

# What's New

## Tax Insights



12 December 2025

### Government of Karnataka notifies the IT Policy 2025–2030



#### In brief

The Karnataka Information Technology (IT) Policy 2025–2030<sup>1</sup> is a strategic initiative aimed at enduring Karnataka's leadership as a global hub for IT and deep tech innovation destination.

This policy aims to generate 90,00,000+ direct and indirect jobs and boost software exports.

It offers a wide range of incentives—including capital subsidy, recruitment and skilling support, research and development (R&D) and quality certification reimbursement, and other fiscal and non-fiscal assistance—to new and expanding IT and IT enabled service (ITES) units, global capability centres (GCCs) and infrastructure developers.

The policy is anchored within the FRAME framework—which focuses on frontier and emerging technologies, regional development, alignment with national and global strategies, market creation and enterprise facilitation. Moreover, the policy offers incentives to eligible units across both Bengaluru and beyond Bengaluru regions, reflecting the state's commitment to inclusive and balanced technology-driven growth.



#### In detail

The Karnataka IT Policy is valid for a period of five years from the date of its notification or until a new policy is announced. Below are the key highlights of this policy.

- **Applicant**

- An entity incorporated under the Companies Act, 2013; a partnership firm; or a limited liability partnership
- State Government universities, affiliated colleges or industry associations

- **Zonal classification**

- Bengaluru: areas located in Zone 3
- Beyond Bengaluru: areas located outside Zone 3
- As per the prevailing Karnataka Industrial Policy

<sup>1</sup> [Karnataka IT Policy 2025–2030, dated 15 November 2025](#)

- **Deep tech sectors**

- Advanced materials, biotechnology and life sciences, robotics and autonomous systems, quantum technologies, semiconductors and microelectronics, space technology, energy and cleantech, neurotechnology, cyber-physical systems and artificial intelligence (integrated with scientific domains).

- **Eligibility criteria to avail incentives**

#### **Nature of business**

##### **a. Eligible IT/ ITeS units shall include the following:**

- Units registered as an IT/ ITeS unit as defined in the policy<sup>2</sup>

OR

- Entities registered as GCCs that are headquartered in India, either operational or under establishment in the State of Karnataka and engaged in providing IT/ ITeS services to their parent entities headquartered in India and/or their group affiliates.
- Both new and existing IT/ ITeS units undertaking expansion<sup>3</sup> shall be eligible for incentives under this policy, unless mentioned otherwise.

##### **b. Infrastructure developer or co-working space developer**

- Entities registered as an infrastructure developer or co-working space developer should be engaged in the construction of infrastructure facilities or office space on lease or rental arrangements.

#### **Location**

- Incentives shall be available to eligible IT/ ITeS units in Karnataka.

#### **Employment**

- The minimum employment threshold is ten employees in the beyond Bengaluru region and 25 employees in Bengaluru.
- The IT/ ITeS entity must have at least 50% of its total workforce (employees) based in Karnataka, excluding contract employees. This requirement does not apply to infrastructure developers or co-working space developers.

#### **Note**

- Units that applied to avail incentives under the Karnataka IT Policy 2020–2025 will not be eligible to claim incentives under this policy unless they are classified as an expansion unit.
- Separately, units that obtained registration under the Karnataka IT Policy 2020–2025 but did not avail incentives under the previous policy may claim only Provident Fund or Employees' State Insurance as well as lease or rental reimbursement from the old policy within 18 months of the date of notification of this policy.

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<sup>2</sup> IT: Technology involving the development, maintenance and use of computer systems, hardware, software and networks for the processing and distribution of data

ITeS: IT that enables business by improving the quality of services and efficiency of an organisation

<sup>3</sup> Expansion: Generation of additional employment by at least 50% of the existing employees (as on the date before the notification of this policy) or 200 employees, whichever is lower, subject to 50 additional employments

## **Incentives**

### **a. Advanced innovation and R&D incentive**

- For eligible new or expansion IT/ ITeS units in Bengaluru and the beyond Bengaluru region
- Forty percent of the eligible R&D expenditure, up to a maximum of INR50m, whichever is lower
- Shall be claimed only once under this policy

### **b. Setting up of IT/ ITeS parks**

- Only for eligible new IT/ ITeS units as well as infrastructure developers or consortia of developers in the beyond Bengaluru region
- Twenty percent of the eligible capital expenditure incurred for development of new IT/ ITeS parks, including green IT/ ITeS parks, up to INR50m
- The incentive shall be extended subject to the approval and recommendations from state-level committees (State Level Single Window Clearance Committee and State High Level Clearance Committee) for all IT/ ITeS parks
- Shall be claimed only once under this policy

### **c. Recruitment assistance**

- For eligible new or expansion IT/ ITeS units in the beyond Bengaluru region
- Shall be claimed only once under this policy

<b>No. of employees newly recruited</b>	<b>% of assistance</b>	<b>Capping (INR)</b>
100–250	10% of expenses	3.5m
251–500	20% of expenses	12m
501–700	30% of expenses	30m
701–999	50% of expenses	70m
≥1,000	Customised packages (on a case-to-case basis)	

### **d. Talent relocation reimbursement**

- For eligible new or expansion IT/ ITeS units in the beyond Bengaluru region
- Fifty percent of one-time relocation expenses (up to INR50,000 per employee)
- This incentive shall be applicable to relocations from Bengaluru to beyond Bengaluru, or from anywhere outside the state to beyond Bengaluru

- Shall be claimed only once under this policy

#### **e. Employee Provident Fund reimbursement**

- Only for eligible new IT/ ITeS units in the beyond Bengaluru region
- INR3,000 per month per new employee for maximum 24 months, subject to the condition that employment must be continuous for such employees for minimum two years

#### **f. Rental assistance**

- For eligible new IT/ ITeS units in Bengaluru and the beyond Bengaluru region on an annual basis

<b>No. of employees</b>	<b>50% of the rent, subject to a maximum of</b>
1–100	INR1m
101–500	INR5m

- This incentive shall be available for the first full year of commercial operations
- Shall be claimed only once under this policy

#### **g. Other incentives** such as internship cost reimbursement, skilling cost reimbursement, support for the faculty development programme, reimbursement of quality certifications, intellectual property incentive, power tariff concession, electricity duty reimbursement, property tax reimbursement, reimbursement of internet expenses, reimbursement of the cost of events and conferences, single window agency, and permission to file self-certifications and have 24\*7 operations.

#### **h. Mega projects**

- Only new IT/ ITeS mega units in Bengaluru and beyond Bengaluru with an investment above INR3,000m shall be considered for customised incentive packages, to be determined on a case-by-case basis.

### **The takeaways**

The policy marks a decisive shift from conventional IT service models to a holistic, innovation-driven ecosystem that integrates deep technology, advanced R&D and global best practices. By embedding incentives for both new and expanding IT/ ITeS units and GCCs, the policy not only accelerates the adoption of frontier technologies but also ensures that growth is geographically inclusive, with a strong push for development in emerging cities beyond Bengaluru.

The new policy is structured and future-oriented, with a strong focus on deep tech, global competitiveness, inclusive regional growth and sustainability. It introduces higher and more diverse incentives such as higher support for innovation and R&D and talent relocation support; lowers entry barriers for smaller and regional players; and places a premium on talent, innovation and ease of doing business.

It also proactively addresses emerging challenges and opportunities in the global digital economy, ensuring Karnataka remains at the forefront of IT and innovation in India and the world.

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