

West Bengal IT Incentive Scheme

GOVERNMENT OF WEST BENGAL

DEPARTMENT OF INFORMATION TECHNOLOGY

4, CAMAC STREET, 7TH FLOOR, KOLKATA-700016

NOTIFICATION

No.59-DS/IT-85/2003(Pt.1)

Dated, Kolkata, the 2nd Feb. 2005

WHEREAS the State Government had considered it necessary and expedient to draw up a comprehensive Incentive Scheme for IT Industry and IT enabled services on the basis of **WEST BENGAL INCENTIVE SCHEME, 2001:**

And whereas the Governor was pleased to introduce the WEST BENGAL IT INCENTIVE SCHEME 2001.

And whereas the said scheme was notified on November 13, 2001.

And whereas the said scheme was supposed to have come into effect from 1st day of November, 2001. And whereas the said scheme could not be made operational owing to certain procedural anomalies in this scheme.

Now therefore, by making suitable amendments in the scheme of 2001, the Governor is pleased to introduce the **WEST BENGAL IT INCENTIVE SCHEME, 2004**, which follows hereunder:

1. Short Title:

This scheme may be called The West Bengal IT Incentive Scheme, 2004 (hereinafter referred to as the IT Incentive Scheme, 2004) for IT/IT Enabled Services Projects of large and small-scale units (hereinafter referred to as IT Units) to be set up in the State.

2. Commencement and Duration:

Unless specifically mentioned against the respective items of incentives sanctioned under the IT Incentive Scheme 2004, it shall come into effect on and from the 1st day of September 2004 in the whole of West Bengal and shall remain valid for a period of five years ending on the 31st August 2009.

However, units, which have been set up on or after 1st January, 2000 may be granted incentives under this scheme as a special case subject to the condition that if these units have drawn any incentives under the earlier scheme (West Bengal Industrial Scheme, 2000) then such incentives may be adjusted against the incentives which may be admissible under the new scheme.

3. Definitions:

In the IT Incentive Scheme, 2004, unless the context otherwise requires,

- i. IT Industry includes IT & ITeS; IT software Industry means IT software, IT services and IT enabled services, where no factory operation is involved.
- ✦ ii. "ITeS" means Information Technology Enabled services
- iii. "State Government" means the Government of West Bengal and "Central Government" means the Government of India;
- iv. "W.B.I.D.C" means the West Bengal Industry Development Corporation Limited;
- v. "State Financial Institutions" means the W.B.I.D.C and the W.B.F.C.;

vi. "Authorised Agent" means W.B.I.D.C., as agent specially authorized by the State Government for operation of IT Incentive Scheme, 2004.

vii. "Unit" means any IT project in large and small scale sector, having registration under Software Technology Park Scheme of the Central Government;

viii A Large or Small Unit means a unit as defined as such by the Government of India from time to time.

ix. "New Unit" means an IT unit in the large/small scale sector which is established and commissioned by the entrepreneur in West Bengal for the first time on or after the 1st September, 2004 and is registered with the Directorate of Industries.

x. "Existing IT Unit" means an unit in the large/ small scale sector, which exists in West Bengal and was functioning before it started commercial production in its expanded portion on or after the 1st September, 2004;

xi. "Approved Project" means the IT project of a unit and for which registration certificate and eligibility certificate have been issued under the IT Incentive Scheme 2004; Such Project should be covered by appropriate approval under the STPI.

xii. "Approved Location" means the location of the approved project registered with the concerned authority of the Central Government/the State Government;

xiii. "Approved Industrial Complex" means any industrial complex set up in the public or private sector in the State approved by the State or Central Government;

xiv. "Eligible IT Unit" means an IT Unit in the large/small sector having registration certificate issued by the Director of Industries and eligibility certificate by the WBIDC.

xv. "Expansion of Existing Unit" means expansion for the same item(s) of production/expansion of services within existing approved capacity or for expansion for enlarged approved capacity or for manufacture of a new item with an approved capacity;

xvi. In case of expansion of an existing IT unit, the fixed capital investment made or to be made on approved project shall increase the total value of the fixed capital investment of the unit by not less than 25% of the net value of fixed asset of land, building and plant and machinery including computer hardware and computer software as on 1st September, 2004 or Rs 50 lakh, whichever is less.

xvii. "Expanded Portion" means the portion expanded with additional capacity on or after the 1st September 2004 with approval of the State Government .

xviii.

The "fixed capital investment" shall be calculated as follows:

a) **Land**: actual price or premium paid for the land free hold or lease hold as deemed necessary for the approved project at the approved location by the authorized agent.

b) **Building**: the actual expenditure incurred for construction of the office building, factory sheds etc as necessary for the approved project at the location but not residential quarters.

c) **Plant & Machinery**: fixed capital investment in plant & machinery shall be calculated as below: The cost of plant, and machinery as erected

at the approved location, including the cost of productive equipment such as jigs, dies, moulds, computer hardware, computer software etc and items pertaining to pollution abatement measures but excluding the cost of any second hand plant and machinery, computer hardware, computer software etc as also plant and machinery purchased and installed under hire purchase agreement. In the case of plant and machinery taken on lease, the leasing fees/charge shall be taken into account, provided that on the expiry of the leasing contract, the said plant and machinery, computer hardware, computer software become the property of the IT unit.

d) **Advances:** Advances paid to suppliers of plant and machinery for the approved project of the eligible IT unit on or after 1st September 2004 may be taken into account in calculating the total fixed capital investment. However the special cases mentioned in clause 2 shall be applicable.

4. Applicability of the IT Incentive Scheme, 2004:

The IT Incentive Scheme, 2004 shall generally be applicable to all large and small-scale project units to be set up and also to expansion projects of existing unit on or after 1st September 2004. However, units, which have been set up on or after 1st January 2000 may be granted incentives under this scheme as a special case subject to the condition that if these units have drawn any incentives under any earlier state scheme, then such incentives may be adjusted against the incentives which may be admissible under the new scheme. The units may be in the private sector, co-operative sector, joint sector as also companies/undertakings owned or managed by the State Government.

5. Eligibility Criteria for IT Incentives under the 2004 Scheme:

5.1 Any IT project to which this scheme applies shall be eligible for securing an Eligibility Certificate provided;

a) the project is covered by a detailed feasibility report / project report prepared for the purpose

b) the project has been approved and sanctioned by the Central Financial Institutions or the Commercial Banks or the State Financial Institutions, as

the case may be. In the case of projects with arrangement of finance from own resources, issue of Eligibility Certificate shall be considered provided the WBIDC is satisfied about the arrangement of such finance.

6. Classification of development areas and backward areas:

6.1 For the purpose of determination of types and quantum of incentive available under the Scheme for the approved projects, according to their location, the State shall be classified in the following groups:

Group A - Kolkata Municipal Corporation

Group B - Howrah, Hooghly, North 24 Parganas, South 24 Parganas (excluding the area under jurisdiction of the Kolkata Municipal Corporation), Burdwan, Nadia and Purba Medinipur districts.

Group C - Murshidabad, Birbhum, Purulia, Bankura, Malda, Coochbehar, Uttar Dinajpur, Dakhin Dinajpur, Jalpaiguri and Darjeeling and Paschim Medinipur districts.

7. State Capital Investment Subsidy:

7.1 An eligible IT unit located in a group 'A & B' area and set up in the State on or after 1st September 2004, will be entitled to State Capital Investment Subsidy @ 7.5% of the Fixed Capital Investment subject to a limit of Rs. 150.00 lakh payable in 5 equal yearly installments.

7.2 An eligible IT unit located in Group C area and set up in the State on or after the 1st September 2004, will be entitled to State Capital Investment Subsidy @ 10% of the Fixed Capital Investment subject to a limit of Rs. 250.00 lakh payable in 5 equal yearly installments.

8. Interest Subsidy:

8.1 An eligible new IT unit for its approved project will be entitled to Interest Subsidy on the annual interest liability on the Term Loan borrowed from a Commercial Bank/Financial Institution for implementation of the approved project, at the rates given below -

Group A & B 25% of the annual liability on the Term Loan borrowed for an approved project subject to a ceiling of Rs. 100.00 lakh per year for 5 years.

Group C 25% of annual interest liability on the Term Loan borrowed for an approved project subject to a ceiling of Rs. 100.00 lakh per year for 7 years.

In case of mega units, there shall be an option of either receiving interest subsidy or industrial promotion assistance to be adjusted against sales tax liabilities.

9. The Interest Subsidy will be payable annually subject to submission of a statement/certificate by the lending Banks/Financial Institution certifying that the IT unit has paid the due interest to the institutions on the due dates.

10. Waiver of Electricity Duty: An eligible IT unit or ITeS unit for its approved project will be entitled to waiver of electricity duty on the electricity consumed for its production/operation activity for a period of 5 years from the date of commercial production/operation.

11. Employment Generation Subsidy:

11.1 An eligible IT unit in the large and medium scale sectors, employees of which are recruited through employment exchange or otherwise, will be entitled to reimbursement to the extent of 50% of the expenditure incurred by it for paying its contribution towards Employees State Insurance (ESI) and Employees Provident Fund (EPF) depending on the location of the unit as follows:

- i. Group 'A & B' area: 5 years;
- ii. Group 'C' area: 7 years .

11.2 An eligible IT unit in the small scale sector will be entitled to reimbursement to the extent of 75% of the expenditure incurred by it for paying its contribution towards Employees State Insurance (ESI) and Employees Provident Fund (EPF) depending on the location of the unit as follows:

- i. Group 'A & B' area: 5 years;
- ii. Group 'C' area: 7 years

11.3 The reimbursement of the expenditure prescribed at the sub para 12.1 and 12.2 above will be payable annually based on minimum statutory limit subject to the condition that the IT unit has paid its contribution towards ESI & EPF on due dates.

12. Refund of Stamp Duty & Registration Fees:

12.1 An eligible IT unit (excluding IT enabled Services) irrespective of its location will be entitled to refund of 100% of stamp duty and registration fee required for the purpose of registration of documents within the State relating to purchase/acquisition of land and building for setting up of the approved project.

12.2 Notwithstanding anything contained anywhere in the Scheme the incentive prescribed at para 12.1 above shall be admissible from 1st September 2004.

12.3 For IT enabled Services, requirement of land will be assessed at the rate of 0.3 acre for every 100 jobs created. If a unit acquires land in excess of this limit no concession in respect of stamp duty and registration fees for excess land shall be allowed.

12.4 Industrial Complex and Centres set up with infrastructural facilities will be entitled to remission of 50% of Stamp Duty and Registration Fee for the first sale in relation to such Complex & Centres. This will be admissible from the date of issue of the Notification by the Finance Department.

Infrastructure facilities must include the following items:

(i) Road; (ii) Water Supply; (iii) Power; (iv) Drainage Facilities; (v) Any other relevant items.

13. Subsidy for quality improvement in the Small Scale Sector: An eligible IT unit in the Small Scale Sector shall be reimbursed 50% of the expenditure up to a maximum of Rs. 5.00 lakh for obtaining ISI Certification / ISO 9000 for approved Institutions/ Research Laboratories.

14. Incentives for approved expansion project of an existing unit: An existing IT unit for its approved expansion project will be entitled to all the incentives mentioned above in this Scheme subject to fulfillment of the conditions prescribed for the respective item for a new unit.

14.1 IT industries on their relocation to approved industrial complex maybe considered by the State Government for Capital Investment Subsidy. The quantum of subsidy will be 7.5% of fresh investment in plant and machinery, computer hardware, computer software

subject to maximum of Rs. 150.00 lakh in case of A and B category areas and 10% of fresh investment in plant and machinery, computer hardware, computer software in case of C category areas depending on merit of each case to be paid in 5 equal annual installments.

15. Mega Projects: Notwithstanding anything contained any where in the Scheme, the State Government may consider granting special package of incentives under this Scheme to a Mega Project on case by case basis, based on pioneer nature of projects, locational aspects, state of the art technology, scope of further related investment etc.

16. Power to amend and/or relax/or repeal: Notwithstanding anything contained in any of the provisions of the IT Incentive Scheme 2004, the State Government may act anytime –

i. make any amendment to this Scheme or repeal it, but the commitments already made for an approved project shall not be affected by any such amendments or repeal:

ii. make any relaxation in applying the provision of this Scheme but such relaxation shall be made on the merit of the approved project in each case, as the State Government may consider necessary and appropriate;

iii. may issue instructions and guidelines to facilitate implementation, to remove anomalies and to clarify interpretations of the provisions of this Scheme.

Operational Procedures of West Bengal IT Incentive Scheme 2004

An IT Unit claiming to be eligible for incentives available under West Bengal IT Incentive Scheme, 2004 shall submit an application to the Director of Industries, West Bengal at New Secretariat. Bldg., 9th Floor, 1, K.S. Roy Road, Kolkata – 700 001 for registration of the unit in the Form No-1 annexed hereto. Any application submitted for registration of any project under the said Scheme shall be treated to be validly submitted within the period of operation of the scheme.

1.1 On receipt of application for registration of any project, the Director of Industries shall make as expeditiously as possible, scrutiny of / enquiry into the particulars furnished by the applicant unit and on being satisfied that the application in terms of the provision of the said scheme is in order, shall register the applicant unit with a number and issue a certificate for such registration to the applicant unit with a copy to West Bengal Industrial Development Corporation Ltd., together with the copy of the application, for issue of eligibility by the WBIDC Ltd. If, however, any application is found not to be eligible for Registration under the IT Incentive Scheme 2004, the Director of Industries will issue a letter of rejection to the applicant unit.

1.2 The Director of Industries shall maintain a separate register for each district mentioning the group to which district belongs and also enter there all relevant details in respect of the project necessary to carry out the purpose of the said scheme.

2. After receipt of the application from the Director of Industries, West Bengal, together with the copy of the Registration Certificate issued by him, WBIDC Ltd. will scrutinise the particulars necessary for issue of the eligibility certificate by them and also make such further enquiry as may be deemed necessary in respect thereto. If on such scrutiny/enquiry the corporation is satisfied that such unit is eligible for one or more than one incentive available under the terms of the scheme, an Eligibility Certificate shall be forthwith issued by the said corporation to such applicant unit. A copy of the Eligibility Certificate shall also be endorsed to the Director of Industries for information and record in that office.

3. The Director of Industries, the WBIDC Ltd. may cause a joint inspection if they consider so necessary anywhere in any case under the IT Incentive Scheme 2004. The Directorate of Industries, the WBIDC Ltd. will keep each other informed of the decision taken by either of them in respect of any case under this Scheme.

4. An IT Unit, after receipt of the 'Eligibility Certificate' from WBIDC Ltd. may apply for the incentives to which it may be entitled, under West Bengal IT Incentive Scheme, 2004 in the manner as prescribed below:

4.1 State Capital Investment Subsidy:

An eligible IT unit shall submit an application to the Managing Director, WBIDC Ltd. in the Form No – II as appended hereto for the purpose. The Corporation, if on scrutiny of the documents is satisfied, will work out the admissibility of the Capital Investment Subsidy and will as early as possible inform the applicant of the quantum of admissibility of such subsidy and the mode of disbursement thereof, by the Corporation.

4.2 Interest Subsidy:

An eligible IT unit may apply to the Managing Director, WBIDC Ltd. for Interest Subsidy on the interest liability on account of the loan secured by the unit from Bank(s) / Financial Institution(s) in the Form No. III. Immediately on receipt of the application the Corporation will correspond with the concerned Bank(s) / Financial Institution(s) and obtain a certificate in the format at Annexure-A to Form No. III regarding payment of interest against the loan secured for implementation of the approved project and the Corporation, if satisfied about the payment of interest to the Bank(s) / Financial Institution(s) according to the norms of the scheme, will sanction interest subsidy in favour of the applicant unit to be credited to its account maintained in the concerned Bank(s) / Financial Institution(s) under an intimation to the unit.

4.3 Waiver of Electricity Duty:

An eligible IT unit may apply to the Directorate of Electricity for waiver for electricity duty in Form No. - IV annexed hereto with a copy to the Director of Industries, West Bengal. The Director of Industries after receipt of copy of application from the IT unit will cause an enquiry and ascertain the actual date of commencement of commercial production to the IT unit and communicate the date of commencement of commercial production of the project, for which the benefit is claimed, to the Directorate of Electricity, following the required norms, with a copy to the applicant unit.

4.4 Employment Generation Subsidy:

An eligible IT unit may apply to the WBIDC Ltd. in the Form No - V annexed hereto, for reimbursement of admissible subsidy on account of expenditure incurred for contribution towards Employees States Insurance and / or Employees Provident Fund with a certificate issued by the respective authorities regarding contribution made by them in the manner as per Annexure-A to Form No - V. The Corporation on scrutiny of papers will sanction and disburse the subsidy as admissible to the unit.

4.5 Refund of Stamp Duty and Registration Fee:

An eligible IT unit may apply to the MD, WBIDC for refund of Stamp Duty and Registration Fee as may be admissible according to provision of the scheme in the Form No - VI annexed hereto.

5 Capital Investment Subsidy to IT Units:

IT Industries on their relocation to approved industrial complex, if such relocation is accompanied with modernisation, may be considered by the State Government to Capital Investment Subsidy. The quantum of subsidy will be 7.5% of fresh Investment in plant and machinery, computer hardware, computer software, subject to maximum of Rs. 150.00 lakh in case of A and B category of areas and 10% of fresh investment in plant and machinery, computer hardware, computer software, in case of C category areas. The payment of subsidy shall be staggered over a period of 5 years.

5.1.The Director of industries will verify the application with the books of accounts of his office and if on verification the unit is found to be eligible for Capital Investment Subsidy, in terms of the provision of the scheme, he will record his recommendations in the Format at Annexure - A to Form No - VII and forward the same to the Managing Director, WBIDC Ltd. for sanction and disbursement of the admissible Capital Investment Subsidy to the applicant unit. A report regarding such sanction and disbursement when made will be sent by the WBIDC Ltd. to the Directorate of Industries for their information and record.

This issues with the concurrence of the Finance Department vide their U.O No.

S-162, date; 22.12.2004

By order of the Governor

SD/-

Dr. G.D. Gautama

Principal Secretary to the

Government of West Bengal