



**Incentives under Maharashtra
Industrial Policy, (PSI) 2019**

Introduction

- ❖ The Maharashtra Industrial Policy (MIP-2019 or PSI-2019 or Policy) is valid from **1 April 2019 to 31 March 2024**, or until the issuance of a new Package Scheme of Incentives (PSI)
- ❖ Incentives are available under the Policy according to the size of the industrial unit and the taluka/area in which it is established.
- ❖ Aggregate fiscal incentives provided by State departments/agencies cannot exceed the basket of incentives as a percentage of FCI.

PSI 2019 is governed by following Government Resolutions/Circulars

- a) Main GR dated 16/09/2019.
- b) Modalities dated 12/06/2018, 20/12/2018 & 16/03/2019
- 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 20/09/2019 related to waiver of stamp duty.

Short forms used:

PSI	Package Scheme of Incentives
DI	Directorate of Industries
EC	Eligibility Certificate
IPS	Industrial Promotional Subsidy
FCI	Fixed Capital Investment
ED	Electricity Duty
SD	Stamp Duty
DOP	Date of Production

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 (HPC) under the Chairmanship of the Chief Secretary, Government of Maharashtra on a case to case basis.

The Cabinet Sub Committee for Industry under the Chairmanship of the Chief Minister of Maharashtra State will have the all 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.

Mega & Ultra Mega Project Means :

Types of Unit	Taluka / Area Classification (Page No. 30 to 39 of GR of PSI 2019)	Minimum admissible FCI [Rs./Crore]	Minimum Direct Employment [Number of people]	Years for availing the Incentives (EC Period)	Investment Period
Mega Projects	A & B	1,500	2,000	9	5
	C	1,000	1,500	7	5
	D	750	1,000	7	5
	D+	500	750	7	5
	Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule	350	500	7	5
	No industry districts, Naxalism Affected Areas, and Aspirational Districts	200	350	7	5
Ultra Mega Projects	Entire State	4,000	4,000	20	7
Auto Sector Ultra Mega	Entire State	4,000	4,000	20	8

- 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 including solar power plant shall be considered for determining the qualifying criteria for eligibility as Mega Project/Ultra Mega Project. But, shall not be incentivized (However, investment in captive power plant will be limited to 20% of total project cost).
- Mega Projects have also option to choose effective date for starting availing incentives. However, effective date should be within 3 years from DoP.

Eligible Investment :

- A. The FCI mean & include Land, Building , Cost of development of the Location, Plant & Machinery, Installation Charges, Preoperative Expenses Capitalised, Research & Development, Royalties Paid on account of Technology Transfer, Technical Knowhow, Amount paid to MSEDCL, MIDC & other Govt. Agency, Investment in Captive Power Plant and Cold Storages, Tools located in premises etc.

- B. Gross eligible FCI shall, 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 or partly financed projects and accepted by the Implementing Agency. (Para 2.14 Page No. 13 of PSI 2019)

- C. 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 FCI.

Eligible Investment :

- D. 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 calculation amount of incentives.
- E. CAPTIVE PROJECT INVESTMENT : Unit want support certain captive process vendors who may put up investment purely and entirely for the purpose of carrying out certain process in the manufacturing process of the eligible project, but not to qualify the bench mark for investment criteria to fulfill Mega Status. The investment made by such captive process vendors would also qualify for being counted towards the FCI of the project subject to :
- Unit shall furnish a list of such captive process vendors which it wants to support
 - Captive process vendors are located in the same industrial area or higher classified taluka where eligible unit is situated.
 - Captive process vendors should be engaged in a part of the manufacturing process (and not for manufacturing components or independent products) of only eligible project.
 - Captive process vendors shall not be entitled to any benefits under PSI even though it may be putting up investment in its own name.
- F. The amount shown under the head of contingency against each item shall not be allowed in excess of 10% of the cost shown therein and shall be considered only if the same has been provided in appraisal / assessment done by the concerned term lending agency / Financial institution with appropriate reasons and accepted by the Implementing Agency.

Direct 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.*

Apprentice :

The establishment should engage apprentices in a band of 2.5% to 15% of total employment, as per the provisions of the Apprentices Act, 1961 (amended upto 2014) and the Apprenticeship Rules, 1992 (amended upto 2019).

Basket Of Incentives to Mega Projects:

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

- 1) Industrial Promotion Subsidy (IPS)
- 2) Exemption from payment of ED, and;
- 3) Waiver of Stamp Duty (SD)

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

Incentives to Mega & Ultra Mega Projects

The eligible Mega & Ultra Mega Projects are normally eligible for following incentives subject to maximum monetary ceiling limit & EC Period mentioned in the EC issued.

Industrial Promotion Subsidy (IPS) :

Taluka / Area classification	Mega units	Ultra Mega Projects
Vidarbha, Marathwada, Ratnagiri, Sindhudurg, Dhule & Nandurbar	100% Gross SGST Payable (before ITC) that may be collected by the unit on the first sale of eligible finished goods sold in the State of Maharashtra i.e. billed & delivered to the same entity in Maharashtra, excluding sale to the related parties	100% Gross SGST Payable (before ITC) that may be collected by the unit on the first sale of eligible finished goods sold in the State of Maharashtra i.e. billed & delivered to the same entity in Maharashtra, excluding sale to the related parties
Rest of the Maharashtra	50% Gross SGST Payable (before ITC) that may be collected by the unit on the first sale of eligible finished goods sold in the State of Maharashtra i.e. billed & delivered to the same entity in Maharashtra, excluding sale to the related parties	

Stamp Duty Exemption : 50% in A & B area, 100% in rest of Maharashtra

Electricity Duty Exemption : 10 years in A & B areas. and 15 years in the rest of Maharashtra. However, the maximum electricity duty exemption period shall be equal to EC period granted for availing IPS.

Directorate of Industries (DI) headed by the Development Commissioner of Industries, Mumbai is the implementing agency of the scheme for the Mega & Ultra Mega Projects.

Application for the Eligibility Certificate (EC) and claims of incentives is become online having website

Maitri Portal :

<https://maitri.mahaonline.gov.in/>

After login Maitri Portal rooted to Directorate of Industries Site :

<https://mhpsi.maharashtra.gov.in/>

After submitting online application it is also necessary to submit the hard copies of the all documents to DI as due to some technical issues online portal is not working properly.

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

- Only after getting the EC, units become eligible to claim incentives mentioned in the EC. So claim the incentives unit must obtain the EC.
- Yearly IPS claim must be submitted to the DI in prescribed formats alongwith necessary enclosures within 11 months from the closure of the financial year i.e. on or before 28th February.
- The 1st such claim should be filed within 11 months from the close of financial year during which the EC was issued by DI to the Unit.

IPS Claim : Sanction & Disbursement Procedure

- An application for sanction of IPS is generally processed by the DI within 30 days from the submission of the valid claim alongwith all necessary information.
- As per provisions of the scheme first 90% amount of accepted 100% claim will be provisionally sanctioned to the Mega & Ultra-mega Projects.
- In expansion cases IPS claims are processed for sanction after applying expansion ratio of additional FCI to the total gross FCI at the end of claim year / last year of investment period.
- After receipt of sanction letter of 90% provisional claim it is necessary to execute & submit claim disbursement agreement in prescribed format. After submission of disbursement agreement DI will issue disbursement approval letter to the Unit.
- After completion of yearly reconciliation under GST, balance 10% claim will be processed on the basis of reconciliation statement as per Form A forwarded by the GST Department to the DI.
- GST Dept. issues Form A only when unit has not preferred any appeal/revision application against audit or any other proceedings initiated by the GST Dept.
- 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 final reconciliation done by GST Dept.
- Last year 10% balance IPS claim will be processed & approved at the end of the Operative Period.

Some Important Points

- ▶ Eligible investment shall and include the capitalized investment in the fixed assets (net value after all set-off) [as per Para No. 2.12 and 2.14 (a),(b),(c)], acquired and put to use at site of the eligible unit/ project 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.) as per approved Project Scheme by the concerned term lending agency or as appraised by the approved agency in case of self financed projects/ projects partially financed by financial institutions and accepted by the Implementing Agency.
- ▶ Eligible New/Expansion Units under PSI 2019 may also avail Stamp Duty Exemption during the investment period.
- ▶ Units in the secondary and tertiary food processing, eligible green energy/ bio-fuel manufacturing and Industry 4.0 sectors receive an **additional 20%** quantum of incentives, with an **extension of 2 years** to the eligibility period (total admissible incentives still cannot exceed 100% of eligible FCI)
- ▶ The above addition is also applicable to Farmer's Producer Companies and units set up in Government assisted Food Parks.
- ▶ As per provisions of the Scheme (Para 2.7) Separate GST registration to be taken for units willing to avail incentives under the policy. This applies to both New and independent Expansion units.

Income Tax on Incentives

All subsidies including IPS are taxable under Income Tax Act.

Negative List-Under PSI 2019 Scheme

- ▶ Beer, Liquor manufacturing industries
- ▶ Cigarette, Bidi or any other Tobacco containing products, manufacturing industries
- ▶ Gutka and Pan Masala manufacturing industries
- ▶ Any other product(s) banned by the Central/State Government

Notes :

- ▶ Units manufacturing all types of textiles, that include cotton ginning and pressing, sizing, spinning, weaving, bleaching, dyeing, mercerizing, etc. covered under the Textile Policy (2018-2023) of Maharashtra State shall be eligible only for incentives other than those offered by the other State Government Agencies



Thank You