

**Gujarat Industrial Policy 2015 -  
Scheme for Incentive to Industries**

**Government of Gujarat  
Industries & Mines Department  
Resolution No.INC-102015-645918-I  
Sachivalaya, Gandhinagar  
Dated: 25/07/2016**

**Read: Industrial Policy 2015 of Government of Gujarat**

**Preamble**

Gujarat has always been at the forefront of economic growth in the country. It is one of the leading industrial states. Government of Gujarat has announced an ambitious Industrial Policy 2015, in January 2015, with the objective of creating a healthy and conducive climate for conducting business and augmenting the industrial development of the state. The Industrial Policy has been framed with the broad idea of enhancing industrial growth that empowers people and creates employment, and establishes a roadmap for improving the state's ability to facilitate business. Gujarat's development vision will continue to emphasize on integrated and sustainable development, employment generation, opportunities for youth, increased production and inclusive growth.

**Make in India** is a prestigious program of Government of India. The Industrial Policy 2015 of the Government of Gujarat envisages a focused approach on the Make in India program as the state's strategy for achieving growth. Gujarat is a national leader in 15 of the 25 sectors identified under the Make in India program, and is also focusing on 6 more sectors. Thus, with a strong base in 21 out of the 25 sectors under Make in India, Gujarat can take strong leadership in this prestigious program of the Government of India.

The Industrial Policy 2015 aims to encourage the manufacturing sector to upgrade itself to imbibe cutting edge technology and adopt innovative methods to significantly add value, create new products and command a niche position in the national and international markets. Creating forward and backward linkages

in manufacturing will help in creating a strong multiplier effect in the economy, which would boost consumption and growth.

In order to achieve its vision of making the state a globally competitive industrial and innovative destination, that stimulates sustainable development and promotes inclusive growth, and to facilitate investments into the state, the Industrial Policy 2015 outlines a strategy for achieving growth that includes the promotion of labour intensive industries, a focused approach for industrially under-developed areas, accelerating the development of infrastructure, strengthening sector specific approach, up-gradation of technology and R&D. The policy also provides for a special focus on MSMEs, with a view to enhance their competitiveness and making them more technology driven.

The industrial and investment scenario in the country is getting more and more competitive, with almost all the major industrial states announcing liberal incentive policies during the last few years. It is necessary for Gujarat to maintain its competitive edge in attracting new investments into the state, which is essential for increased production and new employment opportunities. The state government has announced a few incentive schemes during the last three years for certain sectors or categories of industries. It is to note that most of the major industrialized states have announced incentive policies for new investment in all sectors of the industry in their states. During the national and international road shows held in the run-up to the Vibrant Gujarat Global Summit 2015, one of the major concerns expressed by the participants and prospective investors, was the lack of an incentive scheme for making fresh investments in the state, especially in comparison to the major industrialised states of the country.

In view of the above, introduction of a scheme for giving incentives to new investments in the state in the manufacturing sector was under consideration of government. After careful consideration, government is pleased to introduce a scheme to provide incentives to attract increased investments to the state in the manufacturing sector to create more employment opportunities, for balanced regional growth and inclusive development of the state.



## **Resolution**

1. The scheme shall be known as **Scheme for Incentive to Industries (General) 2016-2021**.
2. The operative period of the scheme shall be five years from the date of this resolution.

### **3. Definitions**

- (i) **Industrial Undertaking** : Industrial Undertaking means a legal entity such as company, partnership firm including LLP, society, trust, industrial cooperative society, or proprietary concern engaged or to be engaged in the manufacture, production, processing or job work of articles.
- (ii) **Micro, Small and Medium Industrial undertaking** : A micro, small or medium industrial undertaking under this scheme means an industrial project which satisfies the conditions of micro, small or medium under the MSME Development Act, 2006 of Government of India, and has acknowledgement of Entrepreneurs Memorandum or Udyog Aadhaar filed with the competent authority.
- (iii) **Large Industrial undertaking** : A large industrial undertaking means an industrial project in which the gross fixed capital investment made is higher than the maximum prescribed for a medium enterprise as under the MSME Development Act, 2006, but lower than Rs. 1000 crore, and for which an Industrial Entrepreneurs Memorandum as prescribed by the Government of India has been filed.
- (iv) **Mega Industrial undertaking** : A mega industrial undertaking means an industrial project in which the gross fixed capital investment made is Rs. 1000 crore or above but less than Rs. 4000 crore, and for which an Industrial Entrepreneurs Memorandum as prescribed by the Government of India has been filed.
- (v) **Ultra Mega Industrial undertaking** : An ultra-mega industrial undertaking means an industrial project in which the gross fixed capital investment made is Rs. 4000 crore or above, and for which an Industrial

Entrepreneurs Memorandum (IEM) as prescribed by the Government of India has been filed.

- (vi) **New Industrial Unit :** A New Industrial Unit means a new industrial project set up by an industrial undertaking that has commenced the commercial production during the operative period of the scheme, provided it satisfies the following conditions:
- a) The new project should have obtained a separate Letter of Intent or a Letter of Approval or has filed Industrial Entrepreneur Memorandum (IEM) or Entrepreneur Memorandum (EM) / Udh yog Aadhar, as prescribed by the Government of India, with the competent authority.
  - b) The new project should have separately identifiable fixed capital investment. 'Separately identifiable capital investment' means the new plant and machinery should be housed in separate premises/ building and shall have to maintain separate books of accounts. However, the new project will not lose its eligibility, if the utilities of an existing project, such as for water, electricity, steam, gas, pollution control facilities etc. are utilized.
- (vii) **Industrial Complex :** Industrial Complex means more than one new project set up by an industrial undertaking for manufacturing of more than one product at a single location.
- (viii) **Existing Industrial Unit :** An Existing Industrial Unit means an industrial project that is in production before initiating the expansion at the same location/ premise. A new industrial unit set up under this policy that decides to carry out expansion of existing production line during the operative period of the scheme will be termed as existing industrial unit in reference to the expansion.
- (ix) **Expansion :** Expansion means where an existing industrial unit increases its investment in gross fixed capital by at least 50% at the same location of its existing project, of which at least 60% of investment is made in plant and machinery, and also increases its installed capacity by at least 50% of existing products for which expansion is carried out. Such expansion will

be eligible only if the existing industrial unit has reached the utilization of existing installed capacity at least to the extent of 75% in any one of the preceding three financial years.

- (x) **Installed Capacity** : Installed Capacity means the optimum production capacity of the plant. In case of company registered under the Companies Act, the installed capacity stated in the latest annual report will be considered as the installed capacity. In case of other legal entities, the installed capacity as mentioned in the appraisal report prepared by a bank or financial institution will be considered as the installed capacity. Where no such appraisal is available, then the production capacity as worked out by the Industries Commissioner, or by an officer authorized by him, will be considered as the installed capacity.
- (xi) **Net VAT** : Net VAT means the tax including Additional Tax paid on sale of product after adjusting the tax credit of tax, including Additional Tax on purchases, under Gujarat Value Added Tax Act, 2003.
- (xii) **Gross Fixed Capital Investment** :
- a) Gross Fixed Capital Investment means the investment made in land, building, plant and machinery, utilities, tools and equipment, and other assets required to manufacture the end product.
  - b) The Gross Fixed Capital Investment shall be considered to decide the category of the project.
  - c) Assets acquired and paid for after coming into force of the Industrial Policy 2015 of the Government of Gujarat (i.e. on or after 01-01-2015) and within the time period specified in paragraph 5 of this resolution for completion of the investment, shall be considered for determining the gross fixed capital investment.
- (xiv) **Project Cost** : Project Cost means the total cost of the project minus the margin for working capital.

**Explanation:** The category of the project would be decided on the basis of project cost mentioned in the application for registration or as per the

project report submitted by the industrial undertaking. However, while deciding the final eligibility of the project for the incentive, total fixed capital investment made in the project or the cost appraised by the bank or financial institution, whichever is lower, will be considered.

(xv) **Eligible Fixed Capital Investment** : Eligible Fixed Capital Investment means investment made on or after 01-01-2015 and on or before the date specified in paragraph 5 of this resolution for completion of the investment, in -

A. **Land** : The actual purchase price as per the registered document of the land or the price calculated as per the prevailing Jantri rate, whichever is lower, shall be considered as the cost of land for the project, plus stamp duty and registration fee. In case of land allotted by GIDC or by an approved industrial park, the actual allotment price paid shall be considered as the cost of land.

B. **New Building** : A New Building means a new building constructed, or the acquisition of a new and unused building, for the project, including administrative building. The cost of a new building shall be calculated as per the actual cost or the Schedule of Rates (SOR) of the relevant year of the R&B department of the State Government, whichever is lower.

The cost of new buildings constructed for installation of plant and machinery, R&D activities, in-house testing facilities, storage facilities, and other buildings related to the manufacturing process, shall be considered as per the actual expenditure incurred.

Building acquired under lease or on rental basis, except GIDC sheds, will not be considered as eligible fixed capital investment. No cost incurred on acquisition of old building, or the expenditure incurred on repairing a building, will be considered as eligible fixed capital investment.



C. **Other Construction** : Other construction means construction such as compound wall and gates, security cabins, internal roads, bore well, water tank, internal pipeline network for water and gas, and other related constructions.

D. **Plant and Machinery** : Plant and machinery means new plant and machinery, and imported second hand plant and machinery having usable life for at least further ten years which is duly certified by Chartered Engineer, utilities, dies and moulds, including cost of transportation, foundation, erection, installation and electrification, capitalized under the head of plant and machinery. The electrification cost will include the cost of sub-station and transformer installed by the industrial unit.

Plant and machinery shall include:

1. Plant for non-conventional energy;
2. Vehicles used for transportation only within the premises of the industrial unit, and material handling equipment exclusively used in transporting goods within such premises;
3. Plant for captive power generation/co-generation;
4. Plant for desalination of sea water or purification of water;
5. Plant for pollution control measures, including facility for collection, treatment, disposal of effluent or solid/hazardous waste;
6. Diesel Generating sets of capacity not more than 50% of the connected electric load or 25 MW, whichever is less.

E. **Technology, Design and Drawings, Patents** : The cost incurred in acquiring technology, design and drawings, patents, limited to 10% of the project cost.

F. **Project related infrastructure** : Fixed capital investment made in the following assets/items will be considered as project related infrastructure. Direct expenditure incurred for the following items will also be considered to determine the eligibility under this head:

1. Residential colony, hospital, school or sports facilities created for workers and staff of the industrial unit;
2. Feeder road to the industrial unit from the nearest approach road;
3. Dedicated facilities created for carrying water, gas, raw material required by the project through pipeline;
4. Non-refundable deposit paid to electricity company for transmission of electricity from the nearest sub-station;
5. Expenditure on electronic telephone exchange and laying of telecommunication cables;
6. Construction of building for bank or post office, if provided by the unit without any charge;
7. Training Centre to train local people for employment in the project and Skill Development Centre;
8. Expenditure on transport facilities, such as buses, for conveyance of workers from nearby villages/towns to the factory premises.

Out of the investment in the above stated infrastructure, or any other item of infrastructure approved by the committee for ultra-mega industrial projects, the expenditure of up to 20% only thereof shall be considered for inclusion in the final eligible capital fixed capital investment.

**(xvi) Ineligible Capital Expenditure**

The following expenditure shall not be considered for calculating the eligible fixed capital investment:

1. Working capital
2. Goodwill
3. Royalty
4. Preliminary and pre-operative expenses
5. Indigenous second hand plant and machinery
6. Interest capitalized
7. Power generation, except for captive use



#### 4. Applicability

This scheme shall be applicable to a new industrial unit, or an existing industrial unit that undertakes expansion, and which commences commercial production during the operative period of the scheme.

#### 5. Time period for consideration of eligible fixed capital investment

In order to be eligible for incentive under this resolution, the industrial unit must have commenced commercial production during the operative period of the scheme.

The assets acquired and paid for from the date of coming into force of the Industrial Policy 2015 of the Government of Gujarat (i.e. on or after 1/1/2015) till the time period specified below shall be considered for determining the gross fixed capital investment and the eligible fixed capital investment.

1.	Ultra Mega Industrial Undertaking	24 months from the DOCP
2.	Mega Industrial Undertaking	18 months from the DOCP
3.	Large Industrial Undertaking	15 months from the DOCP
4.	Micro, Small or Medium Industrial Undertaking	12 months from the DOCP

*DOCP: Date of Commencement of Production*

#### 6. Category-wise classification of talukas under the scheme and Ineligible Areas

Based on the existing investment in the large industrial projects in the talukas, the talukas are classified in categories as per Annexure-A.

If a project is located in the geographical limit of more than one taluka, then the taluka in which the project has the largest percentage of land area will be considered as the eligible category of taluka under the scheme.

An industrial undertaking located within the municipal corporation limits of Ahmedabad, Surat, Vadodara, Rajkot, Jamnagar and Bhavnagar will not be eligible for incentive under this resolution.

## 7. Ineligible Industries

Ineligible industries means the industries listed in Annexure 'B' to this resolution. Ineligible industries shall not be eligible for incentive under this scheme.

**Note 1** - An industrial undertaking that has availed any incentive for the same assets under any scheme of the state government, or any agency of the state government, shall not be eligible for incentive under this scheme.

**Note 2** - An industrial undertaking that shifts to a new location by closing down, completely or partially, the original unit in the previous location will not be eligible for incentive under this scheme.

## 8. Quantum of Incentive

**8.1** An eligible industrial undertaking will be eligible for incentive according to the classification of the project (Ultra Mega, Mega, Large, MSME), the category of the taluka, and the eligible fixed capital investment.

The percentage of eligible fixed capital investment entitled for incentive, the percentage of net VAT for reimbursement, and the period from the date of availment of incentive shall be as prescribed in the table below:

**Table**

<b>Cate- gory of Taluka</b>	<b>% of eligible fixed capital investment entitled for incentive</b>	<b>% of Net VAT reimbursemen t to the unit</b>	<b>% of Net VAT to be paid to Government</b>	<b>Incentive period (no. of years)</b>
1	100%	90%	10%	10
2	80%	80%	20%	10
3	70%	70%	30%	10

**8.2** Net VAT incentive to be reimbursed to the industrial undertaking in one financial year will not exceed one-tenth of the total amount of eligible incentive, subject to a maximum amount in a financial year as below:

<b>Classification of the Project</b>	<b>Amount (in Rs. crore)</b>
<b>1</b>	<b>2</b>
Ultra Mega Industrial Unit	500

Mega Industrial Unit	400
Large Industrial Unit	150
Micro, Small or Medium Industrial Unit	50

In case of eligible period starting and ending in between a financial year, the ceiling limit for that financial year will be fixed in proportion to the annual eligible limit.

- 8.3** If the industrial undertaking availing incentive under this resolution is already manufacturing the same product in one or more existing industrial units in Gujarat owned by it or by its subsidiary, then the amount of net VAT paid by all such existing industrial units on the same product for five consecutive years commencing from the year in which the industrial undertaking avails incentive under this resolution shall not be lower than the average net VAT paid on the same product in the immediately preceding three financial years from the year in which the industrial undertaking avails incentive under this resolution.

If the amount of net VAT so paid by the existing industrial units in any of the five consecutive years is lower than the average net VAT paid in the immediately preceding three years from the year in which the industrial undertaking avails incentive under this resolution, then the amount of incentive availed under this resolution shall be reduced to that extent in the year in which the net VAT paid is lower.

## **9. Conditions for availing incentive**

1. An industrial undertaking eligible for reimbursement of Net VAT shall be considered as a normal dealer under the Gujarat Value Added Tax Act, 2003 and the rules made thereunder. The incentive shall be available in the form of reimbursement only.
2. The eligible industrial undertaking will be allowed reimbursement of net VAT paid to the extent of rates as outlined under paragraph 8 of this resolution.



3. The eligible industrial undertaking shall manufacture the goods on its own for which it is eligible for incentive.
4. The eligible industrial undertaking shall remain in production during the incentive period.
5. The eligible industrial undertaking shall have to make e-payment and submit e-returns.
6. In the GST regime –
  - (i) necessary modifications will be made in order to maintain the same quantum of incentives as available under the existing VAT regime, subject to conditions as may be decided by the state government, and the decision of the state government shall be final.
  - (ii) the industrial undertaking shall be reimbursed the eligible incentive up to the extent of the State GST paid on intra-state sale, subject to the tax actually realised in the government treasury, within the eligible amount and period.

## 10. Sanctioning Authorities

The authorities empowered to register an enterprise and sanction incentive/assistance under this scheme shall be as under:

### 10.1 Committee for Ultra Mega and Mega Industrial Undertakings

1	Hon'ble Chief Minister	Chairman
2	Hon'ble Minister for Finance	Member
3	Hon'ble Minister for Industries	Member
4	Chief Secretary	Member
5	Additional Chief Secretary, Finance Department	Member
6	Additional Chief Secretary, Industries & Mines Department	Member
7	Principal Secretary, Environment & Forest Dept	Member
8	Principal Secretary, Labour & Employment Dept	Member
9	Principal Secretary, Revenue Department	Member
10	Industries Commissioner	Member Secretary

## 10.2 Committee for Large Industrial Undertakings

1	Chief Secretary	Chairman
2	Additional Chief Secretary, Finance Department	Member
3	Additional Chief Secretary, Industries & Mines Department	Member
4	Principal Secretary, Environment & Forest Dept	Member
5	Principal Secretary, Labour & Employment	Member
6	Principal Secretary, Revenue Department	Member
7	President, Gujarat Chamber of Commerce	Member
8	Industries Commissioner	Member Secretary

## 10.3 Committee for MSME Projects

1	District Collector	Chairman
2	District Development Officer	Member
3	Deputy Commissioner, Commercial Taxes	Member
4	Divisional/Regional Manager, GIDC	Member
5	Deputy/Assistant Commissioner of Labour	Member
6	President of a reputed Industries Association in the District, to be nominated by District Collector	Member
7	General Manager, District Industries Centre	Member Secretary

## 11. Chief Minister's Cabinet Committee for Industrial Promotion & Monitoring (CCCIPM)

Under special circumstances, in the event of need as may arise in a particular case or cases, or for certain categories regarded as priority, the Chief Minister's Cabinet Committee for Industrial Promotion & Monitoring (CCCIPM), formed under I&MD GR No. IND-102015-66447-I dated 21/02/2015, may sanction customized package or make suitable changes in the terms and conditions of the incentives and/or may sanction additional incentives than that provided under this scheme.

## **12. Interpretation**

Any dispute or difference of opinion regarding the interpretation of the provisions of this resolution shall be referred to the Committee for Ultra Mega and Mega Industrial undertakings, constituted under paragraph 10.1 of this resolution, the decision of which will be final and binding.

## **13. Application for Registration**

An industrial undertaking eligible for incentive under this GR shall apply for provisional registration to the concerned District Industries Centre in case of micro, small and medium project, and to the Industries Commissioner in case of large, mega and ultra mega project, in the prescribed format, during the operative period of the scheme, along with the following documents, as applicable:

- (i) Document of registration of the industrial undertaking, as applicable under law, and the Industrial Entrepreneur Memorandum or Udyog Aadhar, as prescribed by Government of India.
- (ii) Documents related to legal possession of land with valid non-agriculture permission for industrial use, and registered purchase deed. If the plot or shed is in GIDC estate, a copy of possession letter should be attached.
- (iii) Consent to Establish from GPCB, if applicable.
- (iv) Detailed Project Report.

## **14. Registration**

- (i) After receipt of the application, the sanctioning authority will scrutinize it and, if approved, the Industries Commissioner shall issue registration certificate.
- (ii) The registration certificate shall be valid up to 180 days from the date of commencement of production and, during this period, the industrial undertaking shall have to submit an application to the authorized officer for provisional eligibility to avail net VAT incentive.

