



The Gujarat Industrial Policy 2020

17 September 2020

In brief

The Gujarat Industrial Policy 2020 (Policy) has been formed to enhance the growth rate of industries with industry 4.0 manufacturing, innovation-driven ecosystem with focus on research and development so as to propel the State further towards 'Atmanirbhar Gujarat'. The average annual outlay for the Policy is expected to be upto INR 80bn.

In detail

Key Highlights of the Gujarat Industrial Policy 2020

A) Conceptualisation of 15 thrust sectors

The thrust sectors have been categorised into two major groups — **Core sectors** and **Sunrise sectors**.

Core sectors include areas where Gujarat already has a strong manufacturing base and has the potential to accelerate further on a global scale. These include electrical machinery and equipment, industrial machinery and equipment, auto and auto components, ceramics, technical textiles, agro and food processing, pharmaceuticals and medical devices, gems and jewelry and chemicals.

Sunrise sectors are sectors that have significant potential for technological advancement. These include electrical vehicles and their components, green energy projects, waste management projects, industry 4.0 manufacturing and 100% export-oriented units, irrespective of sector.

Thrust sectors will be offered incremental incentives as part of the Policy.

B) Incentives for large/ mega and ultra-mega investments

Incentives have been delinked from State Goods and Services Tax (SGST). Up to 12% of fixed capital investment (FCI) will be provided to large industries for setting up manufacturing operations in the State in the form of capital subsidy. There is no upper ceiling on the amount of incentive to be provided to any unit. The details of incentives in general and thrust sectors are as under:

Category	General Sector	Thrust sector
Category 1	10 % of FCI	12 % of FCI
Category 2	8 % of FCI	10 % of FCI
Category 3	4 % of FCI	6 % of FCI

The benefit will be provided over a period of 10 years subject to the annual ceiling of INR 0.4bn.

If the eligible cash subsidy could not be disbursed within a period of 10 years due to the upper ceiling of INR 0.4bn per annum, for such unit, the eligible period of 10 years will be extended up to an additional 10 years with the condition that the annual ceiling will remain at INR 0.4bn per annum.

If the eligible cash subsidy is not disbursable within a period of 20 years due to the upper ceiling of INR 0.4bn per annum, the total entitlement of cash subsidy will be disbursed in equal instalments of 20 years without any upper ceiling.

C) Government land to be given on-long term lease basis

The Government will facilitate industries in getting “Government Land” on long-term lease up to 50 years (further extendible as per prevailing policy) to industrial enterprises at 6% of the market rate.

D) Support to start-ups

Specific incentives have been provided to start-ups, which include the following:

- Seed support up to INR 3m with additional grant of INR 1m for start-ups with significant social impact.
- Sustenance allowance of INR 20,000 per month per start-up for one year and INR 25,000 per month per start-up for one year for start-ups having at least one-woman co-founder.
- Start-ups will get additional 1% interest subsidy (i.e. up to 9% on term loans).
- Funding of up to INR 0.1m per start-up for trainings specific to “Managerial Training, Soft Skills, Marketing skills, Fundraising, Finance” on reimbursement basis.
- Mentoring assistance of INR 0.1m per start-up will be given to recognised Nodal Institutes (maximum INR 1.5m per annum per institute).

E) Relocation incentives

Given the COVID-19 pandemic, several industries are planning to relocate their operations and/ or diversify supply chains. Gujarat will offer special incentives to such companies planning to relocate from other countries.

F) Research and Innovation

The Policy will provide support of up to 30% of the project cost of machinery and equipment with a maximum of up to INR 0.05bn to private companies/ institutions for setting up research and development and product development centres.

G) Development of industrial infrastructure

- The Policy will provide incentives to private developers for setting up Private Industrial Parks in the State at 25% of FCI up to INR 0.3bn.
- Financial assistance of up to 80% of the project cost up to INR 0.25bn for set up of industrial infrastructure, such as construction and up gradation of roads, warehousing facilities, fire stations and underground utilities, will be provided.

H) Specific incentives for MSMEs

Micro, Small and Medium Enterprises (MSMEs) will be provided incentives in terms of capital and interest subsidy on term loans based on the category of talukas. Incremental incentives will be provided to medium enterprises. The details of subsidies are as under:

Taluka Category	Capital Subsidy	Interest Subsidy
Category 1	25% of eligible Term Loan Amount (TLA) subject to a maximum amount of INR 3.5m; If the eligible FCI is over 0.1bn, additional INR 1m will be provided.	7% of TLA disbursed with the maximum amount of INR 3.5m per annum for seven years.

Taluka Category	Capital Subsidy	Interest Subsidy
Category 2	20% of eligible TLA subject to a maximum amount of INR 3m; If the eligible FCI is over 0.1bn, additional INR 0.75m will be provided.	@6% of TLA disbursed with the maximum amount of INR 3m per annum for six years.
Category 3 (including Municipal Corporation areas)	10% of eligible TLA subject to a maximum amount of INR 1m; If the eligible FCI is over 0.1bn, additional INR 0.5m will be provided.	@5% of TLA disbursed with the maximum amount of INR 2.5m per annum for five years.

- Apart from the above, various incentives/ financial assistance in the form of quality certification incentive, technology upgradation and acquisition support, patent support, market development assistance etc. would be provided to MSMEs to support their development.

Further, the Policy provides for specific incentives for MSMEs that includes the following:

- MSMEs will be eligible for interest subsidy up to 7% of the interest levied on term loan up to INR 3.5m per annum for a period up to seven years including those engaged in services like financial, healthcare, audio visual, construction related engineering, environmental etc.

I) Other incentives

- 50% of capital subsidy up to INR 7.5m will be given to industries practicing at least 50% waste recovery through Zero Liquid Discharge as certified by Gujarat Pollution Control Board. Assistance will be provided for cleaner production measures.
- Assistance of up to 25% of project cost up to INR 0.25bn for set up/ relocation/ retrofitting of existing polluting.
- For industrial units into Green Industrial Estates, a framework for “Mega Permission” has been prepared, which requires the investor to submit only one application form for 26 different State-related approvals and compliances to be processed in an expedited manner.
- Dedicated “Relationship Managers” will be nominated by Industrial Extension Bureau for investors as single points-of-contact for all government-related queries and approvals.
- A dedicated organisation “GARUD” has been formed by the State government to ensure easy inter and intra-State movement of goods and increase in exports.

The takeaways

Certain steps, such as delinking of incentives with SGST amount, support to start-ups, and special incentives for industries relocating to Gujarat etc. are encouraging.

The Policy is yet to be notified by the Government of Gujarat.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact your local PwC advisor.

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