Government of Gujarat
Science and Technology Department
G.R. No: ITP/10/2011/299230/(912)/IT
Sachivalaya, Gandhinagar

Date: 12th February 2016.

RESOLUTION

Read:


PREAMBLE

Over the last two decades Information Technology (IT) and Information Technology enabled Services (ITeS) Industry in India has emerged as a strategic sector in India’s competitiveness in global market on both employment as well as economic value creation fronts. IT as a sector has marched ahead at a brisk pace evolving into a key driver to both India’s global trade and to Indian’s mobility.

2. A report by NASSCOM evaluating the contribution of IT over last decade brings out that; IT has offset 65% of India’s cumulative net oil imports. IT/ITeS sector has contributed to 45% of incremental urban employment – both direct and indirect – with over 30% women employees and 45% new entrants. The report also acknowledges that for the globally competitive marketplace IT has opened the doors for India in forging business relationships with almost all Fortune 500 companies.

3. Another research predicts that innovation in the IT will drive the global value creation over next 10 years. Such growth will be led by innovations build around Cloud, Mobile, Social Media, Big-data Analytics, Crowd-sourcing and Internet-of-things (IoT). The Internet-of-things spending which currently stands at USD 1.7 trillion, driven by nearly 15 billion devices, is expected to rise
to USD 3 trillion with nearly 30 billion devices.

4. NASSCOM report also predicts that several global mega trends in economic, demographic, business, social and environment will create new opportunities for IT/ITeS by 2020. Such mega trend will open up new industry verticals such as public sector, healthcare, media and utilities; will open up new customer segments pre-dominantly from small and medium businesses; and will open hitherto closed economies from IT perspectives, in countries such as Japan, BRICS nations, African and South American continents. The report predicts that these new opportunities will lead to IT exports from India of USD 175 billion by 2020.

5. Acknowledging the potential of IT as a key driver of increasing knowledge based global economy, the Government of India came out with National Policy on Information Technology (NPIT), 2012, to achieve 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 for IT and ITeS. The Policy has set the following objectives:

- To increase revenues of IT/ITeS Industry from USD 100 billion in 2012 to USD 300 billion by 2020 and expand exports from the segment from USD 69 billion in 2012 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. The increasing importance of IT/ITeS industry and its huge scope for encouraging employment has been recognized by all State Governments. Previously, banking on its locational advantage and entrepreneurial spirit of its people, Gujarat built core strength in Pharmaceuticals, machine tools, chemicals, textiles, petrochemicals, port development and power sector. Beginning with IT Policy in 1999, the Government recognized the need for a different approach for development of IT/ITeS Industry in Gujarat. Subsequently, the state came out with IT/ITeS policy in 2006. Thereafter, recognizing the importance of IT as an integral part of all other industries and its penetration in to all walks of day-to-day life, it was felt that the power of technology needs to 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. and to ensure equitable and inclusive growth and development. In this context the IT Policy for the State of Gujarat (2014-19) was issued.

7. Subsequent to the issuance of the State policy, the Government of India has stepped-up on the criticality of IT in the national growth objective. The National Policy on Skill Development and Entrepreneurship while acknowledging a huge demographic dividend potential, recognizes the need to gainfully upskill around 400 million personnel by 2022 and create employment opportunities for the same. Another initiative of Government of India in Digital India also lays emphasis on adoption of ICT for governance, employment generation, citizen empowerment and economic development.

8. To meet with the challenging expectations, it is necessary that IT/ITeS sector plays a lead role for both employment creation, economic growth, etc. and for upskilling and capacity building.

10. In consideration of the above emerging trends, it has become necessary to revisit the provisions of the IT Policy (2014-19) to make it more attractive and entrepreneur-friendly. Accordingly, the Government of Gujarat has decided to come out with the ‘Gujarat State New IT Policy’ (2016-21) as under:

I. VISION

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

\[ \text{IT} + \text{IT} = \text{IT}, \]

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 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

   (c) to create capacities in IT/ITeS industry in the state to play an important role in skill building, employment generation and earnings from exports.

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: 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 a 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 industry-friendly climate conducive for IT companies to flourish in a most competitive and efficient manner.

III. OBJECTIVES

The key objectives of this Policy are:

1. To increase the current investment in IT/ITeS sector by 10 times.

2. To increase the turnover up to USD 15 Bn.

3. To increase IT exports from the State up to USD 2 Bn.

4. To promote and develop employment opportunities in the IT and ITeS Sector and provide direct employment to 10 lakh persons.

5. To focus, inter alia, on Financial Services, Mobile Applications, Animation, 3D-Gaming, Digital Entertainment, Cloud, Big-data and Internet-of-things.

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/ITeS 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/ITeS Industry" includes development, production and services related to IT products, IT Software, IT service and ITeS.

4. “Expansion and/or Diversification” means an existing unit in Gujarat undertaking
seat capacity expansion such that total seat capacity as well as head count of employees on its payroll goes up by 50% of current seat capacity or by 1000 persons, whichever is lower, during the operative period of the policy.

5. **Eligible Units**: Any IT/ITeS unit with minimum 10 employees on its payroll, setting up its operations in Gujarat during the operative period of this policy or an existing IT/ITeS unit in Gujarat undertaking expansion and/or diversification will be eligible for availing incentives under this policy. For IT/ITES units being setup in the Gujarat International Finance Tec – City (GIFT), the minimum requirement of 10 employees will not apply.

6. **IT Enabled Services (ITeS) implies service rendering through application of IT and 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 / ERP / Software and Application 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
7. **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.

8. ‘**Horizontal IT/ITeS Park**’ means a site which is developed during the operative period of policy in a minimum area of 5 acres in which 70% of saleable/leasable area is allotted to at least three IT/ITeS units.

9. ‘**Vertical IT/ITeS Park**’ means new development undertaken during the operative period of policy in the nature of either a vertical development in the shape of a tower or a group of towers with minimum 100,000 sqft of saleable/leasable area; out of which 70% of saleable/leasable area is allotted or to be allotted to at least three IT/ITeS units or a vertical development in the shape of a tower or a group of towers with minimum 3000 seat capacity built by any IT/ITeS unit of which 60% capacity is actually occupied during the operative period of the policy.

10. ‘**Gross Fixed Capital Investment**’ (GFCI) means the investment made in required building, furnishing, hardware, software and other related fixed assets required to produce products or services by eligible unit within two years from the date of commercial operations/production or till one year from coming to an end of this policy, whichever is earlier. Investment made in land will be excluded from computation of Gross Fixed Capital Investment.

11. ‘**Built-up Area**’ means the area covered by a building on all floors.

V. **INCENTIVES:** The State Government will play a proactive role in promoting vibrant IT/ITeS industry in Gujarat. The State Government will provide following incentives to eligible IT/ITeS units / parks, in addition to any incentives that they might be entitled to avail from Government of India:

1. **Facilitation for Allotment of Land:** The Government will duly facilitate allotment of land for IT/ITeS units / parks investing in the State. Allotment of Government lands to the IT/ITeS Industry will be in earmarked areas or designated IT/ITeS cluster. Such allotment shall be subject to availability, fulfilment of eligibility criteria as determined by the State Government from time to time.
2. **Incentives for IT/ITeS Park:** Following incentives would be provided to greenfield IT/ITeS Park:

2.1. **Capital Subsidy:**

   (a) Horizontal IT/ITeS Parks will be provided capital subsidy @ 25% of fixed capital investment in buildings and infrastructure facilities, excluding the cost of land, subject to a ceiling of Rs. 25 crores.

   (b) Vertical IT/ITeS Parks will be provided capital subsidy of Rs. 300 per sqft for built-up area subject to a ceiling of Rs. 25 crores.

2.2. **Registration/Stamp Duty Concession:** The developer of IT/ITeS Park will be eligible for 100% reimbursement of Stamp Duty/Registration Fee/Conversion Fee paid on sale/lease/transfer of land for developing IT/ITeS Park.

2.3. **Incentive on Power Tariff and Electricity Duty:**

   (a) IT/ITeS Park will be given power tariff subsidy at the rate of Re. 1 per unit in the billed amount of the utility as promotional incentive on reimbursement basis for a period of five years with effect from the date, beginning any time during the operative period of policy, as selected by the developer.

   (b) IT/ITeS Park will be given 100% reimbursement for electricity duty paid for a period of five years on coterminous basis with power tariff subsidy.

   (c) Above assistance will be available to IT/ITeS Park on power purchased from the State electricity distribution companies or power distribution licensees. IT/ITeS Park either generating power from its captive power plant or getting electricity through open access will not be eligible for the incentive.

3. **Incentives to IT/ITeS Units:** The eligible IT/ITeS units will be entitled to following incentives in addition to any incentives that they might be getting under Government of India schemes:
3.1. **Capital Subsidy:**

(a) Eligible IT/ITeS units will be entitled to capital subsidy @ 25% of capital expenditure for one time purchase of Computers, networking and related hardware, subject to a ceiling of Rs. 1 crore.

(b) 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, issued vide Resolution No. MIS/102015/430906/CH dated 10th Mar 2015 and MIS/102014/430906/CH dated 10th Mar 2015, as may be amended from time to time, by Industries and Mines Department, Government of Gujarat would be applicable to MSEs in IT/ITeS sector as well.

3.2. **Registration/Stamp Duty Concession:** Eligible IT/ITeS units will be entitled to 100% reimbursement of Stamp Duty and Registration Fee paid on sale/lease/transfer of land and Office Space for the first transaction.

3.3. **Lease Rental Subsidy:** Eligible IT/ITeS units taking space on lease for their operations will be provided lease rental subsidy, at the scale of 50 sqft per employee, for five years on reimbursement basis at the following rates:

(a) Rs. 8/sqft for units up to 20 employees

(b) Rs. 5/sqft for units with >20 but < 100 employees

(c) Rs. 3/sqft for units with >100 employees

Provided, that the lease rental subsidy shall not be more than the actual lease rental.

3.4. **Interest Subsidy:** Eligible IT/ITeS MSMEs will be provided interest subsidy as under:

(a) @ 7% for micro enterprises with a ceiling of Rs. 25 lakhs per annum.

(b) @ 5% for small and medium enterprises with a ceiling of Rs. 50 lakhs per annum.
(c) Such interest subsidy shall be eligible for a maximum duration of five years.

(d) Eligible IT/ITeS MSMEs will be entitled to interest subsidy assistance from the date of making application or when actual interest repayment to the lending financial institutions, after moratorium, if any, begins based on the choice of Eligible IT/ITeS MSMEs. However, the unit will be entitled for interest assistance only if the interest repayment has begun during the operative period of the current policy.

3.5. **VAT/CST/GST Incentive:**

(a) The eligible IT/ITeS units will be provided reimbursement of net tax (net of input credits) paid by them under Section-13 of Gujarat Value Added Tax Act against their output tax liability. The reimbursement will be limited to a ceiling of 90% of the Gross Fixed Capital Investment (GFCI) made by the unit. Additional amount of tax paid, beyond above ceiling, will not be eligible for reimbursement. In no case, the amount of reimbursement shall exceed the total inflow of tax paid into the Government of Gujarat treasury. There would be certain restriction in respect of transfer of goods/services produced by eligible units out of state by the subsequent dealers so as to ensure that amount reimbursed is not again being claimed by way of tax credit for inter-state sale, branch transfer, consignment and export.

(b) For domestic sales outside Gujarat (inter-state sales), 100% Central Sales Tax (CST) paid into Government of Gujarat treasury would be reimbursed, till GST is introduced. The amount of benefit availed under this clause will also be counted against the ceiling mentioned in sub para (a).

(c) Notwithstanding anything mentioned in above clauses, it is stated that under the GST regime, as and when it comes into operation, the unit shall be reimbursed up to the extent of SGST paid in intrastate sale of the specified goods, subject to the tax actually realized into the Government of Gujarat treasury, net of input credits, subject to overall ceiling of 90% of
GFCl as maximum eligibility for reimbursement. Also, in the GST regime, the SGST will be reimbursed at a rate of tax which shall not be higher than the present rate of value added tax (excluding additional tax) of the specified goods.

(d) VAT/CST/GST reimbursement will be allowed for a period of 8 years from the date of beginning of commercial operations subject to ceilings and limitations indicated in above sub clauses.

(e) Electronics goods such as Mobile, TV, etc. shall not be eligible for reimbursement under this Policy. Only IT/ITeS Services would be eligible under this Policy.

3.6. **Incentive on Power Tariff and Electricity Duty:**

(a) Eligible IT/ITeS units will be given power tariff subsidy at the rate of Re. 1 per unit in the billed amount of the utility as promotional incentive on reimbursement basis for a period of five years.

(b) Eligible IT/ITeS units will be given 100 % reimbursement for electricity duty paid for a period of five years on coterminous basis with the power tariff subsidy.

(c) Existing units undertaking expansion/diversification will be entitled for power tariff subsidy and electricity duty reimbursement only for additional power consumed, attributable to such expansion/diversification.

(d) Above assistance will be available to eligible IT/ITeS units on power purchased from the State electricity distribution companies or power distribution licensees. The eligible IT/ITeS units either generating power from its captive power plant or getting electricity through open access will not be eligible for the incentive.

3.7. **Employment Generation Incentive through EPF Contribution:** Eligible IT/ITeS units will be given the benefit of reimbursement of the EPF contribution made by them for their incremental employees operating out of their offices in Gujarat for a period of five years. This reimbursement would be made subject to the following criteria:
(a) 100% of EPF amount paid in case of female employees
(b) 75% of EPF amount paid in case of male employees
(c) The ceiling of EPF amount per employee will be 12% of Employee’s basic salary plus applicable DA and retaining allowance.
(d) For eligible units the assistance will be available for incremental employee count occurring during the policy period for a period of five years for each such incremental count.

3.8. Patent Assistance:

(a) Assistance at the rate of 50%, subject to a ceiling of Rs.2 lakhs per patent for domestic patents and Rs. 5 lakhs per patent for international patents, for meeting with the expenditure for obtaining patents will be available to any eligible IT/ITeS unit/institution.

(b) Total quantum of assistance for obtaining such patents shall be limited to Rs. 25 lakh for international and Rs. 10 lakhs for domestic patents per unit/institution.

(c) Fees paid to patent attorney and patent service centre will be eligible expenditure towards cost for assistance.

(d) The assistance will be in the nature of reimbursement.

3.9. Market Development Support

(a) Assistance to eligible IT/ITeS 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 will be provided. Eligible IT/ITeS MSME units will be entitled to avail of this assistance maximum two times during the operative period of this policy. The assistance would be in the nature of reimbursement. IT/ITeS MSME units shall have to apply within three 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 subject to a ceiling of Rs. 10 lakhs will be provided. Minimum five industrial unit’s participation will be necessary as part of group to get this assistance. Assistance shall be in the form of reimbursement and the association shall have to apply within three months from the date of such participation.

(c) Viability Gap Support to Industries Associations will be provided for organizing Seminars / Exhibitions in Gujarat. Ceiling for such support will be Rs.4 lakhs for national and Rs. 8 lakhs for international Seminar/Exhibition.

3.10. **Support to R&D Institutions:** In order to give impetus to the Research and Development, 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 will also be covered. The assistance will be given up to 60% of the project cost, excluding land, subject to a maximum of Rs 50 lakhs.

(b) Assistance for Contract/Sponsored research work for IT/ITeS projects 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 a maximum of Rs 50 lakhs.

3.11. **Quality Certification:** Any Gujarat based IT/ITeS MSMEs 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
3.12. **Skill Enhancement:**

(a) Assistance will be provided to IT/ITeS MSMEs at the rate of 50% of fee paid, subject to a maximum Rs. 10,000 per employee on obtaining industry recognized skill certifications. The assistance under this incentive will be subject to an overall ceiling of Rs. 1 lac per year per unit.

(a) Any eligible IT/ITeS unit getting assistance under this policy will be required to take interns at a rate of minimum one intern for every twenty employees on its payroll during the period it gets assistance. Such intern(s) will be paid an honorarium at rates better than that under Minimum Wages Act. This mechanism of hiring interns will be different from and in addition to the Scheme of Apprenticeship by Government of India, if applicable. This will help building a skilled resource base within the country.

3. **Setting up of Finishing Schools:** Capital assistance of up to 60% of the project cost, excluding land, or Rs. 50 lakhs, whichever is lower, will be provided for setting up Finishing Schools for IT/ITES Sector in Colleges and Educational Institutes across the State.

VI. **INVESTOR FACILITATION**

The role of the Government of Gujarat will primarily be that of a facilitator. An empowered ‘Single Window Clearance Mechanism’ 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.

Directorate of IT will act as a Nodal Agency for hand holding and providing effective liaising with various Government Departments/agencies/bodies.
VII. POLICY IMPLEMENTATION

1. The office of Director (IT) will implement this policy in consultation with the Department of Science and Technology (DST).

2. The State Government will constitute Empowered Committee(s) for evaluating proposals and granting approvals for eligible assistance to applicants under this policy.

3. To act as a single point interface, the State Government will appoint Competent Authority(s) for receiving and processing applications for Government.

4. Any eligible IT/ITeS unit or IT/ITeS Park will have the option of availing incentive either under the current IT/ITeS Policy or the Industrial Policy of Government of Gujarat. However, eligible IT/ITeS unit or IT/ITeS Park will be entitled to incentives under only one Policy out of the two and not out of both policies for individual items.

5. Any application, in whatever form, received by the Department of Science and Technology or Industries and Mines Department or by the Office of Industries Commissioner or their subordinate offices after 14.11.2014 till the notification of this policy will be deemed to be a new application made under this policy.

6. Any issue of interpretation of this policy will be dealt by the DST and the decision of such shall be final.

VIII. POLICY IMPLEMENTATION GUIDELINES

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

IX. OPERATIVE PERIOD OF POLICY

This Policy shall come into force with effect from the date of notification of Policy 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 or Parks which commence operations either during the operative period of this Policy or having applied for assistance under this policy during the operative period, within one year from coming to an end of this policy, shall be
eligible for incentives.

X. BUDGETARY PROVISION

The expenditure on this account shall be made from the grants under the following budget head: “Demand no. 89” Major Head 2052, Information Technology Incentive Plan.

These orders are issued with the concurrence of Finance Department vide its note dated 08/02/2016 on the department’s file of even number.

By order and in the name of the Governor of Gujarat,

Sd/-
(Dhananjay Dwivedi)
Secretary to the Government of Gujarat,
Department of Science and Technology.

To

1. *Principal Secretary to Hon’ble Governorshri, Raj Bhavan, Gandhinagar.
2. Chief Principal Secretary to Hon’ble Chief Minister.
3. Principal Secretary to Hon’ble Chief Minister.
4. Secretary to Hon’ble Chief Minister.
5. Personal Secretary to Hon’ble Ministers, Government of Gujarat.
7. *Deputy Secretary to Chief Secretary, Government of Gujarat.
8. *Registrar, Hon’ble Gujarat High Court, Ahmedabad.
9. *Secretary, Gujarat Vigilance Commission, Gandhinagar.
10. *Secretary, Gujarat Public Service Commission, Ahmedabad.
11. *Secretary, Gujarat Legislature Secretariat, Gandhinagar.
*Secretary, Gujarat Civil Service Tribunal, Gandhinagar.
13. All Administrative Departments
14. VC and MD, GIDC, Udyog Bhavan
15. Industries Commissioner, Government of Gujarat
16. All Heads of the Departments
17. All Collectors.
18. Managing Director, Gujarat Informatics Limited
19. Director, Information Technology
20. DDG and SIO, NIC, Gujarat
24. Director, Account & Treasuries, Gujarat State, Gandhinagar
25. Pay & Account Offices, Ahmedabad/Gandhinagar
26. All District Treasury Offices
27. Resident Audit Officer, Ahmedabad/Gandhinagar.
28. Select File.

*By Letter
(Copy of this Resolution can be downloaded from URL: http://dst.gujarat.gov.in)