



Compendium on the

Package Scheme of Incentives

Under Industrial Policy of 2013

GOVERNMENT OF MAHARASHTRA

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Mumbai | Pune | Aurangabad

Preface

In order to encourage the dispersal of industries to the less developed areas of the State, the Government of Maharashtra has been giving a package of incentives to New / Expansion Units set up in the developing region of the State since 1964 under a Scheme popularly known as the Package Scheme of Incentives.

By Government Resolution No.: PSI -2013/ (CR- 54) / IND-8 dated 01 April 2013, Package Scheme of Incentives, 2013 was introduced to be in effect during the period from 1st April 2013 to 31st March 2018.

Benefits available to Eligible units

IPS by way of refund of VAT & CST	Interest Subsidy	Exemption from Electricity Duty
Waiver of Stamp Duty	Power Tariff Subsidy	Incentives for strengthening MSMEs and LSIs

Refund of VAT & CST

Depending upon the location of the unit in different categories as specified in the Scheme, the unit is eligible for refund of VAT paid to the extent of the maximum of following two:

- Ceiling as a percentage of the Fixed Capital Investment as specified; and
- VAT on Local Sales net of ITC + CST + specified percentage of ITC.

Different quantum of benefits is applicable for Expansion Units and Units situated in the Zero VAT zones.

Interest Subsidy

All the eligible Micro, Small and Medium enterprises in areas other than Group A shall be entitled to receive interest subsidy which will be calculated on the basis of interest actually paid to banks / public financial institutions on the term loans taken for acquisition of fixed assets. Subsidy will be calculated at the effective rate of interest as reduced by:

- any like subsidy receivable from any institution / any scheme of the Government of India
- any penal / compound interest or 5% whichever is less.

The quantum of this subsidy may not exceed electricity bills paid during the year.

Exemption from Electricity Duty

These exemption benefits have been classified in two different categories viz. Exemption for specified eligible units in Group A & Group B area and Exemption for all the new eligible units in other than Group A & Group B areas.

Particulars	Category – 1	Category – 2
Eligibility	100% EOUs, IT Manufacturing units and Bio-technology units in Group A and Group B areas	All the new eligible units in Group C, Group D, Group D+, No Industry districts and Naxalism Affected areas
Period of Exemption	7 Years	Not exceeding 15 years
Other points	Exemption Notification specifically issued by the Energy Dept. under the Electricity Duty Act, 1958	

Stamp Duty Exemption

Eligible Units will be exempted from payment of Stamp Duty during in the following manner:

Particulars	Category – 1 Group A and B areas	Category – 2 Other Areas
Eligibility	Bio-technology Manufacturing Units, Information Technology Manufacturing Units and other mega projects	All new and expansion units including mega and ultra-mega project
Exemption Period	Investment Period	Investment Period
Quantum of Benefits	1) BT & IT in Public Park: 100% 2) BT & IT in Private Park: 75% 3) Mega Projects: 50% (only for 1st Conv. Deed)	100% of duty including eligible new / expansion units under PSI 2007 during their investment period
Other Points	Necessary Notification under the Bombay Stamp Act, 1958 by the Revenue & Forest Dept.	

Power Tariff Subsidy

Only new MSME units situated in areas other than Group A areas will be eligible for this subsidy for a period of 3 years from the date of commencement of commercial production for energy consumed and paid for. The quantum of benefits is: a) Rs. 1/- per unit for the units situated in Vidarbha, Marathwada, North Maharashtra and districts of Raigad, Ratnagiri and Sindhudurg in Konkan region and b) Rs. 0.50/- per unit for the units situated in other areas of the state.

Incentives for strengthening MSMEs

To promote Quality Competitiveness, Research & Development, Technology Up-gradation, Energy Conservation etc., following incentives have been offered:

A) New MSMEs in all categories of areas:

- 1) 5% subsidy on capital equipment for Technology Up –gradation, subject to a maximum of Rs. 25 Lakhs
- 2) 75% subsidy on the expenses incurred on quality certification limited to Rs. 1 Lakh
- 3) 25% subsidy on capital equipment for cleaner production measures, limited to Rs. 5 Lakhs
- 4) 75% subsidy on the expenses incurred on patent registration limited to Rs. 10 Lakhs for the National patents and Rs. 20 lakh for the International patents.

B) Incentives for Credit Rating of MSMEs in all categories of areas:

Lower of the following two:

- 1) 75% of the total cost of Credit Rating by SIDBI / Govt. accredited credit rating agency
- 2) Rs. 40,000/-

C) Additional Incentives for MSMEs and LSIs:

- 1) 75% of cost of Water Audit limited to Rs. 1,00,000/-
- 2) 75% of cost of Energy Audit limited to Rs. 2,00,000/-
- 3) 50% of cost of Capital Expenditure towards equipment for conservation / recycle of water limited to Rs. 5,00,000/-
- 4) 50% of cost of Capital Expenditure towards equipment for improving energy efficiency limited to Rs. 5,00,000/-

Ceiling Applicable

The aforementioned incentives excluding Electricity Duty Exemption and Stamp Duty Exemption have been linked with Fixed Capital Investment. The ceiling and no. of years of the eligibility period are as follow:

Area	Ceiling as a % of Fixed Capital Investment		No. of years	
	MSME	LSI	MSME	LSI
A	-	-	7	7
B	20	-	7	7
C	40	30	7	7
D	70	40	10	7
D+	80	50	10	7
No Industry Area	90	70	10	7
Naxalism Affected Area	100	80	10	7

It should be noted that the maximum disbursement of incentives every year is proportionate to the monetary ceiling and the eligibility period.

Coverage under the Scheme

Following categories of the eligible units shall be entitled for incentives:

1. Industries listed in the First Schedule of the Industries (Development and Regulation) Act, 1951, as amended from time to time
2. Manufacturing Enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006. (MSMED Act, 2006)
3. Information Technology Manufacturing Units registered with the Dir. of Ind. or MIDC or the Dev. Comm. SEEPZ or STPI in the State
4. Bio-technology Manufacturing Units as specified by the Government from time to time
5. Cold Storages
6. Mechanized Food / Agro Processing Industries in the following sectors:
 - a) Dairy, Fruit and Vegetable Processing
 - b) Grain Processing
 - c) Fish Processing
 - d) Consumer foods including Packed foods
 - e) Non-alcoholic beverages from fruits and vegetables.
7. Qualifying Central Public Sector Units

Areas Defined

We have come across the term Areas or groups in the previous paragraphs. On the basis of sector-wise industrial development, some areas have been marked down; the details have been provided in the Government Resolution No. PSI-2013/(CR-54)IND-8.

Types of Units Defined

- a) Micro, Small and Medium Enterprises are as defined in the MSMED Act, 2006. Accordingly, Micro Enterprise is an enterprise where investment in Plant & Machinery does not exceed Rs. 25.00 Lakhs; Small Enterprise is the one where investment in Plant & Machinery exceeds Rs. 25.00 Lakhs but does not exceed Rs. 5.00 Crores and Medium Enterprise is the one where investment in Plant & Machinery exceeds Rs. 5.00 Crores but does not exceed Rs. 10.00 Crores.
- b) Large Scale Unit is the one where investment in Plant & Machinery exceeds Rs. 10.00 Crores but does not exceed the limit specified for Mega Project as defined below.
- c) Mega Project and Ultra Mega Project shall be construed on the basis of satisfaction of minimum threshold limits of Fixed Capital Investment or Direct Employment as summarized in the table below:

Type of Unit	Area Classification	Minimum Fixed Capital Investment (Rs. Crores)	Minimum Direct Employment (no.s)
Mega Project	A & B	750	1500
	C	500	1000
	D & D+	250	500
	No Industry Area and Naxalism Affected Area	100	250
Ultra Mega Project	Entire State	1500	3000

Procedural Compliance

Steps to be followed:

- Initial Effective Steps
- Final Effective Steps

Initial Effective Steps:

As defined under the scheme, Initial Effective Steps mean and include:

- 1) Effective possession of land / shed / gala by an Eligible Unit
- 2) Registration of Constitution with the respective Statutory Authorities.
Ex. In case of Partnership Firm, registration with the Registrar of Partnership Firms; in case of companies, incorporation and registration with the ROC etc.
- 3) Obtaining Enterprises Memorandum / Letter of Intent / Registration for IT units from Directorate of Industries or MIDC / Letter of Intent from the Government of India and / or permission from the State Government for setting up / shifting of the Unit wherever applicable
- 4) If unit is a LSI unit, obtaining IEM i.e. Industrial Entrepreneur's Memorandum

Final Effective Steps:

Final Effective Steps include:

- 1) Commencement of Commercial Production
- 2) Acquisition of Fixed Assets at site and making payment for it within 3 years if it is a Micro or Small Scale Industrial Unit or 4 years if it is a Medium or Large Scale Industrial Unit or 5 years if it is a mega project.

On completion of the Initial Effective Steps, an application is to be submitted to the Implementing Agency for obtaining Eligibility Certificate.

1. For eligible micro and small manufacturing enterprises, DIC of the district in which the manufacturing facility is located or proposed to be set-up.
2. For eligible medium manufacturing enterprises, the implementing agency is the concerned Regional office of the Directorate of Industries.

3. All large and mega eligible units will apply to the Directorate of Industries, Mumbai.
4. Application in 'prescribed form' (Form-I for New Unit and Form-IV for Expansion/diversification) together with documents establishing completion of Effective steps and a detailed project report (list of specific documents to be enclosed) is provided with the application form should be submitted, to the concerned Implementing Agency.
5. Upon commencement of commercial production, documents establishing commencement of production, and creation of assets should be submitted (list provided with the application form) to the Implementing Agency. Upon satisfying itself about the eligibility of unit, the implementing agency shall issue Eligibility Certificate (EC) specifying the quantum of admissible incentives and other relevant details.

Follow-up

A periodical report duly signed by the Authorized Representative of the Unit is to be submitted to the Implementing Authority highlighting information regarding Production, Sales, and Employment etc. Within 9 months from the end of the relevant year, a certified true copy of the Annual Report and Financial Statements shall also be submitted to the Implementing Authority.

Any other information and documents as called by the Implementing Authority shall also be submitted in a timely manner. Failure on the part of the Eligible Unit to comply with the Monitoring policies may result into cancellation of EC.

Key Take-away

The Government has aimed towards achieving overall economic development while framing the Package Scheme of Incentives, 2013. These incentives have been outlined in the law for the basic purpose of encouragement of industries. Investors on the other end should take optimum benefits of the incentives offered and start-up / grow their businesses also achieving the social-cum-economic cause.



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