

Incentives for Industries in Maharashtra

State is divided into]categories: A & B B, C, D, D+, NID and Project Classification into two categories viz. Mega Industrial Unit, Ultra Mega Industrial Unit.

For **Mega Industrial Units**, Category Division is as follows:

- A & B includes Talegaon, Mumbai (Invest : Rs. 750 Crore & Directly Employ 1500 people)
- C includes Ratnagiri (Invest Rs. 500 Corre and Directly Employ 1000 People)
- D, D+, NID incl Aurangabad, Nagpur (Invest Rs. 250 Crore & Directly Employ 500 people)

An investment at the above location would get back up to:

- 50% of the Fixed Capital for A & B Category
- 75% of the Fixed Capital for C Category
- 100% of the Fixed Capital for D, D+, NID Category

Fixed Capital Investment mean : Land, Building, Plant & Machinery

Based on the investment amount on Fixed Capital ranging between Rs. 500-1000 Crore, the Fixed Capital investment is returned back by MH Government in 7 to 20 years. However, % of Fixed Capital, Increase in Eligibility Period, Increase in Yearly Cap, Increase in duration of eligibility period are all negotiable based on the Project Classification, Location, investment proposed and employment generated.

For Ultra Mega Industrial Units

Stamp Duty:

- Registration Fee while leasing or purchasing a land
- Paid to the Government.
- The percentage is 5% of the total Land Value
- One-time expense
- 50 to 100 % is waived off

Electricity Duty & Tariff:

- Current Electricity Cost is Rs. 7.21 per unit
- This is kind of Tax on the Electricity Bill
- Paid to the Electricity Supply Corporation
- The percentage is 9.3% of the Electricity
- Recurring Expenditure
- This is waived off by MH Government for 10 to 15 Years
- Power Tariff Subsidy of Rs. 1 per unit for 3 to 5 Years

VAT & CST:

- VAT (Value Added Tax) is one of the highest in MH State at 12.5%
- CST (Central Sales Tax) is fixed at 2% (with form C)
- VAT paid on sales within MH (State Tax)
- CST Paid on Sales outside MH (Central Tax)
- Percentage of reimbursement of VAT/CST is negotiable
- Period (years) of reimbursement is negotiable

Important Note:

- This is the biggest negotiating tool to help get back all the investment
- MH State holds one of the largest Smartphone sale in entire India
- MH State has one of the highest VAT percentage in India
- We at FXN Sricity sell our entire lot to customer at the Factory premises
- Which means entire sale happens within the state and hence entire VAT is reimbursed
- We can negotiate on the percentage of VAT and Periodicity of reimbursement with MH Government. I visualize VAT can range between 50 to up to 200% and year from 5 to 20.
- A matrix reflecting Investment, Sales Output can easily help calculate the percentage to be negotiated for VAT reimbursement in x number of years for a speedy recovery of investment. The prime unique advantage is (1) Highest Sales in MH (2) Highest VAT in MH (3) All FXN sale termed as MH Sale (4) Highest VAT Percentage refundable option (5) 100% Committed backing of State Machinery.
- Tailor-made Skill-Development, retraining with Central Government & State Government Financial Support

Ultra Mega Industrial Unit

- Location Neutral : Can be set up anywhere in the State
 - Fixed Capital Investment of Rs. 1500 Crore and Direct Employment of 3000 People
 - Qualifies for Fiscal Incentives up to 100% of the Fixed Capital Investment
 - 10% additional incentive, if project creates double the employment
 - Also includes all above incentives including VAT/CST/Electricity Duty/Subsidy, Stamp Duty, Skill Development
1. If we create a Greenfield Electronic Manufacturing Cluster approved by Central Government, for every 100 acres of land, Rs. 15 Crores would be contributed by MIDC
 2. Special Incentive package for the first 2 anchor units (> Rs. 150 Crore investment) in the above
 3. ESDM (Electronic Systems Design and Manufacturing) Industry will be declared as essential services under "Maharashtra Essential Services and Maintenance Act" which means strikes are illegal.

Note: Since our investment would fall under this category, what is offered under Mega Project becomes the starting point of incentives offered and can go as far as we could negotiate with the State Government based on the Fixed Capital Investment, Duration of Investment and Direct Employment Generated.

In addition, Central Government offers the following major incentives:

- Capital Subsidy of 20% in Special Economic Zone and 25% in Non Special Economic Zone. Capital Subsidy means Land, Building, Plant & Machinery. Subsidy means reimbursement over a period of time.
- Central Excise/Counter veiling Duty (which is up to 12.5%) is reimbursed on the Capital Goods imported for setting up of the Plant.

Central Imports Duty

Import Duty means : Basic Duty (10%) + Counter Veiling Duty CVD (12.5%) + Special Additional Duty (4%). It also includes a small additional portion defined as Cess for Education, Clean India etc.

- Basic Duty on ITA-1 Goods is 0%
- Basic duty on specified raw materials/inputs used for manufacture of electronic components and optial fibre and cable is 0%
- Basic duty on specified capital goods used for manufacture of electronic goods is 0%
- Parts, components and accessories for manufacture of mobile handsets, sub-parts for the manufacture of such parts and components are exempted from Basic Duty and Excise Duty.
- Differential Excise Duty dispensation is available to Mobile Handsets ie. CVD @ 12.5% and Excise duty @ 1% without CENVAT Credit or 12.5% with CENVAT Credit.

This means if we import Finished Mobile phones, the duty is 12.5% and if we bring it in SKU it is 2%. Certain finished products as part of Mobile Phone like Battery, Ear Phone, Populated PCB now attract 29% duty.

Export Incentive:

- 2% of the 66% (appx) cost of the billed value is reimbursed homogeneously for export to any part of the world (No specific incentive to different trade bloc)