Karnataka has announced the 'Karnataka Industrial Policy' (Industrial Policy) 2014-19 vide Government Order Number CI 58 SPI 2013 dated 01 October 2014. The Industrial Policy 2014-19 will come into force from the date of issue of a government order and will be in operation for five years or for a period as extended by the government.
- In order to create a strong industrial base and for the overall development of the state, the taluks are grouped as different zones in order to provide different incentives and concessions. The zones are as follows:
 - The Hyderabad-Karnataka area is grouped into two zones viz. HK-1 and HK- 2
 - Areas other than the Hyderabad-Karnataka area are grouped into three zones viz. OHKZ-1, OHKZ-2 and OHKZ-3
- The projects under implementation (pipeline projects) at the time of announcement of the above policy in the above specified zones shall be required to commence commercial production before 31st August 2017.
- **Encouragement to renewable energy projects:**
 - All energy projects including renewable energy projects are proposed to be treated as manufacturing industry and therefore, eligible for incentives and concessions as applicable to manufacturing industries.
 - The policy proposes to simplify land purchase and conversion procedures for all renewable energy projects.

- 50 per cent of VAT paid on plant and machinery procured for renewable energy projects will be eligible for reimbursement.

- **Some of the incentives and concessions specified in the industrial policy are as follows:**

- **Entry tax exemption:** This policy provides for exemption from payment of entry tax on specified goods. The exemption will be available for different periods depending upon the location and size of the units.
- **Interest free loan:** The policy provides for grant of interest free loans. The maximum amount of loan and the period of availability depend upon the location and size of the units.
- **Exemption from stamp duty on:**

- loan agreement, credit deeds, mortgage and hypothecation deeds executed for availing loan from the state government including VAT loan from the department, etc.
- lease deeds, lease-cum-sale and absolute sale deeds executed by industrial enterprises in respect of industrial plots, sheds, industrial tenements, etc. by KIADB, KEONICS, and so on.
- lease deeds, lease-cum-sale and absolute sale deeds executed by a developer in respect of lands purchased for development of private industrial estates/parks.

- **Electricity duty:** Exemption from payment of electricity duty to focused ultra mega enterprises and focused super mega enterprises.

- **The incentive and concessions have been summarised below:** The benefits depend on the size and location of the units in different zones, benefits relating to MSME units have not been covered herein.

INDUSTRIAL ACTIVITIES/ENTERPRISES

Larger enterprises

- Minimum investment in fixed assets: above INR 10 Crore to 250 Crore
- Minimum direct employment: 20 to 200 people, minimum direct employment criteria is linked to the amount of investment

Incentives and concessions

Entry tax exemption

Goods eligible for exemption	Period of exemption
Plant and machinery and capital goods	three years from date of project implementation
Raw materials, inputs, components, parts and consumables (excluding petroleum products)	five years from date of commencement of commercial production

Interest free loan

Zone	Amount of loan	No. of years	Maximum	Repayment
HK-1 and HK-2	100% of VAT plus CST	9/10 years	60 to 75% of eligible fixed assets	After 10 years of each respective year
Other zones	100% of VAT plus CST	7/9 years	40 to 65% of eligible fixed assets	After 10 years of each respective year

Stamp duty

- Stamp duty exemption in respect of loan agreements, for lease deeds etc.: 75 to 100 per cent depending upon the zone in which the unit is set-up

Mega enterprises

- Minimum investment in fixed assets - above INR 250 Crore to 500 Crore
- Minimum direct employment: 200 to 400 people, minimum direct employment criteria is linked to the amount of investment

Incentives and concessions

Entry tax exemption

Goods eligible for exemption	Period of exemption
Plant and machinery and capital goods	three years from date of project implementation
Raw materials, inputs, components, parts and consumables (excluding petroleum products)	six years from date of commencement of commercial production

Interest free loan

Zone	Amount of loan	No. of years	Maximum	Repayment
HK-1 and HK-2	100% of VAT plus CST	10/11 years	75 to 90% of eligible fixed assets	After 10 years of each respective year
Other zones	100% of VAT plus CST	8/10 years	50 to 80% of eligible fixed assets	After 10 years of each respective year

Stamp duty

- Stamp duty exemption in respect of loan agreements, for lease deeds, etc.: 75 to 100 per cent depending upon the zone in which the unit is set-up

Ultra mega enterprises: other than focused sector units

- Minimum investment in fixed assets: above INR 500 Crore to 1000 Crore
- Minimum direct employment: 400 to 800 people, minimum direct employment criteria is linked to the amount of investment

Incentives and concessions

Entry tax exemption

Goods eligible for exemption	Period of exemption
Plant and machinery and capital goods	five years from date of project implementation
Raw materials, inputs, components, parts and consumables (excluding petroleum products)	seven years from date of commencement of commercial production

Interest free loan

Zone	Amount of loan	No. of years	Maximum	Repayment
HK-1 and HK-2	100% of VAT plus CST	12/11 years	95 to 85% of eligible fixed assets	After 10 years of each respective year
Other zones	100% of VAT plus CST	9/11 years	60 to 85% of eligible fixed assets	After 10 years of each respective year

Stamp duty

- Stamp duty exemption in respect of loan agreements, for lease deeds, etc.: 75 to 100 per cent depending upon the zone in which the unit is set-up

Ultra mega enterprises: focused manufacturing sector (aerospace, automotive, machine tool, excluding steel and cement sector)

- Investment INR 500 Crore to 1000 Crore
- Employment: 400 to 800, minimum direct employment criteria is linked to the amount of investment

Incentives and concessions

Entry tax exemption

Goods eligible for exemption	Period of exemption
Plant and machinery and capital goods	five years from date of project implementation
Raw materials, inputs, components, parts and consumables (excluding petroleum products)	nine years from date of commencement of commercial production

Interest free loan

Zone	Amount of loan	No. of years	Maximum	Repayment
HK-1 and HK-2	100% of VAT plus CST	13/14 years	95 to 100% of eligible fixed assets	After 10 years of each respective year
Other zones	100% of VAT plus CST	11/13 years	75 to 90% of eligible fixed assets	After 10 years of each respective year

Electricity duty exemption

Zone	Period of exemption
HK-1 and HK-2	10 and 9 years please check the data here.
Other zones	7 to 9 years

Stamp duty

- Stamp duty exemption in respect of loan agreements, for lease deeds etc.: 75 to 100 per cent depending upon the zone in which the unit is set-up

Super mega enterprises: other than focused sector units

- Minimum investment in fixed assets - INR1000 Crore and above
- Minimum direct employment: 800 and above people, minimum direct employment criteria is linked to the amount of investment

Incentives and concessions

Entry tax exemption

Goods eligible for exemption	Period of exemption
Plant and machinery and capital goods	five years from date of project implementation
Raw materials, inputs, components, parts and consumables (excluding petroleum products)	eight years from date of commencement of commercial production

Interest free loan

Zone	Amount of loan	No. of years	Maximum	Repayment
HK-1 and HK-2	100% of VAT plus CST	14/13 years	100 to 95% of eligible fixed assets	After 10 years of each respective year
Other zones	100% of VAT plus CST	11/13 years	75 to 95% of eligible fixed assets	After 10 years of each respective year

Stamp duty

- Stamp duty exemption in respect of loan agreements, for lease deeds, etc.: 75 to 100 per cent depending upon the zone in which the unit is set-up

Super mega enterprises: focused manufacturing sector (aerospace, automotive, machine tool, other than steel and cement sector)

- Minimum investment in fixed assets - INR1000 Crore and above
- Minimum direct employment: 800 and above, minimum direct employment criteria is linked to the amount of investment

Incentives and concessions

Entry tax exemption

Goods eligible for exemption	Period of exemption
Plant and machinery and capital goods	five years from date of project implementation
Raw materials, inputs, components, parts and consumables (excluding petroleum products)	nine years from date of commencement of commercial production

Interest free loan

Zone	Amount of loan	No. of years	Maximum	Repayment
HK-1 and HK-2	100% of VAT plus CST	15/16 years	100% eligible fixed assets	After 10 years of each respective year
Other Zones	100% of VAT plus CST	12/14 years	80 to 100% of eligible fixed assets	After 10 years of each respective year

Electricity duty

Zone	Period of exemption
HK-1 and HK-2	10/9 years
Other Zones	7 to 9 years

Stamp duty

- Stamp duty exemption in respect of loan agreements, for lease deeds, etc.: 75 to 100 per cent depending upon the zone in which the unit is set-up

Anchor industries

First two manufacturing enterprises in a taluk with:

- minimum investment of INR 250 Crore
- providing minimum direct employment to 150 people

Incentives and concessions

- Investment subsidy of 15 to 20 Crore depending upon the zone in which the unit is set-up

In case the anchor unit invests INR1000 Crore or more they will also be entitled to:

Interest free loan

Amount of loan	No. of years	Maximum	Repayment
100% of VAT plus CST	18 years	125% of eligible fixed assets	After 10 years of each respective year

Focus service industries eligible for benefits: logistics facilities, powder coatings, weigh bridges, material testing

There are certain specified industries not eligible for the above benefits; such as breweries and distilleries, units engaged in packing drugs/ medicine/chemicals without any processing or value addition, all types of hotels, restaurants and amusement park/parks, fertilizers mixing units, industries, manufacturing and/or utilising Ozone depleting substances, clock and watch/mobile/computer and hardware equipment repair.

Other terms and conditions

- Exemptions in relation to the stamp duty, entry tax, tax on electricity tariff as per the 2014-19 policy will come in to effect only after the issuance of enabling notifications by the Revenue, Finance and Energy departments, respectively.
- **VAT/CST related incentives:**
 - Interest free loan on VAT and CST means, the eligible enterprise may have to pay the prevailing VAT and CST and later claim interest free loan of net VAT and CST from the Commerce and Industries Department.
 - VAT related incentive will be provided only with reference to the sales attributed to the production from the new investments.
 - 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.
 - 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.
 - 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.
- **Other benefits**

Concessional registration charges, reimbursement of land conversion fee, subsidies are also available under the policy to different units for setting-up effluent treatment plants.

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