Background

With focus on industrial development and investment destination, the Government of Maharashtra has issued the Maharashtra Industrial Policy, 2013 (the MIP). It is valid for a period of 5 years with effect from 1 April 2013 to 31 March 2018.

Objectives and targets

Following are the objectives and targets of the MIP:

- Achieve manufacturing sector growth of 12-13 percent per annum;
- Achieve manufacturing sector share of 28 percent of state GDP;
- Attract investment of INR 5 lakhs crores; and
- Create new jobs for 2 million people.

Focus areas

The MIP has laid emphasis on the following sectors / industries:

1. Special Economic Zones (SEZ)

Proposed SEZs

For quicker conversion of proposed SEZs into operational ones, the following fiscal incentives have been provided:

- Timely refund of Value Added Tax (VAT) to the units and the developers;
- Exemption from payment of royalty on excavation of minor minerals within the SEZ;
- Exemption from payment of Non Agricultural (NA) tax;
- Stamp duty exemption for land acquisition; and
- Provide single interface for payment of multiple taxes like dividend distribution tax, minimum alternate tax.

De-notified SEZs

The lands under the de-notified / withdrawn SEZs will be eligible for use and development as ‘Integrated Industrial Areas’. The policies/ regulations in connection thereto have been provided in Schedule A to the MIP.

2. New Industrial Corridors

To increase industrial infrastructure throughout the State, the MIP provides for leveraging of the Delhi-Mumbai Industrial Corridor (DMIC) by way of setting up the below mentioned:

- Mega Industrial Park at Sinnar- Nashik, Dhule and Shendra-Bidkin-Aurangabad;
- Dighi Industrial Park at Raigad;
• Multi-Modal Logistics Park at Talegaon-Pune;
• 1000 MW gas-based power plants at Vile Bhagad-Raigad and Indapur-Pune;
• Exhibition cum convention centre at Additional Shendra-Aurangabad; and
• Create secondary growth corridors along national and state highways, to bring industrially underdeveloped areas of the state namely Vidarbha, Marathwada and Konkan functionally closer to growth centers like Mumbai and Pune.

3. Promotion of Ultra Mega / Mega Projects

Conditions to qualify as Ultra Mega / Mega Projects

The Manufacturing projects with Fixed Capital Investment (FCI) or employing direct regular persons according to the threshold limits stated in the following table will be classified as Ultra Mega / Mega Projects.

<table>
<thead>
<tr>
<th>Type of unit</th>
<th>Taluka / Area classification</th>
<th>Admissible fixed capital investment (INR in crores) equal to / exceeding</th>
<th>Direct Employment (number of persons) equal to / exceeding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mega Industrial Unit</td>
<td>A &amp; B</td>
<td>750</td>
<td>1,500</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>500</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>D &amp; D+</td>
<td>250</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td>Naxalism Affected Area and No Industry Districts</td>
<td>100</td>
<td>250</td>
</tr>
<tr>
<td>Ultra Mega Industrial Unit</td>
<td>Entire State</td>
<td>1,500</td>
<td>3,000</td>
</tr>
</tbody>
</table>

Incentives offered

To promote the Ultra Mega / Mega projects, the following incentives have been provided:

• Customised Package Scheme of Incentives;
• Additional incentives will be provided to projects employing minimum twice the threshold number required to qualify as Mega Project at that location;
• Higher incentives / concessions and relaxing of conditions on case to case basis; and
• Setting up of Industrial Integrated Cell to simplify administrative procedures.

4. Promotion of Large Scale Industries (LSI)

Incentives offered

A bundle of incentives listed below, their aggregate amount not exceeding the ceiling in the following table, have been offered to Large Scale Industries:

<table>
<thead>
<tr>
<th>Taluka/ Area Classification</th>
<th>Monetary ceiling as percentage of admissible Fixed Capital Investment</th>
<th>Eligibility Period (in years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>B</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>C</td>
<td>30</td>
<td>7</td>
</tr>
<tr>
<td>D</td>
<td>40</td>
<td>7</td>
</tr>
<tr>
<td>D+</td>
<td>50</td>
<td>7</td>
</tr>
<tr>
<td>No Industry Districts</td>
<td>70</td>
<td>7</td>
</tr>
<tr>
<td>Naxalism Affected Areas</td>
<td>80</td>
<td>7</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Incentives for LSI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Promotion Subsidy</td>
<td>Every year, in areas other than A &amp; B areas, Industrial Promotion Subsidy will be 60 percent to 100 percent of VAT on local sales minus Input Tax Credit (ITC) or zero whichever is more and Central Sales Tax (CST) payable on eligible finished products.</td>
</tr>
<tr>
<td>Water and Energy Audit</td>
<td>• 75 percent reimbursement of cost of water and energy audit limited to INR 1 Lakh for water audit and INR 2 Lakhs for energy audit; and • 50 percent cost of capital equipment required for undertaking measures to conserve water and energy limited to INR 5 Lakhs each.</td>
</tr>
</tbody>
</table>
Stamp Duty Exemption

- 100 percent exemption within investment period for acquiring land and for term loan purposes.
- In A & B areas, Stamp duty exemption granted only to IT and BT units in IT and BT Parks.
- Eligible Units under Package Scheme of Incentives 2007 (PSI 2007 Scheme) will also be eligible for stamp duty exemption.

Electricity Duty Exemption

- Exemption from electricity duty payment to eligible new units in C, D, D+, No Industry district and Naxalism affected area for a tenure equal to the eligibility period.
- In A & B areas, electricity duty exemption will be offered to 100 percent Export Oriented Unit (EOU) Large Scale Units and IT/BT units for 7 years.

Food Processing Sector

In areas other than A & B areas, additional 10 percent incentives and additional 1 year towards eligibility period.

5. Incentives for Micro, Small and Medium Enterprises (MSME)

For financial sustainability of MSMEs, the State Government, through Package Scheme of Incentives, will provide fiscal incentives and support in order to provide fillip to MSMEs in the industrially underdeveloped areas of the State. The basket of incentives listed below, their aggregate amount not exceeding the ceiling in the following table, will be offered to MSMEs:

<table>
<thead>
<tr>
<th>Taluka/Classification</th>
<th>Monetary ceiling as percent of admissible Fixed Capital Investment</th>
<th>Eligibility Period (in years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>B</td>
<td>20</td>
<td>7</td>
</tr>
<tr>
<td>C</td>
<td>40</td>
<td>7</td>
</tr>
<tr>
<td>D</td>
<td>70</td>
<td>10</td>
</tr>
<tr>
<td>D+</td>
<td>80</td>
<td>10</td>
</tr>
<tr>
<td>No Industry Districts</td>
<td>90</td>
<td>10</td>
</tr>
<tr>
<td>Naxalism Affected Areas</td>
<td>100</td>
<td>10</td>
</tr>
</tbody>
</table>

It is pertinent to note that maximum disbursement of the incentives every year will be proportionate to the monetary ceiling and the eligibility period.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Incentives for MSME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Promotion Subsidy</td>
<td>Every year, in areas other than A &amp; B areas, equal to VAT on local sales minus ITC or zero whichever is more plus CST payable plus 20 percent to 100 percent of ITC on eligible finished products.</td>
</tr>
</tbody>
</table>
| Water and Energy Audit | • 75 percent reimbursement of cost of water and energy audit admissible.  
  • Assistance by way of 50 percent grant, limited to INR 1 Lakh for water audit and INR 2 Lakhs for energy audit.  
  • 50 percent cost of capital equipment required for undertaking measures to conserve water and energy limited to INR 5 Lakhs each. |
| Stamp Duty Exemption | • 100 percent exemption within investment period for acquiring land and for term loan purposes.  
  • In A & B areas, Stamp duty exemption only to IT and BT units in IT and BT Parks.  
  • Eligible Units under PSI 2007 Scheme will also be eligible. |
| Electricity Duty Exemption | • Exemption from payment of electricity duty to eligible new units in C, D, D+, No Industry district and Naxalism affected area for a tenure equal to the eligibility period.  
  • In A & B areas, electricity duty exemption to 100 percent EOU Large Scale Units and IT/BT units for 7 years. |
| Food Processing Sector | 10 percent additional incentive and additional 1 year towards Eligibility period. |
| Interest Subsidy | 5 percent per annum maximum up to the value of electricity consumed and bills paid for that year (other than A areas). |
### Power Tariff Subsidy

- To the extent of INR 1/- per unit consumed to Eligible new units located (other than A areas) in Vidarbha, Marathwada, North Maharashtra and Districts of Raigad, Ratnagiri and Sindhurug in Konkan.
- To the extent of INR 0.50/- per unit consumed in other areas (except A areas).
- 3 years from the date of commencement of commercial production.

### Additional Incentives

Incentives for improving Quality Competitiveness, Research and Development, Technology Up-gradation and Cleaner Production Measures will be continued with suitable modification.

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### 6. Industrial Integrated Cell

The State Government would set up an Industrial Integrated Cell for industrial investment promotion, facilitation and support. Such cell will carry out inter-alia the following activities:

- Investment promotion;
- Comprehensive generation and dissemination of relevant information;
- Arranging and participating promotional events;
- Escorts services like co-ordination with different government agencies, management of web-based portal;
- Project consultancy services;
- Investor after-care cell;
- Foreign investors (FDI) cell; and
- Economy and data cell

### Our comments

On the path of industrial development, the Maharashtra Government has provided significant benefits to the trade and industry. This policy is in continuation of such benefits where incentives for C, D, D+ areas, No Industry District areas, Naxalism affected Area have been increased as compared to PSI 2007 Scheme, while incentives for A & B areas are similar to those earlier. A company which is planning to set up manufacturing operations in Maharashtra may have to reconsider the location in terms of increased benefits for specific areas.
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