

## **Karnataka Industrial Policy 2009-14**

### **1 Introduction**

Karnataka is one amongst the industrially developed States in the Country. The State has all potential to stand out on the fore front and has been focusing on development of industries, trade and service sectors.

The State Government understands that the challenges poised due to global economic recession have to be addressed to promote economic growth of the State. A stimulus to boost economic activities needs to be given to sustain the current pace of over all development. Further, the State is endowed with rich natural resources across the State and such resources need to be optimally utilized for the benefit of local people.

Value addition to resources is one of the ways of optimizing the wealth available locally. This will also help ensure uniform spread of industries and economic activities throughout the State and will accelerate the pace of development especially in the districts of North Karnataka. Through these measures, the Government would be able to readdress the serious issue of regional imbalances in development.

The State Government realizes the limitation of agriculture sector to generate large scale employment to the local youths. About 56% of the State's workforce is estimated to contribute 19.13% of the GSDP. It is the agreed fact that, the manufacturing sector has high potential to create maximum employment that too, to all sections and levels of job aspirants.

In order to provide enabling environment for investors, the State government has already enacted Karnataka Industries (Facilitation) Act, 2002. Due to the progressive measures and pro-active mind set of the Government, today, Karnataka has been recognized as one of the preferred investment destinations both for domestic and overseas investors.

The State Government has introduced Industrial Policy 2006-11 with an aim to increase the growth of GDP, strengthen manufacturing industries, increase share of exports from Karnataka, to generate additional employment of atleast 10 lakh persons in the manufacturing and service sectors, reduce regional imbalance and ultimately aim at overall socio-economic development of the State.

In the meantime, the Government of India enacted Micro, Small and Medium Enterprises Development Act, 2006 and requested all the States to provide required support and encouragement to make MSMEs more competitive. In order to make the State more attractive and investor friendly, there was a need to focus more on inclusive industrial development, comprehensive HRD programmes, special attention towards development of sector specific zones, classification of taluks according to Dr. D M Nanjundappa Committee Report, attractive package of incentives and concessions, encouragement for existing industries to take up expansion, modernization and diversification etc. The State also understands the need to provide stimulus measures for industries to combat the prevailing financial crisis. Keeping these points in view, the State intends to formulate a new Industrial Policy with a determination to provide level playing field to all investors.

This policy is framed with the broad guiding principles of creation of employment, development of backward regions and value addition to local resources.

## **2 Vision**

To build prosperous Karnataka through development of human and natural resources in a systematic, scientific and sustainable manner.

## **3 Mission**

- 3.1 To create enabling environment for robust industrial growth.
- 3.2 To ensure inclusive industrial development in the State.
- 3.3 To provide additional employment for about 10 lakh persons by 2014.
- 3.4 To enhance the contribution of manufacturing sector to the State's GDP from the current level of 17% to 20% by the end of policy period.

## **4 Strategies**

- 4.1 Classification of the taluks of the State into four zones depending on backwardness of the taluks and also based on broad guidelines of Dr. D M Nanjundappa Committee Report.
- 4.2 Thrust on provision of world-class infrastructural facilities for industries with active participation of private sector/ industry.
- 4.3 Implementation of Suvarna Karnataka Development Corridor Programme (SKDCP) through length & breadth of the State and develop industries at the potential locations along with corridor.
- 4.4 Development of four 8 lane industrial corridors under SKDCP.
- 4.5 Development of sector-wise industrial zones for optimal utilization of local natural and human resources so as to minimize migration of people to urban centers.

- 4.6 Simplification of land acquisition procedures with emphasis on inclusive development.
- 4.7 Safeguarding the socio-economic interests of both farmers and investors while acquisition of land.
- 4.8 Preferential treatment for MSME sector enabling to meet the global challenges.
- 4.9 Attractive employment and performance linked package of incentives and concessions to attract investments to backward regions and also to provide a leverage to MSME sector.
- 4.10 Thrust on development of MSME Sector through attractive package of Incentives & Concessions.
- 4.11 Tailor made package of incentives to larger projects having wider positive implications on the State's economy to leverage a better edge over other competing states.
- 4.12 Additional incentives for entrepreneurs belonging to under-privileged sections of the society to bring them to the main stream in order to achieve much needed inclusive growth.
- 4.13 Focus on skill development in order to enhance the employability of youth especially women and also to make ready-to-employ human resource to the industry.
- 4.14 Inculcate entrepreneurial qualities amongst local youth in general and women in particular and motivate them to take up self employment by extending handholding support.

- 4.15 Create level playing environment for all investors / private sector players by enhancing the facilitation mechanism enabling to do their business with ease and less transaction cost.
- 4.16 Appropriate provisions for the protection of environment and to encourage energy & water conservation measures in industry/ projects through go-green strategy.

## **5 Policy Measures:**

### **5.1 Streamlining land acquisition process through inclusive development**

- 5.1.1 Efforts will be made to identify and utilize government waste lands in different parts of the State for employment generating industrial activities.
- 5.1.2 Inventory of surplus and unused land available with PSUs, State Govt., ULBs and suitable private land will be made to create a Land Bank. This will enable the State to offer ready to use land to investors.
- 5.1.3 In order to speed up the process of land acquisition for the purpose of industries, a clear cut land acquisition policy will be evolved in consultation with farmers and industry. In this policy, necessary measures will be spelt out to ensure that only dry land and single crop land will be acquired for industrial purposes. Further, while issuing notification, lands wherein temples, crematoria, schools, playground and residential houses are located shall be excluded. The policy will also ensure offering an adequate Relief & Rehabilitation (R&R) Package to the land owners whose land is acquired for development purpose. Suitable amendments will be made to Section 109 of Karnataka Land Reforms Act to facilitate investors for purchasing agricultural land.

- 5.1.4 Broad R & R guidelines would be evolved in consultation with land owners and industry based on which suitable R&R package is required to be worked out in case of acquisition of land for industrial purposes.
- 5.1.5 The policy will also have a provision to take the land owners as partner in the project by offering certain equity to them. Alternatively land owners will be offered adequate compensation based on the set guidelines.
- 5.1.6 Land owners except in case of acquisition for Single Unit Complex and infrastructural projects, will have an option to get part of the developed land depending on the location by KIADB in lieu of specified compensation. Land owners are free to use this portion of land for residential / commercial / industrial purposes subject to the prior approval of KIADB. Further plan for building construction required to be approved by KIADB. Appropriate clause will be in place in the policy to ensure that the land is developed within the stipulated time frame and the project is implemented as per the declared schedule.
- 5.1.7 While developing industrial areas, measures will be taken to earmark at least 20% of the land for MSME sector for necessary vendor development support to the large projects.
- 5.1.8 In case of large extent of land, certain portion of the land will be reserved for social infrastructure such as housing areas, schools, hospitals etc., to reduce the distance between work and other facilities.

5.1.9 While development of infrastructure projects, investors are compelled to create adequate facilities for persons engaged in attendant services, in order to avoid additional burden on public infrastructure.

## **5.2 Management of industrial areas / estates**

5.2.1 KIADB will create all the basic amenities in industrial areas and the maintenance of facilities will be transferred to local bodies / industry associations. Wherever, these arrangements can not be materialized, KIADB itself will take up the responsibility of maintaining the basic amenities. A proper policy in this regard will be evolved and necessary MOUs will be signed between KIADB and Caretakers of facilities.

5.2.2 In order to encourage self management of industrial areas by the Enterprises, the Government will expedite the establishment of Industrial Township Authorities in major industrial areas / estates. The bottlenecks if any, in this regard will be sorted out in consultation with the respective departments.

## **5.3 Quality Infrastructure**

5.3.1 Efforts will be made to provide world class infrastructure to investors like all-weather road, uninterrupted power supply, adequate water, warehouse and logistic facilities, connectivity through railways/ports etc. This sort of ready-to-use infrastructure will enable the investors to operate on plug & play concept.

5.3.2 While developing large industrial areas/estates 20-25% of the land will be earmarked for townships facilitating walk to work concept in such areas.

- 5.3.3 In the process of infrastructure development, due care will be taken to save water bodies, ecology and greenery adopting integrated environment management plan for the region as a whole.
- 5.3.4 The Government will implement Suvarna Karnataka Development Corridor Programme throughout the length & breadth of the State. An extent up to 25 kms. on both sides of the corridor will be developed through orderly establishing industrial clusters, township, satellite towns and sector-specific industrial zones.
- 5.3.5 As part of SKDC Programme, following major industrial corridors with 8 lane roads will be developed: Bidar-Bangalore via Chitradurga, Tumkur-Honnavar via Shimoga, Chitradurga-Mangalore via Shimoga-Udupi and Bangalore-Belgaum via Davanagere -Hubli. Additional corridors will also be developed to cover Bidar, Bijapur and other potential locations.
- 5.3.6 To harness the local natural resources and also to optimize its value addition, following sector specific industrial zones will be developed :
- i) Steel : covering Bellary, Koppal, Bagalkot, Haveri, Gadag & Raichur Districts
  - ii) Cement : covering Gulbarga, Bagalkot, Chitradurga, Belgaum and other Districts.
  - iii) Food Processing : covering Bangalore Rural, Kolar, Belgaum, Gadag, Koppal, Shimoga, Bagalkot, Bijapur, Davanagere, Mandya and Dharwad Districts.
  - iv) IT / BT : covering Mysore, Mangalore, Hubli-Dharwad, Belgaum, Shimoga, Gulbarga, Kolar and Mandya Districts
  - v) Automobile : covering Ramanagara, Shimoga Dharwad and Kolar Districts.



- vi) Readymade garments : covering Bangalore Rural, Tumkur, Kolar, Mandya, Belgaum, Bidar, Dharwad and other Districts.
- vii) Sugar and co-gen, power: covering Bidar, Belgaum, Bagalkot, Shimoga and Mandya Districts.
- viii) Pharmaceutical/Bio-Technology: covering Bangalore, Mysore and Hassan Districts.
- ix) Power Generation: covering Raichur, Bellary, and Bijapur & Chitradurga Districts.
- x) Media & Entertainment : Bangalore (R) and Ramanagara

5.3.7 An Aerospace Park in association with Society of Indian Aerospace Technologies and Industries (SIATI) will be developed near Bangalore.

5.3.8 All efforts will be made to develop required infrastructural facilities and provide need based facilitation for timely development of these zones based on the recommendations of exclusive task forces set up by the Government to take the proposals forward.

5.3.9 Food processing parks will also be set up at Shimoga and other potential locations. Establishment of similar parks at Malur, Bagalkot, Hiriyr and Jewargi will be expedited.

These sector specific zones will be developed on time bound manner and are expected to create ample employment opportunities for local people at all levels. Efforts will be made to attract industrial giants to invest in these zones by offering structured incentives and concessions.

5.3.10 Initiatives of the investors in developing private industrial areas / estates either in PPP mode / individual entrepreneurs / Companies / Co-operatives will be encouraged with a supportive package.

5.3.11 In order to upgrade and maintain infrastructural facilities on a sustainable basis, it is proposed to have a dedicated Infrastructure Development Fund with an initial corpus of Rs.500 crores to be operated through KIADB.

5.3.12 The State has taken initiatives to develop Airports at Shimoga, Hassan, Gulbarga, Bellary, Bidar, and Bijapur under PPP mode. Expansion / upgradation of Mangalore, Belgaum and Hubli Airport are also envisaged. Further, it is proposed to develop Air Strips in 11 districts / locations.

**5.3.13 In the budget speech of Hon'ble Chief Minister for 2009-10 following schemes are announced.**

State will allocate Rs.1000.00 crores for acquiring 1000 to 2000 acres of land in each district through KIADB. This will facilitate establishment of thousands of small and medium enterprises. It is also proposed to attract foreign capital to the State Industrial Sector by establishing industrial colonies.

A foundry park will be established in Mache Village of Belgaum district in addition to a spice park in Byadagi of Haveri district. An auto park will also be established in Basava Kalyan, Bidar district. It is proposed to develop a residential workshop and infrastructure facilities for the artisans engaged in the preparation of silver ornaments in Mangoor village of Chikkodi taluk in Belgaum district.

## **5.4 Development of Special Economic Zones**

- 5.4.1 The State Govt. realises the potential of SEZs in driving industrial / economic growth and committed to facilitate exports and expedite establishment of Special Economic Zones (SEZs) in the State.
- 5.4.2 Single point clearance will be given for SEZ proposals before recommending to the Govt. of India for approval. Attractive fiscal benefits will be offered to developer and unit operating in the SEZ in accordance with the SEZ Act 2005, enacted by Govt. of India.
- 5.4.3 State Govt. will pronounce an exclusive SEZ Policy to support and encourage healthy proliferation of SEZs in the State.

## **5.5 Skill Development**

- 5.5.1 Emphasis will be given for development of skilled manpower for the use of industry and trade. Focus will be given on skill upgradation in the emerging skill sets while phasing out redundant skills.
- 5.5.2 The State Govt. will promote private sector investments for skill development through a market driven approach.
- 5.5.3 Thrust will be given for skill development amongst women to enhance their employability.
- 5.5.4 Regular industry-institution interface is encouraged to identify skill sets required for the industry and to develop such skill sets in the training institutions.
- 5.5.5 The Directorate of Employment and Training will spearhead all the activities related to skill development. Initiatives taken by the Skill Development Commission constituted by the Govt. and activities of the

newly established Karnataka Skill Development Corporation would be integrated suitably to achieve best results.

## **5.6 Entrepreneurship Development**

- 5.6.1 Thrust will be given for promotion of self employment by local youth through proper backup support and facilitation. All efforts will be made to inculcate entrepreneurial qualities amongst youth, with a special focus on women entrepreneurs. More thrust will be given to motivate youth belonging to under privileged sections of the society. CEDOK will take a leading role in these activities.
- 5.6.2 Counseling and handholding mechanism will be strengthened by dovetailing Rajiv Gandhi Udyami Mitra Yojana introduced by the Central Government.
- 5.6.3 To motivate the prospective entrepreneurs, Guidance Cell in the DICs will be strengthened. This cell will help entrepreneurs both at entry and implementation level.
- 5.6.4 Necessary support will be provided to micro level Enterprises to graduate to higher level in due course of time. Escort services will be provided by the Guidance Cell in this growth process. 'Karnataka Kaigarika Darshana' will be arranged every year benefiting the entrepreneurs to have wider exposure on successful ventures across the State/ other States.
- 5.6.5 Industries are also encouraged to participate in trade fairs / exhibitions both national and international not only to promote their products and services but also as learning process.

## **5.7 Focus on MSME Sector**

- 5.7.1 The former President of India, Dr. A P J Abdul Kalam, in his address to the members of the Karnataka Legislature on the occasion of Suvarna Karnataka Celebrations, had advocated 11 Missions for Karnataka's prosperity.
- 5.7.2 Of these, Missions on Textiles, Bio-fuel, Agro processing and Entrepreneurship are related to industries sector. As envisaged by the Government, exclusive task forces will be set up to take the Mission of Dr. Kalam forward and achieve tangible results during the policy period.
- 5.7.3 Price preference of 15% will be allowed for the goods manufactured by MSM manufacturing industrial Enterprises located in the State in case of purchases by the Govt. departments and State owned PSUs.
- 5.7.4 Attractive package of incentives will be offered especially in backward areas to provide competitive edge to the sector. Emphasis will be given for industrialization of border taluks. Efforts will be made to develop industrial infrastructure in these taluks in addition to offering added incentives to attract investments especially from the neighboring States to these taluks.
- 5.7.5 Market development and promotion will be supported through setting up virtual and physical exhibition centres at State & district levels. Common branding and promotion of MSME products are also encouraged.
- 5.7.6 Cluster development approach will be encouraged for development of enterprises in order to harness natural resources and skills concentrated in the respective cluster. A thorough analysis of the industries that have competitive advantage and resource availability in the surrounding regions will be made. This will lead to identification of clusters and

their pillar industries at the taluk / district / region level. An action plan for each cluster / region will be made once they are identified and pro-active measures through policies, concessions and promotions will be made to selectively promote them. KCTU will be made a Nodal Agency to promote clusters in the State.

- 5.7.7 Realising the need for encouraging Khadi & village industries, the State will come out with a special programme for promotion of this sector.
- 5.7.8 Thrust will be given to increase the labour productivity as that is the key to improved returns and greater output especially in MSMEs. Simplification of laws and procedures will also be attempted to reduce the transaction cost.
- 5.7.9 While developing new industrial areas by KIADB, atleast 20% of the developed land will be reserved for MSME sector. Further, preference will be given to the local entrepreneurs/underprivileged sections of the society while allotting the land earmarked for MSME sector. Relocation of industries from city centres to out skirts will also be supported suitably.
- 5.7.10 Relevant schemes like ASIDE, Credit Guarantee Fund Trust Scheme, Cluster Development Programme for MSMEs, Credit Linked Capital Subsidy Scheme, Technology Upgradation Scheme being operated by Government of India and various Promotional Schemes of different Ministries of Govt. of India will be suitably dovetailed for the benefit of MSM Enterprises. The State will also suitably complement these schemes enabling the entrepreneurs to avail maximum advantage of these schemes. A separate cell to co-ordinate and monitor implementation of these schemes will be set up in the Department of I & C.

- 5.7.11 The role and responsibilities of support organizations which are engaged in providing services either to entrepreneurs or artisans will be revisited and redefined in the context of changed scenario.
- 5.7.12 The slow down in global economy has seriously impacted several industries especially those in MSME sector. Some of these have been able to re-structure and have turned around. Many continue to languish while some have become totally unvialable. The State proposes to help in the revival of the viable Enterprises through a relief package and facilitate smooth exit of unviable one. Accordingly, a separate Scheme will be formulated in consultation with all stakeholders.

## **5.8 Boost to the Manufacturing Sector**

- 5.8.1 Manufacturing is recognized as the main engine for economic growth and creation of wealth. Robust growth of manufacturing sector is necessary for creating overall growth and employment opportunities. Competitiveness and innovation are the key to robust growth of the manufacturing sector.
- 5.8.2 Focus will be given on reducing transaction cost by addressing vital areas like taxation, availability of land and other infrastructure requirements, implementation of regulatory laws dealing with labour, environment etc. as enunciated in the National Strategy for Manufacturing.
- 5.8.3 Necessary investment climate will be provided for the growth of manufacturing in broad guidelines of the recommendations of National Manufacturing Competitiveness Programme.

## **5.9 Promotion of Exports**

- 5.9.1 The State has initiated several measures to promote exports of both primary and manufactured products as also services. The State has all strengths to increase its exports manifold and it is targeted to double the exports of State from the current level by the end of policy period.
- 5.9.2 VITC, the Export Promotion Centre for Karnataka will provide initial services in market intelligence, export documentation, finance and other critical areas to the Enterprises. Incentives will also be provided for technology upgradation / sourcing of technology to meet the specifications of international buyers.
- 5.9.3 Special incentives will be offered for Export Oriented Enterprises for obtaining compulsory certifications like Conformity Europeenne (CE), China Compulsory Certificate (CCC), etc., for enhanced export competitiveness.
- 5.9.4 Industries will be encouraged to participate in International exhibitions and trade fairs. Visits of trade delegations will also be supported financially by dovetailing the schemes of Govt. of India.

## **5.10 Conservation of scarce resources**

- 5.10.1 Industries will be encouraged to adopt and implement appropriate measures for rational use of scarce resources. Thrust will be laid on conservation of water by adopting appropriate technologies.
- 5.10.2 Industrial water supply schemes will be expedited. Feasibility of desalination plants and supply of recycled and treated waste water to industries will be explored to enable better cost recovery and project feasibility. Government would facilitate implementation of mega water



supply schemes for industries at potential locations through Special Purpose Vehicles (SPVs).

5.10.3 Enterprises are encouraged for recycling of water and treatment of waste water.

5.10.4 Generation and utilization of non-conventional energy sources like wind, solar, bio-mass etc., will be encouraged.

5.10.5 Industries are encouraged to secure better waste management through innovative technology for pollution prevention and abatement.

5.10.6 Enhancement of revenue through carbon credit mechanism will be encouraged. A nodal agency will be identified for promotion of carbon credit trading that will provide technical, financial and institutional support to interested firms.

5.10.7 Schemes of other departments / agencies available for conservation of scarce resources will be suitably integrated.

## **5.11 Award for best practices**

5.11.1 Enterprises will be encouraged to adopt cleaner production techniques in their activities. They will also be motivated to go for green technologies and processes to protect the environment and ecology. Enterprises adopting such best practices will be recognized with state awards every year.

5.11.2 Adoption of Corporate Social Responsibility (CSR) by large investors will be persuaded. They will be urged to provide training to local people, fine tune the available skills and also promote finishing schools. These investors will be required to participate in society building and contribute their might for welfare of local people.

## **5.12 Other Policy initiatives of the State for encouraging potential sectors**

5.12.1 Textile and Garment sectors are providing large employment especially to women. The State is committed to achieve balanced, higher and sustainable growth in the entire value chain from fiber to finished products with emphasis on balanced regional development. An exclusive promotional policy- Suvarna Vastra Neethi – 2008-2013 has already been announced by the state to give an added support to this sector.

5.12.2 Realizing the fact that minerals are the treasures of the State, the Government focuses on systematic and sustainable harnessing of mineral wealth. There is a need to optimize the geological potential by way of scientific and detailed prospecting. To guide the orderly development of mining sector, the Government has announced Karnataka Mineral Policy – 2008. The provisions of this policy will be made use of for the rapid development of mining related industries in the State.

5.12.3 The State is an ideal location for promotion of agro food processing industries due to its agro climatic conditions. Efforts will be made for further promotion of this sector through establishing food parks at potential locations with active participation of private sector. Mega food parks will also be established in the state dovetailing the schemes of Government of India. A separate Policy for promotion of Agro Food Processing sector is envisaged by the State.

5.12.4 The State has a strong presence of sugar industries especially in the districts of North Karnataka. The sugar sector will be further encouraged to compete with the neighboring states. Factories going for cogeneration and ethanol production will be suitably supported. The State will come out separate Policy for the benefit of sugar sector.

### **5.13 Facilitation**

- 5.13.1 Karnataka Udyog Mitra will be strengthened to provide better single point contact services for investors. KUM will continue to provide post-approval support to investors in order to ensure high conversion rates.
- 5.13.2 Information kiosks will be set up in major district centres for easy access of information from entrepreneurs and investors. Karnataka Diaspora Cell will be made more effective to attract foreign investors to the State.
- 5.13.3 Single Window Clearance mechanism will be made more effective so that most of clearances / approvals are accorded at the time of approval by SHLCC / SLSWCC / DLSWCC. Relevant provisions of Karnataka Industries (Facilitation) Act 2002 will be used more effectively to reduce the transaction cost and to do the business with ease. Efforts will be made to accord all the required approvals within a specified time of 45 days.
- 5.13.4 Proposals of all micro, small and medium enterprises will be cleared by the District Level Single Window Clearance Committee (DLSWCC). Necessary amendments will be brought to the Karnataka Industries (Facilitation) Act in this regard.
- 5.13.5 Investors guide / Information booklets will be made available for information of investors. All relevant information will also be made available to the investors in website / on-line.
- 5.13.6 (1) Investors' meets and road shows will be organized regularly at State / National / International level to attract large scale investment to the State.

- 5.13.6 (2) Industrial Adalats will be organized regularly at District / Regional/ State level with a view to understand the problem of industries and to settle pending cases.
- 5.13.7 Inter departmental co-ordination will be strengthened to achieve better results. Benefits of supportive policies will be taken to the maximum extent. Comprehensive labour reforms will be brought in consultation with industry by the Labour department.
- 5.13.8 Efforts will be made to expedite implementation of a host of envisaged mega projects, enabling the local Enterprises to avail spin off benefits of such larger projects.
- 5.13.9 Industry Vision Group constituted by the Govt. will guide the orderly development of industries and trade in the State. Regular interaction will also be held with financial institution / banks and such agencies to sort out various issues coming on the way of implementation and successful operation of projects.
- 5.13.10 State level Industrial Development Council will be constituted involving representative from industry and trade to regularly review the progress of implementation.

## **5.14 Incentives and Concessions**

- 5.14.1 As a commitment to provide a level playing environment to the entrepreneurs in the globalised economy, attractive package of incentives and concessions is evolved. The concept of performance and employment linked incentives is adopted to achieve the expected results.
- 5.14.2 Special package of incentives over and above the standard package will be offered for Mega projects based on the recommendations of SHLCC depending on the merits and advantages of such projects to the State.

5.14.3 For the purpose of administering package of incentives and concessions, taluks of the State have been categorized into four zones. The classification of taluks into zones is in **Annexe - 1**.

5.14.4 Package of Incentives and Concessions offered for investments is in **Annexe - 2**.

5.14.5 List of Service enterprises eligible for package of incentives and concessions is in **Annexe - 3**.

5.14.6 Activities not eligible for incentives are listed in **Annexe - 4**.

5.14.7 Terms and conditions for sanction of incentives & concessions are in **Annexe - 5**.

### **5.15 Milestones and review of Implementation**

5.15.1 In order to achieve the targets spelt out in the policy within the stipulated time frame, following milestones are set for ensuring periodical progress :

| By the end of the year | Creation of additional employment (lakh Nos.) | Generation of additional investment (Rs.crores) |
|------------------------|---|---|
| 2009-10                | 1.00  | 30,000  |
| 2010-11                | 3.00  | 90,000  |
| 2011-12                | 5.00  | 1,65,000  |
| 2012-13                | 7.50  | 2,40,000  |
| 2013-14                | 10.00   | 3,00,000  |

5.15.2 A high level Inter Departmental Review Committee will be constituted to regularly monitor implementation of all provisions of the policy. This committee will also ensure issue of necessary Govt. orders by various departments in relation to the policy without loss of any for mid-course corrections, if required for smooth implementation of the

Policy. The committee will also bring out annual reports indicating the progress in implementation of the Policy.

\$ \$ \$

**Classification of Taluks in Karnataka into Zones for the  
purpose of administering Incentives & Concessions**

| Sl. No.                       | Districts        | Total No.of Taluks | Zone - 1 (Most Backward Taluks) | Zone - 2 (More Backward Taluks)                 | Zone - 3 (Backward Taluk)                      | Zone - 4 (Industrially Developed Taluks)                  |
|-------------------------------|------------------|--------------------|---------------------------------|---|--|---|
| <b>South Karnataka Region</b> |                  |                    |                                 |   |  |   |
| 1                             | B'lore (U)       | 4                  | -                               | -   |  | Anekal<br>B'lore (North)<br>B'lore(South)<br>B'lore(East) |
| 2                             | B'lore (R)       | 4                  |                                 | -   |  | Devanahalli<br>D B Pur<br>Hoskote<br>Nelamangala          |
| 3                             | Rama-nagara      | 4                  | Kanakapura<br>Magadi            |   |  | Ramanagaram<br>Channapatna                                |
| 4                             | Chitradurga      | 6                  | Hosadurga                       | Hiriyur<br>Molakalmur<br>Holokere<br>Challakere | Chitradurga                                    |   |
| 5                             | Davanagere       | 6                  | Channagiri<br>Harapana<br>halli | Honnali<br>Jagalur                              | Davangere<br><br>Harihar                       |   |
| 6                             | Chikka-ballapura | 6                  | Bagepalli                       | Gudibande<br><br>Gowribidanur                   | Chikka-ballapura<br>Siddlaghatta<br>Chintamani |   |
| 7                             | Kolar            | 5                  |                                 | Mulbagal  | Kolar<br>Bangarpet<br>Srinivasapura<br>Malur   |   |

| Sl. No. | Districts             | Total No.of Taluks | Zone - 1 (Most Backward Taluks)               | Zone - 2 (More Backward Taluks)                       | Zone - 3 (Backward Taluk)  | Zone - 4 (Industrially Developed Taluks)     |
|---------|-----------------------|--------------------|---|---|--|--|
| 8       | Shimoga               | 7                  | -   | Soraba  | Shimoga<br>Bhadravathi<br>Sagar<br>Shikaripura<br>Hosanagara<br>Thirthahalli       |  |
| 9       | Tumkur                | 10                 | Kunigal<br>Madugiri<br>Gubbi Sira<br>Pavagada | Turuvekere<br>Koratagere<br>Chikkanaya-<br>kaanahalli | Tumkur<br>Tiptur   |  |
| 10      | Chamarajana-<br>nagar | 4                  | Chamarajana-<br>nagar                         | Gundlupet<br>Kollegal                                 | Yelandur   |  |
| 11      | Chikka -<br>magalore  | 7                  | -   | Kadur   | Chikka -<br>magalore<br>Tarikere<br>Shringeri<br>Mudigere<br>Koppa<br>N R Pura     |  |
| 12      | D Kannada             | 5                  | -   | -   | Bantwal<br>Mangalore<br>(excl.<br>Corp.n.limits)<br>Puttur<br>Sulya<br>Belthangadi | Mangalore<br>(only<br>Corporation<br>limits) |
| 13      | Hassan                | 8                  | -   | Arakalgud   | Hassan<br>Arasikere<br>C R Patna<br>H N Pura<br>Belur<br>Alur<br>Sakleshpura       |  |
| 14      | Kodagu                | 3                  | -   | -   | Madikeri<br>Somwarpet<br>Virajpet  |  |



| Sl. No.                       | Districts | Total No.of Taluks | Zone - 1 (Most Backward Taluks)   | Zone - 2 (More Backward Taluks)     | Zone - 3 (Backward Taluk)                                   | Zone - 4 (Industrially Developed Taluks) |
|-------------------------------|-----------|--------------------|---|-------------------------------------|---|--|
| 15                            | Mandya    | 7                  | -   | Malavalli<br>Nagamangala<br>K R Pet | Mandya<br>Maddur<br>Srirangapatna<br>Pandavapura            |  |
| 16                            | Mysore    | 7                  | H D Kote  | Hunsur<br>T N Pura<br>Nanjangud     | Periapatna<br>Mysore (excl.<br>Corpn. limits)<br>K R Nagara | Mysore (only Corporation limits )        |
| 17                            | Udupi     | 3                  | -   | -                                   | Udupi<br>Kundapura<br>Karkala                               |  |
| <b>North Karnataka Region</b> |           |                    |   |                                     |   |  |
| 18                            | Bellary   | 7                  | Sandur<br>Kudligi   | Siraguppa<br>H B Halli<br>Hadagalli | Bellary<br>Hospet   |  |
| 19                            | Bidar     | 5                  | Bhalki<br>Humnabad<br>B Kalyana<br>Aurad  | -                                   | Bidar   |  |
| 20                            | Gulbarga  | 10                 | Sedam<br>Shourapur<br>Yadgir<br>Chitapur<br>Afzalpur<br>Shahapur<br>Aland<br>Chincholi<br>Jewargi | -                                   | Gulbarga  |  |
| 21                            | Koppal    | 4                  | Kushtagi<br>Yelburga  | Koppal                              | Gangavathi  |  |
| 22                            | Raichur   | 5                  | Sindanorr<br>Manvi<br>Lingasugur<br>Devadurga   | Raichur                             |   |  |

| Sl. No. | Districts    | Total No.of Taluks | Zone - 1 (Most Backward Taluks)            | Zone - 2 (More Backward Taluks)  | Zone - 3 (Backward Taluk)   | Zone - 4 (Industrially Developed Taluks) |
|---------|--------------|--------------------|--|----------------------------------|---|--|
| 23      | Bagalkote    | 6                  | Bilagi                                     | Hunagund<br>Badami               | Bagalkote<br>Mudhol<br>Jamkhandi  |  |
| 24      | Belgaum      | 10                 | -  | Athani<br>Gokak<br>Soundatti     | Belgaum<br>Khnanapur<br>Hukkeri<br>Ramdurga<br>Bailhongal<br>Chikkodi<br>Raibag                 |  |
| 25      | Bijapur      | 5                  | Muddebihal<br>B Bagewadi<br>Indi<br>Sindgi | -                                | Bijapur   |  |
| 26      | Dharwad      | 5                  | -  | Kalghatagi                       | Dharawad<br>Hubli<br>Kundaggol<br>Navalgund   |  |
| 27      | Gadag        | 5                  | -  | Mundargi                         | Gadag<br>Nargund<br>Ron<br>Shirahatti   |  |
| 28      | Haveri       | 7                  | -  | Savanur<br>Shiggaon<br>Hirekerur | Haveri<br>Ranebennur<br>Byadagi<br>Hanagal  |  |
| 29      | U Kannada    | 11                 | -  | Supa<br>Bhatkal                  | Karwar<br>Haliyal<br>Sirsi<br>Mundagod<br>Yellapura<br>Honnavar<br>Ankola<br>Siddapura<br>Kumta |  |
|         | <b>TOTAL</b> | <b>176</b>         | <b>39</b>                                  | <b>40</b>                        | <b>85</b>   | <b>12</b>                                |

## **Package of Incentives and Concessions offered for Investments**

### **1 Investment Promotion Subsidy**

#### a) Micro Mfg. Enterprises

Zone – 1 : 25% VFA (max. Rs.10 lakhs)

Zone – 2 : 20% VFA (max. Rs.7.5 lakhs)

Zone – 3 : 15% VFA (max. Rs.5.00 lakhs)

Zone – 4 : Nil

#### b) Small Mfg. Enterprises

Zone – 1 : 20% VFA (max. Rs.20 lakhs)

Zone – 2 : 15% VFA (max. Rs.15 lakhs)

Zone - 3 : 10% VFA (max.Rs.10 lakhs)

Zone – 4 : Nil

#### c) Med. Mfg. Enterprises\_(Those who employ minimum 25 workers)

Zone – 1 : Rs.30 lakhs

Zone – 2 : Rs.20 lakhs

Zone – 3 : Nil

Zone – 4 : Nil

Notes :

- (i) 25% of the subsidy sanctioned amount will be released every year on refund basis towards the payments made by the unit in respect of gross VAT, ESI and PF and power tariff.

In cases of enterprises which do not use power and not covered under VAT, EPF, ESI the investment subsidy will be released against the loan dues.

- (ii) This incentive is available to enterprises availing term loan to an extent of minimum 50% cost of fixed assets only.
- (iii) The unit shall avail the sanctioned subsidy within the period of five years.

- 1.1 Additional subsidy to SC/ST, Women, Physical challenged, Ex-Servicemen Entrepreneurs and enterprises coming up in most Backward taluks of Hyderabad Karnataka region.

Additional 5% subsidy subject to a maximum of Rs.1.00 lakh, Rs.3.00 lakhs and Rs.5.00 lakhs for Micro, Small and Medium Manufacturing Enterprises respectively.

## 2 Exemption from Stamp Duty

### MSME, Large and Mega Projects :

Stamp duty to be paid in respect of (i) loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing term loans from State Govt. and / or State Financial Corporation, Industrial Investment Development 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 and absolute sale deeds executed by industrial Enterprises in respect of industrial plots, sheds, industrial tenements, by KIADB, KSSIDC,

KEONICS, KSIIDC, Industrial Co-operatives and approved private industrial estates shall be exempted as below :

|          |   |      |
|----------|---|------|
| Zone – 1 | : | 100% |
| Zone – 2 | : | 100% |
| Zone – 3 | : | 75%  |
| Zone – 4 | : | Nil  |

### 3 **Concessional Registration Charges**

#### **MSME, Large and Mega Projects:**

For all loan documents and sale deeds as specified in 2 above, the registration charges shall be at a concessional rate of Re.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 and also for direct purchase of industrially converted lands for the projects approved by SHLCC / 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.

### 4 **Waiver of Conversion Fine**

#### **MSME, Large and Mega Projects**

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

|          |   |      |
|----------|---|------|
| Zone – 1 | : | 100% |
| Zone - 2 | : | 100% |
| Zone – 3 | : | 75%  |
| Zone - 4 | : | Ni.  |

Note: The waiver of conversion fine will be on reimbursement basis after implementation of projects.

## 5 Exemption from Entry Tax

### MSME, Large and Mega Projects:

In Zone – 1, 2 and 3 :

100% exemption from payment of ET 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, 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 5 years from the date of commencement of commercial production.

Zone – 4 : Nil

## 6 Incentives for Exported Oriented Enterprises

### MSME, Large and Mega Projects

(i) Exemption from payment of ET

For 100% EOUs, 100% exemption from payment of ET on ‘Plant & Machinery and Capital Goods’ for an initial period of 3 years from the date of commencement of project implementation **irrespective** of zones.

For other EOUs, (Minimum Export obligation of 25% of their total turnover) 100% exemption from payment of ET on raw materials, inputs, component parts & consumables (excluding petroleum products) for an initial period of 3 years from the date of commencement of commercial production in Zone 1, 2, and 3 and 50% in Zone 4.

## (ii) Refund of Certification Charges :

Refund of expenses incurred for compulsory marking like Conformity Europeenne (CE), China Compulsory Certificate (CCC), etc., to the extent of 50% of expenses subject to a maximum of Rs. 2.00 lakhs per unit for both 100% and other EOUs in all zones.

7 **Exemption of APMC Cess / fees****MSME, Large and Mega Projects**

APMC Cess/ fees in respect of procurement of agriculture produce as specified in the Schedule (inserted by Act No.17 of 1980 and effective from 30.06.1979) Sl.No. II, III, IV, VI, VII, IX and X to the Karnataka APM (Regulation & Development) Act, 1966, directly from farmers for processing by new and existing industries in Zone – 1, 2 & 3 shall be exempted for a period of five years, four years and three years respectively.

Zone – 4 : Nil

8 **Subsidy for setting up ETPs****MSME, Large and Mega Projects**

One time capital subsidy upto 50% of the cost of Effluent Treatment Plants (ETPs), subject to a ceiling of Rs.100 lakhs per manufacturing enterprise in Zone – 1, 2 & 3 and a ceiling of Rs. 50 lakhs in Zone – 4.

9 **Interest Free Loan on VAT****Large and Mega Projects :**

All new large and mega manufacturing Enterprises established in Zone – 1, 2 and 3 shall be offered interest free loan on VAT as specified below:

| Investment range on fixed assets (Rs. cr.) | Min. Direct Emp. (Nos.)  | Quantum of interest free loan  |
|--|--|--|
| 10 (value of plant & machinery) – 50       | Minimum 100 employment and additional 20 employment for every Rs. 10 cr. investment.                 | 50% of assessed gross VAT for initial 5 yrs. subject to the max. of 100% of total value of fixed assets.<br><br>Repayment of the loan shall be in 3 annual instalments after 5 yrs.  |
| 51 – 250                                   | Minimum 200 employment and additional 20 employment for every Rs. 50 cr. investment.                 | 50% of assessed gross VAT for initial 6 yrs. subject to the max. of 75% of total value of fixed assets.<br><br>Repayment of the loan shall be in 3 annual instalments after 6 yrs.   |
| 251 - 1000                                 | Minimum 400 up to Rs.300 Crs and 50 additional employment for every Rs.100 Crs additional investment | 25% of assessed gross VAT for initial 7 yrs. subject to the max. of 50% of total value of fixed assets.<br><br>Repayment of the loan shall be in 4 annual instalments after 7 yrs.   |
| 1001-3000                                  | Minimum 750 for Rs 1000 Crs and additional 25 for every Rs. 100 Crs additional investment            | 25% of assessed gross VAT for initial 10 yrs. subject to the max. of 50% of total value of fixed assets.<br><br>Repayment of the loan shall be in 4 annual instalments after 10 yrs. |
| More than 3000                             | 1250   | 25% of assessed gross VAT for initial 15 yrs. subject to the max. of 50% of total value of fixed assets.<br><br>Repayment of the loan shall be in 5 annual instalments after 12 yrs. |

Zone – 4 : Nil



## 10 Anchor Unit Subsidy

Anchor unit subsidy of Rs.100 lakhs shall be offered for the first two manufacturing Enterprises with minimum employment of 100 members and minimum investment of Rs.50 crores in each of the taluks coming in Zone-1, 2 & 3 will be offered. This subsidy will be applicable only in taluks where no industrial Enterprises with investment of Rs.50 crores and above exist at present.

## 11 Special incentives for Enterprises coming up in low HDI districts

### Only for Large & Mega Projects :

New large scale Enterprises setting up facilities in six districts having bottom most Human Development Index (HDI) and employing atleast 75% local persons as defined in the Sarojini Mahishi recommendations will be offered 75% reimbursement of expenditure on account of contribution towards Employees State Insurance (ESI) and Employees Provident Fund (EPF) scheme for a period of initial five years.

However, these benefits over a period of five years will be limited to 25% of value of fixed capital investment. The amount of reimbursement will be paid annually based on minimum statutory limit subject to the condition that the unit has paid its contribution towards ESI & EPF on the due dates. Following are the six districts having bottom most Human Development Index:

| Sl. No. | District       | HDI* (2001) |
|---------|----------------|-------------|
| 1       | Bagalkot       | 0.591       |
| 2       | Bijapur        | 0.589       |
| 3       | Koppal         | 0.582       |
| 4       | Chamarajanagar | 0.576       |
| 5       | Gulbarga       | 0.564       |
| 6       | Raichur        | 0.547       |

\* As per Karnataka Human Development Report – 2005 published by the Department of Planning & Statistics, Government of Karnataka

## 12 **Interest Subsidy**

### **Micro manufacturing enterprises:**

Interest subsidy @ 5% on term loans. The interest subsidy is payable only on the interest actually paid to financial institutions and not defaulted in payment of principle or interest installments. The amount of interest subsidy will be effective rate of interest (after deducting interest subsidy) receivable by any institutions / under any Govt. of India scheme or 5% per annum whichever is less). The period of interest subsidy is 5 years, 4 years and 3 years in Zone -1, Zone 2 and Zone 3 respectively.

## 13 **Exemption from Electricity Duty**

### **Micro & Small Mfg. Enterprises**

100% exemption of electricity duty / tax for the initial period of five years, four years and three years in Zone – 1, Zone-2 and Zone-3 respectively.

## 14 **Technology Upgradation, Quality Certification and Patent Registration**

### **Micro & Small Mfg. Enterprises**

#### (i) Interest Subsidy on TU Loan :

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

#### (ii) ISO series certification :

Zone 1, 2, 3 & 4: 75% of cost (max. Rs.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 equipments as approved by BIS.

## (iv) Patent registration :

75% of cost of fees payable to Patent Office (max. Rs.1.25 lakhs) and 50% of cost (max. Rs.75,000) towards attorney fees, patent search etc.

## (v) Technology Adoption :

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

## (vi) Technology Business Incubation Centre : 25% of the project cost (Max : Rs.50 lakhs).

15 **Water harvesting / Conservation Measures****Small & Medium Mfg. enterprises in all Zones.**

- (i) Rain water harvesting : 50% of cost (max. Rs. 1 lakh)
- (ii) Waste water recycling : 50% of cost (max. Rs. 5 lakh)
- (iii) Zero discharge process : 50% of cost (max. Rs. 5 lakh).

16 **Energy Conservation****Small & Medium mfg. enterprises in all zones.**

Practicing Energy Conservation measures resulting in reduction of Energy Consumption of atleast 10% of earlier consumption: 10% of capital cost (max Rs.5 lakh).

Use of non-conventional energy sources: 10% of capital cost (max. Rs.5 lakh).

**17 Addl. Incentives to the enterprises following Reservation Policy of the State**

Medium, Large and Mega Manufacturing Enterprises in all zones employing more than 100 persons :

50% reimbursement of expenditure incurred for employees coming under reserved category towards contribution to ESI & EPF schemes for a period of initial 5 years.

**18 Refund of cost incurred for preparation Project Reports**

**Micro & Small Mfg. Enterprises**

Zone 1, 2 & 3 : The cost incurred for preparation of project reports by TECSOK/CEDOK/KSFC or any other recognized institutions for availing loans shall be reimbursed to the maximum of Rs.10,000/- per unit subject to financing of the unit.

**19 Support to Sugar Sector**

New sugar factories and existing sugar factories who have not availed purchase tax deferment having co-generation facilities and ethanol production would be considered for conversion of purchase tax on sugar cane as interest free loan on case to case basis depending on the financial position of the factory

In case of existing Sugar factories which establish co-generation plants, ethanol plant, such investment will be treated as expansion for availing incentives & concessions as per this Policy, but limited to the investment made on such additional projects.

**List of Service Enterprises eligible for package of  
Incentives and Concession**

- 1 Logistics facilities supporting to industries only (Defined Separately)
- 2 Material Testing Centre
- 3 R & D Centres
- 4 Technical testing and analysis servicing
- 5 Maintenance and repair of equipment
- 6 Packaging services
- 7 Refuse disposal services
- 8 Tailoring
- 9 Flour mills
- 10 Printing
- 11 General engineering, fabrication, motor winding, automobile servicing and repairs, electro plating, industrial paintings, etc., engaged in job work
- 12 Weigh bridges and health care facility set up within the KIADB / KSSIDC industrial areas

State Level Co-ordination Committee is empowered to add / delete service activities listed in this Annexe.

**List of Industrial Activities / Enterprises not eligible for  
Incentives and Concessions**

- 1 Breweries & Distilleries of all types excluding winery
- 2 Enterprises utilizing molasses / rectified spirit / denatured spirit as main raw material for manufacture of potable alcohol
- 3 Khandasari and Jaggary making enterprises
- 4 Photo Studios & Color Processing Enterprises
- 5 Photo Copying & Xerox Machines
- 6 Fertilizer Mixing
- 7 Re-packing of Drugs / Medicines / Chemicals, without any processing or value addition
- 8 All types of Saw Mills
- 9 Beedies / Cigarettes / Cigars / Gutka & Tobacco based products
- 10 Azoic / Reactive Dyes
- 11 Fire Crackers
- 12 Industries manufacturing and or utilizing Ozone depleting substances
- 13 Power Laundries
- 14 Brick making Enterprises Excluding Cement Hollow Blocks, wire cut & fly ash bricks and Refractory bricks
- 15 Poultry excluding hatcheries
- 16 Popcorn, Ice Cream, Kulfi & Ice candy making Enterprises
- 17 Coffee Roasting and Grinding
- 18 Clock and Watch Repair shops
- 19 Cassette recording [Audio & video]
- 20 Cyanide
- 21 Mining
- 22 Lime kiln / burnt lime
- 23 Hotels and motels
- 24 X-ray clinics and clinical / pathological laboratories and scanning, M.R.I. tests
- 25 All industries of mobile nature like rigs, concrete mixing plants, hot mix plants including site oriented industries.

## **Definitions and Terms & Conditions for sanction of Incentives and Concessions**

### **1 Definitions**

- a) As per the MSMED Act, 2006, **Manufacturing** Enterprises have been defined based on of investment in plant and machinery and classified into:
- Micro Enterprises - Investment upto Rs.25 lakhs
  - Small Enterprises - Investment above Rs.25 lakh and upto Rs.500 lakhs.
  - Medium Enterprises - Investment above Rs.500 lakhs and upto Rs.1,000 lakhs.
- b) As per the MSMED Act, 2006, **Service** Enterprises have been defined based on investment equipment and classified into:
- Micro Enterprises - Investment upto Rs.10 lakh
  - Small Enterprises - Investment above Rs.10 lakh and upto Rs.200 lakhs.
  - Medium Enterprises - Investment above Rs.200 lakhs and upto Rs.500 lakhs.
- c) **Large Scale Industry:**
- An Industrial Unit which is not classified as Micro, Small and Medium Enterprise and with investments upto Rs. 250 cr. shall be classified as large scale industry.
- d) **Mega Project:**
- Projects with an investment of Rs.250 crores and above

e) 100% Export Oriented Enterprises [Export Oriented Enterprises]

A 100% Export Oriented Enterprises is one which undertakes to export its entire production of goods subject to relaxation as permitted by Govt. of India from time to time. 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.

f) **Fixed Asset:** Fixed assets shall mean the total investment made on land, building and plant and machinery and such other productive assets like tools, jigs, and fixtures, dies, utilities like boilers, compressors, diesel generating sets, cranes, material handling equipments and such other equipments directly related to production purposes.

**II) Sanction of Incentives & Concessions as per this Government Order is Subject to the following terms and Conditions:**

a) All new industrial investments shall create maximum possible additional employment opportunities and provide a minimum 80% of employment to the local people on an overall basis [100% employment to local people in case of Group C & D categories will be insisted] and this will be monitored during disbursement of incentives and concessions.



The above requirements regarding employment to local people will be monitored by the DIC for a period of 5 years. Failure of the industries to provide employment to local people as stipulated above will be reported to the concerned DLSWCC/ SLSWCC/ SHLCC, which will recommend for recovery of incentives and concessions sanctioned to the unit, for which purpose a suitable under-taking will have to be furnished by the unit concerned before sanctioning incentives and concessions.

- b) These incentives and concessions shall not be available for the Enterprises listed in Annexe – 4 irrespective of the location.
- c) The incentives and concessions as per this Government Order shall be applicable only to all new and additional investments made on or after 01.04.2009.
- d) The incentives and concessions under this policy will be available to all new investments both for establishment of new Enterprises or for expansion, diversification and modernization of existing industries. To be eligible for considering as expansion / diversification / modernization, enterprises shall make an additional investment of at least 50% of the original investment of the existing unit.
- e) The quantum of investment subsidy shall be computed on the value of fixed assets as approved by the financial institutions or commercial banks.

- f) The definition of Micro, Small, Medium Enterprises and Large Scale Industry as indicated above shall automatically stand revised as and when Government of India makes any changes in such definition and benefits under this package shall be available to the Micro, Small, Medium Enterprises and Large Scale Industry as per the new definition from the respective dates.
- g) The validity of incentives and concessions as per this order shall be for a period of five years from 1<sup>st</sup> April 2009 [i.e., upto 31<sup>st</sup> March 2014].
- h) Wherever industrial Enterprises avail subsidy / interest subsidy under any other schemes of Govt. of Karnataka / Govt. of India, only differential amount of Subsidy/ interest subsidy, if any, would be provided under this policy.
- i) Incentives and concessions under this policy shall be available only for manufacturing Enterprises. However, specified categories of industry related service enterprises as listed in Annexe – 3 shall also be eligible for incentives and concessions as per this order.
- j) The incentives and concessions under this policy will come into force from 1<sup>st</sup> April 2009. With the announcement of this policy, all other Industrial Policies announced earlier stands withdrawn. However, industrial Enterprises which have already been sanctioned incentives and concessions under the earlier package/ Government Order shall continue to enjoy those benefits as per the sanction order already issued.

k) Industrial Enterprises which were in the process of being established at the time of announcement of Industrial Policy 2006-11 vide G.O.No. C I 319 SPI 2005 dt. 26.8.2006 shall be eligible for incentives and concessions under the 2001-06 policy vide G.O.No. C I 167 SPI 2001 dt. 30.6.2001 subject to the following terms and conditions:

(i) For Bank finance cases:

All cases where loan is sanctioned by the financial institutions prior to 1.4.2006 will be considered under 2001-06 Policy subject to fulfillment of all the following conditions before 01.04.2006.

- 1) The unit should have obtained valid PRC/IEM before 31.3.2006.
- 2) First release of loan amount should have been released.
- 3) Orders should have been placed for plant and machinery.
- 4) 50% of the building should have been constructed and such Enterprises shall have commenced commercial production on or before 30.09.2006.

(ii) For self financed cases:

In case of self financed Enterprises the following conditions shall be satisfied as on 31.3.2006 to become eligible under 2001-06 Policy for availing incentives and concessions.

- 1) The unit should have obtained PRC/IEM acknowledgment before 31.3.2006.

- 2) Land should have been acquired/ land should have been converted in case of agriculture land or should have entered into lease agreement in respect of leased land/building.
- 3) 50% of the building should have been constructed in respect of Own/Leased land.
- 4) Orders should have been placed for plant and machinery and the Enterprises should have commenced commercial production before 30.09.2006.

However, such cases shall make an application for grant of investment subsidy before 30<sup>th</sup> September, 2009. After which no applications will be entertained under 2001-06 policy. The Enterprises not satisfying the above condition, automatically falls under 2006-11 policy. New investment in 2006-11 industrial policy shall mean establishment of new units and also existing units making additional investment undertaking expansion/ diversification / modernization.

Industrial Enterprises which are in the process of being established at the time of announcement of this Industrial Policy 2009-14, shall have an option of availing incentives and concessions under the 2006-11 policy provided, loan is sanctioned by the financial institution prior to 01.04.2009 and subject to fulfillment of following conditions.

- 1) First release of the loan should be before 01.04.2009.
- 2) Orders should have been placed for plant and machinery
- 3) Such Enterprises shall commence commercial production on or before 30.09.2009.

The above option should be exercised prior to 30.06.2009 and should be registered with Commissioner for Industrial Development and Director of Industries and Commerce, Bangalore or in Office of the concerned District Industries Centres with necessary documentary evidence. Options once exercised cannot be withdrawn and shall be binding. Enterprises which do not exercise such option prior to 30.06.2009 shall automatically be governed by the provisions of this order.

- l) All eligible Enterprises under 2006-11 and 2009-14 policies shall submit application for sanction of incentives before the concerned District Industries Centres within a period from 6 months from the date of commencement of commercial production. Enterprises who fail to comply this deadline will not be eligible for investment subsidy.
- m) Investments made by an existing unit/ new unit on the land, building, plant and machinery acquired from financial institutions under Section 29 of the SFCs Act shall not be eligible for any incentives and concessions.
- n) Incentives and concessions for investments in the IT / BT / Tourism / Wine Sector / Neera processing sector / Infrastructure Development sector will however continue to be governed by the respective policies of the Government.
- o) Unit shall avail incentives and concessions under one Industrial Policy only unless otherwise specified.

- p) Separate 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 Principal Secretary to Government, C&I Department. Interpretation of Government Orders (including of previous policies) and the decision thereon of this State Level Coordination Committee shall be final.

## Contents

|                 |  |    |
|-----------------|--|----|
| 1               | Introduction   | 1  |
| 2               | Vision   | 3  |
| 3               | Mission  | 3  |
| 4               | Strategies   | 3  |
| 5               | Policy Measures  |    |
| 5.1             | Streamlining of land acquisition through Inclusive Development:  | 5  |
| 5.2             | Management of industrial areas / estates   | 7  |
| 5.3             | Quality Infrastructure   | 7  |
| 5.4             | Development of Special Economic Zones  | 11 |
| 5.5             | Skill Development  | 11 |
| 5.6             | Entrepreneurship Development   | 12 |
| 5.7             | Focus on MSME Sector   | 13 |
| 5.8             | Boost to the Manufacturing Sector  | 15 |
| 5.9             | Promotion of Exports   | 16 |
| 5.10            | Conservation of scarce resources   | 16 |
| 5.11            | Award for best practices   | 17 |
| 5.12            | Other Policy initiatives of the State for Encouraging Potential Sectors  | 18 |
| 5.13            | Facilitation   | 19 |
| 5.14            | Incentives and Concessions   | 20 |
| 5.15            | Miles Stones and review of Implementation  | 21 |
| <b>Annexes:</b> |  |    |
| 1               | Classification of taluks into Zones for the purpose of administering graded scale of incentives and concessions. | 23 |
| 2               | Package of incentives and concessions offered for investments  | 27 |
| 3               | Illustrative list of service enterprises eligible for incentives   | 37 |
| 4               | List of industrial activities / Enterprises not eligible for incentives and concessions respectively.            | 38 |
| 5               | Definitions, terms and conditions for sanction of incentives   | 39 |