

INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Western India Regional Council)

Topic: Subsidy Schemes and Startup Benefits



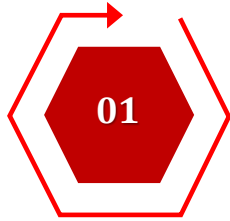
Presented by -
CA Ankur Surana

**YOU BECOME SUCCESSFUL
BY HELPING OTHERS TO BECOME
SUCCESSFUL**

ROLE OF “CA” IN THE FIELD OF SUBSIDIES

- Advisory and Consultancy Services in availing subsidy incentive under various policies.
- Analysis of the proposed and actual investments & tax structure for planning incentive.
- Handling other issues like early closure of unit, Transfer, Merger & Acquisition, Reviving of Sick Units.
- Lift the Startups by helping them in Research and development of Market conditions, compliance, etc.
- Presenting cases in front of Govt authorities for obtaining early & maximum incentive.
- CAs can perform due diligence on behalf of companies to ensure that they meet the criteria for receiving subsidies and incentives.
- NOC from department for exiting the scheme & other transfer cases.
- Creating a comprehensive feasibility study for new ventures and expansions.

INDEX



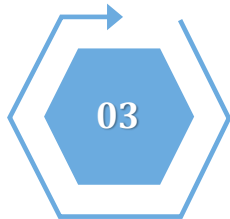
Maharashtra Govt. Subsidy

PSI (Package Incentive Scheme (PSI-2019)
Budget Outlay : 3500 Crores



Madhya Pradesh Govt. Subsidy

- Industrial Promotion Policy
Budget Outlay : 1860 Crores
- Micro, Small & Medium Enterprises Scheme
Budget Outlay : 700 Crores



Product Linked Incentives

Budget Outlay : 1.97 lakh Crores
Proposed Budget Outlay : 8083 Crores



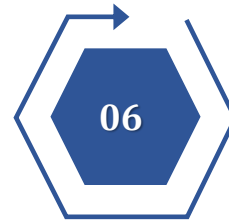
SPECS Policy

Budget Outlay : 3285 Crores



Start-up India

- DIPP
- SISFS
Budget Outlay : 283.5 Crores



Udyam Registration

OBJECTIVES & PURPOSE OF THE MAHARASHTRA PACKAGE SCHEME OF INCENTIVE (PSI)

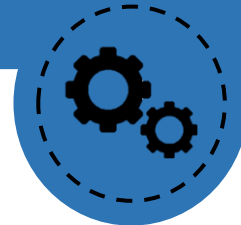
OBJECTIVES:

Policy envisages grant of fiscal and non fiscal incentives to ensure higher and sustainable economic growth



PURPOSE:

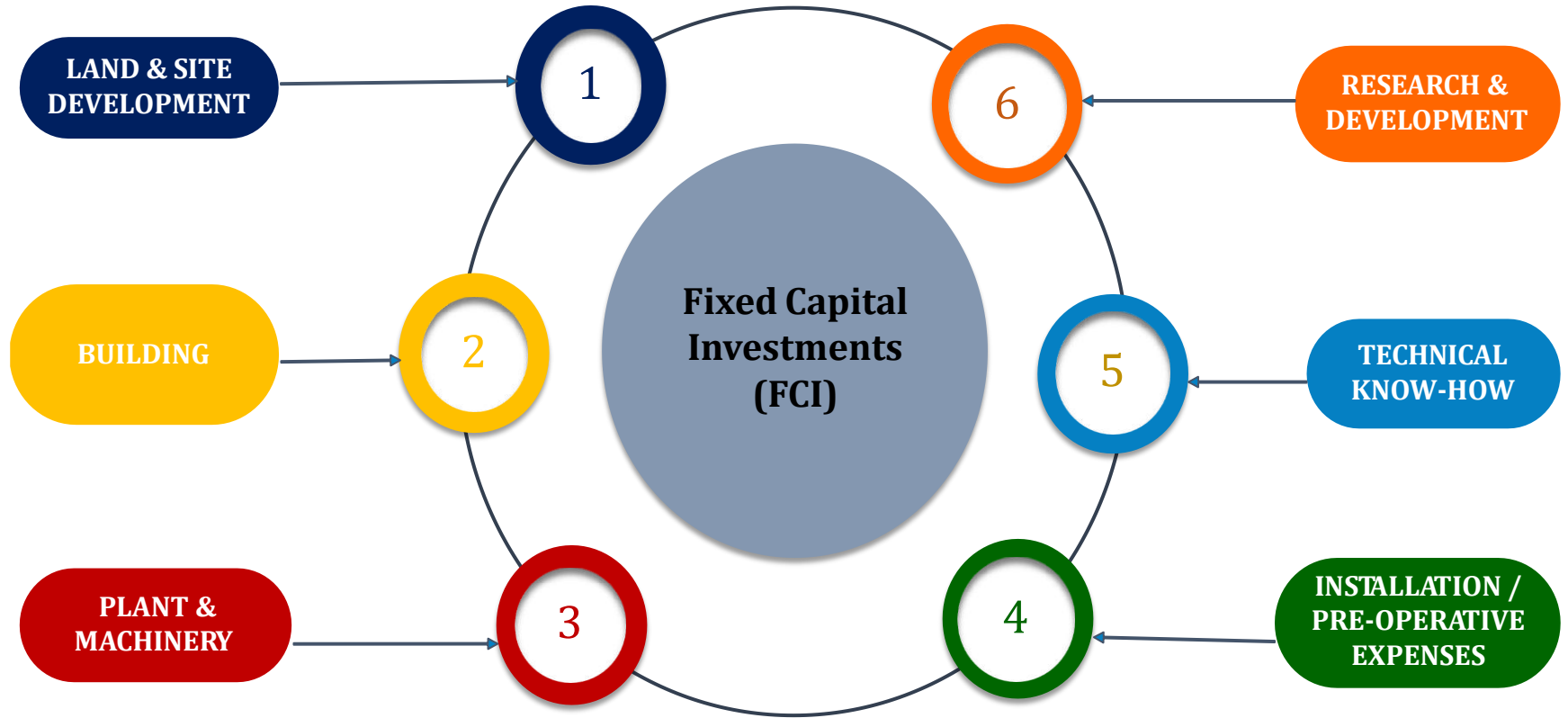
- ❖ Dispersal of Industries to lesser developed areas of the state
- ❖ Employment generation
- ❖ Higher and inclusive industrial growth
- ❖ Further Improve the conducive industrial climate



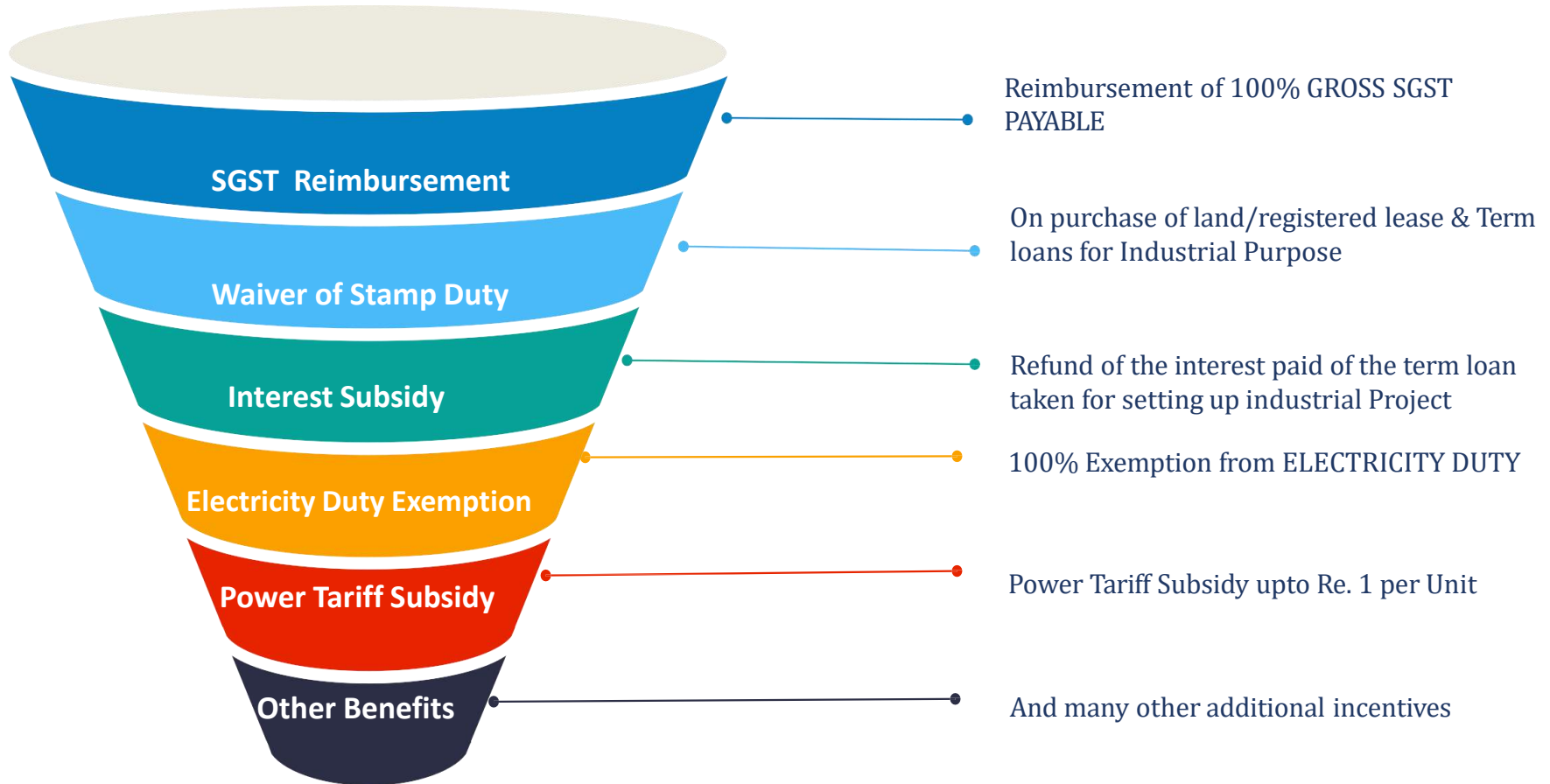
HIGHLIGHT OF SCHEMES (MH. STATE)

MH. STATE GOVT. SUBSIDY SCHEMES	BENEFITS	APPLICABILITY (NEW & EXPANSION)
Package Scheme of incentives (PSI - 2019)	Up to 100% on FCI* – Revenue linked	All manufacturing Industries, food processing, Bio-technology, information technology
Maharashtra State Electronics Policy – 2016	100% on FCI – Revenue linked	All type of electronics & manufacturing industries (ESDM) units approved under M-SIPS (SPECS) & PLI policy.
Special Subsidy Women Entrepreneur policy, 2017 (Currently, the scheme is closed. Extension is expected for the same)	Over 100% on FCI – Capital + revenue linked	All manufacturing Industries, food processing, Bio-technology, information technology
Electric Vehicle Policy -2021	60% of the FCI	Manufacturing of Electric Vehicle, EV components, EV Battery, EV Battery components, charging station etc.
Electric Vehicle Policy -2021	60% of the FCI	Manufacturing of Electric Vehicle, EV components, EV Battery, EV Battery components, charging station etc.
Agro & Food Processing Policy	Upto 100% on FCI – Revenue Linked	All types of Food and Agro based Industries.

FCI (FIXED CAPITAL INVESTMENT)



MAJOR FISCAL & NON FISCAL INCENTIVES



ELIGIBILITY PERIOD / OPERATIVE PERIOD/ INVESTMENT PERIOD

01

Eligibility Period

- Eligibility period 7 to 10 years depending on scale/zone of unit
- Period differs for new and Expansion units



Operative Period

- Micro/Small units – 5 years
- Medium /Large Scale units – 7 years
- Mega units- 10 years

02

03

Investment Period

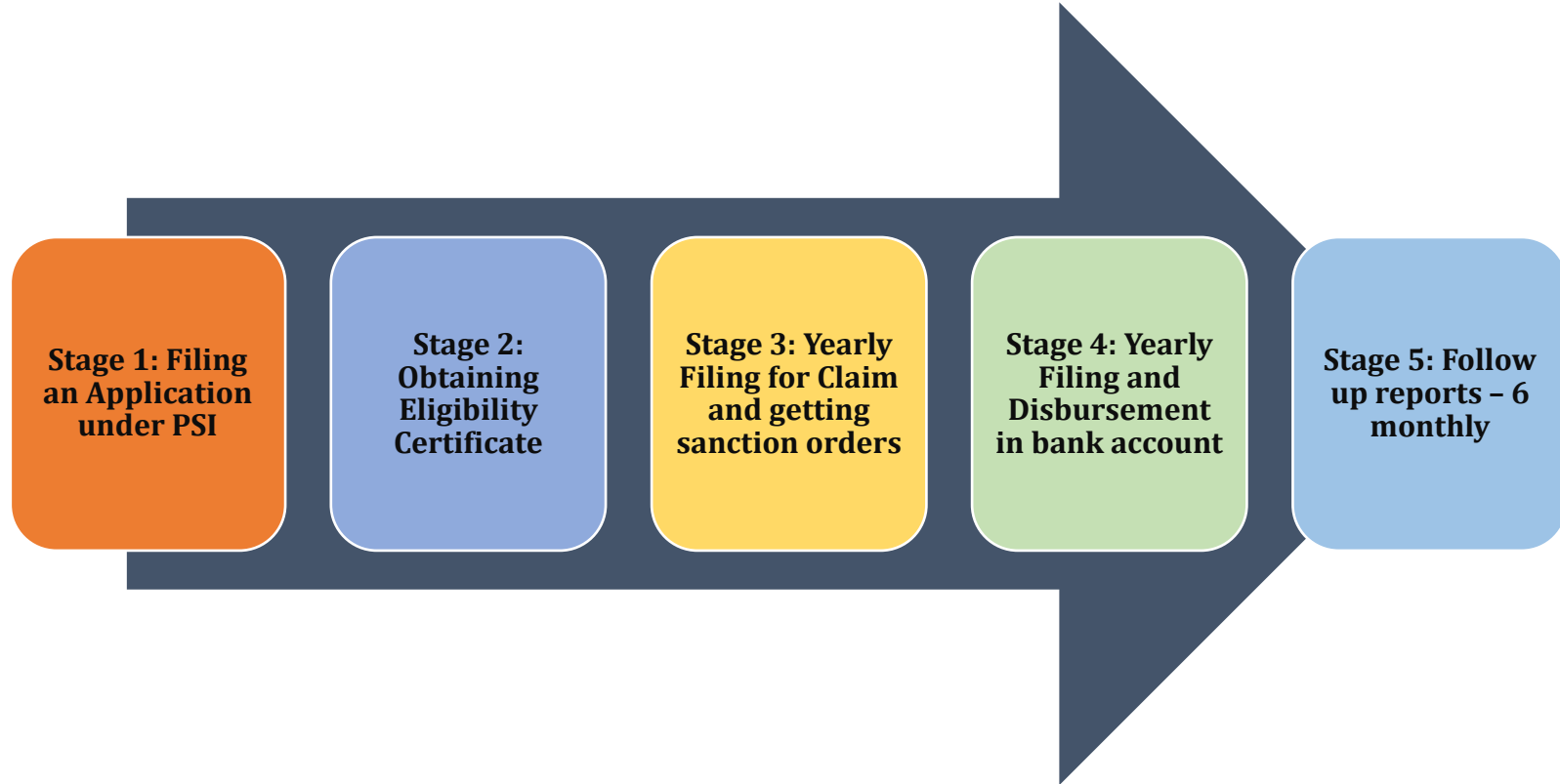
- Micro/Small /medium – 3 years
- Large Scale units- 4 years
- Mega units – 5 years



PACKAGE SCHEME OF INCENTIVES (PSI 2019)

Validity Period	1st April, 2019 to 31st March, 2024 (PSI - 2019)
Applicable sector	<ul style="list-style-type: none"> ❖ Industries listed in First schedule of Industries Act,1951 ❖ Manufacturing enterprises as defined in MSMED Act,2006 ❖ IT/BT manufacturing units ❖ Food/Agro processing industries
Classification	On the basis of Industrial Development in to <u>zones</u> (A, B, C, D, D+, Vidarbha/Marathwada Regions/ Aspirational Districts)
Benefits/ Subsidies offered	Upto 100% of Fixed Capital Investment(FCI)
Highlights of the policy	<ol style="list-style-type: none"> 1. Promotion of Thrust Sectors 2. Additional benefit of 20% to Food/Agro processing, Green Energy/Bio fuel manufacturing units & 2 years of additional Eligibility period 3. <u>Mega/Ultra Mega units</u> are conferred the benefits on the basis of '<u>Customized Package</u>'

STAGES OF SANCTION AND DISBURSEMENT OF SUBSIDY BENEFITS



IMPLEMENTING AGENCIES

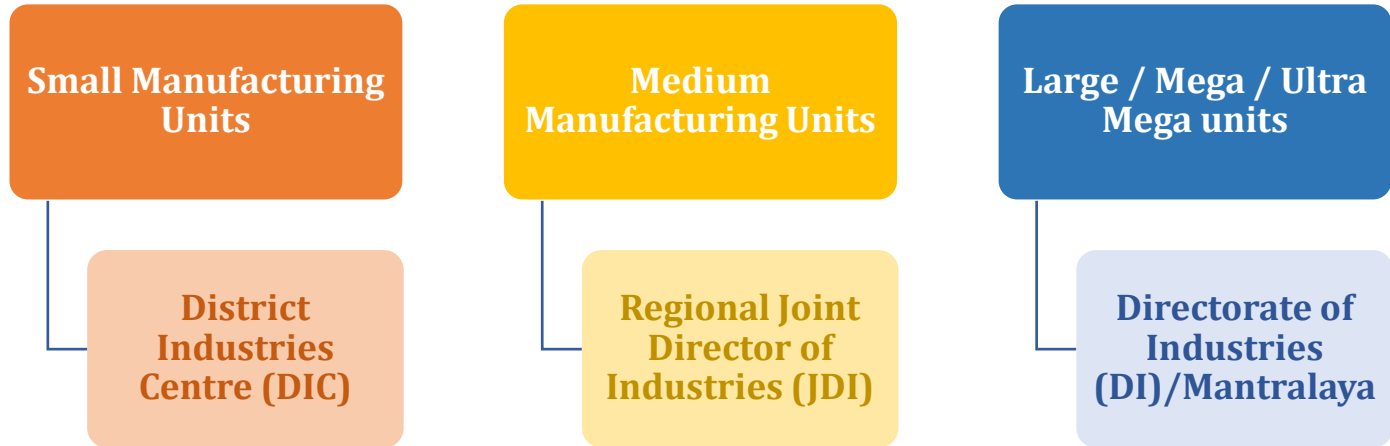


ILLUSTRATION ON PSI SCHEME

In the case of **New unit** in **D zone** of Medium Scale, benefits will be available for a period of 10 years. Let us assume the FCI as Rs. 40 Crores

Calculations of benefits will be as under

- The total benefit applicable to the unit will be 50% of 40 Crores i.e., Rs. 20 Crores over a period of 10 years
- The yearly cap would be $20/10 = 2$ Crores, which means that the unit can avail the below mentioned benefits (1-5) up to the yearly cap mentioned:

1. Industrial Promotion Subsidy (IPS - GST reimbursement):

For MSME units the IPS is 100% of **GROSS SGST** payable (i.e. sales within Maharashtra)

2. Interest Subsidy:

Interest subsidy on the term loan taken for acquisition of Fixed asset required for the project ,**will be available @5% p.a**

3. Waiver of Stamp Duty :

100% Stamp duty paid for acquiring land or term loan purposes will be exempted from payment of Stamp Duty

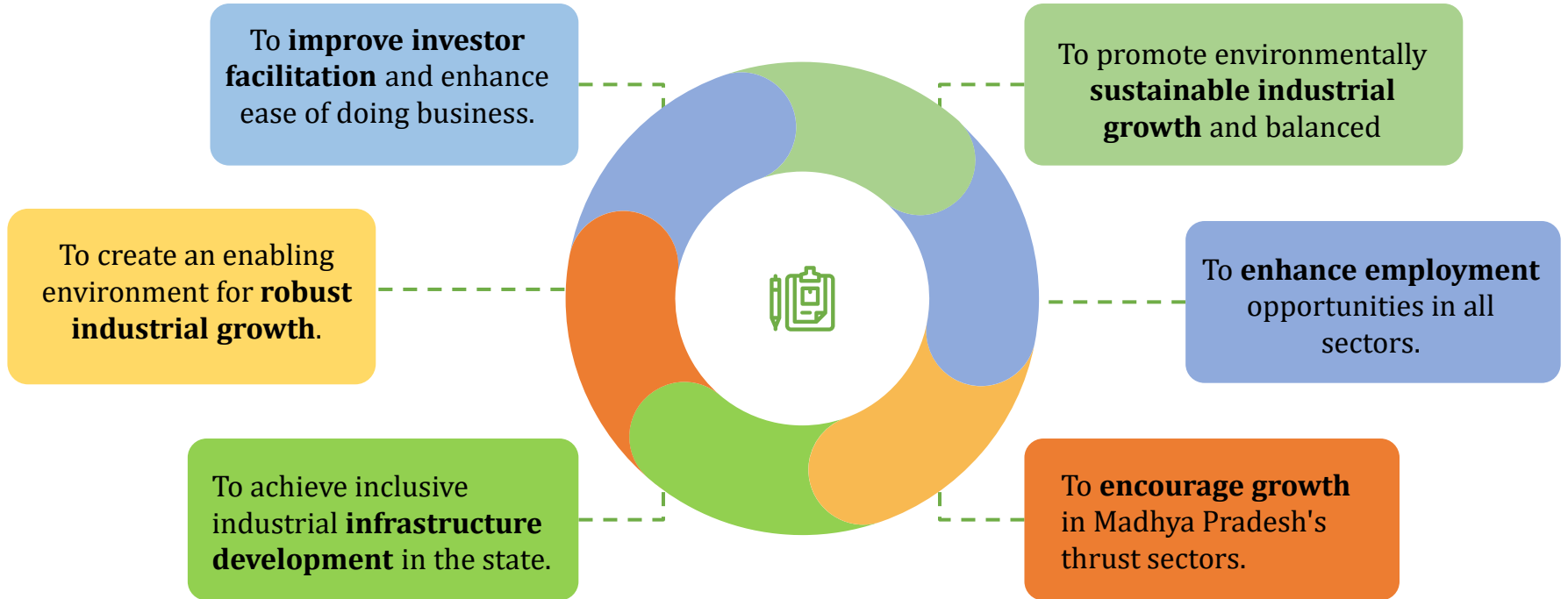
4. Electricity duty exemption:

Electricity duty **exemption benefits for 10 years.**

5. Power tariff subsidy:

Re. 1 per unit for 3 years in Vidharbha /Marathwada /aspirational zones and Re. 0.50 for 3 years in other zones

OBJECTIVE OF MADHYA PRADESH INDUSTRIAL POLICIES



MP Industrial Promotion Policy 2014 (as amended in 2021)



BENEFITS

Capital subsidy -

Up to 40% to 60% on Investment in Plant and Machinery and Building



APPLICABILITY (NEW & EXPANSION)

Applicable to **Large Scale units** and **Mega units**



SECTOR

Special assistance to Food Processing, Textile and Garment Manufacturing Industries



MEGA UNITS

Units having FCI of more than **Rs 100 crores** are **Mega units**. Mega Units are conferred "**Customized package**"

MP MSME Scheme 2021



BENEFITS

Capital Subsidy-

40% on Investment in Plant and Machinery and Building



APPLICABILITY (NEW & EXPANSION)

All type of manufacturing industries for **MSME units**



SECTOR

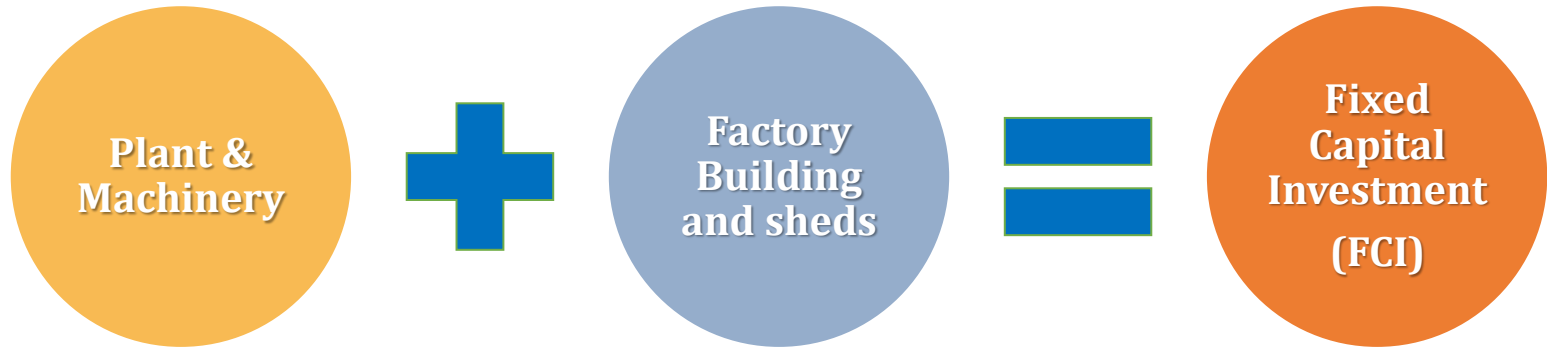
Special emphasis to Pharma sector, Food processing
No bifurcation in to zones



EOU UNITS

Additional Subsidy to EOU

DEFINITION OF FIXED CAPITAL INVESTMENT



IMPLEMENTING AGENCIES (MP)

Small/Medium
Manufacturing Units



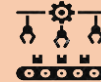
**District Trade
Industries
Centre (DTIC)**

Large Units



**State Level
Empowered
Committee**

Mega Units



**Cabinet
Committee on
Investment
Promotion(CCIP)**

PRODUCTION LINKED INCENTIVE SCHEME (PLI) SCHEME AT A GLANCE...

Central Government Scheme

The PLI scheme was introduced as a part of the **"Aatmanirbhar Bharat"** under the **"Make in India"** campaign

The objective is built on the foundation of **14 sectors**

PLI Scheme is also known as the **Production Linked Incentive Scheme**

Incentive outlay of Rs. 1.97 lakh crores

The initiative is announced by Prime Minister Narendra Modi in May 2020

A total of **733 applicants** are now covered under the PLI Scheme

PURPOSE OF THE PLI SCHEME....



PLI SCHEME LAID SO FAR...

Particulars for PLI schemes	Ministry	Budget Outlay	Number of Approvals	Rate of Incentive (On Incremental Sales)	Eligible Products
Large Scale Electronics	MEITY	INR 40,951 crores	32	5% to 3%	Mobile phones, electronic components and ATMP units
Medical devices	DOP, Ministry of Chemicals and Fertilizers	INR 3,000 crores	26	5%	<ul style="list-style-type: none"> • Cancer care/ Radiotherapy • Radiology & Imaging and Nuclear Imaging Devices • Anesthetics & Cardio Respiratory medical devices • All Implants including implantable electronic devices
High Efficiency Solar PV Modules	Ministry of New and Renewable Resources	INR 24,000 crores	3	Max Rs. 2.25 per watt peak	<ul style="list-style-type: none"> • EVA • Solar glass • Back sheet, etc.
Specialty Steel	Ministry of Steel	INR 6,322 crores	67	4% to 12% on incremental production	<ul style="list-style-type: none"> • Coated/Plated Steel Products • High Strength/ Wear resistant Steel • Specialty Rails • Alloy Steel Products and Steel wires • Electrical Steel
Textiles	Ministry of Textiles	INR 10,683 crores	64	Part1: 11% to 15% Part2: 7% to 11%	<ul style="list-style-type: none"> • MMF Apparels • MMF Fabrics • Technical Textiles Products

Disclaimer: The provided information is based on the latest available data as per the relevant official website.

Particulars for PLI schemes	Ministry	Budget Outlay	Number of Approvals	Rate of Incentive (On Incremental Sales)	Eligible Products
IT hardware 2.0	MeITY	INR 16,939 crores	-	4% to 5.75%	<ul style="list-style-type: none"> Laptops Tablets All-in-One PCs Servers and Ultra Small Form Factor
Pharmaceuticals	DOP, Ministry of Chemicals and Fertilizers	INR 15,000 crores	55	20% to 10%	<ul style="list-style-type: none"> Active pharmaceutical ingredients Drug formulations Medical devices Vaccines
Bulk Drugs	DOP, Ministry of Chemicals and Fertilizers	INR 6,490 crores	51	10% to 3%	<ul style="list-style-type: none"> Key Fermentation based KSMs / Drug Intermediates Niche Fermentation based KSMs / Drug Intermediates / APIs Key Chemical Synthesis based KSMs / Drug Intermediates
Food Processing Industry	Ministry of Food Processing Industries	INR 10,900 crores	100	10% to 4%	<ul style="list-style-type: none"> Processed foods Beverages Dairy products Packaged foods
Millet based products	Ministry of Food Processing Industries	INR 800 crores	33	10% to 15%	<ul style="list-style-type: none"> Breakfast Cereals & Bars Bakery Products Snacks/RTC & RTE Mixes RTD Beverages

Disclaimer: The provided information is based on the latest available data as per the relevant official website.

PROPOSED PLI SCHEMES



PLI scheme for Toys
Budgeted Outlay –INR 3,500 Cr



PLI scheme for Leather & Footwears
Budgeted Outlay –INR 2,600 Cr



PLI scheme for Chemicals
Budgeted Outlay –INR 10,000 Cr



PLI Scheme for Pharmaceuticals
Budgeted Outlay –INR 5,000 Cr



PLI scheme for Textiles 2.0
Budgeted Outlay –INR 4,307 Cr

Note- Please be advised that the proposed PLI schemes for different sectors are currently under deliberation at various levels within the Indian Government.

CRITERIA

Eligible Products and
Maintain a specified
DVA %



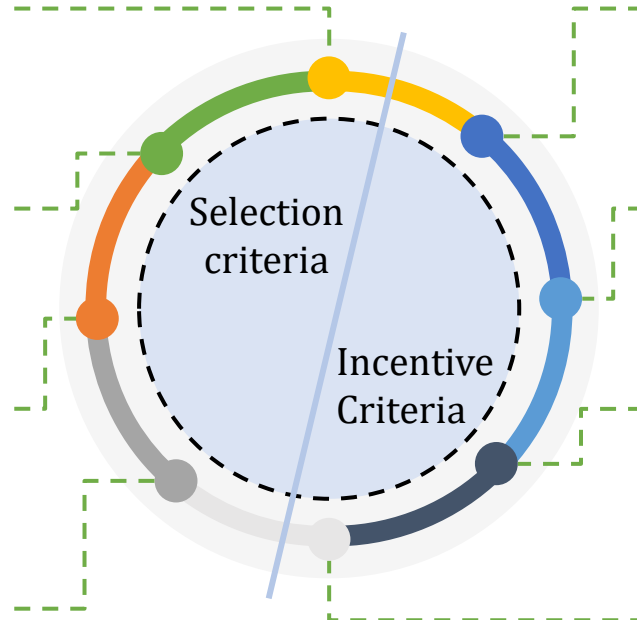
Achieve the **minimum sales and Investment Threshold**



The applicant should **not have been declared as bankrupt**



Other **eligibility criteria** as mentioned in the specific schemes



Achievement of
Minimum Sales Threshold



Achievement of
Minimum Investment Threshold

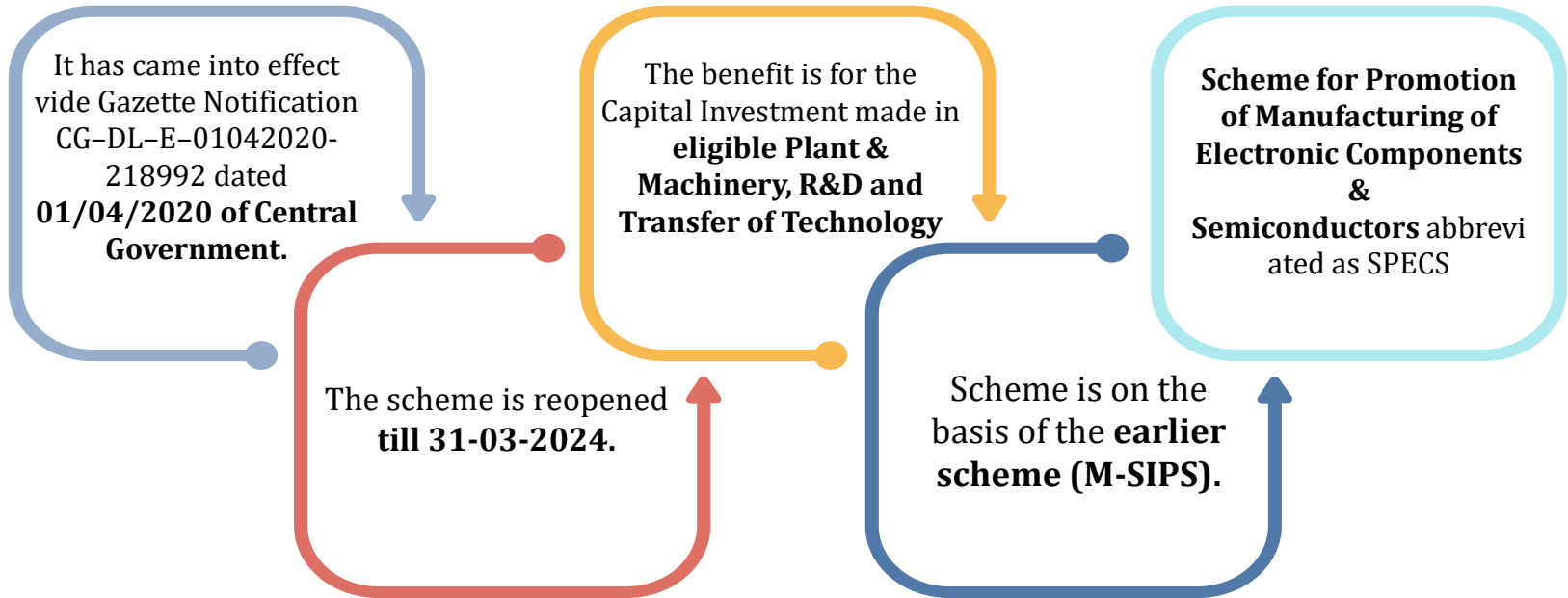


Timely and Effective
Documentation



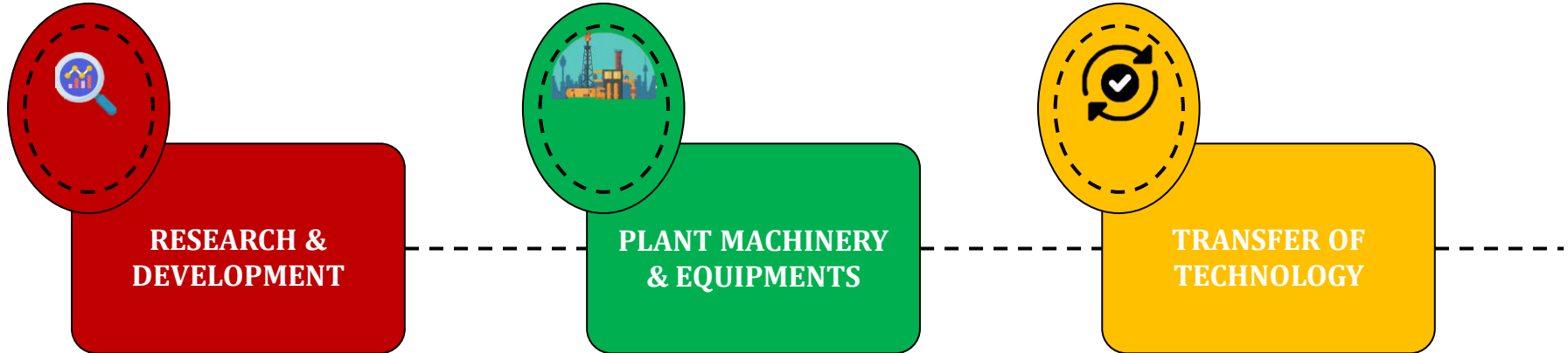
Achievement of
minimum DVA etc.

BACKGROUND OF THE **SPECS SCHEME** FOR ELECTRONIC SECTOR (Central Government Scheme)

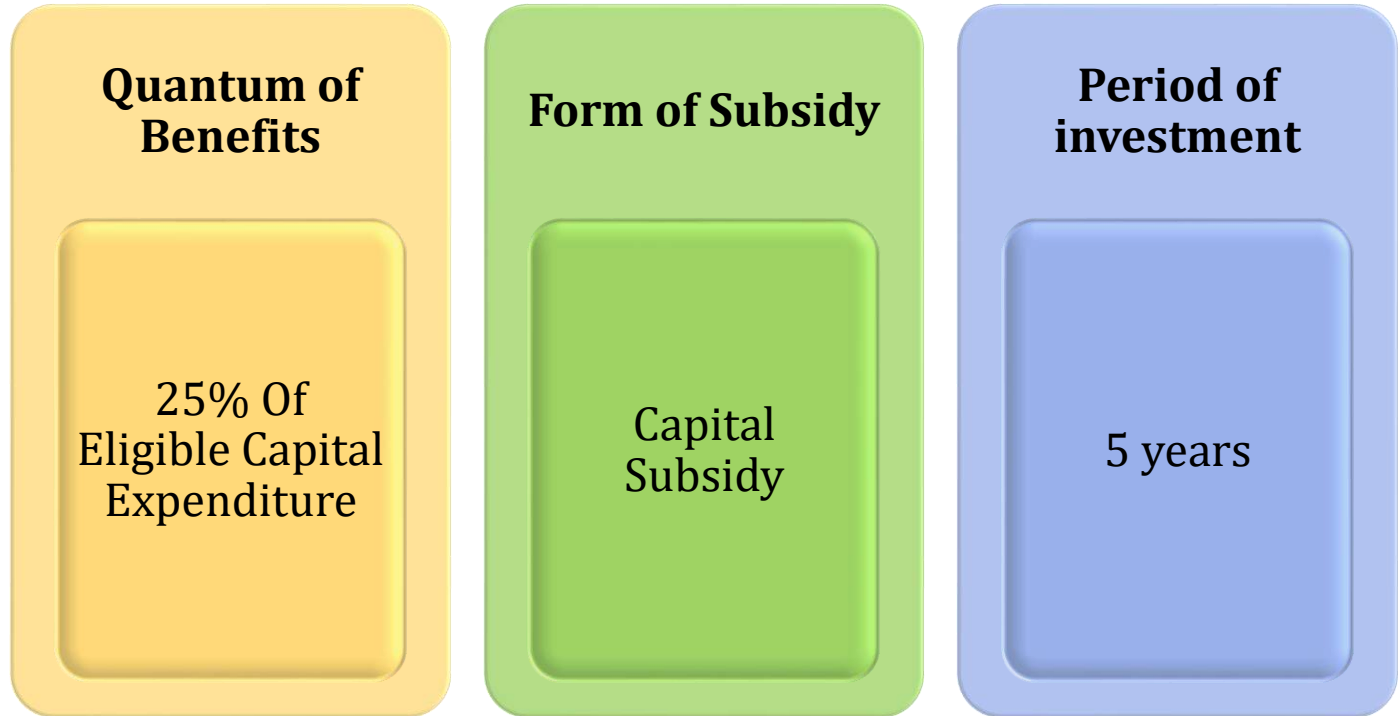


Source- Ministry Of Electronics And Information Technology

ELIGIBLE CAPITAL EXPENDITURE

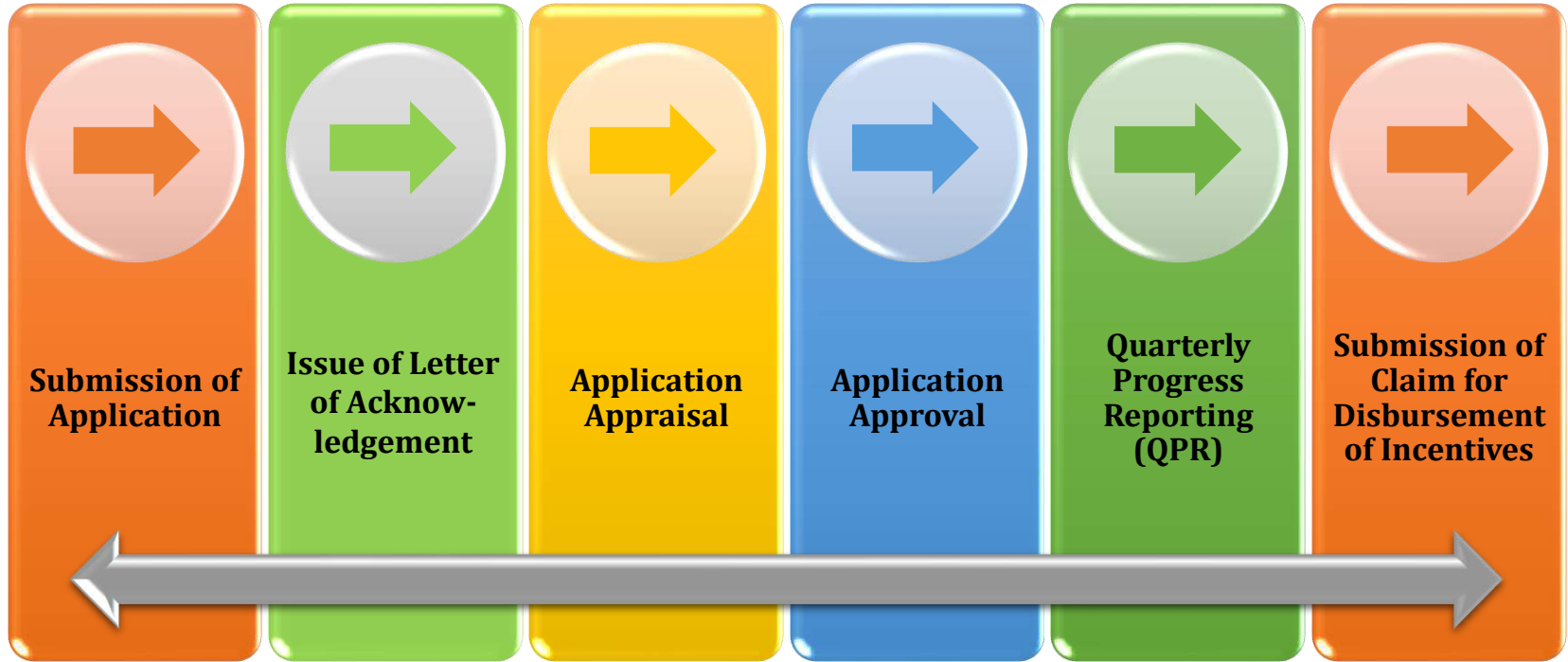


SPECS- BENEFITS & INVESTMENT



Source- Ministry Of Electronics And Information Technology

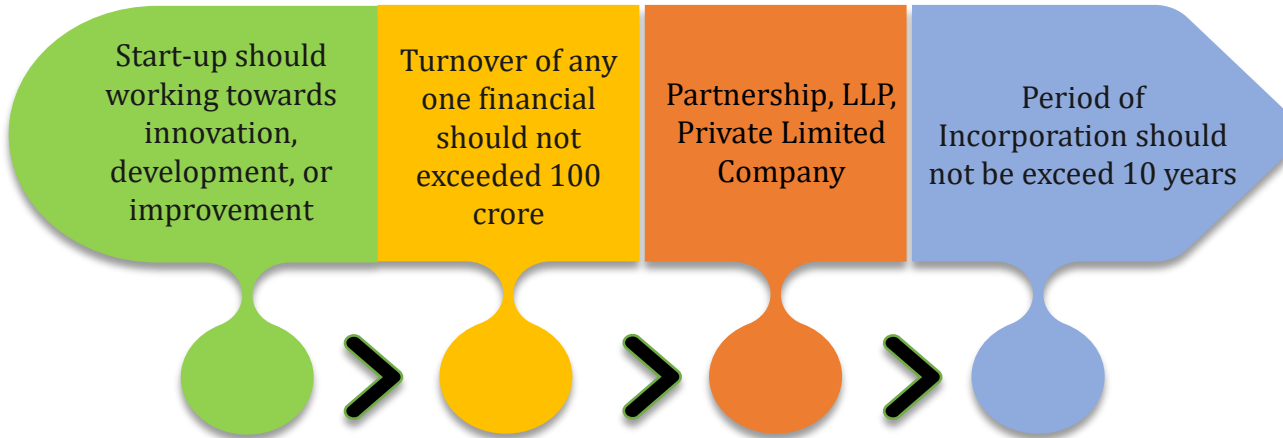
APPLICATION PROCESS UNDER SPECS POLICY



START-UP CRITERIA



A startup is a young and innovative company working to solve a problem or offer something new. It's all about growth, innovation and ensuring economies of scale.



DIPP (RECOGNITION) BENEFITS

Department of Industrial Policy and Promotion(DIPP)

Tax exemption u/s 80 IAC for 3 consecutive financial years out of first 10 years

Upto 80% rebate in filing of patents / Trademarks

Easy winding up of company (90 days)

Fund Under Start-up India Seed fund Scheme



Exemption under section 56 of the Income Tax Act (Angel tax)

Startups can self-certify for Labour Laws, Environment Laws etc.

Start-ups can get a procurement (Government Tenders) easily

SISFS CRITERIA

Startup India Seed Fund Scheme (SISFS)

“Start Up India Seed Funding Scheme is Central Government Scheme for funding assistance at SEED stage of Recognized Start Ups.”

Not received more than Rs. 10 lakh of monetary support under any other Central or State Government scheme

Must have a business idea to develop a product or a service

Recognized by DPIIT, incorporated not more than 2 years ago at the time of application

Shareholding by Indian promoters in the startup should be at least 51%

Should be using technology in its core product or service

SISFS BENEFITS

Up to **Rs. 20 lakhs** of grant for validation, Proof of Concept and Prototype development

Up to **Rs. 50 lakhs** as investment for market entry, commercialization, or scaling up

Sector-agnostic

Year-round '**Call for Applications**' for Incubators and Startups

Startups can apply to **3 Incubators** simultaneously

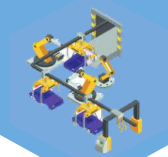
No Mandatory physical Incubation

UDYAM REGISTRATION

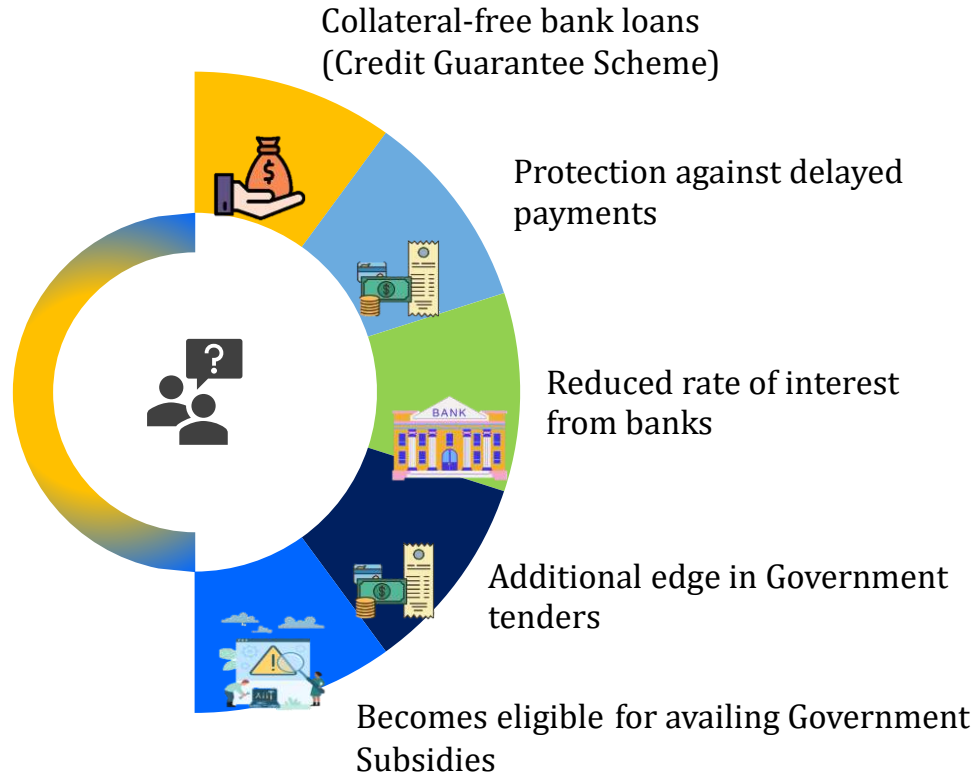


UDYAM Registration is a 12-digit number issued by the Ministry of MSME (Micro, Small & Medium Enterprises).

It is applicable to existing MSME's that are engaged in Manufacturing or Service activities.



BENEFITS OF MSME REGISTRATION



Source: Ministry of Micro, Small and Medium Enterprises

CLASSIFICATION CRITERIA OF MSME



Micro Units

Plant and Machinery
should not exceed
Rs. 1 Crores

Turnover not to
exceed **Rs. 5 Crores**

Small Units

Plant and Machinery
should not exceed
Rs. 10 Crores

Turnover not to
exceed **Rs. 50
Crores**

Medium Units

Plant and Machinery
should not exceed
Rs. 50 Crores

Turnover not to
exceed **Rs. 250
Crores**

THANK YOU

CA Ankur Surana



ankur@bizastra.com