

# **Package Scheme of Incentive 2013 (PSI 2013)**

**Incentives to  
Large Scale Units,  
Mega Projects &  
Ultra Mega Projects**

**1) PSI 2013 is governed by following Government Resolutions/Circulars:**

- a) Main GR dated 01/04/2013 amended from time to time.
- b) Modalities dated 04/12/2008 for IPS & 19/10/2013 for incentives under Para 4.9.
- c) GR of operative period dated 21/05/2008.
- d) Circular dated 08/07/2016 related to exemption from payment of electricity duty and refund for prior period.
- e) GR dated 14/05/2013 related to waiver of stamp duty.

**2) Directorate of Industries headed by Development Commissioner of Industries, Mumbai is the implementing agency of the scheme for LSI, Mega & Ultra Mega Units.**

**3) From August 2016 application for the eligibility and claims of incentives is become online having website [www.di.maharashtra.gov.in](http://www.di.maharashtra.gov.in)**

## **Incentives for Mega & Ultra Mega Projects:**

The quantum of incentives for Mega Projects and Ultra Mega Projects shall be decided by the High Power Committee under the Chairmanship of the Chief Secretary, Government of Maharashtra on a case to case basis. ***But Principal Secretary of Industries is empowered to approve the project as per standard templates .***

The Cabinet Sub Committee for Industry, under the chairmanship of the Chief Minister of Maharashtra will have the powers to sanction customized package of incentives and even offer special / extra incentives for prestigious Mega Projects / Ultra Mega Projects, on a case to case basis.

## Short forms used.

DI	Directorate of Industries
EC	Eligibility Certificate
IPS	Industrial Promotional Scheme
FCI	Fixed Capital Investment
ED	Electricity Duty
SD	Stamp Duty
ITC	Input Tax Credit
DOP	Date Of Production
SSI	Small Scale Industry (Investment in P&M less than Rs. 5 Cr)
MSI	Medium Scale Industry (Investment in P&M more than Rs. 5 Cr but less than Rs.10 Cr)
LSI	Large Scale Industry (Investment in P&M more than Rs. 10 Cr)

**Mega Projects / Ultra Mega Projects: New Industrial Units or Expansion Units satisfying the minimum threshold limits of Fixed Capital Investment OR Direct Employment prescribed in the following table shall be classified as Mega Projects/ Ultra Mega Projects.**

Type of unit	Area Classification	Minimum Fixed Capital Investment (Rs. Crore)		Minimum Direct Employment (Nos)	Maximum Investment Period	Minimum Eligibility Period
Mega Project	A & B	750	OR	1500	5 years	7 years
	C	500	OR	1000	5 years	7 years
	D & D+	250	OR	500	5 years	7 years
	No Industry Districts & Naxalism Affected Area	100	OR	250	5 years	7 years
Ultra Mega Project	Entire State	1500	OR	3000	7 years	20 years

# Incentives to Mega & Ultra Mega Projects :

The eligible Mega & Ultra Mega Projects are normally eligible for following incentives subject to maximum monetary ceiling limit as per EC:

<b>Area Classification</b>	<b>Mega Projects</b>	<b>Ultra Mega Projects</b>
Units in all districts in Vidharbh, Marathwada, Dhule, Nandurbar, Ratnagiri & Sindhudurga	IPS @ 100% Gross VAT on local sales + CST payable + Exemption from payment of Electricity Duty & Stamp Duty	IPS @ 100% Gross VAT on local sales + CST payable + Exemption from payment of Electricity Duty & Stamp Duty
Units other than above	IPS @ 50% Gross VAT on local sales + CST payable + Exemption from payment of Electricity Duty & Stamp Duty	IPS @ 50% Gross VAT on local sales + CST payable + Exemption from payment of Electricity Duty & Stamp Duty

- **Mega projects based on employment criteria shall be required to maintain the qualifying direct employment throughout the year and 75% of such employees should be local persons. If the employment criteria is not maintained in any month of the year for which IPS is claimed, then IPS shall not be admissible for such year.**
- **Minimum Direct Employment prescribed in the table above should be created within a period of two years from the date of commercial production (DOP).**
- **The investment in Captive Power Plant shall not be considered for determining the qualifying criteria for eligibility as Mega Project/Ultra Mega Project.**
- **Mega Projects are eligible to claim IPS on CST at higher rate if, finished goods are sold without C Form.**
- **Mega Projects have also option to choose effective date of incentives. However effective date should be within 3 years from DoP.**

## **Incentives to Large Scale Industries:**

**The eligible New/Expansion Large Scale Manufacturing Units, which are set up in different parts of the State, will be eligible for IPS as per below given scales :**



# Incentives available to NEW units - LSI

Particulars	A & B Zone	C Zone	D Zone	D plus Zone	No Industry District
Minimum Investment	In P&M more than 10 Crores	In P&M more than 10 Crores	In P&M more than 10 Crores	In P&M more than 10 Crores	In P&M more than 10 Crores
Investment Period	4 years	4 years	4 years	4 years	4 years
Maximum % of Incentive (Para 4.1)	NIL	30% of actual FCI in four years	40% of actual FCI in four years	50% of actual FCI in four years	70% of actual FCI in four years
Eligibility period (Para 4.1)	NIL	7 years from DOP	7 years from DOP	7 years from DOP	7 years from DOP
Yearly % of IPS [Para 4.3 (1)]	NIL	60% of VAT minus ITC or Zero whichever is more + CST Payable	70% of VAT minus ITC or Zero whichever is more + CST Payable	80% of VAT minus ITC or Zero whichever is more + CST Payable. It is 90% for eligible units in Vidharbha & Marathwada	90% of VAT minus ITC or Zero whichever is more + CST Payable. This % is also applicable to eligible units in Vidharbha & Marathwada
Additional Incentives for Food and Agro Processing units	NIL	10% of FCI & 1 year	10% of FCI & 1 year	10% of FCI & 1 year	10% of FCI & 1 year

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**CA Milind Gujrathi**

# Incentives available to NEW units - LSI

Particulars	A & B Zone	C Zone	D Zone	D plus Zone	No Industry District
Yearly Cap	NIL	1/7 of Maximum amount of incentives subject to provision for carried forward & brought forward as per Para 6.1	1/7 of Maximum amount of incentives subject to provision for carried forward & brought forward as per Para 6.1	1/7 of Maximum amount of incentives subject to provision for carried forward & brought forward as per Para 6.1	1/7 of Maximum amount of incentives subject to provision for carried forward & brought forward as per Para 6.1
Stamp duty exemption (Para 4.7)	NIL	100% for purchase of factory land & term loan agreement	100% for purchase of factory land & term loan agreement	100% for purchase of factory land & term loan agreement	100% for purchase of factory land & term loan agreement
Electricity Duty (Para 4.6)	NIL	7 yrs being EC period from DOP	7 yrs being EC period from DOP	7 yrs being EC period from DOP	7 yrs being EC period from DOP
Power Tariff Subsidy (Para 4.8)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Interest Subsidy (Para 4.5)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Other benefits	Available as per para 4.9 (C) of PSI 2013	Available as per para 4.9 (C) of PSI 2013	Available as per para 4.9 (C) of PSI 2013	Available as per para 4.9 (C) of PSI 2013	Available as per para 4.9 (C) of PSI 2013

# **Incentives to Expansion/Diversification of existing Large Scale Industries:**

**Existing units undertaking expansion/diversification are eligible for incentives as per Para 4.2 of the scheme subject to fulfillment of following all conditions :**

- 1. Increase in fixed capital investment exceeding minimum 25% of the gross fixed capital investment prior to expansion/diversification.**
- 2. Increase in existing installed production capacity by at least 25% of the existing installed production capacity prior to expansion/diversification. This increase will be determined by pollution consent granted by MPCB.**
- 3. Increase in employment in non supervisory category at least 10% of the pre-expansion/diversification level. Further 80% of the such increase must be from local persons. (Local persons means person continuously residing in Maharashtra for at least 15 years) This increase will be determined by PF record.**

# Incentives available to EXPANSION units - LSI

Particulars	A & B Zone	C Zone	D Zone	D plus Zone	No Industry District
Minimum Investment	In P&M more than 10 Crores	In P&M more than 10 Crores	In P&M more than 10 Crores	In P&M more than 10 Crores	In P&M more than 10 Crores
Investment Period	4 years	4 years	4 years	4 years	4 years
Maximum % of Incentives (Para 4.1)		75% of 30% i.e. 22.50% of actual FCI in four years	75% of 40% i.e.30% of actual FCI in four years	75% of 50% i.e. 37.50% of actual FCI in four years	75% of 70% i.e. 52.50% of actual FCI in four years
Eligibility Period (Para 4.1)	NIL	6 years from DOP	6 years from DOP	6 years from DOP	6 years from DOP
Yearly % of IPS [Para 4.3 (1)]	NIL	60% of VAT minus ITC or Zero whichever is more + CST Payable Proportionate to increase in New FCI	70% of VAT minus ITC or Zero whichever is more + CST Payable Proportionate to increase in New FCI	80% of VAT minus ITC or Zero whichever is more + CST Payable. It is 90% for eligible units in Vidharbha & Marathwada, Proportionate to increase in New FCI	90% of VAT minus ITC or Zero whichever is more + CST Payable. This % is also applicable to eligible units in Vidharbha & Marathwada, Proportionate to increase in New FCI
Additional Incentives for Food and Agro Processing units	NIL	10% of FCI & 1 year	10% of FCI & 1 year	10% of FCI & 1 year	10% of FCI & 1 year

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# Incentives available to EXPANSION units - LSI

Particulars	A & B Zone	C Zone	D Zone	D plus Zone	No Industry District
Yearly CAP	NIL	1/6 of Maximum amount of incentives subject to provision for carried forward & brought forward as per Para 6.1	1/6 of Maximum amount of incentives subject to provision for carried forward & brought forward as per Para 6.1	1/6 of Maximum amount of incentives subject to provision for carried forward & brought forward as per Para 6.1	1/6 of Maximum amount of incentives subject to provision for carried forward & brought forward as per Para 6.1
Stamp duty exemption (Para 4.7)	NIL	100% for purchase of factory land & term loan agreement	100% for purchase of factory land & term loan agreement	100% for purchase of factory land & term loan agreement	100% for purchase of factory land & term loan agreement
Electricity Duty (Para 4.6)	NIL	For expansion exemption is not available	For expansion exemption is not available	For expansion exemption is not available	For expansion exemption is not available
Power Tariff subsidy (Para 4.8)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Interest Subsidy (Para 4.5)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Other benefits	Available as per para 4.9 (C) of PSI 2013	Available as per para 4.9 (C) of PSI 2013	Available as per para 4.9 (C) of PSI 2013	Available as per para 4.9 (C) of PSI 2013	Available as per para 4.9 (C) of PSI 2013

# **Basket Of Incentives to LSI units:**

**Yearly Cap i.e. basket of incentive includes following:**

- 1) Industrial promotion subsidy
- 2) Incentives as per Para 4.9 of the scheme i.e. Water Audit, Energy Audit, Improving Energy Efficiency etc.

The total quantum of incentives are linked to the actual Fixed Capital Investment made by the eligible unit during investment period.

- 3) Above total quantum of incentives is excluding the incentives of:
  - Exemption from payment of ED and
  - Waiver of Stamp Duty (SD)

**In other words exemption from payment of ED and waiver of SD is not covered under basket of incentives and no monetary ceiling limit is applicable to this incentives.**

# Important Points:

1. Eligibility period shall be depend on the nature and location of the Eligible Unit. In respect of Mega Projects/ Ultra Mega Projects, the eligibility period shall be as, approved by the “Cabinet Sub Committee” or the “High Power Committee”, subject to fulfillment of the conditions of the PSI- 2013.
2. Eligible investment shall and include the investment in the fixed assets acquired at site and paid for within the permissible investment period, limited to the item wise maximum limit (i.e. Land, Land development, Building, Plant and Machinery etc.)
3. The Investment Period for Micro, Small and Medium manufacturing Enterprises will be three years, and for the LSI units, four years. For Mega Projects /Ultra Mega Projects, the Investment period will be five years from the date of application or such greater period as may be approved by the “High Power Committee” or the “Cabinet Sub Committee” on case to case basis. The Investment Period will be counted from the date of submission of application to the Implementing Agency or the date suggested by the Eligible Unit.

# Employment:

Direct Employment shall mean employees on the pay roll of the company covered under Employee's Provident Funds and Miscellaneous Provisions Act, 1952 and Employee's Provident Funds Scheme, 1952 and for which Employees' Provident Fund (EPF) contribution is paid by the Eligible Unit and *shall not include employees on the pay roll of contractors.*



# **Gross Fixed Capital Investment (FCI):**

1. Gross Fixed Capital shall , the case of New Fixed Assets, mean and include the value of new Fixed Assets acquired at site and duly paid for within the permissible investment period , limited to the item wise maximum limit ( i.e. Land, Land development, Building, Plant and Machinery etc.) as per the approved Project Scheme by the concerned term lending agency or as appraised by the approved agency in case of self financed projects and accepted by the Implementing Agency.
2. The Value for which imported second hand fixed assets (used imported machinery) are acquired or the value thereof as certified by an approved valuer, whichever is less, subject to the condition that the assets shall have residual performing life of a minimum 10 years as certified by an approved valuer, shall also be considered towards Gross Fixed Capital Investment.
3. The investment in intangible assets including pre-operative expenses, interest capitalised, technical know-how, deposits paid for utility services etc. shall be considered only to the extent of 10% of the total project cost for the purpose of incentives.

4. The Gross Fixed Capital Investment at:- The end of each year will be computed as Gross Fixed Capital Investment at the beginning of the year, plus additions as per the approved Project Scheme made, if any, to the Gross Fixed Capital Investment during the year, less the original value of any Fixed Assets of the Eligible Unit shifted disposed of / sold / written off, if any, during the year.
5. If the admissible Gross Fixed Capital Investment as endorsed in the EC is reduced as a result of any shift / disposal / sale / write off / replacement of the Fixed Assets, the ceiling as endorsed in the EC shall be reduced proportionately and if the incentives availed by the Eligible Unit exceed the ceiling revised as a result of shifting / disposal / sale / write off / replacement, the benefits availed in excess of such revised ceiling shall stand recoverable/refundable forthwith with interest at the rate of 12% from the date of such excess availment till the date of actual payment.
6. Any increase in the Gross Fixed Capital Investment as a result of replacement of any of the Fixed Assets earlier considered under the EC shall not have any additional incentives.

## **Finished Products:**

Finished product shall mean and include the item/s of manufacture by the Eligible Unit as considered under the project scheme approved by the concerned term lending agency and / or by the Implementing Agency, together with by-product /scrap which may get generated as incidental to and during the main production activity.

Explanation: The units will be allowed inclusion of items freely during the eligibility period. However the incentives for included items will be available prospectively and addition to the Fixed Capital Investment made for purpose of additional items shall not be entitled for additional incentives.

# **IPS Claim : Preparation & Submission Procedure**

- Under PSI 2013 IPS & other subsidy claims are now become online from August 2016.
- Valid EC holder can submit IPS Claim to DI after obtaining an Identification Certificate from Sales Tax Department.
- Unit to whom EC under PSI 2013 has been granted in physical format prior to Aug 2016 (not online) will have to upload all EC related documents on DI, portal.
- After uploading of documents fresh online EC will be issued to the eligible unit to claim online IPS & other subsidies.
- Yearly IPS claim must be submitted to the DI in prescribed formats alongwith certified copy of VAT Audit Report submitted to Sales Tax Department & other necessary enclosures within 11 months from the closure of the financial year i.e. on or before 28<sup>th</sup> February.

# **IPS Claim : Sanction & Disbursement Procedure**

- IPS claims are generally processed by the Implementing Agency within 30 days from the submission of the claim, if all necessary information is available in claim file.
- As per provisions of the scheme first provisional 85% of the eligible claim is sanctioned to the LSI units & 90% to the Mega & Ultra-mega Projects.
- In expansion cases IPS claims are processed for sanction by applying expansion ratio of additional fixed capital investment to the total gross fixed capital investment.
- After receipt of provisional claim sanction letter it is necessary to execute & submit claim disbursement agreement in prescribed format. After submission of disbursement agreement unit will be eligible to get disbursement of sanctioned amount.
- After completion of assessment under MVAT & CST balance 15% or 10% claim processed on the basis of reconciliation statement as per Form A received from Assessing Officer (AO) to Implementing Agency.
- AO issues Form A only when unit has not preferred any appeal/revision application against assessment done by the AO.
- After submission of Form A to DI final claim of IPS claim for the particular year is sanctioned. There is possibility of changes in provisional & final claim due to actual assessment.

# IPS : Income Tax & Excise related issues

- W.e.f. 01.06.2015 all subsidies are become taxable under Income Tax Act. So IPS, though in the nature of capital receipt, is as per my opinion *IPS is Taxable under Income Tax Act.*
- Recently Central Excise Dept. has also issued notices to eligible units to pay Excise Duty on amount of IPS received by the unit. Legal cases related to this issues are pending in various courts and Departments, as per my opinion *as IPS received is not in the nature of additional consideration received for particular product, Central Excise Duty is not applicable. Moreover IPS is not received from the buyer of the finished goods to the seller. Hence Excise Duty is not applicable on amount of IPS.*

# Key Points: Project Appraisal

1. For obtaining EC under PSI 2013 project appraisal from is compulsory.
2. If unit has availed term loan from FI or Bank, detailed appraisal note prepared by the lending agency along with term loan sanction letter is necessary.
3. If unit has NOT availed term loan from FI or Bank i.e. in the case of self financed cases project unit may appraise its project either from its banker or SIOCM. SICOM is doing job of project appraisal by charging fees.
4. There are some cases where projects are partly financed and partly self financed. In that case it is advisable to appraise total project from either bank or SICOM.
5. In project appraisal following points should be covered.
  - Complete address of the manufacturing unit of the company.
  - Products and its production capacities. Here everybody should take care to mention all products including byproducts and scrap.
  - Before finalizing the appraisal products and its capacities should be compared with Pollution consent, IEM, Statutory Licenses like State Excise, Food and Safety, etc. Normally products and its capacities mentioned in Pollution consent are considered while issuing EC.

*Thank You*