

Large, Mega & Ultra Mega Projects

(Package Scheme of Incentives, Govt. of
Maharashtra)

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INTRODUCTION

- A package of incentives to New/Expansion units set up in the state since 1964
- Popularly called Package Scheme of Incentives
- Amended from time to time
- Last amended scheme
 - Package Scheme of Incentives – 2013
 - Declared on 1st April 2013
 - Operative from 1st April, 2013 to 31st March, 2018

OBJECTIVES

- Encourage dispersal of industries to less developed areas
- Ensure sustained industrial growth
- Provide global competitive edge to industries
- Improve conducive industrial climate
- Create additional employment opportunities

COVERAGE

- **Eligibility**

- Industrial Units in private, state public/joint and co-operative sectors

- **Categories**

- Manufacturing Industries listed in First Schedule of Industries Act, 1951
- Manufacturing Enterprises defined in MSMED Act, 2006
- Information Technology (IT) / Biotechnology (BT) manufacturing units
- Cold Storages
- Eligible Central Public Sector units
- Mechanized Food / Agro Processing Industries

AREAS & ELIGIBLE FIXED CAPITAL INVESTMENT

- **Areas**
 - Seven categories: A, B, C, D, D+, No Industry District & Naxalism Affected Areas
- **Eligible Fixed Capital Investment**
 - Only new fixed assets
 - Land, Site Development, Building, Plant and Machinery, Preoperative Exp. Capitalized, Tech. know how fees, Amount paid to MSEDCL & MIDC for development of Infrastructure
 - Imported second-hand machineries
 - ❑ Residual performing life of **minimum 10 years**
 - Intangible assets
 - ❑ To the extent of **10% of total project cost**

ELIGIBLE FIXED CAPITAL INVESTMENT FOR MEGA/ULTRA MEGA PROJECTS

- **Tooling**
 - May be at premises of various ancillary units within State
 - Limited to **maximum 40%** of cost of the total plant and machinery
- **Captive Process Vendors (CPV)**
 - For certain processes in overall manufacturing process
 - Qualify for being counted towards the fixed capital investment
 - List of such captive vendors to be supplied
 - Located in same industrial area or higher classified Taluka (i.e. same level taluka or taluka eligible for higher incentives)
 - Should be engaged in a part of the manufacturing process (and not components or independent products) of **only one** Mega/Ultra Mega Project.
 - CPVs not entitled to any benefits

INVESTMENT PERIOD

- Assets should be acquired at site & paid for
- Large Units
 - **4 years** from the date of application or the date suggested by the unit
- Mega/Ultra Mega Units
 - **5 years** from the date of application or date suggested by the unit
- Also commence production within above stipulated period
- Delay in commencement of production entails proportionate curtailment of incentives
- Extra period can be approved by High Power Committee or cabinet sub-committee in case of Mega / Ultra Mega Projects
- Mega/Ultra Mega projects with Offer Letter from Government but have not applied to Implementing Agency
 - From date of application to Implementing Agency after the completion of all Effective Steps (as per Government Resolution dated 12th Aug., 2013)

CLASSIFICATION

- Large Units
 - Investment more than the Medium Manufacturing Enterprises (Plant and Machinery above Rs. 10 crores) but less than the Mega Projects
- Mega Projects: Based on Minimum Fixed Capital Investment or Minimum Direct Employment

Areas	Minimum Fixed Capital Investment (Rs. Crores)	Minimum Direct Employment (Persons)
A & B	750	1,500
C	500	1,000
D & D+	250	500
No Industry District and Naxalism affected	100	250

- Ultra Mega Projects: Minimum FCI of Rs.1,500 Crores or generating direct employment of at least 3,000 persons

DIRECT EMPLOYMENT

- On the **payroll** of the unit and **EPF** contribution is paid
- Does **not include** employees on the payroll of **contractors**
- Maintain direct employment **throughout the year**
- **75%** of such employees should be **local persons**
- If criterion not met in any month of the year for which Industrial Promotion Subsidy (IPS) is claimed, then IPS is not admissible for such year
- Employment should be created within a period of **two years** from the date of commercial production.
- Maintain minimum employment **throughout the year** & 75% of such employees should be local.
- Captive Power Plant investment **not considered**

IMPLEMENTING AGENCIES

- Directorate of Industries, Mumbai
- Mega/Ultra Mega Projects
 - Submit proposals to the **Principal Secretary (Industries)** for getting approval from High Power Committee
 - Application for incentives is required to be filed along with such approval letter from **High Power Committee** with **DI**

EXISTING AND NEW UNIT

- Existing Unit
 - Set up and is in production at any time prior to 1st April, 2013, or
 - Has been granted an Eligibility Certificate (EC) or has availed any incentives (excluding Stamp Duty) under any of the Earlier Schemes, or
 - Has filed a valid application for grant of an EC under the PSI-2007 with the Implementing Agency on or before the 31st March 2013
- New Unit
 - Set up for the first time by an entity in that taluka with no other Existing Unit set up by same entity, provided
 - Not an Existing Unit
 - At least one Effective Step is completed on or after 1st April, 2013
 - Not formed by re-establishment, mere change of ownership, change in constitution, reconstruction/ revival of an Existing Unit

EXPANSION/DIVERSIFICATION PROJECT

- Additional Investment – After 1st April, 2013: **Minimum Rs.500 Lacs** in case of Large Scale units
- Additional investment must **exceed 25%** of the existing gross fixed capital investment as on the last day of previous Financial Year
- Should result in increase of existing installed capacity by **at least 25%** (in case of Expansion)
- Increase in the **employment** in non-supervisory category: **at least 10%** of existing level; 80% of additional employment should be local persons
- No limit on number of expansions / diversifications in the scheme period
- Separate Records for Expansion/Diversification
 - If not possible, benefits are available in the **ratio** of additional fixed capital investment to total gross fixed capital investment
 - Recently, Directorate of Industries, Mumbai has issued circular dated 26th August, 2014 towards calculation of investment ratio

ELIGIBILITY

- **Date of Effect of Eligibility**
 - EC: Effective from date of commencement of production & issued after commencement of production
 - Date of commencement of commercial production
 - ❑ Supported by the relevant extracts of the **Excise Register** or
 - ❑ If Excise Duty not applicable, by the **first sale bill** issued or
 - ❑ May be specifically permitted by the Govt. of Maharashtra in respect of Mega/Ultra MegaProjects
 - Government Resolution (12th Sept., 2014): **Option** to start IPS availment period **within 3 years** from date of declaration of commercial production
- **Eligibility Period**
 - Period mentioned in EC for availment of incentives under the scheme
 - Depends on the nature & location of eligible unit

OPERATIVE PERIOD

- Minimum period for which the unit must be in operation
- Large Scale: 7 Years
- Mega/Ultra Mega Projects: 10 Years
- Calculated from the event of expiry of Eligibility Period
- Extended further till payment of Deferred Sales Tax Liability

APPLICATION FOR ELIGIBILITY

- With the implementing agency after completing **all effective steps** on or before 31st March, 2018
- With documentary evidence with regard to all effective steps before the date of commencement of commercial production
- Period & entitlement **curtailed** proportionately in case of delay
- If Unit has **completed all effective steps** but **not started production** before 1st April, 2013 and has **not filed** an application with the Implementing Agency under **PSI - 2007**:
 - Submit the application under PSI - 2013
 - Incentives applicable: PSI- 2007 or PSI - 2013, whichever is **lower**
 - Investment made only within the investment period from the date of application will be considered

INCENTIVES FOR LSI

- Basket of incentives: Includes IPS & other incentives
- Quantum: Linked to the Fixed Capital Investment
- Exemption from electricity duty & waiver of stamp duty
 - Not covered in the basket of incentives
 - Not linked to the fixed capital investment
- Eligibility period for LSIs is 7 years
- Total Quantum of incentives

Taluka / Area	Ceiling (% of FCI)
A	--
B	--
C	30
D	40
D+	50
No Industry District	70
Naxalism Affected Areas	80

- Mechanized Food/Agro units
 - **10%** over and above the limits mentioned above
 - **One more** year of eligibility
- Expansion / Diversification units
 - **75%** of the incentives admissible for New units
 - Eligibility period reduced by a year

INCENTIVES FOR LSI (*contd.*)

• Industrial Promotion Subsidy

Sr. No.	Taluka / Area	Annual IPS
1.	Naxalism Affected Area	100% of Net VAT + CST
2.	No Industries District, Vidharbha & Marathwada	90% of Net VAT + CST
3.	Group D+ Taluka (Other than Sr.No.1 and 2)	80% of Net VAT + CST
4.	Group D Taluka (Other than Sr.No.1and 2)	70% of Net VAT + CST
5.	Group C Taluka	60% of Net VAT + CST

• Exemption from Electricity Duty

- Only for New Units
- Group C, D, D+, No-Industry District(s) and Naxalism affected areas
 - ❑ Exempted during eligibility period not exceeding 15 years
- Group A and B areas
 - ❑ 100% EOU's, IT & BT Manufacturing units: Exempted for a period of 7 Years

INCENTIVES FOR LSI (*contd.*)

- **Waiver of Stamp Duty**

- Group C, D, D+ Talukas, No Industry Districts and Naxalism affected areas
 - ❑ New Units and Expansion / Diversification Projects will be exempted from payment of Stamp duty during the Investment period
- Group A and B areas
 - ❑ Only to BT Manufacturing and IT Manufacturing Units in IT and BT parks
 - ❑ Public parks: 100% exemption, private parks: 75% exemption on first conveyance deed only
- Eligible New / Expansion Units of PSI-2007 will also be eligible for Stamp Duty Exemption during their investment period

INCENTIVES FOR LSI (*contd.*)

- **Other Incentives for strengthening LSIs**
 - 75% of cost of water audit subject to maximum of Rs. 1 lakh.
 - 75% of cost of energy audit subject to maximum of Rs. 2 lakh.
 - 50% of the cost of Capital Equipment to conserve/recycle water subject to maximum of Rs. 5 lakh
 - 50% of the cost of Capital Equipment for improving energy efficiency subject to maximum of Rs. 5 lakh

INCENTIVES FOR MEGA/ULTRA MEGA

- **Quantum of incentives & eligibility period**
 - Decided by the High Power Committee on a case to case basis

Based on recent cases

- **Ceiling of Incentives**
 - For A & B Zone: 50% of FCI
 - For C Zone: 75% of FCI
 - Rest of Maharashtra: 100% of FCI

Mechanized Food/Agro units

- *10% over and above the mentioned limits*
- *One more year of eligibility*

- **Availment period**
 - FCI up to Rs. 750 Crores: **7 years**
 - FCI from Rs.750 Crores to Rs. 1,000 Crores: **9 years**
 - FCI above Rs.1,000 Crores: **20 years**

INCENTIVES FOR MEGA/ULTRA MEGA *(contd.)*

- **Annual Claim of Incentives**

- Earlier: 100% of Net VAT + CST payable
- Changed to 50% of Gross VAT and CST payable (Government Resolution: 12th September, 2014)
- Disbursement
 - ❑ Initially 90% disbursed
 - ❑ Balance 10%: On completion of assessment of sales tax and confirmation of sales tax liability by Sales Tax Department

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YEARLY CAP ON INCENTIVES

- **LSI Units**

- Amount disbursed every year limited to the total quantum of incentives divided by the number of years (Eligibility period)
- Provision of carrying forward the difference between the actual sanctioned amount and the yearly disbursement limit

- **Mega/Ultra Mega Projects**

- If the EC period is more than 10 years, the yearly limit on disbursement:
Lesser of
 - ❑ 1/10 of the total quantum of incentives or
 - ❑ Industrial Promotion Subsidy sanctioned for that year
- Carry forward principle applicable
- Balance quantum of incentives: Allowed to be availed of after 10 years with yearly cap
- Proportionate quantum of incentives will be calculated for a part of the year

MONITORING AND REVIEW

- Within 9 months from the close of every year
- During the operative period
- To the implementing agency:
 - Annual Production Return / Yearly follow up statement towards operation of the unit & incentives availed
 - Audited annual statement of accounts
 - Copies of Sales Tax returns filed
- Failure to submit
 - Cancellation of EC
 - Premature recovery of incentives already availed.

THANK YOU