



GOVERNMENT OF KERALA

Abstract

Information Technology Department - IT Industry Incentive Policy declared by Government - Subsidy Manual - Approved - Orders issued.

INFORMATION TECHNOLOGY (B) DEPARTMENT

G.O. (Ms) No.31/07/ITD Dated, Thiruvananthapuram, 04.12.2007.

Read: 1. G.O. (P)10/07/ITD dated 14.06.2007.

2. Letter No. KSITM/Dir/07/586 dated 16.07.2007 from the Director, Kerala State Information Technology Mission.

ORDER

As per G.O. read as 1st paper above, Government have announced the IT Policy, 2007. The Policy has outlined various subsidies and incentives to the new eligible IT units in the State. As per the letter read as 2nd paper above, the Director, Kerala State Information Technology Mission has forwarded the Subsidy Manual on the basis of the new IT Policy, for approval.

(2) Government have examined the matter in detail and are pleased to approve the Subsidy Manual as appended, based on the new IT Policy, 2007.

(By Order of the Governor)

Dr. AJAY KUMAR,
Secretary to Government.

The Director, Industries & Commerce, Vikas Bhavan, Tvm.
The Director, Kerala State Information Technology Mission.
The Accountant General (A&E)/(Audit) Thiruvananthapuram.
The Managing Director, KSIDC, Vellayambalam.
The Managing Director, KFC, Vellayambalam.
All General Managers of District Industries Centres.
The Managing Director, KINFRA, Vellayambalam.
The Chief Executive Officer, Technopark, Thiruvananthapuram.
The Chief Executive Officer, Infopark, Kochi.
The Chief Executives of KINFRA IT Parks.
The General Manager, KSIDC Growth Centres.
Finance Department (vide U.O.No.74990/Exp.A1/07/Fin.dt.12.10.07)
Planning & Economic Affairs Department.

Copy to:

CA to Principal Secretary (Industries)
CA to Principal Secretary (Finance)
CA to Secretary (Industries)
CA to Secretary (Finance-Expenditure)
CA to Secretary (IT)

MANUAL FOR FISCAL INCENTIVES FOR IT UNITS

The Fiscal incentives announced in the IT Policy 2007 issued vide GO (P) 10/2007/ITD dt. 14-06-07 is operative from 01-12-05 and shall remain in force for a period of 5 years.

Fiscal incentives are applicable to all eligible companies operating in Kerala other than those located within an SEZ

In case of any ambiguity in implementing / interpreting this Manual, clarifications issued by Department of IT, Government of Kerala shall prevail.

A. STANDARD INVESTMENT SUBSIDY (SIS)

1. Scheme Administration – Role Definitions

1.1 **IPMC:** The Investment Promotion Management Cell in the Kerala State IT Mission, (KSITM), headed by the Director of KSITM, shall administer the SIS for eligible units.

1.2 **Administrator:** The Director of KSITM shall be the Administrator of the scheme.

1.3 **Coordinating Officers:** GM-DIC, MD-KSIDC and CEO's of Technopark / Infopark shall function as the Coordinating Officers. CEO's shall have jurisdiction over units located within the IT Parks and GM-DIC shall have the jurisdiction over the SSI units located outside the IT Parks. MD-KSIDC shall have jurisdiction over large and medium units located outside the IT Parks. For all units financed by KSIDC irrespective of their location, the CO shall be MD-KSIDC and for units financed by KFC, the CO shall be MD-KFC.

1.4 **Consultant:** A Chartered Accountancy firm of repute and with proven experience in the IT sector shall be engaged by the CO's. The consultant shall primarily ensure the accuracy of data provided and assure integrity of certification. It shall be the discretion of the CO to decide whether the consultant needs to be engaged or not for SIS. The consultant shall also be the authority to certify whether the applicant unit is an IT Service / ITES / software / hardware unit after verifying the nature of operation by scrutinizing the books of accounts and nature of transactions of the applicant unit. The Consultant's service charges for this purpose shall be fixed by the SLC from time to time. The service charge shall be to the account of the applicant unit, and the Administrator shall pay the consultant by deducting it from the incentive amount to be disbursed. The Consultant shall assist the KSITM in administering the incentives including maintenance of records centrally.

2. Operation of the Incentive

2.1 **Provisional Registration:** All applicants for SIS shall provisionally register online with the IPMC of KSITM. The provisional registration number is issued for the sole

purpose of being eligible for applying for incentives available under the State IT Policy. Since the provisional registration number is issued without physical inspection of the unit, receipt of the provisional number does not in any way mean that the applicant unit has been recognised as an IT unit by KSITM

2.2 Application: Units shall fill the 'Application for SIS' and submit the form along with the required enclosures to the CO's. Applicant companies are to file a self declaration along with application as to whether they are IT Software / IT Hardware / IT Service / ITES or a combination of any of these.

2.3 Verification: CO shall forward the application to the Consultant, if a consultant has been appointed as per clause 1.4. The Consultant / CO shall verify the application based on site visit and perusal of relevant documents. The Consultant's report shall be checked and countersigned by the CO, under whose jurisdiction the unit falls. The verifying and countersigning authorities as defined above shall be answerable to audit.

2.4 Sanction: The Agenda Note in the prescribed format duly signed by the CO, along with the recommendation of the CO, shall be sent to the Administrator. Documents submitted by the applicant unit shall be kept under the safe custody of the CO and should be available for scrutiny of the Administrator, should he desire to do so. A State Level Committee (SLC) consisting of the Secretary – IT, Secretary-Finance (Expenditure), Director-KSITM, Director-Industries & Commerce and MD-KSIDC shall review claims that exceed Rs. 10 lakhs under any one single claim. For claims less than Rs. 10 lakhs, the Administrator shall be authorized to process the claim without referring it to the SLC.

2.5 Disbursement: The disbursement will be effected by KSITM through the commercial bank / financial institution that has funded the applicant unit as certified by the CO in the Agenda Note. The role of KSITM in administering SIS will be restricted to that of a disbursing authority. The accuracy in the calculation of the FCI / SIS will be the responsibility of the CO.

2.6 Response time: The response time for SIS, for claims less than Rs. 10 lakhs, shall be attempted to be achieved as far as possible within 2 months from the date of receipt of the application by the CO, provided the application is free from incomplete or inaccurate information. For claims more than Rs. 10 lakhs, the response time will be within 2 weeks of the sanction by SLC.

2.7 Appeals: The SLC shall dispose off any appeals received in the prescribed format from the applicant units against the decisions of the verifying / countersigning authorities or KSITM. Appeals shall be sent to the Administrator, who shall place the matter before the SLC. The decision of the SLC shall be final and binding upon the applicant.

3. Other Conditions

3.1 The IT Department reserves the right to adjust the amount sanctioned as incentive to an applicant unit against their dues, if any, to the Government / Government agencies.

3.2 The units financed by the KVIC / KVIB shall not be eligible for SIS.

3.3 In case of proprietary / partnership units, if the proprietor / partners has / have 60% or more profit share in any other unit in the IT industry that has already claimed / applied for SIS under separate application, then such multiple applications shall not be permitted. A certificate in this regard should be submitted by the applicant unit.

3.4 In case of companies, if the company has minimum 51% shareholding in any other company or controlling interest in a proprietary / partnership firm in the IT industry that has already claimed / applied for SIS under separate application, then such multiple applications shall not be permitted. A Board resolution in this regard should be submitted by the applicant unit.

3.5 The unit shall offer a Bank Guarantee to KSITM to the extent of SIS received. The Bank Guarantee shall be invoked whereby the incentives received shall be returned to the Government with the interest received @ 14% pa if

- The unit ceases to be in operation within a period of 5 years from the date of receiving the SIS.
- There exists reasonable grounds to believe that the applicant unit has indulged in misrepresentation, forgery or deception

Further, all amounts due to Government shall, in case of default, be recoverable as if they are arrears of land revenue under the provisions of the Revenue Recovery Act. Sufficient opportunity to show cause shall, however, be granted to the defaulting unit before a demand is raised against it.

4. Admissible FCI

Fixed Capital Investment on the following items shall be admitted for the calculation of the SIS.

- IT Hardware
- IT Software
- Identifiable brand new plant & machinery needed to set up an IT unit.

Generator sets, testing equipments, air conditioning equipment, furniture, furnishing of interior, UPS, photocopiers, bandwidth tapping equipment, office equipments like EPABX, OHP, digital projector and other specialized electronic equipment related to the operation of an IT unit shall be included in the scope of plant & machinery subject to the condition that these items are purchased brand new. The cost of electrification, erection, installation, wiring etc shall be capitalised under the head 'Plant and Machinery'. All claims to qualify for FCI, should be evidenced by original invoices / bills and original cash receipts in the units name and supported by a certificate by the applicant unit's Chartered Accountant w.r.t cost of materials and fabrication charges. OYEC costs to KSEB, transformer costs and costs of industrial wiring including that for DG set will be eligible for SIS. These costs should be evidenced by invoices, cash receipts and where industrial wiring costs and electrification exceeds Rs. 50,000/- a certificate of valuation from a Chartered Engineer / Asst. Executive Engineer of PWD has to be furnished to the CO.

Lease hold assets / second hand assets and those assets provided by the Government or its agencies at concessional terms shall not be eligible.

Assets on which SIS are claimed shall not be sold / transferred for a minimum period of 3 years from the date of its purchase.

5. Eligibility for SIS

5.1 IT units engaged in the list of activities mentioned in clause 6 of the Manual.

5.2 The applicable rates for the calculation of SIS are specified in clause 13.1.3(a) of IT Policy 2007 and are as follows

30% of Fixed Capital Investment subject to a limit of Rs. 15 lakhs for companies located in Thiruvanthapuram and Ernakulam districts. For companies located outside the districts of Thiruvanthapuram and Ernakulam, the applicable SIS will be 40% of Fixed Capital Investment subject to a limit of Rs. 25 lakhs.

5.3 Units should have the Provisional Registration Number issued by KSITM.

5.4 Units should have commenced commercial operation (or completed expansion / modernization / diversification) on or after 01-12-2005. Applications of units that have commenced commercial operation (or completed expansion / modernization / diversification) before 01-12-2005 received by CO's after 14-06-07 will not be entertained.

5.5 SIS applications that are already pending with the CO's / KSITM (as on 14-06-07) of those units that have commenced commercial operation (or completed expansion / modernization / diversification) before 01-12-2005, will be processed but will be guided by the incentive scheme of the State IT Policy 2001 announced vide GO (MS) 25/2001/ITD dt. 01-12-2001

5.6 Units must apply for SIS in the prescribed format to the CO within 12 months of commencement of operation (or completion of expansion / modernization / diversification). The Administrator shall, however, be competent to condone delays in individual cases on merit on recommendation of the CO.

5.7 A unit that has availed of SIS and has reached the upper limit as specified in the IT Policy 2007, is not eligible to receive any further SIS.

5.8 A unit that has availed of SIS and has not reached the upper limit specified in the IT Policy 2007 is also not eligible to receive SIS unless the unit has undergone / completed modernization / expansion / diversification after 01-12-2005. However, the increase in FCI has to be 25% over the previous level. Further, the eligible FCI for calculation of SIS shall be arrived at after deducting the higher of written down value or sale value of the scrapped items, if any, arising from modernization / expansion / diversification.

6. List of activities to qualify for SIS

- IT Software Development

- IT Services
- IT enabled Services (excluding IT training institutes that provide training to the public at large)
- Hardware Manufacture

7. Hardware manufacturers falling under the scope of SIS

7.1 Computing devices including desk top, servers, work stations, lap top, CPU etc

7.2 Digital storage devices and multi media kits.

7.3 Input & output devices

7.4 Networking products including hubs, routers, switches, concentrators etc

7.5 Power supplies to computer systems including UPS.

7.6 Networking / cabling & related accessories (related only to IT units). OF manufacturers and cable TV providers do not fall in the scope.

7.7 Consumables including CD ROM, CD, floppy disks

8. Definitions

8.1 IT unit/company includes those on the following sector:

IT hardware, IT Software Development, IT Services and IT enabled Services.

8.2 IT infrastructure refers to the physical infrastructure built by a firm or build up and sold to an IT industry for its own use; or infrastructure built by an IT industry for its own use.

8.3 IT Software is defined as any representation of instructions, data, sound, image including source code, object code recorded in a machine, readable form and capable of being manipulated or providing interactivity to use by means of automatic data processing machine falling under the head 'IT products'. IT Software includes operating software, application software, middleware and firmware.

8.4 IT service is defined as any service which results from the use of any IT software over a system of IT products for realizing value addition.

8.5 IT enabled service is defined as any product or service that is provided or delivered using the resources of ICT.

8.6 IT Products is defined as computer, digital data communication and digital data broadcasting products as notified by the Ministry of Finance, Government of India or Central Board of Excise & Customs.

9. Forms to be submitted by applicant company

The applicant company shall submit claims for incentive in the prescribed formats. The forms shall be made available on line.

B. TECHNOLOGY DEVELOPMENT FUND

To encourage Research & Development in the area of Information Technology as well as applications of electronics in various sectors, Government of Kerala has decided to constitute a Technology Development Fund. Grant will be made available for proposals that are considered eligible by a committee headed by Director-KSITM and comprising of technical experts from CDAC (Convenor), Institute of Electronics and Electrical Engineers, Free Software Foundation India and Computer Society of India.

Applications for submitting a project proposal for consideration of grant are to be made in the prescribed format to be sent to the Convenor of the Committee. The Convenor shall circulate the proposal to other members of the committee for evaluation. Based on evaluation, the committee will recommend to the Director-KSITM, the amount of grant to be released and the terms and conditions of the grant.

The total grant for a single proposal shall not exceed Rs. 5 lakhs. The grant may be released in stages as per the recommendation of the Committee.

Proposal guidelines

(a) The Technology Development Fund can be utilized by eligible companies for the use of Research & Development in the area of Information Technology.

(b) Well-defined goals, milestones, targets and deliverables should be specified.

(c) The project duration should preferably not exceed one year.

(g) The applicant should have the basic infrastructure and capabilities to carry out the project. Creation of new building, air conditioning & other infrastructural facilities etc. will not be considered for grant.

(h) The components of grant for R&D product development support could include staff salaries for the project duration, equipment, components & consumables, travel overheads, contingencies and other items required for the project. Details of such items should be brought out in the project proposal.

j) A Bank Guarantee for the project period shall be furnished to KSITM for the grant amount. The Bank Guarantee shall be invoked in case the fund is not used for the purpose for which it was granted within the time frame stipulated in the project proposal

k) Any portion of the grant which is not ultimately required for expenditure for the approved purposes shall be surrendered to KSITM.

iii) The output of the project shall be made available to the public in suitable free software license.