**About Invest India**

Invest India is the National Investment Promotion and Facilitation Agency of the Government of India mandated to facilitate investments in India. Besides investor targeting and facilitation, Invest India runs effective programs for resolving issues and grievances of existing investors through its after-care programs.

A 150+ member team provides sector and state-specific investment opportunities, advises investors on regulatory procedures and clearances, and hand-holds investors through the entire investment process. Invest India teams comprise of highly educated and experienced professionals, with prior experience of working with foreign multinationals across areas such as investment banking, consulting, corporate strategy, taxation and so on.

Headquartered at New Delhi, Invest India coordinates with all Indian stakeholders such as central ministries, state governments, Indian missions across the globe, regulatory bodies, industry chambers, etc. In addition, Invest India has forged partnerships with a large number of foreign stakeholders such as foreign missions and trade offices in India, investment promotion agencies for key FDI investor countries, export industry associations and bilateral chambers. The firms has a strong working relationships with all Indian states and union territories, where it works to build capacity, formulation of regional plans for investment facilitation and industrial cluster development.

Invest India, set up in 2009, is a non-profit venture under the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India. Currently, it manages key national missions and initiatives such as Make in India, Start-up India, Project Monitoring Group, Accelerating Growth of New India’s Innovations (AGNi), India Investment Grid (IIG) and Industrial Information System (IIS).

Considering the need to promote investment in sustainable development, the UNCTAD Investment Promotion Award 2016 for excellence in promoting investment in the least developed countries and Sustainable Development Goals was won by Invest India. India also won the prestigious The UNCTAD Award 2018 for promoting investment in the Annual Investment Meeting (AIM) organized by the Ministry of Economy, UAE. Invest India has won the Best Investment Project Award three years in a row (2016, 2017 and 2018) at the 10th CNBC-Awaaz Real Estate Awards. It has also been acknowledged as ‘Property Consultant of the Decade’ at the 10th CNBC-Awaaz Real Estate Awards 2015.

**About JLL**

JLL (NYSE: JLL) is a leading professional services firm that specialises in real estate and investment management. Our vision is to reimagine the world of real estate, creating opportunities and amazing spaces where people can achieve their ambitions. In doing so, we will build a better tomorrow for our clients, our people and our communities. JLL is a Fortune 500 company with annual revenue of $16.3 billion operations in over 80 countries and a global workforce of over 90,000 as of December 31, 2018. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. For further information, visit jll.com

**About JLL India**

JLL is India’s premier and largest professional services firm specialising in real estate with an audited revenue of $1.144 million for FY 2018-19. The Firm is growing from strength to strength in India for the past two decades. JLL India has an intensive presence across 15 major cities (Mumbai, Delhi NCR, Bengaluru, Pune, Chennai, Hyderabad, Kolkata, Ahmedabad, Kochi and Coimbatore) and over 130 (of II & B Mkt) with a cumulative strength of 12,200+ professionals.

The Firm provides investors, developers, local corporates and multinational companies with a comprehensive range of services. This includes leasing, capital markets, research & advisory, transaction management, project development, facility management and property & asset management. These services cover various asset classes such as commercial, residential, industrial, readymade warehouse and logistics, hospitality, healthcare, senior living, data center and education.

JLL India won the Five Star Award for Best Property Consultancy at the International Property Awards Asia Pacific 2018 - 19. The Firm was also recognised amongst the ‘Top 100 Best Places to Work in India’ three years in a row (2017, 2018 and 2019) in the annual survey conducted by Great Place to Work® and The Economic Times. The Firm has also been acknowledged as ‘Property Consultant of the Decade’ at the 20th CNBC-Awaaz Real Estate Awards 2015. For further information, please visit jll.in

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**Acknowledgement**

Mansi Anand, Sunita Rajeev, Tarun Kumar, Deepa Upadhyay & all the industry experts who shared their valuable insights on the various aspects of the sector.

This report is published for general information only and not to be relied upon as a sole source for any investment decision. Although high standards have been used in the preparation of the information and data, views and projections presented in this report, no responsibility or liability whatsoever shall be accepted by JLL, Invest India for any loss or damage sustained from any use, reliance or reference to the contents of this document. An independent report, this material does not necessarily represent the view of JLL, Invest India in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of JLL, Invest India to the form and content within which it appears.
India has a 2-tier incentives structure for industries: Central Government incentives and State Government incentives. Central Government incentivizes only a select industries and a few areas for balanced regional development. Different states in India are at different stages of their development journey, providing incentive through state industrial policy and sectoral policies with an aim to reduce cost of manufacturing and enhance ease of doing business.

<table>
<thead>
<tr>
<th>Activity/Category</th>
<th>Central Government</th>
<th>State Governments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Incentives Snapshot</strong></td>
<td><strong>Income Tax Act 1961</strong></td>
<td><strong>State Industrial Policies and Specific Sectoral Policies</strong></td>
</tr>
<tr>
<td><strong>Manufacturing Sector</strong></td>
<td>• 4 year window of lower Corporate Income Tax (17.16%) for new manufacturing units till 31 March 2023</td>
<td>• Drafted by Industries &amp; Commerce Department of States, valid for a period of 5 years</td>
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<tr>
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<td>• Special Economic Zones</td>
<td>• Incentives capital expenditure and reduces operating expenditure</td>
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<td></td>
<td>• Drafted by Industries &amp; Commerce Department of States, valid for a period of 5 years</td>
<td>• Quantum varies by investment size, employment generation, location</td>
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<td></td>
<td>• Income Tax reduced to 25.17% for new services companies</td>
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<td>• Special Economic Zones</td>
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<td></td>
<td>• IT/ITES sector is the biggest beneficiary of SEZ policy in India</td>
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<tr>
<td></td>
<td>• Income Tax Act 1961</td>
<td><strong>State Start-up Policies</strong></td>
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<tr>
<td></td>
<td>• 100% deduction of profits and gains derived from any 3 consecutive years out of 7 years from year of incorporation of ‘eligible start-up’</td>
<td>• Incentives such as reimbursement of rentals, patent cost reimbursement, seed grant, preferential procurement, support in quality testing, etc.</td>
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<td></td>
<td>• Preference in public procurement</td>
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<td></td>
<td><strong>Start-ups</strong></td>
<td><strong>Foreign Trade Policy Schemes</strong></td>
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<tr>
<td></td>
<td>• Central Government</td>
<td>• Import is a central government subject as per Indian Constitution</td>
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<tr>
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<td>• Import Policy is published by Directorate General of Foreign Trade (DGFT)</td>
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<td></td>
<td>• Imports of finished goods is not incentivised</td>
<td>• Import is a central government subject as per Indian Constitution</td>
</tr>
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<td></td>
<td>• Import duty for inputs/raw material is adjusted from time-to-time as per industry requirements</td>
<td>• Some states incentivise export-oriented Units by offering specific subsidies (e.g., Maharashtra, Madhya Pradesh)</td>
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<tr>
<td></td>
<td><strong>Foreign Trade</strong></td>
<td><strong>Exports</strong></td>
</tr>
<tr>
<td></td>
<td>• Project Import Scheme: Relaxes duties for import of specific capital goods</td>
<td><strong>Foreign Trade Policy Schemes</strong></td>
</tr>
<tr>
<td></td>
<td>• Advanced Authorization Scheme: Exempts duties for import of inputs for export consignments</td>
<td>• Export is a central government subject as per Indian Constitution</td>
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<tr>
<td></td>
<td><strong>Imports</strong></td>
<td>• RoDTEP: Scheme for remission of duties or taxes on export product</td>
</tr>
<tr>
<td></td>
<td><strong>Exports</strong></td>
<td>• Some states incentivise export-oriented Units by offering specific subsidies (e.g., Maharashtra, Madhya Pradesh)</td>
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</tbody>
</table>

Central Government incentivizes businesses through provisions in Income Tax Act 1961 and through Foreign Trade Policy, whereas, States offer capital subsidy, exemption/refund of local taxes, employment generation subsidy, interest subsidy, etc.
Reduced to **25.17%** from **34.94%** in September 2019, for existing units not availing incentives under Income Tax Act 1961.

Units in **SEZ** or companies availing incentives (deduction, depreciation, capex-linked incentives) will continue to pay corporate income tax at base rate of **25% & 30%**.

A 4-year window for new manufacturing units incorporated after 1 Oct 2019 and operational before 31 March 2023 to avail benefit of **17.16%** Corporate Income Tax.

**Corporate Income Tax**

**Location-Specific**

- **Additional deduction** @15% on new machinery installed in notified backward areas of Andhra Pradesh, Bihar, Telangana & West Bengal

**Activity-Based**

- **150%** deduction on in-house Research & Development till **31 March 2020** (100% thereafter)

**Industry-Specific**

- Schemes to promote **Capex** in a sector by line ministries of central government. Not as elaborate as offered by States.

**Special Economic Zones (SEZ)**

- Governed by SEZ Act 2005 and SEZ Rules
- SEZ could be sector-specific or multi-product
- SEZ must be Net Foreign Exchange Earmers. Allowed to sell to domestic market after payment of customs duty (BCD+SWS+IGST)
- Direct Tax Benefits: Corporate Income Tax exemption on export profits (Expires: 31 Mar 2020)
  - 100% for the first 5 years of operations
  - 50% for 5 years thereafter
  - 50% of ploughed back profits for another 5 years
  - Minimum Alternate Tax (MAT) must be paid by SEZ units. In September 2019, MAT reduced to 15% from 18.5% earlier
  - Dividend Distribution Tax abolished in Feb 2020
- Indirect Tax Benefits
  - Exemption from Custom Duty on Capital Goods, Raw Material and other Fixtures
  - Exemption from GST
  - Exemption from Stamp duty and Registration fees on lease of land / mortgage deed.
  - Exemption from Electricity Duty
- Non-Fiscal Benefits
  - Single Window Clearance

**Domestic Tariff Area (DTA)**

- Industrial zones that are non-SEZ, non-FTWZ or Non-Custom-Bonded are termed as DTA
- Companies targeting domestic market should located units in DTA. Such parks are captured in cluster profiles in the report.
- DTA units can also export and avail benefits under Foreign Trade Policy
- Sale from DTA to SEZ is classified as deemed exports

**Custom-Bonded Manufacturing**

- Governed by Section 65 of Customs Act, 1962
- Circular 38/2018 dated 18 October 2018 elucidates manufacturing in a bonded warehouse
- Deferred customs duty on capital goods till clearance
- Deferred customs duty on imported inputs and raw materials
  - On DTA clearance, customs duty to be paid on imported raw materials used for manufacturing
  - No duties if finished goods are exported
- Any property can be converted to bonded warehouse after customs approval
- Unlike SEZ, no requirement to be Net Foreign Exchange Earmers
  - 100% output can be sold in DTA

**Free Trade Warehousing Zone (FTWZ)**

- Governed by SEZ Act 2005 and SEZ Rules. Predominately for EXIM trade & storage
- Duty deferment on imported goods
- Permits trade transactions in foreign currency
- Trading hub for Indian/Overseas entity without any registration
- Trade compliances post cargo arrivals
- Faster custom clearances
- Storage, Packaging, labelling permitted
Major States Contributing ~80% of Industry Output

<table>
<thead>
<tr>
<th>States</th>
<th>Food Products &amp; Beverages</th>
<th>Textiles, Apparel &amp; Leather</th>
<th>Pharmaceuticals, Medicinal Chemicals</th>
<th>Chemicals, Rubber &amp; Plastic Products</th>
<th>Electrical Equipments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>UP, 12%</td>
<td>MH, 12%</td>
<td>GJ, 13%</td>
<td>MH, 17%</td>
<td>Others 18%</td>
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<td>TN, 8%</td>
<td>AP, 7%</td>
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<td></td>
<td>Others 18%</td>
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<tr>
<td></td>
<td>GJ, 12%</td>
<td>TX, 7%</td>
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<td>Others 18%</td>
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<td>Others 18%</td>
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</tbody>
</table>

Industrialization Barometer

Top 5 States by GVA (2016-17):
- Maharashtra, Tamil Nadu, Gujarat, Uttar Pradesh, Karnataka
  - 52% of total GSDP
  - 51% of all factories in India
  - 57% of aggregate GVA
  - Mature policy framework
  - Established manufacturing clusters; strong industrial ecosystem and vendor base

Emerging Manufacturing Hotspots:
- Haryana, Uttar Pradesh, Rajasthan, Telangana, Madhya Pradesh, West Bengal, Andhra Pradesh, Himachal Pradesh, Odisha, Punjab, Jharkhand
  - 36% of total GSDP
  - 37% of all factories in India
  - 33% of aggregate GVA
  - Attracting manufacturing investments through proactive policies and attractive incentives
  - Undertaking industrial infrastructure upgradations

Hilly States – Tax Exemptions Till 2027:
- North Eastern States (Assam, Sikkim, Arunachal Pradesh, Mizoram, Manipur, Meghalaya, Nagaland)
- Himalayan States (Uttarakhand, Himachal Pradesh, Jammu & Kashmir)
  - Boosting industrialization in hilly regions
  - Cheaper credit access and interest incentives, among other benefits, which are over and above existing incentives
  - Central Government initiative

Schemes:
- North East Industrial Development Scheme 2017
- Industrial Development Scheme for Himachal Pradesh and Uttarakhand 2017
- Industrial Development Scheme for Jammu & Kashmir 2017

Source: ASI for Factory Sector 2016-17

Incentives Snapshot
## State Incentives Snapshot

State Grid for a manufacturing investment of INR 100 million and above – Top 15 States by GSDP 2016-17

<table>
<thead>
<tr>
<th>Nature of Incentives</th>
<th>Maharashtra</th>
<th>Tamil Nadu</th>
<th>Gujarat</th>
<th>Uttar Pradesh</th>
<th>Karnataka</th>
<th>West Bengal</th>
<th>Rajasthan</th>
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<tbody>
<tr>
<td>Stamp Duty Concession</td>
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<tr>
<td>Land Benefits*</td>
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<tr>
<td>Power Tariff Subsidy</td>
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<tr>
<td>Electricity Duty Benefit</td>
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<td>Capital Subsidy</td>
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<td>Interest Subsidy</td>
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<td>SGST related</td>
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### Some Sector (Manufacturing, IT-related) Specific Policies

- **Aerospace & Defence**
  - Cloud computing
  - Fintech
  - EV
  - Textiles
  - Electronics
  - IT
- **Ev**
  - Aerospace & Defence
  - Agro Business
  - Biotechnology
  - Electronics
  - Garments & Apparel
  - Specific sectors in textile value chain
  - Wind
  - IT
- **ESDM**
  - Aerospace
  - EV & Energy Storage
  - AVGC
  - Biotechnology
  - IT (i4 policy)
  - Agribusiness & Food Processing
  - Solar
  - Design
  - IT & Electronics
- **Handloom, Powerloom Silk Textile Garmenting**
- **Food Processing**
- **Bio Energy**
- **Defence**
- **IT (i4 policy)**
- Agribusiness & Food Processing
- Solar

### Industrial Policy Link

- Industrial Policy 2019, Maharashtra
- Industrial Policy 2019, Uttar Pradesh
- Industrial Policy 2019, Tamil Nadu
- Industrial Policy 2014, Karnataka
- Industrial Policy 2014, Gujarat
- Industrial Policy 2014, West Bengal
- Industrial Policy 2013, Rajasthan

### Incentives Snapshot

Scan QR code to download state industrial and incentive policies.

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1. This is an indicative snapshot of the industrial policy of the State only. It is recommended to study the detailed industrial policy and sectoral policies to gain a comprehensive understanding of all incentives.
2. Does not include incentives specific to the Indian demographics. For instance, incentives for SC/ST/OBC.
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**State Grid for a manufacturing investment of INR 100 million and above – Top 15 States by GSDP 2016-17**

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<th>Telangana State</th>
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<th>Madhya Pradesh</th>
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<th>Odisha</th>
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### Some Sector (Manufacturing, IT-related) Specific Policies

**Industrial Development Policy 2015**
- Solar
- Textiles
- Petro
- Wind
- Electronics
- IT
- Aerospace & Defence
- Auto & auto components
- Biotechnology
- Food Processing

**Kerala Industrial Policy 2015**
- IT
- EV
- Solar
- IT and ESDM
- Food Processing
- Renewable energy
- Defence Production

**Industrial Promotion Policy 2014 (amended 2018)**
- Textiles
- Pharmaceuticals
- IT and ESDM
- Solar Power
- Agri business and FP
- Cyber Security

**Industrial and Business Development Policy 2017**

**Industrial Policy 2015**
- Apparel
- Renewable Energy
- Aerospace & Defence
- Pharmaceuticals
- Food Processing
- ICT
- Biotechnology

**Enterprise Promotion Policy 2015**

**Industrial and Business Development Policy 2017**

**Industrial Policy 2015**

**Industrial Investment Promotion Policy 2016**

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