



सत्यमेव जयते

IT Policy for the State of Gujarat (2014-19)

Department of Science & Technology

Government of Gujarat

November 2014

PREAMBLE

In the last few decades, IT/ITeS industry has emerged globally as a key driver of growth and is a large industry employing millions of people across the continents. Today, in a short span of time, Information Technology has become an integral part of almost all industries in the world. Apart from industries, it has also penetrated into all walks of life making it impossible to think of a world without Information Technology.

2. Indian IT & ITeS industry has been a consistent growth driver for the Indian economy over the last two decades. It has been increasingly contributing to the country's GDP, employment and exports.

3. There has been an increasing recognition of the importance of policy initiatives, enabling legislation and conducive regulatory environment in facilitating growth of economic activity. Simultaneously, there has been a growing realization that economic growth helps governments in achieving various objectives, including (but not limited to) poverty alleviation, employment generation and mobilization of financial resources for important programmes of the government in the social sectors comprising education and health.

4. The IT & ITeS sector has also been a major contributor to the Service Sector of the Indian Economy. The contribution of the Sector to India's GDP has increased from 1.2% in FY 1998 to 7.5% in FY 2012. According to the National Association of Software and Services Companies (NASSCOM):

- IT–BPO sector in India has aggregated revenues of US\$100 billion in FY 2011-2012, with export and domestic revenue of US\$69.1 billion and US\$31.7 billion respectively, indicating growth of more than 9%.
- The industry also provides direct employment to about 2.8 million people and indirect employment to about 9 million in the associated sectors.

5. National IT Scenario

The National Policy on Information Technology, 2012 (NPIT- 2012) seeks to achieve the twin goals of bringing the power of Information and Communication Technology (ICT) within the reach of people of whole of India and harnessing the capability and human resources within the country to

enable it to emerge as an important Global Hub and destination for IT and ITeS by 2020. NPIT-2012 has set the following major objectives:

- To increase revenues of IT & ITeS Industry from the present USD 100 billion to USD 300 billion by 2020 and expand exports from the present USD 69 billion to USD 200 billion by 2020.
- To create a pool of 10 million additional skilled manpower in ICT
- To gain significant global market- share in emerging technologies and services.

6. Gujarat IT Scenario

Gujarat has taken a few significant strides in the field of IT during the last decade, especially in the adoption of modern technology for governance. Gujarat has proved and shown that the power of technology can be harnessed to act as a force multiplier in addressing the current challenges in the fields of agriculture, education, healthcare, energy, industry, telecommunication, rural development, tourism, textile, etc. in general and ensuring equitable and inclusive growth and development, in particular:

- Gujarat is one of the most investor-friendly States in the country.
- Gujarat has one of the highest tele-densities in the country.
- Gujarat is one of the most e-governed States in the country.
- Gujarat has an excellent physical infrastructure with a strong and conducive ecosystem for industries.
- Gujarat also has a number of Vibrant Tier II cities with advantages like availability of skilled resources, reasonable real estate cost and low employee attrition rate.

Against this backdrop, the new IT Policy of the State Government has been under active consideration for some time. Taking into account the overall scenario and prevalent policies and after detailed deliberations as also careful consideration, the New IT Policy is laid down as under:

I. VISION

Realizing to the fullest possible extent the infinite potential of the Equation:

$$\text{IT+ IT = IT,}$$

that is, Indian Talent + Information Technology= India Tomorrow

to create and build a vibrant and sturdy edifice of IT/ITeS Eco-system on the basis of Innovation and Knowledge Capital, to utilize the huge talent pool of Young India and to contribute to the overall economy and prosperity of the State and the Nation.

II. MISSION

- 1) Enabling Information Technology for all sections of society. It is aimed:-
 - a) to leverage Information Technology as an enabler and catalyst for the socio-economic development of the State
 - b) to attract and promote IT and ITeS companies that provide product or services for urban and rural markets to ensure that overall regional balance is achieved and maintained, thereby effectively bridge the digital divide
- 2) Facilitating MSMEs as key drivers of Growth
 - a) to become a preferred IT destination for Micro, Small and Medium Enterprises (MSMEs)
 - b) to aim for Excellence in Innovation, R&D and Entrepreneurship
 - c) to seed educational and R&D institutions with required IT infrastructure for promoting innovation and excellence
 - d) to promote entrepreneurship and to create equitable employment opportunities for different sections of the society across different geographical regions
- 3) Forging powerful Global Partnerships

- a) to forge partnerships in emerging technologies with leading IT/ITeS Organisations / Agencies in the world to promote the sector in the state
- 4) Empowering youth through ICT Skills
 - a) to significantly enhance quality and availability of IT skilled manpower.
 - b) to establish knowledge based economy in the State.
- 5) Making Gujarat a preferred destination for Global Knowledge Workforce and Industry
 - a) to achieve higher level of domestic and export revenue turnover resulting in enhanced productivity and augmentation of Gross State Domestic Product (GSDP).
 - b) to provide proactive, congenial and industrial-friendly climate conducive for IT companies to flourish in a most competitive and efficient manner.

III. OBJECTIVES

The key objectives of this Policy during the policy period of five years are:

- 1. To increase the current investment in IT/ITeS sector by 5 times.
- 2. To increase the turnover up to USD 15 Bn.
- 3. To increase IT exports from the State up to USD 1 Bn.
- 4. To promote and develop employment opportunities in the IT and ITeS and provide direct employment to 10 lakh persons.
- 5. To focus, inter alia, on Financial Services, Mobile Applications, Animation, 3D-Gaming & Digital Entertainment

IV. DEFINITIONS

- 1. **“IT Software”** means any representation of instruction, data, sound, and image including

source code and object code recorded in a machine, readable form and capable of being manipulated or providing interactivity to use by means of automatic data processing machines.

2. **"IT Service"** is construed as any service which results from the use of any IT software over a system of IT products for realizing the value addition.
3. **"IT Industry"** will include development, production and services related to IT products, IT Software and IT service and ITeS.
4. **"New Unit"** means a unit of IT Services or IT Industry, set up with minimum 20 direct employees on or after the date of this Policy and having obtained acknowledgement of filing Entrepreneur's Memorandum (EM) with the concerned District Industries Center (DIC) or Industrial Entrepreneur's Memorandum (IEM) with Government of India.
5. **"Existing Unit"** means a unit which is in service with minimum 20 direct employees at the time of implementing expansion.
6. **"Expansion and/or Diversification"** means an existing unit taking up 'expansion and/or diversification' with or without forward/backward integration, with investment more than 50% of its existing gross fixed capital investment on the date of initiating expansion/diversification and commencing operations of the said expansion/diversification during the operative period of the policy and, which shall also increase in additional employment by minimum 50% of existing direct employees or by 20 additional direct employees, whichever is minimum
7. **Eligible Units:** New units will be eligible for availing of incentives under this Policy. Existing units carrying out expansion/ diversification during the operative period of this Policy will be eligible for one-time incentives.
8. **IT Enabled Services (ITeS) will include the following:**
 - a. Call Centres
 - b. Medical Transcriptions
 - c. Back Office Operation/Business Process Outsourcing (BPO)/ Knowledge Process Outsourcing (KPO)

- d. Revenue Accounting and other ancillary operations
 - e. Insurance claim Processing
 - f. Web/Digital Content Development
 - g. Financial and Accounting Processing
 - h. HR & Payroll Processing
 - i. Bioinformatics
 - j. IT enabled banking, non-banking services including insurance, pension, Asset Management and market related services.
 - k. Depository and Security registration and dematerialization services
9. **Micro, Small and Medium Enterprises (MSMEs)** in IT Industry shall be construed as per the definition in the MSME Act, 2006 (as amended from time to time) of the Government of India.

v. INCENTIVES

1. Facilitation for Allotment of Land:

The Government will duly facilitate allotment of land for IT/ITeS units investing in the State. Allotment of Government lands to the IT/ITeS Industry shall be subject to availability, fulfilment of eligibility criteria as determined by the State Government from time to time.

2. Mega IT/ITeS Projects

Projects capable of creating new employment of more than 1,000 persons in the case of IT unit or 1,500 persons in the case of ITeS unit with new investment of Rs.50 Crores (excluding cost of land) and above will be construed as Mega IT/ITeS Project. A special package of incentives will be offered on a case to case basis for Mega IT/ITeS Projects.

3. Development of IT/ITeS Technology Park

Financial Assistance to IT/ITeS Technology Park will be provided as follows:

- 3.1. IT/ITeS Technology Park will be provided financial assistance @50% of fixed capital investment in buildings & infrastructure facilities, excluding the cost of land with a ceiling of Rs. 2.5 crores.
- 3.2. The developer of IT/ITeS Technology Park availing of incentive under this Scheme will not be eligible to avail of the same or similar incentive under any other schemes of the State Government for this purpose. However, the up-coming units in the IT/ITeS Technology Park will be eligible to avail of incentives under separate schemes of the State Government.
- 3.3. The developer of IT/ITeS Technology Park, will be eligible for exemption from payment of Stamp Duty/Registration Fee/Conversion Fee on purchase of land in accordance with the Governments prevailing policy as per the standing orders of the State Revenue Department on the subject.

4. Registration/Stamp Duty Concession:

IT/ITeS units which intend to establish/expand will qualify for 100% reimbursement of Stamp Duty and Registration Fee on sale/lease/transfer of land for the first transaction.

5. Performance-based Lease Rental Subsidy

- 5.1 Performance based subsidy to partially offset Lease rentals for the plug-and-play built up work place located in IT parks to the extent of 25% of lease rentals. The assistance would be provided in two stages, once after completion of two years of the commercial operations subject to a ceiling of Rs. 10 lakhs and second time after 5 years in commercial operation subject to an overall ceiling of Rs. 25 lakhs per eligible unit.
- 5.2 Scheme of Assistance to Micro and Small Enterprises (MSEs) for purchasing shed and plot in mini estates developed by GIDC or by private developer and Assistance in rent to MSEs, as and when notified by State Industries and Mines Department would be applicable to MSEs in IT/ITeS sector as well.

6. **Employment Generation Grant on EPF:** Eligible units as defined in this Policy will be entitled to the reimbursement of the Employers' PF Contribution deposited by them for the employees for a period of five years subject to a ceiling of Rs. 5 lakhs per unit per year.

However, existing units carrying out expansion/diversification will be entitled for this incentive for their additional employees engaged for expansion/diversification only. This reimbursement would be as per the following criteria:

- 100% of EPF Amount Paid in case of female employees
- 75% of EPF Amount Paid in case of male Employees

7. Electricity Duty Exemption

Eligible IT/ITES units, after coming into commercial operation will be entitled to the following benefits:-

- 7.1. 100% exemption on Electricity Duty for a period of five years from the date of commencement of operations.
- 7.2. Supply of electricity at Industrial Tariff to IT/ITeS units will be suitably considered in consultation with the State Energy & Petrochemical Department.

8. Special Economic Zone Status (SEZ)

The State shall facilitate obtaining of SEZ status to IT parks subject to the provisions of SEZ Act/Rules.

9. Assistance to IT/ ITeS MSME Units

The following incentives under Scheme for Assistance to Micro, Small and Medium Enterprises (MSME) as announced by the Government vide Resolution No. MSM/102009/57928/I dated 27-2-2009 as amended and/or revised from time to time would be applicable to IT/ITeS MSMEs

9.1. Interest Subsidy for IT/ITeS MSMEs

Eligible units will be entitled to avail interest subsidy as under:-

- a) Interest subsidy for micro, small and medium enterprises for a period of 5 years
 - @ 7% for micro enterprises with a ceiling of Rs. 25 lakhs per annum

- @ 5% for small and medium enterprises with a ceiling of Rs. 35 lakhs per annum
- 1% additional interest subsidy to the youth less than 35 years of age in case of first project or to SC/ST/Women/Differently-abled persons with a ceiling of Rs. 35 lakhs per annum

9.2. Other conditions shall be applicable in accordance with the conditions mentioned in the said GR for availing Interest Subsidy Incentive.

9.3. **Quality Certification**

Any IT/ITeS unit registered in Gujarat will be granted assistance for a maximum of three industry standard quality certifications (CMMI, ISO, etc), at a rate of 50% of cost of quality certification within the overall ceiling of Rs. 6 lakhs in 5 years. The amount of assistance will include:-

- a) Fees charged by certification agency
- b) Consulting fees and training charges

9.4. **Technology Acquisition Fund**

Assistance for acquisition of appropriate technology in any form to a group of at least 10 MSMEs for a specific product/platform will be provided by way of 50% grant subject to a maximum of Rs. 1 cr. per technology including royalty payments for the first two years.

9.5. **Skill Enhancement**

- a) Assistance will be provided to MSMEs with minimum 20 on-roll employees at the rate of 50% of fees, subject to maximum Rs. 10,000 (Rupees Ten thousand only) per employee on obtaining industry recognized certification such as .Net certifications, Networking certifications, Project Management, etc after implementation of this policy. The assistance under this category will be with a ceiling of Rs. 1 lac per year per unit. If necessary obtaining help of ITIs/Gujarat

Knowledge Society (GKS) for implementation of this incentive will be appropriately considered at a later stage.

9.6. **Support to R&D Institutions:** In order to give impetus to the Research and Development, need-based support will be provided to R&D institutions set up with the approval of the State Government.

- a) Apart from new R&D institutions, testing facilities, incubation centres, etc. will also be covered. The assistance will be given up to 60% of the project cost excluding land and building subject to maximum of Rs 50 lakhs.
- b) Assistance for Contract/Sponsored research work from any industrial unit / industry association to recognized R&D Institution / Technical College approved by AICTE will be considered at 50% of the project cost, excluding cost of land and building, subject to maximum of Rs 50 lakhs.

9.7. **Patent Assistance**

- a) Assistance at the rate of 50% subject to a ceiling of Rs.10 lakhs (Rupees Ten lakhs only) for meeting the expenditure for obtaining domestic patents by any IT/ITeS unit/ institution.
- b) Quantum of assistance can be enhanced to Rs. 25 lakhs for international patents by any IT/ITeS unit/ institution.
- c) Fees paid to patent attorney and patent service centre will be included
- d) Maximum five patents per unit over a period of five year will be eligible.

9.8. **Market Development Support**

- a) Assistance to MSME units for participation in International Trade Fairs outside India at the rate of 50% of expenditure towards (i) total rent of stall or rent of space and amount paid to organizer towards creation of stall and on rented space (ii) product literature/ catalogue and (iii) display material subject to

maximum Rs. 2 lakhs. The assistance provided will be only twice during the operative period of the scheme. The assistance would be in the way of reimbursement. MSME units shall have to apply within six months from the date of participation for the assistance.

- b) Assistance to Industry Associations for participation in International Trade Fair as Gujarat Pavilion outside India @ 50% of total rent. Maximum to Rs. 10 lakhs. Minimum five industrial unit's participation is necessary to get assistance. Assistance shall be in the form of reimbursement.
- c) Viability Gap Support to Industries Associations for organizing Seminars / Exhibitions in Gujarat. Maximum of Rs.4 lakhs for national and Rs. 8 lakhs for international Seminar/Exhibition.

10. Simplification of Labour Laws

- 10.1. IT/ITeS Industry will be declared as essential service under Gujarat Essential Services Maintenance Act. State Labour and Employment Department would make necessary amendments in the ESMA to include IT/ITeS Industry in the List of Essential Services.
- 10.2. The regulatory regime of labour laws has been simplified to suit the needs of IT & ITES companies. General permission is granted to all IT & ITES companies to have 24x7 operations/to run in three shifts. Since the barriers pertaining to employment of women at night have been removed, the companies will be instructed to offer employment to women with adequate security to them for working at night.
- 10.3. The IT & ITeS companies will be permitted to self-certify that they are maintaining the registers and forms as contemplated and prescribed under the following Acts:
 - a) The Payment of Wages Act, 1936 and rules thereunder
 - b) The Minimum Wages Act, 1948
 - c) The Workmen's Compensation Act, 1923
 - d) The Contract Labour (Regulations and Abolition) Act, 1970

- e) Employees State Insurance (Amendment) Act, 2010
- f) Gujarat Shops and Establishment Rules, 1963
- g) The Payment of Gratuity Act, 1972
- h) The Maternity Benefit Act, 1961 and rules thereunder
- i) Equal Remuneration Act, 1976
- j) Water (Prevention and Control of Pollution) Act, 1974
- k) Employment Exchange Act, 1959
- l) The Factories Act, 1948 and Gujarat Factories Rules, 1963
- m) Employees' Provident Fund & Miscellaneous Provisions Act, 1952

10.4. The Self Certification-cum-Consolidated Annual Returns Scheme has been issued by Labour & Employment Department vide GR No. FAC-2003-3043-M (3) dated 05.12.2005.

11. Setting up of Finishing Schools

A Fund up to 20% of the cost or Rs. 5 lakhs whichever is lower will be provided for setting up of Finishing Schools in Colleges and Educational Institutes across the State. Labour and Employment Department will lend necessary support for the setting up of Finishing Schools in line with i- Kaushalya Vardhan Kendra (iKVK). Professional Agencies / Industry resources will be suitably involved.

12. Special Incentive to set up premier IT Institutes

The State Government is committed to duly facilitate the opening of premier IT institutes on the IIIT Model and will accordingly encourage eminent 'IT Companies/Foreign Universities' to set up premier IT institutes in Gujarat. Government of Gujarat will offer incentive package to open up premier IT institutes on a case-to-case basis.

Industry-Institute Working arrangements, the following activities will be incentivised for development of Premier IT Institutes

- Incubation Centres
- R&D Centres
- IT/ITeS Development Centres
- IT/ITeS Support Service Operations

13. Subsidy on Bandwidth for Connectivity (for BPOs/KPOs)

A 30% subsidy on Bandwidth for connectivity paid to Internet Service Provider (ISP), subject to maximum of Rs. 5 lakh per annum, shall be available for a period of two years from the date of starting commercial production/operation. The subsidy amount will be determined on the basic or Bench Mark prices to be declared by M/s Gujarat Informatics Limited (GIL) separately.

14. Start-up Village: The State Government aims to establish Start-up Village / Incubation Centre in one or more areas of the State.

VI. INVESTOR FACILITATION

The role of the Government of Gujarat will primarily be that of a facilitator. An empowered 'Single Window Clearance Committee' will be set up and operationalized for granting approvals and clearances for establishing New Units in the State. It will be supported by a 'state-of-the-art centralized helpdesk call centre on 24x7 basis.

M/s Gujarat Informatics Limited (GIL) will act as a Nodal Agency till such time new Directorate of IT becomes operational, for hand holding and providing effective liaising with various Government Departments/agencies/bodies. For this purpose, GIL will nominate one Investor Relationship Officer/ Manager for each IT Mega Project including IT Parks.

VII. POLICY IMPLEMENTATION

Industries Commissionerate (IC) will implement this Policy in consultation with the Department of Science and Technology till such time as the new Directorate of IT becomes functional. Eligible units shall avail incentives either under the Industrial Policy in force, or this Policy. The incentives shall be claimed in such a manner so as to obviate duplication of any particular benefit at the State level. The interpretation of this Policy by the Department Science and Technology will be final.

VIII. POLICY IMPLEMENTATION GUIDELINES

The Department of Science and Technology will issue detailed implementation guidelines in consultation with the concerned Department in order to achieve the goals and objectives of this Policy.

IX. POLICY PERIOD / OPERATIVE PERIOD

This Policy shall come into force with effect from the date of issuance of Policy GR and shall remain in force for a period of five years or till the declaration of a new or revised Policy, whichever is earlier. Only those IT/ITeS units which commence operations during the operative period of this Policy shall be eligible for incentives.