IT, ITeS and ESDM Policy-2019

Department of Information Technology
Government of Himachal Pradesh
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1. Introduction

In today’s digital world the influence of Information Technology is unparalleled and it acts as a force multiplier to address the day to day needs and challenges of all the industries. The Information Technology (IT) and Information Technology enabled Services (ITeS) have enabled the State to dispense quicker and efficient services in governance practices, health care, education, research, and public service delivery etc.

India’s success in the area of Information Technology (IT) Software and related services has been acknowledged globally. It is the world’s largest sourcing destination, accounting for approximately 55% of the USD 185-190 billion market in 2017-18. India’s IT & ITeS industry grew to USD 181 billion in 2018-19. India is the topmost offshoring destination for IT companies across the world. In India, the IT industry employs nearly 3.97 million people, out of which 105,000 were added in FY 18.

Himachal Pradesh is one of the leading States in e-Governance and Information Technology. The State provides ample opportunities for the growth of the IT & ITeS sector and has developed basic ICT infrastructure viz. State Data Centre, State Wide Area Network (HIMSWAN) with e-district, etc. There are 59 Government to Citizen services that are being provided by the State Government through the e-district portal. The Government is committed to develop the state-of-the-art center as a State Level Command and Control Centre during 2019-20, which will be known as ‘Lok Suraksha Kendra’.
1.1 Competitive Advantages of IT, ITeS and ESDM Sector in Himachal Pradesh

- **Congenial industry Relations**
The State has been recognized as the most consumer-friendly State in India by PHD Chamber of Commerce and never witnessed any major loss of productivity/work hours due to the State Government’s constant emphasis on maintaining excellent industrial relations.

- **Reliable and Affordable Power**
The State is known as Power Surplus State and provides round the clock power at reasonable rates to the industry.

- **Availability of Skilled Manpower**
Himachal Pradesh is home to premier educational and technical institutions providing high-quality education in various disciplines. There are several prominent technical institutes in the State for providing support to the industry such as NIT Hamirpur, IIT Mandi, CIPET Baddi, IIT Una, JIIT and the upcoming Mini Tool Room in Baddi. There are 165 ITIs in the State for providing a continuous flow of Skilled Human Capital for the manufacturing sector. The State has one of the highest numbers of technical persons per lakh.

- **Salubrious Environment**
The Government has taken several steps to ensure a clean & pollution-free environment and the State is home to a variety of natural flora and fauna with favorable climatic conditions. The State is known as a peaceful State with law-abiding citizens.

1.2 e-Governance in Himachal Pradesh

In the recent years, the State has been awarded various National e-Governance Awards, Web Ratna Awards and many other accolades. Major e-Governance initiatives in Himachal Pradesh are:

- **CM Helpline**
A call center to act as a single point of contact for grievances redressal, submission of demands and suggestions to the Hon’ble Chief Minister. All grievances received through various means can be captured and marked to concerned department/field functionaries for redressal of the same.

- **Integrated Enterprise Architecture**
Creation of a master database of the State citizens by providing a personal digital ID to each individual and a Data Exchange Layer termed as “Integrated Enterprise Architecture” to share data among various online applications in a secured manner, irrespective of the technology or platform they are using. Advantages would be:
  - smooth flow of information between G2C and G2G
  - reduction in footfall in the Government offices
  - enhance efficiency by reducing manual interventions in systems
  - better planning and forecasting of schemes and allocations

- **Setting up of IT Park**
To provide an enabling environment for the development of the IT & ITeS sector in the State, state-of-the-art IT Parks will be set up at Gaggal & Waknaghat.

- **Command and Control Centre**
To improve the safety of the citizens, a State-level hi-tech Command and Control Centre would be established to capture high-quality videos, surveillance, vehicle tracking, crowd management, traffic management, crime detection & control activities, disaster management etc.

- **Security Operation Centre**
To implement cybersecurity measures, a Security Operations Centre (SOC) would be set up to secure the applications as well as data hosted in the State Data Centre.

- **Empanelment with the HP State Electronics Department Corporation (HPSEDC)**
To provide highly technical manpower on an outsourcing basis to different departments, IT companies would be empaneled with the HPSEDC.

- **MyGov Portal**
To bring government closer to the common man, MyGov portal would be set up for creating an interface for the healthy exchange of ideas and views involving the common citizen and experts to contribute to the social and economic transformation of Himachal Pradesh.

- **Budgetary Provisions**
3% of the planned budget of each department to be earmarked for citizen-centric e-Governance projects and the same would be utilized in consultation with IT Department to establish synergy within various departments.

- **HP State Data Centre**
State-of-the-art reliable and secure infrastructure for hosting and managing e-Governance applications of State and its constituent departments on the cloud. The HPSEDC infrastructure will be enhanced as per the growing needs of the State Government departments.

- **Single portal for G2C services**
All G2C services in the state shall be consolidated under a single portal, including services already rolled out, those under development and many more in the pipeline.

- **HIMSWAN**
State Wide Area Network is a reliable and secure backbone to address the information communication requirements and associated services of the State Government and its departments.

- **Aadhar**
The Aadhar coverage in the State is one of the highest in India. Aadhar seeding in various Government schemes and thereafter onboarding of the schemes on the Direct Benefit Transfer platform shall be a continuing activity.

- **Lok Mitra Kendras**
LMKs are the front-end delivery points for Government, Private and Social Sector services to rural citizens at their doorsteps, in an integrated manner using Information and Communication Tools and have been set up at GP level.
• Wi-Fi Choupal
The project aims to create a rural Internet service delivery platform for the villagers, managed and operated by a local person, thereby transforming the village into a “Hi-Fi Village”. The project shall be rolled out in GPs across the state.

• e-Office
To automate the file work in Government departments, E-Office solution is being implemented across the state. The system replaces the existing manual handling of files with a more efficient electronic system. With this system, the movement of files becomes seamless and there is more transparency in the system, in addition to the simplification of decision making.

• e-Procurement
Web based online tool to make the Processes of Procurement and Tendering more efficient, Minimize Procurement Costs and improve Transparency in the official procedure. The tool has been implemented across the State Government departments for all tenders above INR 5 lakhs mandatorily. The State Government is committed to provide a graft-free, hassle-free and enabling environment to IT, ITeS and ESDM enterprises to set up, sustain, function and grow their operations in the State.

2. Definitions

i. “Appointed Date” means the date on which this Policy comes into force.

ii. “Bonafide Himachali” means a resident of the State of Himachal Pradesh as certified by the competent authority from time to time.

iii. “Chief Minister's Start-up / Innovation Projects / New Industries Scheme” means the scheme as notified by the Department vide notification No. Ind-II (F) 12-3/2015 dated 15th November 2016, as amended from time to time.

iv. “Commencement of Commercial Operations / Production” means the date on which the IT / ITeS / ESDM enterprise Commences Commercial Operations / Production as certified by the concerned department.

v. “Consultant” means any consultancy organization of State or Central Government engaged in providing consultancy services or any service enterprise with a minimum of 5 years of experience in providing consultancy services and taken on record by the Department or Chartered Accountant or Chartered Engineer (Civil or Mechanical).


vii. “Electronic System Design and Manufacturing (ESDM) Enterprises” means the designing, testing, manufacturing of electronic components and assemblies for OEMs of all electronic verticals/ products covered under the National Policy on Electronics and related notifications issued by the Department of Electronics & Information Technology, Ministry of Communication & Information Technology, Government of India. It will also include computer system hardware, communication devices, electronic manufacturing services, strategic electronics and its components, industrial electronics, automotive electronics, telecom electronic equipment, information and broadcasting electronic equipment, medical electronics, electronic gaming and electronic toys, Nanoelectronics, Solar Photo Voltaic including thin film, polysilicon, industrial electronics, LEDs, embedded software of these.

viii. “Electricity Duty” means the electricity duty levied by the Government from time to time.

ix. “Eligible Enterprise” means an enterprise fulfilling the eligibility criteria as per the provisions made under Para 5 of this Policy.

x. “Existing Enterprise” means IT / ITeS / ESDM enterprise engaged in providing services / manufacturing and registered / acknowledged / taken on record by the Department and has Commenced Commercial Operations / Production before the Appointed Date.

xi. “Fixed Capital Investment (FCI)”
a) For New Enterprise, FCI means the actual investment made in Technical Civil Works, Plant and Machinery by an enterprise as on date of Commencement of Commercial Operations / Production.
b) For Existing Enterprise, FCI means additional investment made in Technical Civil Works, Plant and Machinery by an enterprise for undertaking Substantial Expansion after the Appointed Date.


xiii. “Himachali Bonafide” means a resident of the State of Himachal Pradesh as certified by the competent authority from time to time.

xiv. “Investment in Plant and Machinery”

a) For IT / ITeS: Investment in Plant and Machinery will include the cost of construction of building and all other durable physical assets basic to the running of that particular service industry but exclude cost of land and consumables, disposables or any other item charged to revenue as specified by the Ministry of Commerce and Industries (Department for Promotion of Industry and Internal Trade) under notification No. F.No.2 (2)/2018-SPS dated 23rd April 2018.

b) For ESDM: Investment in Plant and Machinery means the investment made in Plant and Machinery by ESDM enterprise, as defined by the Ministry of Commerce and Industries (Department for Promotion of Industry and Internal Trade) under notification No. F.No.2 (2)/2018-SPS dated 23rd April 2018.

xv. “IT, ITeS Enterprise” comprises IT Software and ITeS companies, AVGC, Rural BPO, Call centres, internet and E-mail Service Providers, E-commerce and EDI Services, Electronic Data centre Services / Green Data Centres, IT Education training and digital media and any other IT enabled service which results from the use of any IT system for realizing value addition. Further NASSCOM recommendation will be considered while evaluating the eligibility of the company before availing incentive.
xvi. “Net SGST Reimbursement” means HPSGST paid to the State Government after having adjusted ITC on input and input services by the Eligible Enterprises.

xvii. “New Enterprise” means an IT / ITeS / ESDM enterprise located within the State, Commences Commercial Operations / Production on or after the Appointed Date and registered/ acknowledged/ taken on record by the Department.


xix. “Power Tariff” means only the basic rate of electricity per unit charged for the consumption of power and shall not include electricity duty, surcharge, and peak load exemption charge, winter charge, fuel adjustment charge, service charge, GST or any other charge under any name in the Tariff Schedule.

xx. “Substantial Expansion” means an increase by not less than 25% in the value of Plant and Machinery / Equipment by Existing Enterprise for expansion of capacity or modernization or diversification and taken on record by the Department.

xxi. “Technical Civil Works” means expenditure incurred on account of civil works for setting up of an enterprise which are related to production, processing, storage and rendering of service in case of Service Enterprise except expenditure incurred on (i) Compound wall (ii) Approach Road (iii) Administrative Office Building (iv) Toilets (v) Labour Rest Room and quarters for workers. (vi) Sanitation Room (vii) Security/ Guard Room or enclosure as certified by a Chartered Engineer (Civil).

5. Eligibility for IT, ITeS and ESDM Enterprises

A. New Enterprises setting up its operations in Himachal Pradesh during the operative period of this Policy will be eligible for availing incentives, concessions and facilities under this Policy subject to:

i. fulfilment of such requirements as specified under this Policy.

ii. adherence to procedures as specified by the concerned department from time to time for availing the incentives, concessions and facilities under this Policy.

iii. employment of minimum 80% Himachali Bonafide, at levels where requisite education qualification is bachelors or below, in case it employs 5 persons directly on regular, contractual, daily basis etc. or through contractor or outsourcing agencies at the time of Commencement of Commercial Operation / Production as well as for the time-period it remains in Commercial Operation / Production in the State.

iv. The condition that incentive provided under this Policy will be admissible from the date of Commencement of Commercial Operations / Production or from the date on which respective administrative department issues enabling notification under the relevant statute / law to operationalize incentives notified under this Policy, whichever is later. The period of eligibility of incentives will be counted from the date of Commencement of Commercial Operations / Production.

v. clearance of outstanding dues of the Department.

vi. The condition that Udyog Aadhaar Memorandum / Entrepreneur Memorandum Part-II / Commencement of Commercial Production Certificate stands acknowledged / taken on record by the Department.

B. Existing Enterprises undertaking Substantial Expansion by not less than 25% of their FCI will be eligible for availing incentives, concessions and facilities under this Policy subject to:

i. fulfilment of such requirements as specified under Para 5A (i, ii, iv, v & vi).

ii. The condition that the incentive provided under this Policy will be admissible from the date of undertaking Substantial Expansion taken on record by the Department or from the date on which respective administrative department issues enabling notification under the relevant statute / law to operationalize incentives announced under this Policy, whichever is later.

iii. The condition that in case of employment is generated due to Substantial Expansion, it will employ 80% Bonafide Himachali at levels where requisite education qualification is bachelors or below, directly on a regular, contractual, daily basis etc. or through contractor or outsourcing agencies. Other conditions of Para 5A (iii) will also be applicable.

C. Incentives that are not mentioned in this Policy but are part of Himachal Pradesh Industrial Investment Policy – 2019 will be applicable for all Eligible Enterprises depending upon the eligibility as mentioned in the Himachal Pradesh Industrial Investment Policy – 2019. Provided further, Eligible Enterprises that have availed / availing incentives under any State Policy / Scheme of State will not be eligible to avail similar incentives provided under this Policy.

3. Vision

Inclusive growth of State’s IT, ITeS and ESDM industry for overall socio-economic development with a focus on sustainable growth based on innovation and knowledge, generate employment and promote entrepreneurship.

4. Objectives

1. To make Himachal Pradesh as a most favoured investment destination for IT, ITeS and ESDM companies.

2. To build infrastructural support system which can cater to all IT, ITeS and ESDM industry requirements.

3. To create a pool of highly skilled manpower to meet the IT, ITeS and ESDM sector requirement.

4. To build an institutional mechanism to encourage skilled human resource output.

5. To promote Start-ups and entrepreneurship in the field of IT, ITeS and ESDM.

6. To establish an e-governance framework with backward automation to promote ease of doing business and create a conducive business environment by ensuring digital service delivery in a time-bound manner.
6. Validity of Policy

The Policy shall remain in force for five years from the appointed date.

7. Incentives for IT, ITeS, ESDM Enterprises and Green Data Centres

One of the objectives of this Policy is to make the State a preferred destination for IT, ITeS, Electronic System Design and Manufacturing Enterprises (ESDM) and Green Data Centres by providing an attractive package of incentives & facilities.

7.1 Subsidy towards Cost of Preparation of Detailed Project Report

Eligible Enterprises will be reimbursed 50% of the expenditure incurred towards the cost paid to the Consultant for preparation of DPR; Certification / Valuation of Technical Civil Works or Investment in Plant and Machinery, subject to a maximum ceiling of INR 1 lakh after the Commencement of Commercial Operations / Production.

7.2 Lease Rental Subsidy

For IT, ITeS Enterprises

Eligible Enterprises taking space on lease for their operations in IT/ Multi-purpose SEZs/ IT Parks/ Designated Technology Parks (DTP) will be provided lease rental subsidy @ 75% for the first year, @ 50% for the second year and @ 25% for the third, fourth and fifth year from the date of Commencement of Commercial Operations/ Production, subject to a maximum ceiling of INR 15 lakhs for first year, INR 10 lakhs for second year and INR 5 lakhs for third, fourth and fifth year.

For ESDM Enterprises and Green Data Centres

Eligible Enterprises taking space on lease for their operations in IT/ Multi-purpose SEZs/ IT Parks/ Designated Technology Parks (DTP) will be provided lease rental subsidy @ 85% for the first year, @ 60% for the second year and @ 35% for the third, fourth and fifth year from the date of Commencement of Commercial Operations, subject to a maximum ceiling of INR 20 lakhs for first year, INR 15 lakhs for second year and INR 10 lakhs for third, fourth and fifth year.

7.3 Capital Subsidy

For IT, ITeS Enterprises

Eligible Enterprises will be provided capital subsidy @ 25% of Fixed Capital Investment, excluding the cost of land, subject to a maximum ceiling of INR 1 crores after the Commencement of Commercial Operations / Production.

For ESDM Enterprises and Green Data Centres

Eligible Enterprises will be provided capital subsidy @ 50% of Fixed Capital Investment, excluding the cost of land, subject to a maximum ceiling of INR 2 crores after the Commencement of Commercial Operations / Production.

7.4 Exemption from Payment of Stamp Duty & Registration Fee Paid

Eligible Enterprises will be exempted from payment of the Stamp Duty & Registration Fee paid on an instrument of conveyance deed or lease deed after the Commencement of Commercial Operations / Production.

7.5 Exemption from Payment of Change in Land Use Fee

Eligible Enterprises will be exempted from payment of Change in Land Use fee levied under the provisions of H.P. Town and Country Planning Act – 1977.

7.6 Interest Subvention

For IT, ITeS Enterprises

Eligible Enterprises will be given interest subvention @ 5% on term loan with a maximum ceiling of INR 25 lakhs per annum for 5 years.

For ESDM Enterprises and Green Data Centres

Eligible Enterprises will be given interest subvention @ 5% on term loan with a maximum ceiling of INR 30 lakhs per annum for 5 years.

Interest subvention is subject to the following conditions:

a) Time-period of Interest Subvention would be counted from the date of disbursement of the first instalment of term loan.

b) Interest Subvention would be calculated on a simple rate of interest.

c) Interest Subvention will be paid directly to the Financial Institution.

d) The claim would be considered on a half-yearly basis after the Commencement of Commercial Operations / Production.

e) Interest Subvention shall be admissible to the enterprise for the period for which it has not defaulted its loan repayment and the period of default would be included in the admissible time-period.

7.7 Net SGST Reimbursement

Eligible Enterprises will be reimbursed 100% of Net SGST paid to the State Government under H.P. GST Act 2017 for 7 years, up to a maximum limit of 100% of the Fixed Capital Investment from the Commencement of Commercial Operations / Production.

7.8 Assistance for Patent Filing

A. Domestic Patents: All enterprises will be reimbursed INR 5 lakhs or 75% of actual expenditure incurred/ charges paid to patent attorney, patent service centre and patent filing agency for obtaining a patent, whichever is lower, subject to maximum assistance for 5 domestic patents.

B. International Patents: All enterprises will be reimbursed INR 10 lakhs or 100% of actual expenditure incurred/ charges paid to patent attorney, patent service centre and patent filing agency for obtaining a patent, whichever is lower, subject to maximum assistance for 5 international patents.
7.9 Assistance for Environment Protection

Eligible Enterprises will be reimbursed

A. 25% of the expenditure incurred for the purchase of Plant & Machinery / equipment for setting up of Effluent Treatment Plant (ETP), rainwater harvesting system excluding expenditure incurred on construction, subject to a maximum ceiling of INR 3 lakhs per enterprise after the Commencement of Commercial Operations / Production.

B. 50% of Power Tariff paid for the running of ETP for 4 years, subject to a maximum ceiling of INR 1 lakhs per annum. This incentive would be disbursed subject to the installation of separate electricity meter/ sub-meter exclusively for the running of ETP.

7.10 Assistance for Quality Certification

All enterprises will be reimbursed 50% of expenses incurred for obtaining ISO – 9000, ISO – 14000 certifications or any other similar certifications, as decided by the Department, subject to a maximum ceiling of INR 7 lakhs per enterprise.

7.11 Market Development Support

Eligible Enterprises will be provided market development support in terms of reimbursement of 50% of expenditure incurred 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, for participation in the International Trade Fairs outside India, subject to maximum ceiling of INR 5 lakhs per enterprise twice during the operative period of this Policy.

7.12 Setting up of incubators for IT, ITeS and ESDM

The Government will facilitate setting up of incubators in the private sector to accelerate the success and growth of startups in addition to existing incubators set up in the State. For this a Request for Proposal would be invited from professional of repute in this sector and by providing financial support as notified under the "Chief Minister Startup/ Innovation Projects / New Industrial Scheme" on 15th November 2016.

7.13 Assistance for Transportation of Plant and Machinery

Only for ESDM Enterprises and Green Data Centres

Eligible Enterprises will be reimbursed 50% of the cost incurred in inland carriage and inland transit insurance of Plant and Machinery, subject to a maximum ceiling of INR 7 lakhs per enterprise after the Commencement of Commercial Operations / Production.

8. Non- fiscal incentives for IT, ITeS and ESDM Enterprises

8.1 Essential and Continuous Process Industry

The IT, ITeS and ESDM Enterprises will be treated as Essential and Continuous Process Industry.

8.2 Land Banks

The Government would create land banks in selected districts by acquiring land and demarcating them as IT Parks/ IT SEZs with the provision of basic IT infrastructure and connectivity.

8.3 Local Preference

All software and hardware to be purchased by the Government would have a local preference clause. Purchase orders to local firms may be placed at the lowest approved rates at least to the extent of 40% of the total procurement provided the quoted prices of such local firms are within the range of 5% of the L-1 rates.

8.4 Late Shifts for Women

Eligible Enterprises will have general permission for 3 shift operations with women allowed to be working in the night shift, subject to the condition that the enterprise takes the necessary precautions for safety and security of women employees.

8.5 Relaxation in inspections from various Departments

Eligible Enterprises will be exempted from inspections by the Labor Inspector, Factory Inspector and Boiler Inspector without the prior approval of Head of the respective Departments. In the case of boilers, self-certification/ 3rd party inspection would be allowed.

8.6 Exemption from NOC from Pollution Control Board

Eligible Enterprises will be exempted from the purview of the HP Pollution Control Board, except in case of power generation sets of the capacity of more than 1000 KVA capacity.

8.7 Time-bound Clearances

The Government will provide all the clearances in a time-bound manner under the Himachal Pradesh Public Service Guarantee Act, 2011.

8.8 Self-Certification

Eligible Enterprises will be exempted from inspections/ certifications under the following Acts and the Rules framed thereunder and as administered by the Labor Department, barring inspections arising out of specific complaints. The enterprises may file Self Certificates, for the following Acts and Rules made thereunder:
9. Assistance for Setting up Co-Working Space

The State government will develop plug and play facility for making readily available co-working spaces with all the necessary facilities such as office infra, WiFi, power backup, video conferencing, common areas etc. for IT, ITeS and other entities with Udyog Aadhar Memorandum either by development of such facilities on its own land or through private sector participation on PPP mode.

The government will also encourage private entities to set up co-working spaces on their owned / leased / rented areas and will allow these entities to rent / lease these areas to IT, ITeS and other entities with Udyog Aadhar Memorandum. The State Government in its regulation will provide all requisite approvals and necessary infrastructure to such private entities.

Private entities which have set up at least 3 co-working spaces with a minimum combined built-up area of 10,000 square feet or have completed at least 3 residential / commercial projects with a minimum combined built-up area of 20,000 square feet will be eligible for fiscal incentives, provided they set up co-working space of:

- minimum 5000 square feet with 1 STM leased line and at least 80 seats in Shimla, Dharamshala and Manali; minimum 2500 square feet with 100 MBPS leased line and at least 50 seats in Palampur, Bir, Dalhousie, Kasauli and all district headquarters except Shimla and Dharamshala;

provided further, the co-working spaces fulfilling the above criteria and approved by the Department will be treated as Designated Technology Parks and will be eligible for the following incentives:

9.1 Reimbursement of Project Cost

Reimbursement of 50% of the project cost with a maximum ceiling of INR 20 lakhs. The cost components eligible for reimbursement are listed below:

- Furniture and Fixtures
- Conference Room with Video Conferencing Facility
- Internet and Wi-Fi

9.2 Lease Rental Subsidy

Eligible entities will be provided lease rental subsidy @ INR 10 per square feet per month from the Date of Commercial Operations, subject to a maximum of 25% of actual rent paid for 3 years.

10. Assistance for Setting up of Private IT, ITeS and ESDM Parks

The private enterprises that intend to set up private IT, ITeS and ESDM parks will be eligible for incentives, facilities and concessions as provided to Sector-Specific / Theme Parks under the Himachal Pradesh Industrial Investment Policy – 2019.

11. Repeal & Saving

From the Appointed Date of this Policy, all other similar schemes / policy of the Department of Information Technology shall stand repealed. However, enterprises availing various incentives and facilities under the existing schemes / policy will continue to avail the same for the remaining period of their eligibility.
Concerned Department for more details

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