



GOVERNMENT OF TAMIL NADU



TAMIL NADU INDUSTRIAL POLICY

2021





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**INDUSTRIES DEPARTMENT
GOVERNMENT OF TAMIL NADU**

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TAMIL NADU INDUSTRIAL POLICY 2021

1 PREAMBLE

1.1 Tamil Nadu – A Leading State and An Industrial Powerhouse

Tamil Nadu is one of the most advanced and admired states in India. Its success is driven by a self-sustained and self-propelled industrial growth process. Tamil Nadu is home to the highest number of factories and industrial workers in the country, and a leader in terms of industrial output. From this vantage-ground, it is the industrial powerhouse of the nation and the second-largest state economy in the country contributing to 8.4% of India's GDP. Tamil Nadu has been a significant contributor to India's growth story and has witnessed consistent economic growth for decades. The State's real GSDP has grown at a real compounded annual growth rate of nearly 8% since the previous Industrial Policy in 2014. The growth in the manufacturing and service sector has spurred and in turn, benefited from the rise in the standard of living of the people of Tamil Nadu.

Tamil Nadu has a highly developed industrial manufacturing eco-system. It has evolved into the largest hub for the production of automobiles and auto-components, textiles, leather products, light and heavy engineering, pumps and motors, electronic software, and hardware. The State continues to be a national leader in exports of automobiles and automotive components, leather products, software, and ready-made garments. Many globally renowned companies have set up their manufacturing facilities in Tamil Nadu. The State is home to over 70 Fortune 500 companies.

It also has nearly 2500 educational institutions and is home to institutes such as IIT, IIM, NIT, Anna University, TNAU, NIFT, and other public and private sector universities. The state's talent pool adds over a million graduates every year and has the largest annual turnout of skilled workforce in India catering to various sectors.

The State is one of Asia's most preferred investor destinations anchoring 9% of Foreign Direct Investment in India since 2000 and has tremendous investment potential. The State's investment potential and strengths have won it laurels and accolades over

¹ Nominal GSDP CAGR is 11.4% between 2013-14 and 2018-19

² National Council of Applied Economic Research State Investment Potential Index

the years. Tamil Nadu ranked second in the State Investment Potential Index (N-SIPI) 2018, moving up by four places from N-SIPI- 2017; second in Growth, Innovation and Leadership Index 2019 for Economic Development in India, and first in the State of States 2020 ranking for the third consecutive year. Tamil Nadu topped the Good Governance Index 2019 launched by the Department of Administrative Reforms and Public Grievances, Government of India. Tamil Nadu has retained the third rank in the Sustainable Development Goals (SDG) India Index 2019, released by NITI Aayog, and was ranked second in the NITI Aayog's Innovation Index 2019. Tamil Nadu is in the top 10 for the availability of employable talent, employability, preferred state to work, and where maximum hiring occurs. Further, Chennai ranks second in terms of cities with high employability, according to the India Skills Report 2019-20.

The Global Investors Meet 2019 was a testament to Tamil Nadu's investment attractiveness, during which investment commitments amounting to over Rs. 3 lakh cr. (US\$ 42.85 billion) and 304 Memoranda of Understanding were signed. This success was further reinforced with investment commitments of Rs. 8,835 cr. (US\$ 1.26 billion) from 41 MoUs signed during the international investor roadshows in USA and UAE and Rs. 11,350 cr. (US\$ 1.62 billion) for 24 industrial projects in the State. This momentum continued despite COVID-19, as the State signed 55 MoUs amounting to over Rs. 40,719 cr. in investments.

This can be attributed to the state's conducive business environment, an endowment of capital and human resources, and the state's strategic location on the Coromandel Coast. Tamil Nadu has a strong infrastructure setup with four international airports, four large seaports, and several minor seaports. This has spurred export-oriented growth, making Tamil Nadu the third-largest exporting state of the country, contributing 9.8% to India's outbound shipments. Tamil Nadu's export prowess is unique, with its ability to produce a wide product spectrum of value-added goods. It is well connected with the road network of National Highways and State Highways. The Chennai-Bangalore Industrial Corridor Project and the Chennai-Kanyakumari Industrial Corridor Project are expected to further transform the economic landscape of the state in the next few years. Amongst all states, Tamil Nadu's economic growth and path towards achieving economic prosperity have been consistent.

³ Frost & Sullivan Growth, Innovation and Leadership Index for Economic Development 2018

⁴ India Today Group States of State Ranking

⁵ A joint initiative by a private independent study – Wheebox, a global talent assessment company

⁶ USDINR FX Rate of 70 has been used in this Policy for reference. For values cited in the Policy or in case of any discrepancy, the amount quoted in Indian Rupees shall prevail.

1.2 Need for A New Policy

The Industrial Policy serves as a critical instrument that will help achieve Tamil Nadu's Vision 2023. Tamil Nadu's Vision 2023 is a roadmap for state's development, encompassing themes like economic prosperity, inclusive growth, world-class infrastructure, a healthy investment climate, and improving the quality of governance to improve and sustain the growth of both manufacturing and associated services. It aims for an 11 percent annual growth rate in the State's economy, a 14 percent growth rate in manufacturing, and targets investments worth INR 15,00,000 cr. (US\$ 214.286 billion) in numerous projects over ten years. Growth shall be balanced across regions with a stronger focus on reducing poverty and inequality.

As a leading industrialized State, Tamil Nadu periodically revises its Industrial Policy to respond to the changing economic scenario and technology; and to offer direction and support for future growth. This Policy aims to build on the momentum generated by the State through the Industrial Policy of 2014 in upholding its position as a preferred destination for investment in India. Intending to be contemporary and progressive, this Policy incorporates recent changes in the regional and national economy, new initiatives and policy changes like Make in India, Ease of Doing Business, and Goods and Services Tax, and provides direction for future development. With this Industrial Policy, Tamil Nadu reaffirms its commitment to creating new jobs, improving labour quality, fostering innovation, and ensuring inclusive and balanced growth.

1.3 Scope of the Policy

This Policy is applicable for projects establishing or expanding industrial units, industrial parks, R&D projects, warehousing and logistics except those specified in the negative list in Annexure I. Investments made from January 1, 2021, will be considered eligible for availing incentives. This Policy supersedes the Tamil Nadu Industrial Policy 2014 and will be valid till 31.03.2025. The Policy may be periodically revised from time to time.

2 OBJECTIVES

2.1 Vision

Make Tamil Nadu the numero uno destination to invest, innovate and create products and associated services

2.2 Mission

- Evolve Tamil Nadu into the most preferred destination for investors
- Enhance the investment climate that beats the best in the world
- Continuously improve ease of doing business
- Enable and accelerate the state's knowledge and innovation ecosystem into becoming India's foremost hub for high-tech industries in the sunrise sector
- Harness the state's skilled human resources for economic development
- Enable balanced regional development

2.3 Progress & New Goals

Given the progress that the state has made with respect to the objectives set out in the previous Industrial Policy, we retain, raise and refocus our goals as follows:

Progress Tamil Nadu has achieved a compounded annual growth rate of 13% in manufacturing between 2014-15 and 2019-20 and is well-positioned to attain a target growth of 14%, in line with Vision 2023.

Goal *Achieve annual growth rate of 15% in the manufacturing sector during the policy term.*

Progress The State has surpassed its target, attracting incremental investments of over 10% every year in manufacturing, by achieving an annual growth rate of 14% in incremental investments in manufacturing and 25.74% across all sectors since 2013.

Goal *Attract investments worth INR 10 lakh cr. (US\$ 135 billion) between 2020 and 2025.*

Progress The Government of Tamil Nadu has strived to create gainful employment opportunities for 20 lakh persons and has over 45,000 registered factories employing 21.65 lakh persons as of Feb 2020. The State has renewed this effort with a push towards skill development.

Goal *Create employment opportunities for 20 lakh (2 million) people by 2025.*

Progress Manufacturing sector's contribution to the State has been consistently increasing for the past decade. In 2019-20, the manufacturing sector contributed to 25% of GSVA.

Goal *Increase the contribution of the Manufacturing Sector to 30% of GSVA by 2030*

3 BUILDING RESILIENCE TO BLACK SWAN EVENTS

The COVID-19 pandemic hit the world in late 2019, impacting all major economies during the first quarter of 2020. Besides throwing a challenge on the health front, the black swan event has severely affected economic and industrial activity and growth.

The Government of Tamil Nadu recognized the need to revive industrial production affected during the national lockdown on an urgent basis. The State introduced immediate measures to remove supply chain bottlenecks and operational restrictions for essential commodities facilities and continuous process industries. The industries were permitted to operate in a phased and safe manner. The Government of Tamil Nadu launched a special scheme “CORUS” to support the immediate working capital needs of businesses. Standard Operating Procedures were provided to industries to ensure worker safety. Besides facilitating accommodation for workers closer to the factories, industrial housing projects were prioritized.

In the long run, Tamil Nadu sees an opportunity to not just return to its normal growth trajectory but to leverage disruption in technology for resurgence and driving growth through a robust manufacturing ecosystem. This will include a shift to digital services and leveraging R&D for disruptive industrial innovation. Hence, this Policy focuses on encouraging R&D and adoption of technology in the manufacturing sector.

4 APPROACH

Keeping these goals and recent events in mind, the policy has been developed with the following pillars:

- a) Achieve inclusive and balanced regional growth,
- b) Accelerate industrial growth through incentives and facilitation measures
- c) Promote resilient industrial development that aligns with environmental sustainability,
- d) Develop an innovation ecosystem and promote investment in technology adoption
- e) Encourage FDI & exports
- f) Implementation mechanism that delivers incentives in an objective, transparent and timebound manner.

The policy uses the following levers aligned with these pillars:

- Structured Package
- Incentives for Sunrise Sector
- Incentives for Industrial Parks
- Incentives for R&D Projects
- Incentives for Logistics Infrastructure
- Incentives for Foreign Direct Investment
- Incentives for Sub-Large Projects

High-level implementation guidelines have been provided in this Policy and detailed operational guidelines/clarifications will be issued from time to time.

5 INFRASTRUCTURE

The trajectory of the State's economic growth is built on strong linkages between industry, infrastructure, and academic institutions. Tamil Nadu, being an industrial powerhouse of the country has built and continues to develop a robust industry with buoyant and resilient infrastructure. The State has made tremendous progress in both social and economic infrastructure. This has resulted in the rapid expansion of roadways, railways, and capacity enhancement of ports. The State's approach to augmenting industrial infrastructure is through the development of industrial parks, transport and logistics, energy and utilities, and communication infrastructure.

5.1 Industrial Parks & Land Bank Creation

Tamil Nadu has a wide network of industrial parks and estates offering developed plots with supporting infrastructure. The state has 57 formally approved Special Economic Zones (SEZ). State Industries Promotion Corporation of Tamilnadu Ltd (SIPCOT) & Small Industries Development Corporations (SIDCO) Industrial Parks have a cumulative land bank of nearly 40,000 acres out of which 3500 acres is available. SIPCOT is also in the process of establishing industrial parks in the districts of Kancheepuram, Tiruvallur, Madurai, Villupuram, Tiruchirappalli, Vellore, Krishnagiri, Dharmapuri, Perambalur, Ramanathapuram, Dindigul, Theni, Virudhunagar, Thoothukudi & Tirunelveli. The Government is also developing industry-specific parks to help promote cluster-based development. Public and private industrial parks in the state are also looking at providing plug & play facilities to attract export-oriented industries. SIPCOT now allows allottees who have used up 50% of their allotted area, to construct Plug & Play facilities and sublease it to others. A special incentive package shall be provided to developers of private industrial parks in this Policy.

5.2 Transport and Logistics

5.2.1 Industrial Corridors

The Government of Tamil Nadu is pursuing a corridor and node-based development model that spatially converges investment growth and infrastructure development. The State is developing industrial corridors with modern road and rail connectivity, specific investment regions, and other industrial and social infrastructure like townships, schools, hospitals, etc. As of the date of this policy release, there are multiple long-term mega infrastructure projects in Tamil Nadu, typically spanning 20 years or more, that are in different stages of development.

TN Industrial Corridors

Corridor-based development is expected to transform the economic landscape of the state in the next few years.

- **Chennai-Bengaluru Industrial Corridor (CBIC)** – The special purpose vehicle to develop the Ponneri node has been created and the master planning is underway. CBIC will be extended to the western region of the state as Kochi-Coimbatore Industrial Corridor including an Integrated Manufacturing Cluster in Salem.
- **Chennai-Kanniyakumari Industrial Corridor (CKIC)** – CKIC is being implemented in partnership with the Asian Development Bank as the second phase of the East Coast Economic Corridor to promote port-based economic development. This Corridor covers 23 districts of Tamil Nadu. The Comprehensive Development Plan has been prepared and the preparation for Phase II is near completion.
- **Tamil Nadu Defence Industrial Corridor (TNDIC)** - The Tamil Nadu Defence Industrial Corridor (TNDIC) launched in 2019 covers 5 nodal cities, namely, Chennai, Hosur, Salem, Coimbatore, and Tiruchirappalli. This has attracted investment proposals worth Rs 3,123 cr. from the ordnance factory boards, defence public sector undertakings, and private sector projects.

⁷ https://sipcot.in/webroot/img/Policy_on_Sublease.pdf

5.2.2 Connectivity

Tamil Nadu has 5,324 km of National Highways, 11,830 km of State Highways, 46,496 km of District roads, and 1,49,446 km of rural roads. The Government of Tamil Nadu has planned a Chennai Peripheral Ring Road connecting a stretch of 133.38 km between Ennore and Kattupalli Ports. The Tamil Nadu Road Sector Project, with assistance from World Bank, has been taken up at a cost of Rs. 5171 cr. Using the Performance-Based Maintenance Contract programme, 1768 km of roads have been improved at a cost of Rs.3074 cr. The State Government has also undertaken steps to improve Panchayat and Panchayat Union roads to the standard of Other District Roads for improving 2958 km of roads at a cost of Rs. 1490 cr. Further, an *Industrial Ecosystem Fund* shall be set up as a part of this Policy to improve last-mile connectivity.

Tamil Nadu also has an excellent airport and seaport connectivity. It has four international airports in Chennai, Madurai, Coimbatore, and Trichy. Chennai Airport is the third busiest airport in the country in terms of cargo movement and has a capacity to handle 1.1 MTPA. Therefore, it has a huge potential to improve its export and import handling activities. A new greenfield airport has been proposed which would handle 40 million passengers annually. Tamil Nadu also has four large seaports (Chennai port, Kamarajar port and VOC port, Kattupalli). These, along with Karaikal port have a total container handling capacity of 5.5 MTPA.

The Government of Tamil Nadu aims to create high-speed railway corridors with support from the Government of India to connect major cities of Tamil Nadu. The Government is undertaking the construction of 44256 railway over bridges at a cost of Rs. 726 cr. in 2019-20 under the Railway Works programme.

5.3 Energy and Utilities

5.3.1 Power

Tamil Nadu is a power surplus state with an installed capacity of 31,990 MW. The Government of Tamil Nadu has achieved this through State & Central projects, power purchase agreements & renewable energy generation, and ensured an increase of 15,587 MW since 2011. Tamil Nadu is among India's top renewable power generating states accounting for 17.2% of the renewable power generation in the country. Tamil Nadu is poised to increase power generation through new projects using both non-renewable & renewable sources and is expected to remain power surplus during the next decade. The TN Solar Policy 2019 aims to increase the solar power generation capacity of the state to 9,000 MW by 2023.

TANGEDCO has issued a Policy for 24x7 power to Industries/Developers with a demand of 10 MVA or with an investment of Rs.100 cr. or more for companies with an MoU with the Government of Tamil Nadu with the following highlights:

24x7 Power to Industrial Consumers

- TANGEDCO / TANTRANSCO will set up Sub-Stations and associated transmission and distribution networks in various locations at the cost of Industrial consumers/ Government wherever the industries are proposed to be set up in the State based on the industrial demand requirement. TANGEDCO/ TANTRANSCO will establish Sub-Stations at the cost of investors on the land provided by them.
- Industries/developers will also be permitted to establish Sub-Stations, transmission, and distribution power networks on their own if they comply with technical specifications of TANGEDCO / TANTRANSCO.
- Uninterrupted Power Supply shall be provided through a dedicated dual network.
- Digital meters with AMR facility will be provided at the feeder level.
- Industries / developers will be free from power cuts, peak hour load restrictions, power holidays, and other similar restrictions. However, the above conditions will not be applicable under force-majeure conditions such as cyclone, flood, strikes, grid disturbance, etc., and feeder tripping due to technical faults.

5.3.2 Water Resource Management

Water is a precious commodity, and the State recognizes the need for augmenting supply of industrial water in its path towards industrial infrastructure development. The Government of Tamil Nadu has been proactively planning for water augmentation. It has undertaken various initiatives towards sustainability of industrial water such as i) desalination plants in coastal districts, ii) recycling of water for industry reuse in interior districts (TTRO, TT plants, etc.), and iii) recharge and restoration of water bodies.

The State launched Treated Wastewater Reuse Policy 2019 and was awarded first place under the 'Best State' category under the National Water Awards (NWAs) 2019,

presented by Department of Water Resources, River Development and Ganga Rejuvenation, Government of India.

The Government of Tamil Nadu through the Combined Water Supply Scheme supplies 148 MLD water to nearly 541 industries. The 45 MLD plants at Koyambedu & Kodungayur are operational and the sewage generated in Chennai is recycled, making it one of the leading cities in terms of recycling & reuse of wastewater. Thus, there is no water shortage for industrial use and Tamil Nadu intends to be weather-independent in water availability.

Tamil Nadu is undertaking several projects to improve water supply to industries

-150 MLD desalination plant at Nemmeli is being implemented at a cost of Rs. 1259.38 cr. with grants from the Government of India & KfW. The plant will address the water requirements of nearly 9 lakh people living in south Chennai as well as the IT corridor areas- Sholinganallur, Madipakkam, Ullagaram- Puzhuthivakam; 10 MLD tertiary treatment Ultrafiltration plant in Perungudi. Another 400 MLD project has also been proposed in Nemmeli/ Perur and 260 MLD under Sustainable Water Management of Chennai City.

-60 MLD desalination plant at Thoothukudi to cater to the Tuticorin Industrial Park and surrounding industries near the Port.

-20 MLD desalination plant at Manakudi to cater to the needs of water supply for Manakudi and Sakkarakottai Industrial Parks.

-20 MLD desalination plant at Cuddalore to cater to the needs of water supply for Cuddalore Industrial Park.

-20 MLD TTRO conveyance system to service Manallur Township.

-1.3 MLD Freshwater supply from Thervoykandigai reservoir for Manallur Industrial Park

-20 MLD Tertiary Treatment Plant to treat the water drawn from KPRP Dam, Kelavarappalli and supply to about 355 industries located in Hosur Industrial Complex.

-Capacity enhancement of STPs, viz 2 x 120 MLD STP in Kodungaiyur, 50 MLD STP in Nesapakkam and 60 MLD in Perungudi and works are expected to be completed by 2022.

5.4 IT Infrastructure

The State offers state-of-the-art telecommunications infrastructure for high-speed large volume data transfer. Tamil Nadu has an excellent Optical Fibre Cable (OFC) network and availability of reliable large bandwidth. With 3 Submarine landing cables, Tamil Nadu has one of the largest bandwidths amongst Indian states. The total bandwidth available is about 14.8 Tbps connecting Tamil Nadu with international locations. The Government of Tamil Nadu has undertaken the implementation of BharatNet through Tamil Nadu Fibrenet Corporation, which will connect all Village Panchayats through Optical Fibre and will be extended to all urban local bodies that will have connectivity of 1 GBPS by 2020. Chennai is a stellar performer in IT/ITeS and has earned the name – “SaaS (Software as a Service) capital of India”.

6 FOCUS & SUNRISE SECTORS

6.1 Focus Sectors

The Policy shall continue to promote the existing focus sectors, which are drivers of economic growth and development in the state. These focus sectors are *Automobile and Auto Components, Chemicals, Electronics & Hardware, Heavy Engineering, Leather, Textiles, Financial Services, and Software*.

6.2 Sunrise Sectors

Rapid technological developments are bringing to the fore new sectors that can become drivers of future growth. The state has identified sectors that are a part of or overlap the focus sectors where the State has demonstrated capability. Some of these sectors that have a high potential for growth, diversification and investment have been identified as Sunrise Sectors in Annexure-II. The Government has launched dedicated policies for some of the identified focus and sunrise sectors. To provide a thrust to the sunrise sectors, a special package of incentives has been proposed in this Policy.

7 INNOVATION & ECOSYSTEM DEVELOPMENT

The State is actively encouraging firms to explore and push the frontiers of technology that can transform the industrial eco-system. The Tamil Nadu Startup and Innovation Policy 2018-2023 aims to provide an enabling, innovative ecosystem in the State. Chennai ranks 4th nationally in the startup ecosystem with a significant representation from startups in e-commerce, mobile-based technology, and education. The State strives

to position itself as one of the leading start-up hubs in the country by leveraging the attractive investment climate in the state to develop a world-class ecosystem for such companies. The Government of Tamil Nadu shall undertake the following initiatives to focus on R&D, innovation, and developing enabling ecosystems.

7.1 Innovation Centres

SIPCOT is planning to establish Industrial Innovation Centres at the Sriperumbudur & Hosur Industrial Parks. SIPCOT is working alongside a suitable technology partner to design, operate and maintain these Innovation Centres. Through this initiative, the Government of Tamil Nadu intends to accelerate the adoption of technology in Industrial Projects in the State.

Tamil Nadu is cognizant of its advantage as an industrial powerhouse and is well-positioned to leverage Industry 4.0 technologies to improve total factor productivity while scaling and moving up the value chains. The State has initiated this process by launching policies such as Blockchain Policy 2020 and Artificial Intelligence Policy 2020. The Government of Tamil Nadu shall encourage the adoption of innovative technologies such as Industry 4.0 for focus and sunrise sectors under the *Research and Technology Adoption Fund*. Further, incentives shall be provided to industries in sunrise sectors and emerging segments that seek to promote advanced technologies.

The State is home to IIT-M Research Park, one of the most successful models of Research Parks or innovation hubs in the country. The Government of Tamil Nadu shall encourage grant-based development of university-affiliated Research Parks under the *Industrial Ecosystem Fund* that would serve as a catalyst for radical and high-tech development envisioned.

7.2 MSME Ecosystem

Micro Small & Medium Enterprises (MSMEs) are significant drivers of growth in Tamil Nadu's economy. Tamil Nadu has an established presence of a diversified and robust MSME ecosystem with about 50 lakh MSMEs. MSMEs support the industrial ecosystem synergistically through their complementarity to the large industries as ancillary units as well by attracting large greenfield projects with a well-established supply chain. The growth of MSMEs in tandem with large industries is vital for sustainable and balanced regional development. The existing policy for reservation of 20% of land area in SIPCOT Industrial Parks for MSMEs shall continue. The Government of Tamil Nadu supports MSMEs through a separate policy.

7.3 Industrial Parks and Townships

In the past, the State has seen companies such as India Cements, SPIC, DCW, Ramco, and PSUs such as BHEL and NLC promoting self-contained residential colonies with housing, playground, healthcare, shopping, and recreational facilities while setting up their plants. These integrated industrial townships with safe and regulated working and living environments are also better positioned to control pandemics. The State Government and its promotional agencies shall develop integrated townships with social infrastructure facilities in the new and existing growth centres and industrial complexes in Tamil Nadu. Initially, 15% of industrial parks' area exceeding 500 acres shall be reserved for social infrastructure.

7.4 Industrial Housing

The State supports the walk-to-work concept to decongest the cities and improve work-life balance. Industrial projects will be encouraged to develop accommodation and hostel facilities for employees within a 5 km radius of the work area. The Government of Tamil Nadu has taken the initiative to develop two industrial housing facilities to accommodate 20,000 workers to cater to the housing needs of five industrial parks in the Sriperumbudur belt. This shall be provided on a rental basis to the industry and its workers. The Report of the High-level Committee on the Impact of Covid on Tamil Nadu's Economy chaired by Dr. C. Rangarajan, hereinafter referred to as Dr. C. Rangarajan Committee Report, has recommended that the Government through its various institutions may also support Industrial Housing projects through PPP models.

7.5 Export Readiness

Tamil Nadu is the third-largest exporter in India contributing 9.38% of India's exports in 2018. It accounted for a value of over INR 2 lakh cr. (US\$ 30.45 billion) in exported goods and services. Tamil Nadu is a major exporter of Leather and Leather Goods, Textiles and Garments, Automobiles and Components, Engineering Goods, Castings, Pharmaceuticals, Spices, Agro-Products, Marine Products, Electronic Hardware, and Software. Tamil Nadu exports goods where it has a comparative advantage. The State recognizes the need for the upgradation of infrastructure and quality in export-focused regions. As such, the State shall encourage industries to be set up in EOUs, SEZs, and near ICDs and CFSs. It shall provide market development assistance to firms for development and promotional activities to promote export of their products and commodities. Guidance has also created an Export Cell with regional investment facilitators to facilitate exporters.

8 SKILL DEVELOPMENT

As the State makes efforts to grow its focus sectors and create new capabilities in sunrise sectors, a skilled and efficient workforce is a pre-requisite to achieve this vision. The State already has the highest number of technical universities in the country and more than 2400 colleges across various courses. Tamil Nadu has a total of 475 ITIs spread across the state providing vocational training. Nearly 85% of the state ITIs are privately owned, which demonstrates the contribution of the private sector in the skilling ecosystem. The State has nearly 2 million students who enrol for higher education on an annual basis and adds nearly a million students to the workforce every year. In addition to the existing infrastructure and initiatives, the Tamil Nadu Skill Development Corporation oversees skill development in the state. The State is developing a comprehensive ecosystem around skill development enabled by support infrastructure and increased labour participation of women and differently-abled persons in the industrial workforce.

8.1 Apex Skill Development Centres

The Government has accorded administrative sanction for establishing Apex Skill Development Centres (ASDC) with the assistance of Japan International Co-operation Agency (JICA) as part of the Tamil Nadu Investment Promotion Programme (TNIPP) Phase II for imparting hi-end training in various sectors. ASDCs for three sectors, namely, Auto, Auto Components & Machine tools; Hospital and Health Care Services and Transportation & Logistics are being structured as Centres of Excellence through a special purpose vehicle.

8.2 Creating Opportunities for Inclusive Employment

Tamil Nadu is among the states with the highest labour participation from women. However, the levels of labour participation in absolute terms remain low. The Government of Tamil Nadu has issued amendments to the Tamil Nadu Factories Rules, 1950 in 2017 which provides guidelines for employing women during night shifts in factories. This is intended to promote labour force participation through flexibility in labour laws, without compromising labour welfare. There is an expressed need from industries in the Skilling for the Future- Action Plan for Tamil Nadu (2019-2025) for promoting employment for locals in supervisory roles in the skilled workforce.

Subject to applicable labour laws, flexibility in employment conditions including flexible working hours, 24x7 operations (3 shifts), employment of women in the night

shifts and flexibility in hiring contract labour will be permitted. Further, incentives will be provided to industries that encourage employment for locals, women, transgenders, and persons from the SC/ST communities in the workforce. It is also important to engage and accommodate differently-abled persons in industrial activities to achieve inclusivity. In this Policy, employment for persons with benchmarked disabilities gets double weightage for employment-based-incentives employment boosters and eligibility criteria for investment promotion subsidies and higher training subsidies, where applicable.

9 EASE OF DOING BUSINESS

The Government of Tamil Nadu accords the highest priority to the interest of the investors. The State is on course to meet global standards for ease of doing business by undertaking 301 reforms suggested under World Bank and DPIIT's Business Reform Action Plan (BRAP) 2020-21, 45 reforms suggested under District Reforms Action Plan (DRAP) 2020, and other regulatory and process reforms beyond these. The reforms are spread across thematic areas such as access to information and transparency, single window system, land availability and land allotment, registering property, construction permit, environmental registration, utility permits, labour regulations, sector-specific reforms, inspection, indirect taxes filing, contract enforcement, and procurement.

Further, the State is implementing new initiatives such as completely digitizing government-to-business (G2B) interactions through the development of a New Single Window Portal, development of Central Inspection System to monitor compliance inspection, Deemed Clearances, Comprehensive Land Portal, Construction Permit Portal, creation of Investment Facilitation Desks across countries and sectors and automatic renewal of select licenses. These initiatives are aimed at easing the experience of the investors for doing business in Tamil Nadu and demonstrates the State's interest in creating a conducive investor-friendly climate that is aligned to domestic and global market demands.

9.1 Single Window Facility

In its continued effort to improve the investment climate and facilitate rapid industrialization in the State, the Government of Tamil Nadu introduced the Tamil Nadu Business Facilitation Act and Rules in 2017-18. This covers 87 services offered by various departments with defined timelines for granting approvals/clearances at various stages of the business lifecycle.

All enterprises with a proposed investment in ‘plant and machinery or equipment’ that exceeds Rs.50 cr., and turnover that exceeds Rs.250 cr. are eligible to make use of the current Single Window Portal. The current Single Window Portal offers 38 services/clearances pertaining to 14 Departments. As of August 2020, the State has received more than 160 applications through the Single Window Portal since its launch in 2018. About 70% of these eligible applications received (excluding incomplete and rejected applications) with a combined proposed investment of over 15,000 cr. and employment for 64,000 persons have been provided all the requisite clearances. By 2021, the New Single Window Portal will be providing more than 180 services (includes sector-specific and sector-agnostic clearances) offered by 38 departments making the process completely faceless, contactless, and paperless.

As part of BRAP/DRAP, and based on the feedback received from industry stakeholders and investors, the following interventions shall ensure that the requisite services are delivered in a timely, transparent, and consistent manner to industries:

- Ensuring adequate availability of information needed by investors for securing necessary clearances in English/Tamil
- Onboarding all relevant government service providers to integrate the remaining services
- Providing time-bound clearances and providing deemed approvals prior to commencement of commercial operations for all identified clearances
- Developing a repository for common documents required for clearances
- Online facility for application for incentives
- Deploying an online tracking mechanism for all clearances, incentives, and communication.

9.2 Investor Facilitation Desk

Investor Facilitation Desks have been set up to provide information to entrepreneurs regarding the scope of setting up of industries in the state of Tamil Nadu, give them guidance on the procedural aspects of starting industries, incentives and facilities available and, assist them in resolving any problems they may face in setting up an industry. Desks for Taiwan and the USA have already been created. A dedicated desk and portal for Non-Resident Tamils – “Yaadhum Oorae” has been constituted to encourage and facilitate investments in Tamil Nadu by the substantial Tamil diaspora spread across the globe. The State also has joint working committee agreements with Japan, U.S.A., U.K., U.A.E., Korea, and Germany to further international cooperation for industries.

9.3 Biz Buddy

Biz Buddy is Tamil Nadu's industry help desk portal designed to help businesses report operational issues for resolution by various government departments, disbursement of incentives, and approval of pre-establishment, establishment and operation clearances required, within 30 days on a best effort basis. The platform offers features for tracking and monitoring the status of the application through SMS and email notifications. Biz Buddy will also serve as a mechanism for industries to share their ideas and suggestions for improving the industrial climate in the state and to crowdsource solutions for specific challenges. With business-centricity at its core, Biz Buddy is developed on robust IT infrastructure to ensure seamless service for facilitating all regulatory services throughout the life-cycle of the investment and operation. As of August 2020, the portal has 103 officers across 15 departments, 48 agencies and including all district collectors. Biz Buddy has reduced the processing time of pending applications by over 80%.

10. RELAXATION IN PLANNING NORMS

The Government will implement a planning system that encourages investment and promotes Ease of Doing Business. All restrictions on plot coverage ratio for industries have been removed. To encourage the setting up of industries along transit corridors, 25% parking space relaxation will be provided for all industries set up within 3 km of railway stations. Also, the height of non-habitable structures will not be counted for classifying industrial buildings as high-rise buildings. As a significant step to ease the process of obtaining planning permission, industrial units set up in SIPCOT/ SIDCO/ ELCOT/ TIDCO/ SIPCOT JV Parks and other Government agency promoted/partnered industrial parks will be given online planning permission and building approval without inspections. To promote establishment of Plug & Play facilities for manufacturing, Plug & Play facilities set up in SIPCOT/ SIDCO/ ELCOT/ TIDCO/ SIPCOT JV Parks and other Government agency partnered industrial parks will be permitted maximum FSI (including premium FSI) free of cost.

11. SUSTAINABLE FINANCING OF INVESTMENTS

While Tamil Nadu has invested in its infrastructure and industries over the years, industries face a challenge in mobilizing adequate funds for investment. The investment gaps in the industrial infrastructure and industrial ventures have been addressed through various innovative approaches with the collaboration of both public and private sector. To improve access to sustainable finance for industries, the following options are available to manufacturing Projects investing above Rs. 500 cr. (Mega / Ultra-Mega Projects) in the State.

11.1 Equity Financing

Investors can submit business proposals to Tamil Nadu Industrial Development Corporation (TIDCO) to come onboard their Project as an equity investor. This is with a view to facilitate the investment process and provide financial support to Mega Projects. Equity participation by TIDCO in the Joint Sector projects ranges from 11-26 % and in the associate Sector ranges 2-11% equity. The Escort Sector includes ventures with 1% equity from TIDCO. Projects that have a high capital requirement in the initial years of the investment may also be offered hybrid security financing in the form of convertible debentures, or land as equity projects with an associated investment plan, and exit plan, on a case to case basis.

11.2 Industrial Ecosystem Fund

The Government recognises that major investments can be attracted only if there is a well-developed ecosystem for the industry. Under the Tamil Nadu Investment Promotion Program, the Small Infrastructure Project Empowered Committee (SIPEC) supported many small-scale infrastructure projects and can be replicated/scaled up. Following the recommendation of the *Dr. C. Rangarajan Committee Report*, the Government shall create an *Industrial Ecosystem Fund* with a corpus of Rs. 500 cr. to support small infrastructure projects and *ecosystem creation*.

- Small Infrastructure Projects

Last mile connectivity is extremely important to develop industries and industrial clusters as it reduces logistics costs and makes the investment viable and products more competitive. Such connectivity may also serve a larger public purpose by connecting nearby rural and suburban localities in some cases. The Government shall support such projects to create physical connectivity and other infrastructure needs of standalone industries or industrial clusters/parks or industrial warehousing/logistics projects. The fund shall be used to provide grants to support the development of public roads, power, water supply, sewerage, and other infrastructure facilities.

- Ecosystem Creation

Projects that create or enable the ecosystem like the creation of innovation centres or research parks or those that support the creation of common facilities/ecosystem for industries in sunrise sectors for purposes of prototyping, testing, etc. shall also be eligible for partial funding under this fund.

The fund will be created through contributions from SIPCOT and TIDCO with matching grants from the Government of Tamil Nadu and scaled through funding from external agencies and profits to the fund.

11.3 Research & Technology Fund

The Government shall create a *Research & Technology Fund* with a corpus of Rs. 100 cr. to support *research and development* in sunrise sectors and technology adoption in existing industries.

- *Research & Development*

Projects in sunrise sector that invest heavily in R&D in the initial years of the project shall be eligible for support toward R&D investment through this fund. This shall help in bridging the viability gap for such projects.

- *Technology Adoption*

Existing sub-large suppliers of large companies that seek to improve their product, processes, and performance efficiency across their supply chain by adopting advanced Industry 4.0 technologies such as IoT shall be supported through this fund.

11.4 Venture Capital Fund

Entrepreneurs play an important role in catalysing technology adoption in the early stages and supporting anchor industries in setting up supply chains in the state. They take higher risks, and the Government recognises the need to participate in de-risking to the extent possible. The Government shall support the pioneers and first movers of industries by providing risk capital to futuristic technologies that are accompanied by high uncertainty but have the potential to succeed. A Venture Capital Fund will be created with a corpus of Rs. 500 cr., to support entrepreneurs undertaking ventures in sunrise sectors.

11.5 Digital Accelerator under Yaadhum Oorae

Tamil Nadu must create a conducive ecosystem for innovation to further technological advancement of the manufacturing sector. Government of Tamil Nadu has already announced a 'Digital Accelerator' scheme under Yaadhum Oorae with American Tamil Entrepreneurs Association (ATEA) to promote startups investing in Tamil Nadu from US in various fields such as IT/Healthcare/EV/emerging areas on IoT, AI, Cloud Computing /SDGs. It is proposed that a grant of 10% of capital raised may

be provided towards operational and capital expenditure, up to Rs. 1 cr. per startup. Similar funds may be created for startups that contribute to innovation, from other countries with Tamil diaspora. The sanction of the grants shall be evaluated by a special committee and funded from the Tamil Nadu Startup Fund of Funds.

11.6 Term Loans

Tamil Nadu Industrial Investment Corporation Limited (TIIC) offers term loan of up to Rs. 40 cr. (US\$ 5.7 million) under the General Term Loan Scheme.

Implementation guidelines for Para 11.2, Para 11.3, Para 11.4 and Para 11.5 shall be issued separately.

12 INCENTIVES FOR INDUSTRIES

Government of Tamil Nadu intends to support the projects in manufacturing with the potential for positive externalities in the State, through the following Incentive Packages:

- Structured Package
- Incentives for Sunrise Sector
- Incentives for Industrial Parks
- Incentives for R&D Projects
- Incentives for Logistics Infrastructure
- Incentives for Foreign Direct Investment
- Incentives for Sub-Large Projects

12.1 Eligibility & Definitions

For the purpose of administering the incentives, the following four investment commitment ranges have been identified:

Table 1: Investment Commitment Range for Project Category

Project Category	Investment Commitment Range (Rs. in cr.)		Standard Investment Period
	Minimum Investment	Maximum Investment	
Sub-Large	50	300	4 years
Large	300	500	4 years
Mega	500	5000	4 years
UltraMega	5000	-	7 years

12.1.1 Eligibility for Incentives

Projects in Manufacturing located in Tamil Nadu creating Employment for at least 50 persons will be eligible for incentives under this Policy.

12.1.2 Project Category & Standard Investment Period

The Project Category for (Sub-Large, Large, Mega, Ultra-Mega) shall be determined based on Investment in Eligible Fixed Assets made within the Standard Investment Period as defined in Table 1.

12.1.3 District Category

For the purpose of administering the fiscal incentives, the districts of the state are classified as follows:

“A” Category Districts (4 districts) - Chengalpattu , Chennai, Kancheepuram and Tiruvallur.

“B” Category Districts (12 districts) - Coimbatore, Erode, Karur, Krishnagiri, Namakkal, The Nilgiris , Ranipet, Salem, Tiruchirappalli, Tirupattur, Tiruppur, and Vellore.

“C” Category Districts (22 districts) – Ariyalur, Cuddalore, Dharmapuri, Dindigul, Kallakurichi, Kanniyakumari, Madurai, Mayiladuthurai, Nagapattinam, Perambalur, Pudukkottai, Ramanathapuram, Sivagangai, Tenkasi, Thanjavur, Theni, Thiruvarur, Thoothukudi, Tirunelveli, Tiruvannamalai, Villupuram and Virudhunagar.

In case of notification of new districts during the policy period, the District Category of the parent district (in case of sub-division) or majority of constituent district by area (in case of merger or re-division), shall apply, or as notified by the Government.

12.1.4 Investment Period

Investment Period refers to the actual continuous time taken by the Project from the commencement of investment/ sanction of the G.O./date of MoU in case of structured package, till the completion of the investment commitment. The Investment Period can be different from the Standard Investment Period.

12.1.5 Investment Range & Investment

The *Investment Range* is range of investment as in Table 1 inclusive of the Minimum Investment and up to but not including the Maximum Investment. Investment refers to the cumulative Investment in Eligible Fixed Assets committed by the Project within the Investment Period.

12.1.6 Employment

Employment shall have the same meaning as defined in Annexure IV

13 STRUCTURED PACKAGE FOR LARGE & ABOVE PROJECTS

The Government of Tamil Nadu recognizes the need to develop manufacturing capabilities across the state by promoting industrial dispersion. The classification of District Category has been revised to further equitable industrial dispersion, especially in the Southern Districts and districts with low levels of industrialization, considering the strengths of the industrial workforce and per-capita income of the region as a proxy for industrialization and poverty, respectively. As a pathbreaking initiative, the number of “C” Districts have been expanded to cover 22 districts, which will usher investments to all regions of the State. Projects that are **Mega and Ultra-Mega in “A” Districts, or Large, Mega and Ultra-Mega in “B” and “C” Districts** shall be eligible for Structured Package of Incentives. The Structured Package of Incentives includes:

- *Investment Promotion Subsidy*
- *Training Subsidy*
- *Land Cost Incentive*
- *Interest Subvention*
- *SGST Refund on Capital Goods*
- *Standard Incentives*
 - *Electricity Tax Incentive*
 - *Stamp Duty Incentive*
 - *Green Industry Incentive*
 - *Quality Certification Incentive*
 - *Intellectual Property Creation Incentive*

13.1 Investment Promotion Subsidy

There are 4 possible options for availing Investment Promotion Subsidy. The company can choose one of the following options:

- | | |
|--|----------------------------|
| I. SGST Reimbursement for Final Products | III. Fixed Capital Subsidy |
| II. Flexible Capital Subsidy | IV. Turnover-based Subsidy |

These options are mutually exclusive, and a one-time choice has to be exercised at the beginning of the Project by the investor.

13.1.1 SGST Reimbursement for Final Products

100% SGST payable on the sale of final products manufactured, sold, and registered in the State shall be reimbursed for a period of 15 years from the date of commercial

production or upon achieving the minimum eligible investment for Structured Package in the given District, whichever is later. This shall be applicable only to Projects that manufacture final products with a traceable end-use in the State. In case of expansion projects, base volume principle will be applicable.

OR

13.1.2 Fixed Capital Subsidy

Projects can avail a fixed capital subsidy as provided in the Table below:

Fixed Capital Subsidy (%EFA)			
Project/ District Category	Large (Rs. 300 cr.– Rs. 500 cr. & 150 jobs)	Mega (Rs. 500 cr. – Rs 5000 cr. & 400 jobs)	Ultra-Mega (>Rs. 5000 cr. & 2000 jobs)
“A” District	-	10%	20%
“B” District	10%	12%	22%
“C” District	12%	15%	25%

The Fixed Capital Subsidy will be disbursed in equal annual instalments over the period prescribed below:

- 10 years for Large Projects in “B” and “C” districts and Mega Projects in “A” districts,
- 12 years for Mega Projects in “B” districts and “C” districts, and
- 15 years for Ultra Mega Projects in all districts

Large Projects in “A” District shall be eligible for a back-ended fixed capital subsidy of Rs. 1 cr.

The company can choose to avail the Fixed Capital Subsidy from the date of commercial production or upon achieving the minimum eligible investment for Structured Package in the given District, whichever is later. If the company chooses to avail the Fixed Capital Subsidy prior to the completion of the investment and employment commitment, the Fixed Capital Subsidy shall be disbursed in tranches corresponding to the cumulative investment made until then and subsequent tranches for actual annual incremental investment within the investment period.

OR

13.1.3 Flexible Capital Subsidy

This option is a flexible, objective, transparent, and risk-free subsidy for investors compared to the indirect-tax based reimbursements that are subject to market risk

and extended over a long period of time. This provision is the first of its kind as it provides the investor choice of customizing incentive package by choosing the weights of boosters that are best suited to maximise the subsidy based on their business mode. This will enable investors to plan their cash flow in a much more predictable manner. The Policy offers a maximum Capital Subsidy of 35% of EFA for “A” Districts, 37% for “B” Districts and 40% of EFA for “C” Districts. This comprises Standard Subsidy of 5% to all eligible projects and additional incentives of up to 35% of EFA depending on boosters based on location, employment, exports, ecosystem creation and if it is in a sunrise sector.

Flexible Capital Subsidy is a percentage of the Eligible Fixed Assets and shall be disbursed over the incentive disbursement period equal to 2.5 times the investment period. The company can choose to avail the Flexible Capital Subsidy from the date of commercial production or upon achieving the minimum eligible investment for Structured Package in the given District, whichever is later. If the company chooses to avail the Flexible Capital Subsidy prior to the completion of the investment and employment commitment, the Flexible Capital Subsidy shall be disbursed in tranches corresponding to the cumulative investment made until then and subsequent tranches for actual annual incremental investment within the investment period. The framework for Flexible Capital Subsidy is provided in Annexure-III; this is based on verifiable data and flexible with respect to factor inputs such as labour, capital, and technology.

OR

13.1.4 Turnover-based Subsidy (TBS)

Mega and Ultra Mega projects creating a minimum Employment of 2000 jobs within the Investment Period can avail the Turnover-based Subsidy instead of the Fixed or Flexible Capital Subsidy. Turnover-based Subsidy shall be applicable as a percentage of the Turnover in each financial year. The company can choose to avail the Turnover based Subsidy from the date of commercial production or upon achieving the minimum eligible investment for Structured Package in the given District, whichever is later, up to a cap of 4% of cumulative investment in Eligible Fixed Assets per annum for a period of 10 years. If the Project creates employment for more than 4000 jobs within the investment period, the company shall be eligible for drawing a higher percentage of turnover subsidy depending upon the District Category, from the year of achieving the higher employment, as specified in the Table below. Turnover-based Subsidy for expansion projects shall be determined on a case to case basis and base volume principle will be applicable.

Turnover-based Subsidy (% Turnover) for Mega and Ultra Mega Projects (Investment >Rs. 500 cr.)		
District Category	<i>Employment >2000 jobs</i>	<i>Employment >4000 jobs</i>
“A” District	1.5%	1.75%
“B” District	1.75%	1.8%
“C” District	1.8%	2%

13.2 Training Subsidy

Skilling support can be availed in form of a Training Subsidy of Rs. 4000 per worker per month for 6 months for residents of Tamil Nadu. For women and transgender employees, persons with benchmarked disabilities, persons from SC/ST communities the training subsidy shall be Rs. 6000 per worker per month for 6 months.

13.3 Land Cost Incentive

The Government strives to provide land to industries at competitive rates. For eligible projects in SIPCOT in “A” & “B” districts, land allotment will be made at a 10% concessional rate and at a 50% concessional rate in “C” districts for land up to 20% of EFA. The timelines for allotment of Land in SIPCOT Industrial Area shall be as per Tamil Nadu Business Facilitation Rules 2018 and a deemed approval shall be issued on expiry of the time limit.

13.4 Interest Subvention

Interest Subvention of 5% as a rebate in the rate of interest shall be provided to Ultra-Mega Projects only on actual term loans taken for the purpose of financing the project, up to Rs. 4 cr. per annum for a period of 6 years

13.5 Standard Incentives

The following incentives shall also be available to Large, Mega and Ultra-Mega projects.

13.5.1 Electricity Tax Incentive

New or expansion manufacturing projects will be given an *electricity tax exemption for a period of 5 years* on power purchased from the Tamil Nadu Generation and Distribution Corporation Ltd. (TANGEDCO) or generated and consumed from captive sources.

13.5.2 Stamp Duty Incentive

50% Concession on Stamp duty payable on lease or purchase of land/shed/buildings meant for industrial use shall be offered in parks promoted by SIPCOT in “A” & “B” Category Districts.

In all “C” districts, 100% Concession on Stamp duty payable on lease or purchase of land/shed/buildings meant for industrial use shall be offered in parks promoted by SIPCOT/SIPCOT JV/ SIDCO.

13.5.3 Green Industry Incentive

Industrial projects undertaking green initiatives for recycling waste and water for industrial use and sustainable energy usage, coupled with online monitoring (wherever applicable) indicated below, shall be eligible for a *25% subsidy on the cost of setting up such environmental protection infrastructure in the following solution areas subject to a limit of Rs. 1 cr.*

Safety & Energy Efficiency Solutions

- i. Mechanised Systems for Sewage Cleaning such as jet rodding machines etc. to replace Manual Scavenging
- ii. Passenger and Utility Electric Vehicles for the transport of goods and personnel within the facility premises and EV buses for the transport of personnel from and to the facility.

Water Conservation Solutions

- iii. Wastewater treatment and recycling systems using technologies such as Activated Sludge Process (ASP), Membrane Bio-Reactors (MBR), Reverse Osmosis (RO), etc. to increase supply and use of treated water.
- iv. Smart Solutions/IoT for Water and Wastewater to reduce dependency on manpower, enhance business continuity and remote operations using smart meters/ pumps/ sensors, data analytics, and cloud solutions.
- v. Adopting rainwater harvesting; restoring water bodies by de-silting defunct water bodies within the premises
- vi. Zero Liquid Discharge Solutions

Greening Solutions

- vii. Green Buildings which obtain green rating under the Indian Green Building Council (IGBC/LEED Certification)

- viii. Green Buildings which obtain green rating for Integrated Habitat Assessment (GRIHA) systems.

Pollution Control Solutions

- ix. Installation of pollution control devices (PCD).

13.5.4 Quality Certification Incentive

Industrial projects obtaining certifications like ISO, ISI, BIS, FPO, BEE, AGMARK, and ECOMARK, or any other national or international certification as notified from time to time, shall be given a subsidy of 50% of the total cost incurred for obtaining the certification, as certified by the Chartered Accountant, limited to Rs. 25 lakh for the period of investment.

13.5.5 Intellectual Property Creation Incentive

The Government will reimburse 50% of the expenditure incurred by the Project subject to a maximum of Rs. 30 lakh for the period of investment for a patent, copyright, trademarks, Geographical Indicators registration.

13.6 SGST Refund on Capital Goods

The Government recognises that there is no provision of refund of input tax paid on capital goods, as the formula prescribed in Rule 89(5) of the Tamil Nadu Goods and Services Rules 2017, as applicable now, does not take into account input taxes paid on capital goods in the term Net ITC (Input Tax Credit). Consequently, a company faced with an inverted tax structure is unable to utilise the ITC paid on capital goods, even though such a company could have utilised the ITC for payment of tax, had there been no inverted tax structure.

Therefore, if the company faces an inverted tax structure due to which it is neither able to utilise the ITC on capital goods for payment of output tax nor able to obtain a refund of the same, the State Government will refund the Input SGST paid on capital goods within the standard investment period, to the extent input tax credit is admissible under TNGST Act 2017. The company shall have to reverse the credit of input tax from the SGST credit ledger to the extent refunded. The refund shall be provided from commercial production, in five equal annual instalments.

14 SPECIAL INCENTIVES FOR SUNRISE SECTORS

The Government of Tamil Nadu strives to stimulate technological innovation by supporting technology-driven manufacturing projects in the State. The following incentives are in addition to the Structured Package above (Section 13) and are applicable to projects in Sunrise Sector (Annexure-II) that are **Mega and Ultra-Mega Projects for “A” Districts, or Large, Mega and Ultra-Mega Projects for “B” & “C” Districts**. The State has launched various specialised policies for sunrise sectors such as Biotechnology Policy 2014, Aerospace & Defence Policy 2019, Electric Vehicle Policy 2019, and Electronics Hardware Manufacturing Policy 2020. A company can choose to avail incentives under these policies or under this package.

14.1 Investment Promotion Subsidy - Sunrise Booster

Projects in Sunrise Sector industries opting for Flexible Capital Subsidy shall get a Sunrise Booster of one which implies an additional capital subsidy of up to 7.5% of EFA (Section 13.1.3), depending upon the investment and employment.

14.2 Land Cost Subsidy

For eligible projects in SIPCOT, land allotment will be made at 10% concessional rate in “A” & “B” districts and at a 50% concessional rate in “C” districts for land up to 20% of EFA. For private land in “C” districts, 50% subsidy will be offered on the cost of land as per guideline value up to an extent of 50 acres and subject to land cost not exceeding 20% of EFA and a cap of Rs. 2 cr. provided that at least 70% of the land is used for manufacturing operations. In case the investor chooses to avail the land cost subsidy, land will be excluded from Eligible Fixed Assets for the purpose of Investment Promotion Subsidy.

14.3 Stamp Duty Incentive

100% stamp duty exemption will be given for lease or purchase of land/ shed/ buildings meant for industrial use in land obtained from SIPCOT. In the case of private lands, stamp duty concession will be given as a 100% back ended subsidy for up to 50 acres on fulfilment of investment and employment commitment.

14.4 Enhanced Incentive for Quality Certification

Projects obtaining certifications like ISO, ISI, BIS, FPO, BEE, AGMARK, and ECOMARK or any other national or international certification shall be given a subsidy of 50% of the total cost incurred for obtaining the certification, as certified by the Chartered Accountant, limited to Rs. 1 cr. for the period of investment.

14.5 Enhanced Incentive for Intellectual Property Creation

The Government will reimburse 50% of the expenditure incurred by the Project for the investment period for a patent, copyright, trademarks, Geographical Indicators registration subject to a maximum of Rs. 1 cr. for the period of investment.

14.6 Interest Subvention

Interest Subvention of 5% as a rebate in the rate of interest shall be provided be on actual term loans taken for the purpose of the financing the project, for a period of 6 years subject to the limits provided in the next Table.

Project Category	Interest Subvention (% Rate of Interest)	Maximum Incentive Disbursal Period (Years)	Ceiling per annum (Rs, lakhs)
Large	5%	6	20
Mega	5%	6	100
Ultra-Mega	5%	6	400

14.7 Standard Incentives

The Project shall also be eligible for standard incentives, namely, electricity tax exemption for 5 years (Para 13.5.1) and green industry incentives of up to Rs. 1 cr. (Para 13.5.3) as specified in Para 13.5. Projects availing the Enhanced Quality Certification/IP Incentive shall not be eligible for Quality Certification/IP Incentive under Standard Incentives, respectively.

14.8 SGST Refund on Capital Goods

The Project shall also be eligible for SGST refund on capital goods as specified in Para 13.6.

15 SPECIAL INCENTIVES FOR INDUSTRIAL PARKS

The Government of Tamil Nadu is actively promoting the use of private land for industrial use through the development of integrated Industrial Parks in the State. As recommended in the *Dr. C. Rangarajan Committee Report*, industrial parks are the centre of economic activity and contribute heavily towards value addition and employment creation in the State. The following incentives shall be offered to developers of **Mega and Ultra-Mega Industrial Parks**, i.e. investment greater than Rs. 500 cr. (including the cost of land), in “B” & “C” Category Districts, in addition to Standard Incentives. The criteria for an Approved Industrial Park are provided in Annexure-V.

15.1 Capital Subsidy

Industrial Park developers shall be eligible for a Capital Subsidy of 12% or 15% of investment in internal infrastructure (such as internal roads, water distribution infrastructure, street lighting, drainage facilities, landscaping, and green areas, but excluding the cost of land and landfilling/levelling) in “B” or “C” Category Districts, respectively. This shall be provided based on the following milestones:

- i. 50% of the amount determined as Capital Subsidy upon paid-up allotment of 50% park area along with 10% operational units, i.e. either 10% of units achieving commercial production or units occupying 10% of park area achieving commercial production. This shall be distributed in equal annual instalments over 5 years.
- ii. 50% of the amount determined as Capital Subsidy upon paid-up allotment of 75% park area with 25% operational units, i.e. either 25% of units achieving commercial production or units occupying 25% of park area achieving commercial production. This shall be distributed in equal annual instalments over 5 years.

15.2 Industrial Housing Incentive

In addition to Capital Subsidy, Industrial Park developers will be eligible for Industrial Housing Incentive of 10% on the cost of developing the residential facilities developed within the Industrial Park over 10 years from the date of completion of the investment in the housing facility, subject to a ceiling of Rs. 10 cr.

15.3 Green Industry Incentive

Industrial Park Developers undertaking green and sustainable initiatives as listed in Para 13.5 shall be eligible for a 25% subsidy on cost of capital of setting up undertaking such initiatives, subject to a limit of Rs. 5 cr.

16 SPECIAL INCENTIVES FOR R&D PROJECTS

Tamil Nadu is emerging as a hub for industrial R&D. Upgradation, advancement, and innovation in technology for industrial use is a key focus area for the State. This provides a pathway to leapfrog industrial development and to accelerate Tamil Nadu's integration into the global value chains. The transformative potential of technology in improving productivity and capacity utilization has shifted the paradigm of viewing R&D expenditure as an investment. As one of the pioneering States in R&D, this Policy includes R&D as part of Eligible Fixed Assets. The Government of Tamil Nadu shall provide incentives to R&D Projects in the State to further the development of intellectual property and adoption of technology in industries.

Stand-alone R&D projects shall be eligible for the following Incentives, in addition to the Standard Incentives, subject to the following conditions:

- Must have a Minimum Investment of Rs. 50 cr. in Eligible Fixed Assets and creation of Employment for 50 persons
- Clearly demarcated facilities inside or outside the industrial unit.
- Must be located in Tamil Nadu
- Must be Registered with the Department of Scientific and Industrial Research, Government of India (DSIR)

16.1 Land Cost Incentive for Standalone R&D Projects

R&D projects shall be given an incentive of 50% of the cost of purchase or lease of land for up to 20 acre, subject to a ceiling of Rs. 50 lakh/acre. This shall be provided as a reimbursement upon commencement of the R&D Centre. R&D projects shall also be given priority in land allotment in SIPCOT Industrial Parks.

16.2 R&D Training Incentive

R&D Training Incentive of Rs. 10,000 per person per month can be availed for 12 months. This incentive is intended for employees engaged in core R&D who have:

- Undergraduate degree in technology/sciences and work experience of 7 years, or
- Post-graduate degree in technology/sciences and work experience of 5 years, or
- Doctorate in sciences/technology

It excludes employees in administration or in support services deployed in R&D projects. Projects availing the R&D Training Incentive shall not be eligible for Training Subsidy under the Structured Package.

16.3 Enhanced Quality Certification Incentive

Projects obtaining certifications like ISO, ISI, BIS, FPO, BEE, AGMARK, and ECOMARK or any other national or international certification shall be given a subsidy of 50% of the total cost incurred for obtaining the certification, as certified by the Chartered Accountant, limited to Rs. 1 cr. for the period of investment.

16.4 Enhanced Intellectual Property Incentive

The Government will reimburse 50% of the expenditure incurred by the Project subject to a maximum of Rs. 1 cr. for the period of investment for in-house R&D for a patent, copyright, trademarks, and Geographical Indicators registration and up to Rs 5 cr. for standalone R&D assets.

16.5 Standard Incentives

The Project shall also be eligible for standard incentives, namely, electricity tax exemption for 5 years (Para 13.5.1), stamp duty exemption (Para 13.5.2 and Para 14.3), and green industry incentives of up to Rs. 1 cr. (Para 13.5.3), as specified in Para 13.5. In-house R&D units shall not be eligible for standard incentives if the Industrial Unit has also availed the incentives. Projects availing the Enhanced Quality Certification Incentive/Enhanced IP Incentive shall not be eligible for Quality Certification/IP Incentive under Standard Incentives, respectively.

16.6 SGST Refund on Capital Goods

The Project shall also be eligible for SGST refund on capital goods as specified in Para 13.6.

17 SPECIAL INCENTIVES FOR LOGISTICS INFRASTRUCTURE

Warehousing & Logistics are an important service that supports the manufacturing sector. The *Dr. C. Rangarajan Committee Report* recognises Logistics sectors as a key emerging sector, which encompasses transportation, storage and distribution, and value-added services. As per the revised Harmonized Master List of Infrastructure Sub-sectors of the Department of Economic Affairs, “Logistics Infrastructure” refers to:

- a. Multimodal Logistics Park comprising Inland Container Depot (ICD) with a minimum investment of Rs. 50 cr. and minimum area of 10-acre and/or,
- b. Cold Chain Facility with a minimum investment of Rs. 15 cr. and minimum area of 20,000 sq. ft, and/or
- c. Warehousing Facility with a minimum investment of Rs. 25 cr. and minimum area of 1 lakh sq. ft.

The following incentives shall be provided to logistics providers (as under a. & b. above) and industrial warehousing (under c. above).

17.1 Industry Status

- i. Electricity Tariff – Efforts will be made to include Logistics in I A Category for Electricity Tariff applicable to Industries.
- ii. Access to finance for infrastructure and industry – the sector will be eligible for affordable loans from TIIC.
- iii. Eligible for Exemption under Sec 37-A under the Land Ceiling Act
- iv. Facilitating Change of Land Use for Industrial Purpose in Unplanned Areas shall also be applicable to the logistics sector
- v. Single window clearances for Building and Operational approvals will increase the speed of deployment of world-class logistics infrastructure for businesses
- vi. SIPCOT industrial estates/ clusters to permit allotment for industrial warehousing facilities.
- vii. Logistics and Warehousing facilities shall be allowed to operate 24 X 7 (three shifts)

17.2 Incentive for Integrated Logistics Parks

The Developer of an Integrated Logistics Parks in “B” & “C” Category Districts shall also be eligible for Special Incentives for Warehousing & Logistics in Para 15 subject to meeting the criteria for an Approved Industrial Park as specified in Annexure-V with relaxation on the non-processing area (including warehousing) of up to 50% of the park area.

17.3 Skilling & Capacity Building

- i. To ensure the availability of skilled manpower across the logistics and warehousing value chain, State Government through TNSDC shall collaborate with Logistics and Warehousing associations to impart necessary skills to the youth.
- ii. Training Subsidy - Reimbursement of 50% of the training cost shall be provided to logistics and warehousing projects (set up in “C” Districts) for technical training of the employee (mainly in the operational, frontline, supervisory roles) subject to a maximum of Rs. 10,000 per employee. The training cost can be claimed by the Project within one year from the date of commencement of commercial operations. Training can be arranged from any Government recognized/approved institution. The incentive shall only be applicable to residents of Tamil Nadu.

17.4 Apex Skill Development Centre for Transportation & Logistics

An Apex Skill Development Centre is being established for Transportation and Logistics and an SPV has been registered in Chennai for this purpose. As recommended in the *Dr. C. Rangarajan Committee Report*, ASDC for Transportation & Logistics would be scaled up to Southern and Western Tamil Nadu in a phased manner.

18 SPECIAL INCENTIVES FOR FOREIGN DIRECT INVESTMENT

Tamil Nadu offers attractive investment opportunities to companies that seek to diversify their business operations and supply chain in the context of Covid-19. A special scheme has been designed to provide targeted support to companies with ultimate beneficiary ownership and control from foreign countries. The following incentives are applicable to FDI investments in projects that are Mega and above. The scheme shall be in place for a period of 1 year from the date of notification of this Policy and shall include the following incentives.

18.1 Investment Promotion Subsidy

The Project shall be eligible for an Investment Promotion Subsidy of up to 40% of EFA specified in Para 13.1. Investment proposals from companies having relocation plans may be provided a higher set of incentives on a case-to-case basis.

18.2 Imported Machinery

Relocation of industrial projects would include the relocation of machinery from the country of relocation. Thus, new and second-hand machinery can be included under Eligible Fixed Assets.

18.3 Transport Subsidy

Transport and logistics is a significant operating expenditure for companies. To facilitate the transition of foreign companies to Tamil Nadu, 75% of the cost incurred on transportation and logistics towards the relocation of capital goods from the source country to Tamil Nadu within the investment period, shall be reimbursed. It will be subject to a total limit of Rs. 10 cr.

18.4 Land Cost Subsidy

For eligible projects in SIPCOT, land allotment will be made at a 10% concessional rate in “A” & “B” districts and at a 50% concessional rate in “C” districts for land up to 20% of EFA. For private land in “C” districts, 50% subsidy will be offered on cost of land as per guideline value up to an extent of 50 acres and subject to land cost not exceeding 20% of EFA and a cap of Rs. 1 cr., provided that at least 70% of the land is used for manufacturing operations. In case the investor chooses to avail land cost subsidy, the land will be excluded from Eligible Fixed Assets for the purpose of Investment Promotion Subsidy.

18.5 R&D Training Incentive

R&D Training Incentive of Rs. 10,000 per person per month can be availed for 12 months. This incentive is intended for personnel engaged in core R&D for employees who have:

- Undergraduate degree in technology/sciences and work experience of 7 years, or
- Post-graduate degree in technology/sciences and work experience of 5 years, or
- Doctorate in sciences/technology

It excludes personnel in administration or in support services deployed in R&D projects. Projects availing the R&D Training Incentive shall not be eligible for Training Subsidy under Structured Package.

18.6 Standard Incentives

The Project shall also be eligible for standard incentives, namely, electricity tax exemption for 5 years (Para 13.5.1), stamp duty exemption (Para 13.5.2 and Para 14.3), green industry incentives of up to Rs. 1 cr. (Para 13.5.3), quality certification incentive (Para 13.5.4) and IP incentive (Para 13.5.5), as specified in Para 13.5.

18.7 SGST Refund on Capital Goods

The Project shall also be eligible for SGST refund on capital goods as specified in Para 13.6.

19 STANDARD INCENTIVES FOR SUB-LARGE PROJECTS

All projects with investment in projects that are Sub-Large, i.e. greater than Rs. 50 cr. and less than Rs. 300 cr. in Eligible Fixed Assets and Employment for at least 50 persons engaged in Manufacturing and / or in Manufacturing Services, that are located in Tamil Nadu, shall be eligible for the following Standard Incentives:

19.1 Capital Subsidy

Sub-Large projects shall be eligible for a back-ended capital subsidy of Rs. 1 cr. upon the completion of the investment within the standard investment period of 4 years. Sub-Large Projects in “C” Districts can avail a Fixed Capital Subsidy of 5% of EFA upon the completion of the investment, disbursed in equal annual instalments over 5 years.

19.2 Electricity Tax Incentive

New or expansion manufacturing projects will be given an *electricity tax exemption for a period of 5 years* on power purchased from the Tamil Nadu Generation and Distribution Corporation Ltd. (TANGEDCO) or generated and consumed from captive sources.

19.3 Stamp Duty Incentive

50% Concession on Stamp duty payable on lease or purchase of land/shed/buildings meant for industrial use shall be offered in parks promoted by SIPCOT/SIDCO.

19.4 Green Industry Incentive

Industrial projects undertaking green initiatives for recycling waste and water for industrial use and for sustainable energy usage, coupled with online monitoring (wherever applicable) indicated below, shall be eligible for a *25% subsidy on the cost of setting up such environmental protection infrastructure in the following solution areas subject to a limit of Rs. 1 cr.*

Safety & Energy Efficiency Solutions

- i. Mechanised Systems for Sewage Cleaning such as jet rodding machines etc. to replace Manual Scavenging
- ii. Passenger and Utility Electric Vehicles for the transport of goods and personnel within the facility premises and EV buses for the transport of personnel from and to the facility.

Water Conservation Solutions

- iii. Wastewater treatment and recycling systems using technologies such as Activated Sludge Process (ASP), Membrane Bio-Reactors (MBR), Reverse Osmosis (RO) etc. to increase supply and use of treated water.
- iv. Smart Solutions/IoT for Water and Wastewater to reduce dependency on manpower, enhance business continuity and remote operations using smart meters/ pumps/ sensors, data analytics and cloud solutions.
- v. Adopting rainwater harvesting; restoring water bodies by de-silting defunct water bodies within the premises
- vi. Zero Liquid Discharge Solutions

Greening Solutions

- vii. Green Buildings that obtain green rating under the Indian Green Building Council (IGBC/LEED Certification) or Green Rating for Integrated Habitat Assessment (GRIHA) systems.

Pollution Control Solutions

- viii. Installation of pollution control devices (PCD).

20 POLICY IMPLEMENTATION

Tamil Nadu is dedicated to creating a simplified regulatory environment that businesses can navigate with ease and efficiency. To further reinforce Tamil Nadu's commitment to being a business-friendly state, a clear governance and implementation mechanism of the Policy has been laid out.

Application & Sanction

Application for incentives shall be received by Guidance and forwarded with its recommendations to the Industries Department for sanction of incentives for Structured Package of Incentives/ Special Incentives under Para 13-18 of this Policy for Large, Mega and Ultra-Mega Projects. Application for Standard Incentives for Sub-Large Projects under Para 19 of this Policy shall be coordinated and sanctioned by SIPCOT.

Inter-Departmental Committee

The Inter-Departmental Committee constituted under the Tamil Nadu Industrial Policy 2014 and modified herein shall serve as a recommendatory body to the Cabinet for sanction of incentives for special circumstances upon the request of the Principal Secretary, Industries Department.

Implementing Agency

SIPCOT is mandated to act as the implementing and disbursal agency for all the incentives listed in the Policy.

Incentives Disbursal Mechanism

A company can apply online for claiming incentives, subject to eligibility. The Implementing Agency shall process the application based on self-certification by the company and documentary evidence of the investment, employment, and expenditure, if applicable, furnished by the company. With a view to supporting digital payments, efforts will be made to evolve a cashless mechanism for the disbursal of incentives.

Implementation Guidelines

A set of high-level implementation guidelines for the Industrial Policy are provided in Annexure-IV. The Government is in the process of business process re-engineering to ensure prompt and seamless disbursal of incentives. Further guidelines required, if any, for implementing the Policy will be formulated by SIPCOT, in concurrence with the Industries Department.

Annexure I – List of Industries Ineligible for Incentives

1. Sugar mills
2. Edible oil industries
3. Rice, wheat and flour mills
4. Mineral water and aerated soft drinks
5. Alcoholic beverages
6. Fertiliser and animal feed manufacture
7. Mining and beneficiation
8. Steel re-rolling, steel fabrication, stainless steel utensils
9. Tobacco processing, cigarette or Beedi manufacture
10. Timber or wood processing except furniture manufacturing
11. Services sector or Servicing or repair facilities except Logistics Infrastructure and R&D which are specifically made available in the Policy
12. Cement Industry
13. Power Generation Projects such as thermal, hydel, solar and onshore wind generation projects.
14. Any other industries as may be notified by Government from time to time.

Annexure II – List of Sunrise Sectors

1. Aerospace and Defence applications
2. Agro & Food Processing except Edible oil industries
3. Renewable Energy Components Manufacturing
4. Electronics System Design & Manufacturing
5. Medical Electronics, Devices and Equipment
6. Electric Vehicles, EV Cell & Battery Manufacturing or any green fuel technology such as hydrogen fuel
7. Biotechnology
8. Pharmaceuticals, Bulk Drugs and Nutraceuticals
9. Petrochemicals and Speciality Chemicals
10. Footwear, Finished Leather Goods and Polyurethane Fabric
11. Technical Textiles including Medical Textiles
12. Any other industries as may be notified by Government from time to time

The list of Sunrise Sectors can be revised from time to time.

Annexure III – Flexible Capital Subsidy Framework

The Flexible Capital Subsidy comprises standard subsidy and subsidy boosters.

$$FCS_t = \left[\text{(Scale Factor)} \times \left[\begin{array}{c} \text{Standard Subsidy}_t \\ + \\ \text{Employment Booster}_t \\ + \\ \text{Exports Booster}_t \\ + \\ \text{Ecosystem Booster}_t \\ + \\ \text{Sunrise Booster}_t \end{array} \right] \right]$$

Where FCS_t is the Flexible Capital Subsidy in the year 't'. This varies for each year 't' depending upon the actual investment, employment and other factors.

Flexible Capital Subsidy Range 5%-40% of EFA

1. Standard Subsidy

Depending on the location of the project, the standard subsidy shall be 5% for “A” Districts for Projects that are Mega and above, 7% for “B” Districts and 10% for “C” Districts for Projects that are Large and above.

2. Scale Factor

The Scale Factor amplifies the Boosters as a function of size or scale of the Project measured in terms of Investment and Employment in reference to an Ultra Mega Project as provided in the table below. The Scale Factor shall be limited to a maximum of 7.5%, i.e. each booster can have a maximum additional boost of 7.5% of EFA (except employment which can provide a boost of 15% of EFA).

Table 1: Scale Factor ⁸	Employment (jobs) →				
Investment (Rs. cr.) ↓	100	500	1000	1500	2000
300	0.41%	0.92%	1.30%	1.59%	1.84%
500	0.53%	1.19%	1.68%	2.05%	2.37%
1000	0.75%	1.68%	2.37%	2.90%	3.35%
1500	0.92%	2.05%	2.90%	3.56%	4.11%
2000	1.06%	2.37%	3.35%	4.11%	4.74%
2500	1.19%	2.65%	3.75%	4.59%	5.30%
3000	1.30%	2.90%	4.11%	5.03%	5.81%
3500	1.40%	3.14%	4.44%	5.43%	6.27%
4000	1.50%	3.35%	4.74%	5.81%	6.71%
4500	1.59%	3.56%	5.03%	6.16%	7.12%
5000	1.68%	3.75%	5.30%	6.50%	7.50%

3. Subsidy Boosters

Subsidy Boosters are provided to boost Scale Factor up to a factor of 4. They incentivize investment, employment, production, and technology adoption through Employment Booster, Production Booster, and Technology Booster respectively. The sum of the four Boosters is limited to 4. If the value of the boosters changes in any year, then the Flexible Capital Subsidy shall be recalculated accordingly for the given year.

- *Employment Booster*

If the Project employs more than thrice the minimum employment for the given project category, it shall get an Employment Booster of 1, and proportionately if otherwise.

Table 2: Employment Criteria for Project Categories

Project Category	Investment Range (Rs. in cr.)	Minimum Employment (number of persons)
Large	300-500	150
Mega	500-5000	400
Ultra-Mega	5000+	2000

⁸In case of other combinations, Scale Factor will be estimated as 7.5% $\sqrt{\left(\frac{\text{Investment (Rs.cr.)} \times \text{Employment(jobs)}}{5000 \times 2000}\right)}$

- *Exports Booster*

The Exports Booster would be determined as a ratio of revenue from exports to total revenue for the given year. If the company receives more than 25% of its revenue through exports, then it shall get an Exports Booster of 1, and proportionately if otherwise.

- *Ecosystem Booster*

If the Project brings in more than 25% of its own investment commitment through its vendor ecosystem within the same or nearby premises (within 10 km) within its investment period, then it shall get an Ecosystem Booster of 1, and proportionately, if otherwise

- *Sunrise Booster*

If the Project is in a sunrise sector as specified in Annexure-II, then it shall get a Sunrise Booster of 1, or zero if otherwise.

4. Weights

This Policy provides the Project the flexibility of choosing its own weights for the Boosters that are best suited to their business model subject to the following conditions:

- i. Weight for Boosters shall be a one-time choice exercised by the Company at the time of investment. Boosters change every year and shall be determined by actual employment, exports, and investment by ancillaries in a given year except for Sunrise Booster, which is binary and fixed.
- ii. Sum of Weights for Boosters and sum of Boosters must be positive and not exceed 4,
- iii. Each booster shall be capped to 1.
- iv. Weights for Employment Booster will be between 1 and 2 (included). Weights for other Boosters should each be greater than or equal to 0 but less than or equal to 1.

5. Incentive Disbursal Period

The Flexible Capital Subsidy estimated using the formula above shall be disbursed in equal annual investments over the Incentive Disbursal Period. This shall be 2.5 times the Investment Period, subject to a minimum incentive disbursal period of 10 years for Ultra Mega project and 5 years for other projects. The company can choose to avail the Flexible Capital Subsidy from the date of commercial production or upon achieving the minimum eligible investment for Structured Package in the given District, whichever is later.

Illustration

Consider a renewable energy equipment manufacturing project with an investment of Rs. 1500 cr. in eligible fixed assets and creating 3000 jobs in 4 years in Tenkasi. The company receives 15% of annual revenue from exports. The company also brings two of its suppliers in the same industrial park, who also invest Rs. 50 cr. each (total Rs. 100 cr.) in 4 years. Based on these parameters, the flexible capital subsidy shall be calculated as follows:

- Standard Capital Subsidy = 10% (“C” District)
- Scale Factor = $7.5\% \times \sqrt{\left(\frac{1500 \times 3000}{5000 \times 2000}\right)} = 7.5\% \times 0.67 = 5.03\%$
- Boosters
 - o Employment Booster = $\min\left(1, \frac{3000 - 400}{2 \times 400}\right) = \min(1, 3.25) = 1$
 - o Exports Booster = $\frac{15\%}{25\%} = 0.6$
 - o Ecosystem Booster = $\frac{100}{(25\% \times 1500)} = 0.27$
 - o Sunrise Booster = 1

Assuming the company chooses the following weights for the boosters:

- o Employment Weight = 2
- o Exports Weight = 1
- o Ecosystem Weight = 0
- o Sunrise Weight = 1

Boosters = Employment Weight X Employment Booster + Exports Weight X Exports Booster + Sunrise Weight X Sunrise Booster = $(2 \times 1) + (1 \times 0.6) + (0 \times 0.27) + (1 \times 1) = 3.6$

Flexible Capital Subsidy = Standard Capital Subsidy + Scale Factor X Boosters = $10\% + 5.03\% \times 3.6 = 10\% + 18.1\% = 28.1\%$

Investment Disbursal Period = Investment Period X 2.5 = $4 \times 2.5 = 10$ years

Annexure IV – Implementation Guidelines

1. Definitions

1.1 Eligible Fixed Assets

“Eligible Fixed Assets” or “EFA” shall mean and include land (including development costs such as fencing, construction of internal roads, and other basic infrastructure facilities); permanent buildings; plants, indigenous machinery & equipment, imported equipment, computer equipment, material handling equipment (like forklifts, cranes, etc); tools, dies, moulds, jigs, and fixtures and similar production tools owned and used within the plant or elsewhere within Tamil Nadu; appliances; electrical installations; pollution control, quality control and laboratory equipment; fixtures, tubes, pipes, fittings, and storage tanks, to the extent paid for by the project.

The terms “Eligible Fixed Assets”/ “EFA” shall also mean and include waste treatment facilities, transformers, generators, captive power plants, etc., and other supportive facilities installed for use in the premises and includes installation charges.

EFA shall include investment in R&D such as land, building, and plant and machinery. Unless otherwise specified, EFA shall exclude intangible assets including, without limitation, Intellectual Property rights and goodwill.

All fixed assets should have been paid for and should be owned or leased by the project, provided that the duration of such lease shall be:

- a. For land and building, no less than 10 years; and
- b. For all other fixed assets – no less than half the estimated residual lifetime of the asset (where such residual lifetime shall be estimated by a licensed engineer, in the manner that may be specified by the Government of Tamil Nadu, from time to time).

Fixed assets that are leased shall be valued at the Net Present Value of said assets, as on the date of execution of the lease deed or date of MoU (if applicable), whichever is later, using a discount rate of 10%, or as may be notified from time to time, provided that the lease is executed within the investment period.

All fixed assets (except tools, dies, moulds, jigs and fixtures and similar production tools) should be used and installed only within the Project Site.

1.1.1 Second-hand machinery

No more than 20% of the total Eligible Fixed Assets of a project shall consist of indigenous second-hand machinery purchased by the unit/project. To decide the percentage of second-hand machinery that will constitute Eligible Fixed Assets, the market value of such second-hand machinery, shall be as certified by an independent chartered/licensed engineer, chartered accountant, or such other authority or person authorised by the Government of Tamil Nadu from time to time. This is subject to the condition that such indigenous second-hand machinery shall have a minimum residual life of 10 years (as certified by the independent chartered/licensed engineer, chartered accountant, or such other authority or person authorised by the Government of Tamil Nadu from time to time).

In the case of imported machinery, all imported second-hand plant, machinery, and equipment will be considered as new indigenous machinery, if it is imported directly by the unit/project. 100% of the value of imported plant, machinery, and equipment shall be allowed under Eligible Fixed Assets. This value of imported plant, machinery, and equipment shall include custom duty and insurance paid, freight charges from the port of arrival till destination, and installation charges in addition to the CIF value of such plant & machinery, provided that the freight and installation of charges would be limited to 10% of the basic price.

1.1.2 Captive Power Plants

Up to 20% of EFA will be allowed for the Investment made in captive power plants (including windmills / solar farms), provided that no less than 50% of power so generated is for captive consumption.

1.1.3 Industrial Housing

Residential facilities developed within the Industrial Park or accommodation and hostel facilities for employees within a 5 km radius of the work area (i.e. entrance of the housing facility should be within 10 km of direct distance from the entrance of the project premises), shall be considered as Eligible Fixed Assets, provided that this does not exceed 10% of EFA.

1.2 Employment

Employment under this Policy shall mean all jobs that are performed by Direct Employees and Contract Labour subject to the following conditions:

- i. “Direct employees” refers to employees who are in a direct contractual relationship with the company.

This shall include employees engaged in the production line and employees not engaged in the production line but shall exclude all members of the board of directors of the company and all Key Managerial Personnel (as defined in the Companies Act, 2013).

- ii. For the purposes of this Industrial Policy, contract labour is one who is hired in connection with the work or “contract for service” of an establishment by or through a contractor, or persons who are hired, supervised, and remunerated by a contractor who, in turn is compensated by the company. Contract labour may be getting wages paid indirectly through the contractor.

However, “Contract Labour” shall exclude

(a) casual labourers and temporary workers

(b) out-workers, that is, a person to whom any articles or materials are given out by or on behalf of the principal employer to be made up, cleaned, washed, altered, ornamented, finished, repaired, adapted, or otherwise processed for sale for the purposes of the trade or business of the principal employer, and the process is to be carried out either at the home of the out-worker or in some other premises, not being premises under the control and management of the principal employer.

(c) not working on-site of the Project premises

Both direct employees and contract labour will constitute the “Employees” of a company for the purpose of incentives under this Policy.

1.3 Turnover

Turnover means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on a reverse charge basis) and exempt supplies made within Tamil Nadu by the Project, exports of goods or services or both and inter-State supplies of goods or services or both made from Tamil Nadu by the Project but excludes central tax, State tax, Union territory tax, integrated tax and cess.

2. General Conditions for Sanction of Incentives

The following general conditions shall apply for sanction of incentives to eligible projects apart from other specific eligibility criteria, terms and conditions stated for a particular scheme elsewhere in these guidelines:

- a) Projects/companies classified as MSME under the new/prevailing definition shall not be eligible for incentives under this Policy.
- b) Payroll Subsidy may be provided on a case to basis in special circumstances for Ultra-Mega projects.
- c) The ceiling of all incentives offered under the Structured Package including Special Incentives, if applicable, shall not be more than the total investment in Eligible Fixed Assets.
- d) The Government may at its discretion approve higher incentives /concessions and relax the conditions mentioned in the Policy in exceptional circumstances for deserving cases, giving due weightage to investment, direct and indirect employment generated, and potential for attracting further investment through vendors and ancillaries.
- e) The investment period may be extended by the Government in deserving cases, for valid reasons.
- f) Projects in existence in Tamil Nadu for over 10 years will be given suitable extra benefits for expansion projects over and above the normal structured package of incentives, subject to investing the minimum level of investment.
- g) New manufacturing facilities set up by an existing company within the existing facility (or) in a new site (or) in an adjacent vacant site for manufacturing a product already being manufactured in the existing facility or an entirely new product, would be treated as an expansion project for the purpose of incentives under the Policy, subject to the preservation of production volume/value in the older unit.
- h) The investment period will be reckoned from the date of executing an MoU with the Government or any other date, as may be defined by the Government.
- i) If the project is eligible for a package of incentives under two or more policies, the choice will be left to the company to choose the package of incentives under one prevailing policy, either - Tamil Nadu Industrial Policy 2021 or the Policies issued by the Government of Tamil Nadu, but not both, for the same Project. This should be a one-time choice and should be exercised at the beginning itself.
- j) Projects with an Investment Period of more than 10 years will be considered on a case-to-case basis.
- k) Projects and businesses for which any package of incentives has already been sanctioned under Tamil Nadu Industrial Policy 2014 (TNIP 2014) or earlier

policies or for which the Commercial Production has commenced before the notification of this Policy, shall not be eligible for benefits under this Policy but will be entitled to benefits under TNIP 2014 or earlier policies, as the case may be.

- l) If the Project is eligible for and avails financial assistance from Govt. of India, this shall be in addition and independent of its eligibility under this Policy

3. General Conditions for Availing Incentives

Following general conditions shall apply in all cases for availing incentives to eligible projects apart from other specific eligibility criteria, terms and conditions stated for a particular scheme elsewhere in these guidelines:

- a) Projects should have filed IEM with Department for Promotion of Industry and Internal Trade, Government of India for the Project(s).
- b) All the entrepreneurs should have a Permanent Account Number (PAN)/Goods and Services Tax Number (GSTIN) and should regularly file returns.
- c) Training subsidy/incentive can be availed even prior to the date of commercial production.
- d) The company should be in regular production at the time of disbursement of the incentive except for those incentives that are in the pre-production stage, namely, Stamp Duty and training subsidy.
- e) All eligible Projects should furnish a registered sale/lease deed for a period equal to/ more than the period of incentives.
- f) Investment Promotion Subsidy (IPS) will become payable from the commencement of commercial production, provided the investment and employment commitments are fulfilled. In case these commitments are not fulfilled at the time of commercial production, the company may still draw IPS against equivalent corporate guarantee unless Bank Guarantee is specified in the Government Order. In the event of failure of achieving the investment and employment commitments within the investment period, IPS paid to the company shall be refunded to the Government.
- g) Land Cost Subsidy/Incentive for private land will be eligible only if the land is purchased or leased for the manufacturing Project within three years before the commencement of construction. This subsidy will be extended against an irrevocable Bank Guarantee of an amount equal to the land subsidy, which will

only be released upon fulfilment of investment and employment commitment. The land cost will be excluded from the Eligible Fixed Assets if this subsidy is availed.

- h) For projects located in Industrial parks promoted by SIPCOT, the concession on stamp duty shall be offered as a waiver at the time of lease or purchase or the land/shed/buildings. For the computation of stamp duty, property in such SIPCOT industrial parks would be valued at actual land or building value paid by the manufacturing projects to such industrial parks. Stamp duty concessions in private industrial parks/lands shall be provided as a back-ended subsidy after the completion of the investment.
- i) Achievement of committed Investment and Employment by the Project within the Investment Period, as submitted at the time of sanction of incentives, is mandatory for claiming all incentives listed in the Policy. If the Employment falls below the minimum employment criteria of 50 jobs, then the Project shall not be Eligible for Incentives other than Standard Incentives under this Policy for that year.
- j) Packages may be structured at the company or group or project level. If the proposal involves multiple locations that shall be within Tamil Nadu, the project category thresholds and criteria that apply to the majority or highest investment in a manufacturing facility shall apply to the rest of the project.
- k) Incentives sanctioned to Projects under this Policy shall automatically stand withdrawn in case the Project is not completed, or the Park is not developed in accordance with the sanctioned plan within the committed investment period.
- l) In case any interpretation or clarification is required under this Policy, that shall be done by Principal Secretary to Government, Industries Department, Government of Tamil Nadu whose decision shall be final in this regard.

4. Conditions for Changes in the Company or Investment Plan After Sanction of Incentives

A unit, which has been granted incentives will require the approval of the Implementation Agency (see Para 20) in case of any of the following changes during the Investment Period or Incentive Disbursal Period. A revised eligibility certificate will be issued after approval in case of changes during the Incentive Disbursal Period.

a) Change of Constitution/ Management/ Name or Style of Unit/ Transfer of Assets

The company shall take prior approval of the Implementation Agency and submit a copy of the Certificate of Incorporation from Registrar of Companies (ROC)/ Registrar of Firms as the case may be.

b) Lease/Sell-out of Unit

The company shall take prior approval of the Implementation Agency before lease out/ sell-out to another management within the incentive period.

c) Change of Location of Project

The Change of location shall be allowed only in special circumstances with the approval of Implementation Agency. Shifting of the Project outside the State is not allowed.

d) Merger/ Amalgamation of Companies

The approval of the Implementation Agency will be required for any merger/ amalgamation of companies. The Company shall submit an Application with necessary legal orders and other documents.

e) Change of Line of Activity/Inclusion of Additional Line of Activities

If a Company starts manufacturing new eligible items without any additional machinery or equipment, with the same plant & machinery, then such items shall be considered provided the proportion of ineligible items in the total production is less than 10% in value of the total turnover during each financial year as per annual return.

f) Change in Investment Period

If the Company fulfils its investment and employment commitments ahead of the committed investment period and would like to apply for the Eligibility Certificate or is unable to fulfil its investment and employment commitments within the committed investment period, the Company may approach the implementation agency for change in the investment period. The investment period may be extended by the Government in deserving cases, for valid reasons. The implementation agency shall process the application in concurrence with the Industries Department.

g) Change in Investment or Employment Commitment

If the Company wishes to decrease its investment or employment commitments prior to the disbursal of incentives, the Company may approach the implementing

agency for a revised structured package. If the Company wishes to decrease its investment or employment commitments subsequent to the commencement of incentives disbursement, then the incentives shall be adjusted according to the project category applicable with effect from the given Financial Year. Any excess incentives availed by the company shall be refunded with interest as decided by the Government of Tamil Nadu. The change in commitment shall be scrutinised by the Government and may be accepted in deserving cases, for valid reasons. The implementation agency shall process the application in concurrence with the Industries Department.

5. Eligibility Criteria and Procedure for Applying for Eligibility Certificate

- a) Eligible projects will have to apply online for issuance of Eligibility Certificate within 6 (six) months from the date of Commencement of Commercial Production for availing the incentives under the Policy. The relevant website for online submission of the Eligibility Certificate and other incentives shall be notified by the Department.
- b) All Incentives/ Subsidies/ Concessions/Financial support under this Policy shall apply to entities registered as company, corporation, Co-operatives, Partnership firm, Proprietorship firm, Trust, FPO/FPC as well as entities set up by the State Government. Central Public Sector undertakings shall not be eligible for any incentives under the Policy.
- c) Payments made in cash for any transaction shall be treated as ineligible for being considered as Eligible Fixed Assets.
- d) Subsidy will be disbursed only to the company which are functional at the time of disbursement of the subsidy.
- e) No right or claim for any incentives under the Policy shall be deemed to have been conferred by the Policy, merely by virtue of the fact that the project has fulfilled on its part the conditions of the Policy and the incentives/subsidies cannot be claimed as a matter of right.
- f) The incentives under the Policy cannot be claimed unless the Eligibility Certificate has been issued under the Policy by the implementing agency concerned and the company has complied with the stipulation/conditions of Eligibility Certificate to the satisfaction of the competent authority.

6. Procedure for Sanction of Incentives and Sanctioning Authorities

Industries will be able to apply for incentives through the Single Window Portal after registration. Application for Incentives shall be scrutinized and sanctioned by the relevant empowered authorities. The authorities empowered to sanction incentive/ assistance under this Policy for the various incentives listed out in this Policy shall be based on investments /type of package.

6.1. Sanctioning Authority for Sub-Large Projects

SIPCOT shall be the sanctioning authority for approving the applications submitted for Standard Incentives for Sub-Large Project and Structured Package of Incentives/ Special Incentives for Sub-Large Projects.

6.2 Sanctioning Authority for Structured Package of Incentives/Special Incentives

The sanctioning authority for all structured package/special incentives (other than sub-large projects) shall be Industries Department, Government of Tamil Nadu. A Government Order shall be issued for Structured/Special Package of Incentives in concurrence with Finance Department.

6.3 Special Circumstances

Under special circumstances where the incentives to be provided are beyond this Policy, the Cabinet may sanction customized package or make suitable changes in the terms and conditions of the incentives beyond the Policy based on the recommendations of the Inter-Departmental Committee (IDC) constituted. The list of members and permanent invitees are mentioned below: -

- Principal Secretary to Government, Industries Department - Chairman
- Additional Chief Secretary, Finance Department - Member
- Managing Director & CEO, Guidance – Member, Convener
- Managing Director, SIPCOT – Member
- Chairman, TNEB - Member
- Commissioner, Commercial Taxes and Registration Department – Member

The Chairman at its discretion may invite any other Government department / agency as an Invitee.

7. Procedure for Claiming Incentives and Implementation Agencies

State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) is mandated to act as the implementation agencies for the various incentives listed out in this Policy for all Project Categories. SIPCOT shall be the implementation agency for processing claims and disbursement of incentives. The firms to whom G.O.s are issued, after commencement of commercial production during the obligation period / after completion of the obligation period shall submit an application for the Structured Package of Incentives to SIPCOT. SIPCOT shall issue an Eligibility Certificate upon completion of the obligations as adjudged during inspection. The incentives shall be disbursed after obtaining the Eligibility Certificate from SIPCOT.

Annexure V – Components of an Approved Industrial Park

1. Criteria for approval

- (a) Minimum area of 100 acres in legal possession of applicant
- (b) Should be meant primarily for manufacturing activities
- (c) Should have provision for at least 5 major manufacturing units and 20 SMEs
- (d) Should not have more than 10% wet land or double crop land
- (e) Should not include (for contiguity) more than 5% of Government land

2. Processing Area: not less than 65% of total area

- Industrial plots for manufacturing
- Ready built sheds for industrial use
- R&D Centres
- Testing & Certification Centres
- Pathways and Roads

3. Non- Processing Area: not more than 35% area

- Business related non-processing area – not more than 20% of total area
 - o Office space for business support to processing area
 - o Customs bonded warehouses and ICDs
 - o Convention Centres
 - o Business centres – financial services
 - o Education and Skill training centres related to processing area
 - o Guest houses for use by businesses in processing area
- Social Infrastructure – not more than 15% of total area
 - o Housing
 - o Schools

- o Hospitals
- o General purpose education and training institutions
- o Entertainment & shopping centres
- o Open spaces, roads, and pathways



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