

HANDBOOK ON DIGITAL ECONOMY POLICIES, PROGRAMS & INCENTIVES IN KARNATAKA

- **Karnataka Digital Economy Mission**

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Introduction to Karnataka - Business Ecosystem in the State

Karnataka is the bright spot in the developmental story of India. It epitomizes the best of many worlds. Karnataka is a land of ancient heritage, scenic beauty, thriving wildlife, and rich culture. It is also a land of innovation, industry, and a rich talent pool. Home to the Silicon Valley of India, it is a leader in sectors such as IT & ITeS, Machine Tools, Aerospace & Defence, ESDM, Biotechnology, R&D, and Engineering Design. From Silk to Precision Manufacturing, the State covers the entire tapestry of industry. As a result, it has emerged as an important link in the global supply chain.

Karnataka is a State that is widely recognized as having significant potential, thanks to its large population and favourable business environment. Over the past few years, the country has established itself as a leader in technology services, with a significant number of unicorns, or privately held startups valued at over \$1 billion, based in Bangalore. This city has been named as one of the top 10 technology innovation hubs outside of Silicon Valley and is known for its favourable landscape for developing disruptive technologies.

The state of Karnataka, where Bangalore is located, is home to the world's fourth largest technology and innovation cluster, with over 400 global research and development centres. The government of Karnataka has implemented a range of policies and incentives that are aimed at supporting innovation and helping businesses succeed. These include rental reimbursement, recruitment assistance, and support for quality certifications and patents. These measures are designed to reduce operational costs for companies and allow them to focus on enhancing innovation to compete on a global stage.

One area where India has particularly excelled is in the field of global in-house centres (GCCs). These centres are established by companies in order to take advantage of the country's skilled workforce, which is available at competitive pricing. In addition, the government of Karnataka

has provided ongoing support to businesses, including startups, which has helped to create a thriving ecosystem for entrepreneurship.

Among Indian cities, Bengaluru has the largest market share of GCCs, with 34% of the total. It is also home to 37% of India's GCC talent pool, making it the destination of choice for platform engineering GCCs. The combination of an attractive workforce, competitive pricing, and supportive government policies have all contributed to India's position as the preferred destination for establishing GCCs.

Overall, Karnataka has a lot to offer businesses looking to set up operations in the country. Its large and skilled population, favourable business environment, and supportive new government policies make it an attractive location for businesses seeking to expand or establish new operations. With its strong focus on innovation and its thriving startup ecosystem, Karnataka is well-positioned to continue to play a leading role in the global technology industry.

As per the economic overview of Karnataka, there is \$268 billion in GSDP with a projected growth rate of 9.5%. Karnataka ranks first in India for attracting FDI (40+%), first in IT and ITeS exports, and first in total exports across all states.

Karnataka ranks first in the India Innovation Index, has the country's largest R&D hub, is home to 400 out of the Fortune 500 companies, ranks first in ESDM, Aerospace & Defence, and Machine Tool Manufacturing, and ranks first in Biotech Production & Exports. It also has a pleasant climate and cosmopolitan culture. Karnataka has the highest number of engineering colleges, ITIs, and polytechnics.

Karnataka has the most efficient industrial corridors, Quality Education, Skilled Manpower, Knowledge Hub, Policy-Driven, Ease of Doing Business Lifestyle and Entertainment Auto, Auto Components, and Electric Vehicles, and Medical Devices Agri and Food Processing, Textiles

and Apparel, Steel Industry, Energy Sector, Tourism and Wellness, and Industrial Cluster Development Programme.

Introduction to the Dept. Electronics, IT, BT and S&T, GoK

The Department of IT took its inception from the Dept. of Commerce and Industry and Karnataka was the first state to draft its own IT Policy. Karnataka began its innovations in Technology in 1998 and the department of BT was included in the IT department in 2001.

Karnataka Government Computer Centre was primarily started in 1971 under the Department of Economics and Statistics with the objective of computerization of the Departments of GoK. In order to cater to the managing aspects of increased functioning of computerization over a period of time, Karnataka Government Computer Centre began functioning under the Department of Planning transforming itself into an exclusive branch. In order to respond to radical changes happening in the IT sector worldwide, Karnataka Government Computer Centre was separated from Planning Department and became an entity rechristened as 'The Directorate of Information Technology (DIT) under the Department of Information Technology and Biotechnology, GoK. The DIT was established to execute the enhancement and advancement activities of the IT field. Later, for the development of the Biotechnology sector, the sector got adjoined into DIT. The works of computerization and training managed by the Karnataka Government Computer Centre were assigned to the e-Governance branch created under the Department of Personnel and Administrative Reforms.

History:

The Department of IT took its inception from the Department of Commerce and Industry and Karnataka was the first state to draft its own IT Policy. Karnataka began its innovations in Technology in 1998 and the department of BT was included in the IT department in 2001.

The Department's name was changed from Directorate of Information Technology and Biotechnology to Directorate of Electronics Information Technology and Biotechnology in February 2020.

The System:

An officer of the cadre of Indian Administrative Service is the Director of the EIT&BT Directorate and is the Head of the Department. The Director of the IT & Bt Directorate is the ex-officio Managing Director of Karnataka Innovation and Technology Society (KITS), which works under the Department of IT&BT.

- As per the directions of the Department, the Director, Directorate of IT&BT is executing the following important activities.
- Enhancement and development work of ESDM, Information Technology and Biotechnology in tier-2 and tier-3 cities of the state.
- Take steps to attract domestic investments and FDI.
- Implement policies for IT, BT, ESDM, Animation, Startup, etc.
- Provide financial assistance to educational/research institutions like IIIT-B, IBAB and Institute of Human Genome Studies.
- Organise and participate in national and international events, conferences, and workshops.
- Release grants provided in the budget to implement government programmes/schemes to KITS, KEONICS, ICTSDS, etc.

Visit our website for more details: <https://itbtst.karnataka.gov.in/english>

Introduction to the Dept. Industries and Commerce, GoK.

The Department of Industries and Commerce acts as a catalyst for the overall development of the industrial sector through effective discharge of developmental and facilitation roles. With a view to promote investment and trade, the Department formulates and implements the Policies of the State, Identification of Sectoral Advantages of the State and Human resource development for sustainable and growth-oriented industrialization has been a crucial role of the Department. Facilitating the take-off of infrastructure projects that boost the industrial growth has also been the Department's forte. The Department helps enhance the competitiveness of domestic industry through modernization, technology upgradation

and adoption of best practices. It also provides a forum for entrepreneurs and industrialists through their associations to represent their needs to the Government, which translates into Policies of the State.

Some of the crucial infrastructure projects facilitated by the Department include Growth Centres across the State, Export Promotion Industrial Parks, International Technology Park Ltd., Electronic city, Food and Agro-technology parks, Agro Export zones, Special Economic Zones, Bengaluru International Airport, etc.

The Department is able to reach out to the small businesses as well as Industrial Houses by a great degree of decentralization within the organizational structure. The Department functions through the Districts Industries Centres, various Boards & Corporations and Special purpose vehicles. The implementation of Policies of the Government is done through various schemes and the implementation of these schemes is decentralized for faster delivery of services.

The Department has established the Single Window Mechanism for faster, single point clearances to be given to projects seeking infrastructure facilities/incentives/concessions and help in establishing industries and businesses in Karnataka. Karnataka Udyog Mitra is the nodal agency under the Single window set up.

There are several Self-employment generation schemes formulated by the State and Central Governments from time to time and are being implemented.

Visit our website for more details: <https://industry.karnataka.gov.in/english>

Introduction to Karnataka Udyog Mitra

Karnataka setting out to make an investment is akin to embarking upon an UDYOG MITRA is a 'single point of contact' for all investors who are looking at setting up businesses in Karnataka. As the nodal agency, our role is to facilitate investments and execute initiatives to enable a smooth transition, from receiving an investment proposal to the eventual implementation of the project. Portal facilitates different departments to process the investor's application and know their status online. This is a swift medium for the investors to know the mechanisms of applying to Karnataka Udyog Mitra.

As the investment promotion and facilitation agency of the State Government, KARNATAKA UDYOG MITRA is the Secretariat for grant of approvals and sanction of infrastructure facilities for approved projects.

Salient Features:

- Anywhere and anytime access to the stakeholders.
- Increased efficiency and transparency in Government departments.
- Reduced cost and time.

Details to be filled for Registration:

- Company Details
- Authorized and Promoters Details: Applicant Name, Designation, Address, Mobile number, Email, Net Worth, PAN no, Aadhar and upload Digital certificate.
- Proposed Project Details
- Project Finance Details
- Project Requirements: It includes land requirements for the projects
- Assistance Details: It includes Status of Clearance from Central/State Government
- Supporting Documents: Authorized person Government ID, Authorized person Photograph, Authorization Letter, Brief Note on the activities of the company, CA certified Net worth statement of each industrial Promoters/ Directors, PAN Card,

Details Project report, IT returns of Individual promoters, Project Implementation schedule, Project layout map, promoters photograph

- Payment: Online payment options are available. This includes processing fees.

Website: <https://ebiz.karnataka.gov.in/ebiz/Public/AboutKUM>

1. Introduction to Karnataka Digital Economy Mission (KDEM)

The Karnataka Digital Economy Mission (KDEM), a section 8 organization is a unique initiative of the Government of Karnataka and the industry to function as the knowledge bridge to bridge the gap between government and industry in growing digital economy of the state.

KDEM works with a community of stakeholders including industry leaders, government agencies, academia and entrepreneurs in driving digital economy of the state, this includes growth in IT/ITeS companies, GCC's, Electronic and System Design Manufacturing (ESDM) and Start-ups & Innovation in tech field.

KDEM also focus on promoting Beyond Bengaluru emerging tech clusters and for which each cluster as been defined as a product. The product comprises of the details of existing ecosystem of the industry, talent availability and talent supply, start-up and innovation ecosystem, policy benefits of Govt. of Karnataka in specific to the region and the various initiatives that KDEM and the industry are putting together in that region and highlights on the other initiatives such as ease of doing business, social infrastructure, physical infrastructure that covers the definition of the product.

Core Objective of KDEM:

- Support technology investments in Karnataka
- Support the Department of Electronics, IT / BT, S&T
- Help structure promotional efforts abroad.

- Help position Karnataka well with technology-sector-specific investment reports.
- Sponsor and organize research to uncover technology opportunities.
- Provide feedback to government departments on the policy initiatives needed to attract further investments.
- Act as a bridge between government and industry
- Build a comprehensive Vision Document with strategy and roadmap directions.
- To build Brand Karnataka and enhance our leadership position across segments.

KDEM is an enabler and facilitator organisation to educate and support industry in availing Government of Karnataka's various policy initiatives.

1. Contact Us

Karnataka Digital Economy Mission
KEONICS – K-WINGS, 27th Main Road, 1st Sector,
HSR Layout (Behind HSR Layout Police Station)
Bengaluru – 560102
www.karnatakadigital.in

Beyond Bengaluru – pm.bb@karnatakadigital.in

Software Products & Services Including Global Capability Centres (GCCs) -
pm.gcc@karnatakadigital.in

ESDM – gm.marketing@karnatakadigital.in

Talent Accelerator – pm.ta@karnatakadigital.in

Start-up & Innovation – Siddhartha.anand@karnatakadigital.in

2. Government of Karnataka – Incentives and Offerings under various policies

2.1 IT Policy 2020-2025

2.1.1 Key Incentives and offerings:

- a. **Creation of Information Technology Hubs/ Clusters:** Financial support of up to 20% of Fixed Investment for Infrastructure (excluding the cost of land), subject to a ceiling of INR 3 Crores, whichever is lower. This shall be applicable for a minimum occupancy rate of 60% by IT/ ITeS entities (applicable in case of IT Hub/Cluster space being occupied by IT/ITeS entities) or for a minimum employment generation of 500 in the IT/ITeS industry.
- b. **Co-working Spaces/ Plug and Play Infrastructure:** Financial support of up to 33% of the Fixed Investment for Infrastructure (excluding the cost of land), with a ceiling of INR 2 Crores, whichever is lower. This shall be applicable for a minimum built-up area of the co-working space being 15000 sq. ft. and a minimum occupancy rate of 60% by IT/ ITeS entities or for a minimum occupancy by 300 professionals in the IT/ITeS industry.
- c. **Lease/Rental Re-imbursement:** Reimbursement at the rate of INR 10/- per sq. ft. will be provided for IT/ITeS entities setup outside Zone 3 up to a maximum amount of INR 3 lakhs overall, and that of INR 1000/- per-seat to IT-ITeS
- d. **Exemption on stamp duty:** IT/ ITeS Entities shall be entitled to an exemption of 75% in Mysuru, Hubballi, Dharwad and Mangaluru, and 100% for all other Zones except Zone 3 as per the prevailing Karnataka Industrial Policy
- e. **Power tariff concession:** instead of Commercial Power Tariff for IT/ ITeS industry in the State
- f. **Quality certificate cost reimbursement:** 50% reimbursement of cost of quality certification fee with an overall ceiling of INR 6 Lakhs (with maximum of 3 industry standard quality certifications) for IT/ ITeS Entities, setup outside Zone 3.

- g. Marketing cost reimbursement:** 30% of actual cost incurred including travel for international marketing through trade show/exhibition participation, up to INR 5 lakhs per entity for IT/ ITeS Entities,
- h. Reimbursements on PF/ESI:** Reimbursement of PF/ESI for all IT/ITeS entities outside Zone 3, at the rate of INR 2000 per employee per month for 2 years for all new employment (only applicable for technical manpower) created.
- i. Patents cost re-imburement:** Up to INR 2 lakh for domestic patents and up to INR 10 lakhs for international patents.
- j. R&D Support:** For R&D projects driven by domestic IT/ITeS entities (not applicable to Indian subsidiaries of foreign entities) in the domain of emerging and 5G technologies, matching grants (in collaboration with industry) of up to a maximum of 33% of the total project R&D cost, or up to INR 1 crore, whichever is lower.
- k. Single Window Agency:** GoK has authorized Karnataka Udyog Mitra (KUM), Department of Commerce & Industries to act as the Single Window Agency for clearance of IT/ ITeS proposals.

2.1.2 Eligibility Criteria:

- The entity must be registered with KITS, Department of Electronics, IT, BT, and S&T, Government of Karnataka as an IT/ITeS entity.
- The entity shall be engaged in Information Technology (IT) or IT Enabled Services.
- The entity must have a registered office in Karnataka as per the companies Act, 2013, or the Entity should be registered as per the Karnataka Shops & Commercial Establishment Act, 1961.
- The entity employs at least 50% of its total qualified workforce in Karnataka, which shall not include contract employees.

Timelines:

- KITS shall submit its report on the application to the Approval Committee within 60 days from the receipt of the Application, for the selected Incentives and Offerings.
- The approval/rejection of the application shall be done within 45 days of the receipt of the Report by the Approval Committee.
- Any such timelines mentioned in this Operation Guidelines are subject to change due to the occurrence of any Force Majeure Event/occurrence of any other unavoidable circumstances that are beyond the control of the Department.

Processing Fees:

Registration Fee with KITS/Department. The maximum amount reimbursed to a single entity under various incentives, excluding financial support extended, shall be capped at INR 2 Crores for a single year and INR 10 Crores during the entire policy period. All the incentives, except patent reimbursement incentive, will be applicable from the date of registration of the IT/ITeS entity. For the Patent Reimbursement incentive, patent applications filed during the policy period will be considered.

Registration Fee with KITS/Department:

To avail incentives, concessions, and subsidy under the Karnataka IT Policy 2020-2025 the applicant must be registered with KITS/Department. Applicants are required to submit registration application as per the process. Upon successful verification of the submitted application and the assessment of all the facts and information, Applicants will be required to make a one-time registration processing fees payment as per the table below:

Fee Structure for Registration/Provisional Registration Certificate with KITS/Department	
Note: This fee is non- refundable	
Details	Registration Fee
IT/ITeS Entities	Rs. 10,000/- + (18% GST)
Infrastructure Developer	Rs. 10,000/- + (18% GST)

Application Processing Fee For Availing Benefits Under Karnataka IT Policy 2020-25

To avail incentives, concessions and subsidy under the Karnataka IT Policy 2020-2025, applicants are required to make a one-time application processing fee payment, as per the table below:

One-Time Application Processing Fee For Availing Benefits under Karnataka IT Policy 2020-25 Note: This fee is non- refundable	
Incentive & Offerings	Application Processing Fee
IT Hubs/Clusters Co-working Spaces/Plug and Play Infrastructure	Rs. 20,000/- + (18% GST)
Lease/Rental Reimbursement Exemption on Stamp Duty Power Tariff Concession Quality Certification Cost Reimbursement Marketing Cost Reimbursement Reimbursements of PF/ESI Patents Cost Reimbursement R&D Support	Rs. 10,000/- + (18% GST)

Types of Permitted Businesses/Entity:

A Private Limited Company or a Public Limited Company (as per the Companies Act 1956/2013), a Registered Partnership Firm (under the Partnership Act, 1932) or Limited Liability Partnership (under the Limited Liability Partnership Act, 2008)

List of Documents Required:

Applicants shall submit their online application for registration with KITS/ Department along with the following documents as mentioned below:

1. Dully filled Application in the prescribed format as per the application form in the website.
2. Undertaking to be submitted by the Applicant in the prescribed format
3. Submit financial details

Existing entities

- i. Audited financial statements for the last one year of operations from the date of submission of the application.
- ii. Annual Reports for the last one year from the date of submission of the application

Newly established entities

- i. Self – attested detailed project reports on the business that includes financial projections for the next three years.
4. Copy of Certificate of Incorporation and Supporting Document
- i. If the Applicant is a Public/Private Company (under The Indian Companies Act, 1956/2013 and subsequent amendments)
 - Copy of Certificate of Incorporation
 - Copy of Memorandum of Association and Articles of Association
 - ii. If the Applicant is a Partnership Firm or a Limited Liability Partnership (registered Partnership Firm under The Indian Partnership Act 1932 or Limited Liability Partnership Act 2008)
 - Copy of Registration Certificate
 - Copy of Partnership Deed
 - iii. If the Applicant is a Proprietorship Firm
 - Copy of Registration Certificate under applicable Shops and Establishment Act

5. Self-attested Copy of Rental Agreement/Lease deed agreement/Khata (In case the Applicant has more than one Unit, submit document for each, as applicable)
6. Passport sized photograph of the authorized signatory of the applicant
7. Self-attested copy of GST Registration Certificate
8. Self-attested copy of PAN Card
9. Self-attested copies of the Detailed Project Report and first sale invoice of products/services provided to support nature of IT/ITeS activities undertaken

Applicants who have successfully registered with KITS or the Department shall be qualified to apply online through the website, www.itbtst.karnataka.gov.in.

IT Policy Operation Guidelines: <https://itbtst.karnataka.gov.in/storage/pdf-files/IT%20Policy-OPG%202021.pdf>

2.2 ESDM Policy 2017-2022

2.2.1 Key Incentives and offerings:

In order to avail the policy incentives, the ESDM company must be registered with KITS as a KESDM company.

- a. **Patent Registration Incentive:** Registered KESDM companies will be reimbursed the actual costs, up to a maximum of INR 2 Lac for filing a domestic patent; and up to a maximum of INR 10 Lacs for filing an international patent.
- b. **International Marketing Incentive:** Govt. of Karnataka will provide reimbursements of 50% of the actual cost incurred in trade show participation and marketing events.
- c. **R&D Grant:** The R&D grant will be available to only those companies that are less than 7 years old (from the date of incorporation). For startups and MSMEs, the available Grant (as percentage of expenses) is 25%, while for large & mega enterprises the available Grant (as percentage of expenses) is 10%

- d. **Capital Subsidy:** The Govt. of Karnataka will provide up to 10% capital subsidy, up to a maximum of INR 10 Crores to registered KESDM companies, which will be applicable to the first two anchor units in each greenfield cluster.
- e. **Reimbursement of Quality Certification Costs:** Registered KESDM Startups and MSMEs will be eligible for reimbursement of up to 50% of testing/certification charges incurred for getting the products tested/certified from any lab domestic/abroad.
- f. **Reimbursement of Prototyping Cost:** reimbursement of 50% of the cost incurred for developing a prototype of a product. This will be subject to an upper limit of INR 10 Lacs per year, with an allowance of a maximum of 2 sanctions per year per company.
- g. **PF / ESI Incentive:** Registered KESDM Startups & MSMEs will be reimbursed Provident Fund (PF) or Employee's State Insurance (ESI) of INR 2,000 per employee per month for two years subject to total reimbursement of up to INR 12 Lacs.
- h. **Interest Subsidy:** Interest subsidy of up to 6% per annum on term loans for a period of five years for loans of up to INR 50 Lacs
- i. **Exemption from Stamp Duty:** 100% in case of startups and MSMEs and 75% in case of large and mega enterprises
- j. **Reimbursement of Land Conversion Fee:** 75% in case of startups and MSMEs and 50% in case of large and mega enterprises
- k. **Concessional Registration Charges:** concessional rate of INR 1 per INR 1000 on registration charges for all loan documents, lease deeds and sale deeds.
- l. **Power Tariff Concession:** Industrial Power Tariff (instead of commercial power tariff) will be applicable to registered KESDM companies to set up in Karnataka and other associated industry within the state.

- m. Subsidy for setting-up ETP:** An upper limit of INR 50 lakhs in case of startups and MSMEs and INR 1 crore in case of large and mega enterprises

2.2.2 Eligibility Criteria:

The following are the criteria which should be satisfied by the company for registering as an ESDM Company under the policy:

1. Nature of business:

The company or entity should be engaged in one of the following businesses:

- Manufacturing and or design of electronics products such as Telecom Systems / Mobiles / IT Systems And Hardware / Consumer Electronics / Medical Electronics / Avionics / Industrial Electronics / Defence & Strategic Electronics / Automotive Electronics / Information & Broadcasting Equipment / etc.
- Manufacturing of intermediates such as PCBs / semiconductors / chip components / ICs / components
- Electronics Manufacturing Services (EMS)
- Design / IP / Software services for electronics products
- Any other electronics verticals / products covered by the National Policy on Electronics (NPE) / National Manufacturing Policy (NPM) and related notifications, as issued by the Govt. of India from time to time.

2. Location: The company or entity should be registered in Karnataka under the Karnataka Shops and Commercial Establishment Act, 1961.

3. Employment: The company or entity employs at least 50 percent of its total workforce in Karnataka, which should not include contract employees.

4. Value Addition: The company or entity should do value addition within the state, in-line with the below formulae:

Year	Minimum percentage of value addition
Year 1	25%
Year 2	30%
Year 3	35%
Year 4	40%
Year 5	45%

Product Price (Ex-factory)	A
Cost of Bill of Material (BOM) in 'A'	B (including software design, IP)
BOM sourced from domestic manufacturers	C (including software design and IP design)
Value addition in terms of BOM	$(C/B) * 100$

Applicants who have successfully registered with KITS or the Department shall be qualified to apply online through the website, www.itbtst.karnataka.gov.in.

One time registration charge of Rs.10,000/- + GST. The payment is done through an online payment gateway.

Please find the Link for Online ESDM Registration:

Registration Link: (Please choose the Sector as ESDM)

<http://registration.k-tech.org/>

2.3 Startup Policy 2022-2027

2.3.1 Key Incentives and offerings:

- Encouraging Entrepreneurship in Education through New Age Incubation Network (NAIN):**
which covers at least 50 academic institutions by provisioning grants for supporting operational expenses in their incubator e.g. salaries of regional coordinators, mentoring programs, networking meetings, conducting Hackathons etc., providing an annual financial support for projects for up to Rs. 3 lakhs per project, undertaking training and capacity building for faculty and students.

- b. Fostering strong partnerships between R&D institutions and Industry:** To encourage research activities Beyond Bengaluru, Government will assist in setting up of 6 TBIs in IT/Electronics and 3 TBIs in Biotechnology, with a funding support of upto INR 10 Crore per TBI for over a period of 5 years. The TBIs shall forge a strong link between R&D and commercialization of technologies in Academic/Technical/ R&D Institutions. TBIs in emerging areas like Additive Manufacturing, AI/ML, Digital Twin Technology, Language Technologies, Computer Vision, AR/VR, Blockchain, Quantum Technologies and Web 3.0, Clean Energy Solutions, Agriculture and allied fields, Education; etc. would be promoted. Funding support and assistance will be provided towards operational expenditure of the TBI on a case-to-case basis.
- c. Funding for Startups:** Funding will be in the form of Idea2PoC Grant-in-aid limited to a one-time grant of up to Rs. 50 lakhs to be released in tranches based on the life cycle of the business plan. The Government will provide funding through a Venture Capital Fund of INR 100 Crores to support emerging innovative and deep tech startups in Artificial Intelligence, Machine Learning, Electric Vehicles, MedTech, Robotics, Drones, and other such disruptive technologies across all sectors. To support growth stage startups established outside Bengaluru Urban District, Government will provide funding support through Beyond Bengaluru Cluster Seed Fund, dedicated to the emerging technology clusters i.e., Mysuru, Hubballi and Mangalore which will enable scaling up of the startups.
- d. Supporting Mentorship and Creation of Incubation and Acceleration Infrastructure:** One-time capital grant of max. 50% or INR 50 Lakhs (whichever is less) for Fixed Cost Investment (excluding land & building) will be provided for setting up incubators in emerging technology clusters Beyond Bengaluru. Government will augment the capacity of the established incubation centres located outside Bengaluru Urban District by providing one-time capital grant of 50% of Fixed Cost Investment (excluding land & building), with a ceiling of INR 25 Lakhs, whichever is lower, for scaling up infrastructure such as upgradation/expansion of workstations, interiors, labs etc. of the facility.
- e. Building Inclusive & Equitable Startup Ecosystem:** To nurture and accelerate the growth of women entrepreneurs in the State, with the following initiatives:
 - Exclusive Idea2PoC/ Seed funding program for women entrepreneurs from Beyond Bengaluru
 - Earmarking 25% of the INR 100 Crore venture capital fund to women startups
 - Accelerate women startups through Elevate Women - 'Acceleration and Incubation Programme'

- Reservation of 20% seats at Government supported incubators for women startups
- Direct loan of up to INR 10 Lakh through Karnataka State Women Development Corporation to women startups

Social Inclusion has been an integral theme of the Startup policy. Entrepreneurs spread across geographies and from different sections of the society are being Karnataka Startup Policy 2022-2027 actively supported over the years, and the Government intends to carry forward this vision through the following initiatives:

- The State Government will facilitate setting up a Centre of Excellence for Assistive Technology (AT) with a grant/funding support of INR 15 Crore to develop innovative products and solutions for Differently abled community and senior citizens, in collaboration with Department of Empowerment of Differently Abled and Senior Citizens, academia, and industry partners.
- Elevate-Unnati will be conducted by Government for supporting startups promoted by SC/ST entrepreneurs.
- Dedicated programmes to assist startups founded by entrepreneurs from different sections of the society like OBC and Minority category.
- Identify, support and nurture startups from aspirational districts of Kalyan Karnataka region.
- Organize capacity-building programs for Transgender community and Differently Abled Entrepreneurs to foster their ideas.

- f. Fostering Social and Rural Entrepreneurship:** Government intends to establish Rural Innovation Centre with a funding support of up to INR 15 Crore at a government academic institution set up Beyond Bengaluru, and by partnering with local ecosystem players like incubators/ accelerators/ premier academic institutes. The objective of the Centre is to strengthen the regional entrepreneurial ecosystem to accelerate growth of grassroot and rural startups.

Subsidy of up to INR 1 Lakh as internship fees per startup for hiring maximum 3 interns from Beyond Bengaluru for period of minimum of 6 months for about 50 Startups annually. This can be availed once during the policy period.

g. Channelizing Innovation for Social Impact: Grand Challenges Karnataka (GCK) – Innovative solutions for social impact:

Each year 3 challenges will be announced in collaboration and funding support of different Government Departments/Corporates. The winners will be awarded an initial grant of INR 10 Lakhs to test and demonstrate the solution and a follow-on funding of INR 50 Lakhs for deployment of solution.

To support ambitious efforts to achieve a sustainable society and to stimulate transition towards Circular Economy, a consortium of concerned State Government Departments, led by Department of Electronics, IT, BT and S&T, shall be constituted to identify and implement suitable interventions with Funding support of up to INR 5 Crore shall be allocated by the Government.

Government will setup a dedicated Resource Centre to encourage and support Circular Economy Innovation startups with a funding support of up to INR 50 lakhs during the policy period.

Government will conduct acceleration program with a funding support of INR 40 lakhs/Cohort annually to support startups working on products/services that align to

Sustainable Development Goals (SDGs) including Renewable Energy / Sustainability /Climate Change/ Circular Economy

h. Providing State support in the form of incentives & concessions:

- Reimbursement of State GST - Beyond Bengaluru Startups, incubated in GoK supported incubators and CIFs with a maximum annual turnover of INR 1 Crore shall be eligible for 100% reimbursement of annual State GST (SGST), within first three years of being incubated.
- Marketing Cost Reimbursement - Government shall provide reimbursements of 30% of the actual costs including travel incurred in international marketing through trade show participation. This incentive will be subject to a maximum of INR 5 Lakhs per year per startup.
- Patents Filing Cost Reimbursement –
 - i. The cost of filing and prosecution of patent application will be reimbursed to the startups incubated in GoK supported incubators and CIFs subject to a limit of INR 2 Lakhs per Indian patent awarded. For awarded foreign patents on a single subject matter, up to INR 10 Lakh would be reimbursed.
 - ii. The reimbursement will be done in 2 stages, i.e., 75% after the patent is filed and the balance 25% after the patent is granted.

- Quality Certification Cost Reimbursement - 50% reimbursement of cost of quality certification fee with an overall ceiling of INR 6 Lakhs (with maximum of 3 industry standard quality certifications) for Startup outside Bengaluru Urban District

2.3.2 Eligibility Criteria:

To avail the policy incentives and concessions, the entity should meet the definition of Startup as per the Startup Policy and must be registered with Karnataka Startup Cell under Karnataka Innovation & Technology Society (KITS), Department of Electronics, IT, BT and S&T, GoK as a Startup.

Definition of Start-ups:

An entity will be considered as a Startup on fulfilling the below conditions defined by Government of Karnataka which is in line with the definition of GoI notification. However, the Policy will adopt the amendments and changes made to the definition by Government of India from time to time.

1. The Startup should be incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in Karnataka.
2. Turnover of the entity for any of the financial years since incorporation/registration has not exceeded INR 100 Crores.
3. An entity shall be considered as a Startup up to 10 years from the date of its incorporation.
4. The Startup should be working towards innovation/ improvement of existing products, services and processes and should have the potential to generate employment/ create wealth.

Applicants who have successfully registered with Startup Cell shall be qualified to apply online through the website, <https://www.missionstartupkarnataka.org/?en>

Startup Policy Operation Guidelines:

<https://www.missionstartupkarnataka.org/policies?en>

2.4 Engineering Research & Development (ER & D) Policy 2021-2026

2.4.1 Key Incentives and offerings:

- a. **Rental Reimbursement (applicable for Engineering R&D Entities (GCCs)):** GoK will provide reimbursement of 50% of rent, up to INR 2 crores or INR 1666 per employee per month, to an MNC Indian entity setting up or expanding GCCs in Engineering R&D beyond Bengaluru Urban District.
- b. **Recruitment Assistance:** GoK will provide recruitment assistance of INR 20 lakhs to an MNC Indian entity setting up or expanding operations, beyond Bengaluru Urban District. Only one application per entity will be allowed during the policy period.
- c. **Investment Subsidy:** GoK will provide an investment subsidy equal to 20% of investment, up to INR 2 crores, to an MNC Indian entity setting up or expanding GCCs in Engineering R&D , beyond Bengaluru Urban District.
- d. **Case to Case Basis Offerings across the State:** For applicant with investment size of INR 250 crores and above during the policy period or applicant providing employment of greater than or equal to 3000 people.
- e. **Engineering R&D Fund to support Technological Innovation:** GoK will provide a conditional grant up to 40% of the approved R&D expenditures, up to INR 8 crores per entity for entities that focus on development of innovative offerings that leverage cutting-edge technologies (e.g. IoT, AI/ML, AR/VR, Blockchain, Robotics, Digital twin, Predictive/advance Analytics, Advanced Manufacturing, etc.)
- f. **R&D Infrastructure Program to create and strengthen the testing and prototyping infrastructure:** provisioning a grant for the establishment of testing and prototyping infrastructure, as a consortium/ joint activity of a group of GCCs & ESPs, anchored by KDEM. GoK will provide a grant of up to 40% of the approved budget or INR 50 crores, whichever is lower (for 3 units located in 3 different locations beyond Bengaluru Urban District).

- g. Innovation Labs Program to encourage open innovation:** The Innovation Labs Program seeks to setup corporate-led Engineering R&D incubators/ accelerators, as standalone units by GCCs & ESPs. located across Beyond Bengaluru Urban District, across priority sectors of the policy. GoK will provide a funding equivalent to 33% of the costs, up to INR 8 crores per entity for establishment of innovation labs beyond Bengaluru Urban District.

2.4.2 Eligibility Criteria:

To avail the policy incentives and concessions, an entity must belong to one of the following categories:

- .1. MNC Indian entities setting up or expanding GCCs with global revenue of USD 2 billion and above and with commitment of minimum employment of 200 and MNC Indian entities setting up or expanding GCCs with revenue of INR 200 crores and above for Offerings

State Government Universities/ State Government Universities' Affiliated Colleges based in Karnataka and students enrolled in these academic institutions.

Additionally,

i. NATURE OF BUSINESS:

All legal entities operating in the Engineering R&D industry.

ii. LOCATION:

The entity should have registered office in Karnataka as per the Companies Act, 2013 or the Entity should be registered as per the Karnataka Shops & Commercial Establishment Act, 1961. Entities should either be setting up or expanding their Engineering R&D operations in Karnataka.

iii. EMPLOYMENT:

- a. At least 50% of the entity's total qualified workforce should be based out of Karnataka, which should not include contract employees; and
- b. The entity to provide at least 25% employment to women personnel, as may be otherwise stated in a specific Offering.

2.5 AVGC Policy 2017-2022

2.5.1 Key Incentives and offerings:

The maximum amount reimbursed to a single company under various incentives would be capped at INR 5 Crores for a single year and INR 15 Crores during the policy period.

- **Production grant for game development:** INR 20 Lakhs, Maximum of INR 30 Lakhs per year per company.
- **Production Grant for Animation Movies:** Support up to INR 1Crore.
- **Patent Registration Incentive:** INR 2 Lacs for domestic; INR 10 Lacs for International. 75% given when patent is filed, rest 25% when it is granted.
- **International Marketing Incentive:** INR 5 Lacs per year, to be claimed within 6 months of making the expense.
- **PF/ESI Incentive:** Support up to INR 12 Lacs, only for the Companies who are less than 2 years old.
- **International Productions – PDV:**
 - a. mid-sized productions up to INR 2 crores, which is 3 per year. Maximum reimbursement of INR 5 crores for a single company in a year.
 - b. Big-sized productions up to INR 3.75 crores, which is 3 per year. Maximum reimbursement of INR 5 crores for a single company in a year.
- **International Productions – Game Art development:**
 - a. mid-sized projects up to INR 75 Lakhs, which is 3 per year. Maximum reimbursement of INR 2.5 crores for a single company in a year.
 - b. Big-sized projects up to INR 1.5 Crores, which is 3 per year. Maximum reimbursement of INR 2.5 crores for a single company in a year.

2.5.2 Eligibility Criteria:

Only registered KAVGC companies can apply for the subsidies/incentives/grants available under this policy.

A first-time applicant needs to apply for registration as a KAVGC company by completing the KAVGC registration form. There is a one-time charge of INR 10,000 for KAVGC registration that should be paid as a demand draft in favour of "Managing Director, KITS". If the company has previously registered as a Karnataka IT-BT company, there is no charge. Instead, the

company may attach a copy of the Karnataka IT-BT registration certificate along with its application.

Location: The company or entity should be registered in Karnataka under the Karnataka Shops and Commercial Establishment Act, 1961.

Employment: Company employs at least 50 percent of its total workforce in Karnataka, which will not include contract employees.

Interested companies can apply for KAVGC registration through the online portal www.itbtst.karnataka.gov.in.

2.6 Data Centre Policy 2022-2027

2.6.1 Key Incentives and offerings:

- a. **Capital Subsidy:** Data Centre Units shall be eligible to get one-time 7% capital subsidy up to INR 10CR on value of fixed assets excluding land and building, outside Bengaluru urban district. The same shall be disbursed within 5 years with an annual ceiling of INR 2 Crores.
- b. **Land Subsidy:** 10% land subsidy shall be provided to data centres on purchase/lease of land outside Bengaluru urban district. Land subsidy will be provided for land area up to and not exceeding 10 acres and on actual procurement cost if procured from KIADB or any other agencies of GoK. The subsidy for land procured from other sources will be as per the guidance value of land at the time of procurement. Cap on the maximum amount of land subsidy shall be limited to 10% of the total land cost or INR 3 crore, whichever is less.
- c. **Exemption of stamp Duty:** 100% exemption on stamp duty, upto 10 acres for data centres outside Bengaluru Urban district.
- d. **Concessional Registration Charges:** INR 1/- per INR 1000/- on registration charges for all loan documents, lease deeds and sale deeds for data centres outside Bengaluru Urban district.

- e. **Exemption of Land Conversion Fees:** 100% exemption of land conversion fees for converting the land from agriculture use to industrial for data centres outside Bengaluru Urban district.
- f. **Power Tariff:** Eligibility of Industrial Power Tariff instead of commercial power tariff for new and existing data centre entities in the state, as applicable for IT/ITES entities. This will be eligible for Data Centres who have a minimum of 30% green energy component in total power consumption.
- g. **Green Power Tariff Re-imbursement:** Data centres using energy from renewable sources above 50% will be re-imbursed INR 0.50 surcharge per unit for 5 years. Data centre entities shall be eligible for green power tariff re-imbursement of upto 5MW, capped at INR 1.25 Crore. The same shall be disbursed within 5 years with an annual ceiling of INR 25 Lakhs.
- h. **Exemption from Electricity Duty:** 100% for 5 years from the month of commencement of commercial operation.

2.6.2 Eligibility Criteria:

To avail incentives, concessions and subsidies under the Policy, the applicant must be registered with KITS/Department. Applicants are required to submit registration application as per the process.

Upon successful verification of the submitted application and the assessment of all the facts and information, Applicants will be required to make a one-time registration processing fees payment as per the table below:

Fees Structure for Registration/Provisional Registration Certificate with KITS/Department	
<i>Note: This fee is non- refundable</i>	
Details	Registration Fee
Data Centre Operators/ Developers/ Service Providers	Rs. 10,000/- + (18% GST)

The details of the process along with the required application forms and documents are also available on the website of the Department at www.itbtst.karnataka.gov.in

2.7 Biotechnology Policy 2017-2022

2.7.1 Key Incentives and offerings:

Policy objectives:

- a. Simplify administrative and clearance processes to create an enabling environment for the public and private sectors to invest across the biotech value chain.
- b. Conduct coordinated and integrated R&D.
- c. Leverage IT and other technology (ESDM / AVGC) capabilities of the state to encourage development of Bio-IT tools and solutions.
- d. Institute funding mechanisms and mentorship programs for biotech start-ups to stimulate innovations and discoveries.

Policy incentives:

Only registered Biotechnology companies can apply for the subsidies / incentives / grants available under this policy.

A first-time applicant needs to apply for registration as a Biotechnology company by completing the Biotech registration form through the online portal <https://itbtst.karnataka.gov.in>.

- a. **Anchor Unit Subsidy:** Available for the first two manufacturing enterprises with a minimum employment of 50 – 100 members and a minimum green field investment of 50 Crores

Applicability - Anchor Investment Subsidy of INR 5 Crore shall be available for the first two new manufacturing enterprises with minimum employment of 50 - 100 members and minimum green field investment of INR 50 Crore in each of the taluks. This subsidy will be applicable only in taluks where no such manufacturing or industrial enterprises with an investment of INR 50 Crore and above currently exist.

- b. **Reimbursement of Costs for Preparation of Project Report:** Refund of cost incurred for preparation of project report, up to a maximum of INR 1 Lakh

Applicability - The cost incurred for preparation of project reports by TECSOK/CEDOK/KSFC or any other recognized institutions for availing term loans shall be reimbursed to the enterprises with a cap of INR 1 Lakh or 75% of the cost incurred

per unit. The enterprises with annual turnover not exceeding INR 50 Crore are eligible for availing the incentive.

- c. **Power Tariff Concessions:** A recommendation certificate from KITS, Department of Electronics, IT BT and S&T to ESCOM to help in power tariff concession.

Applicability - Industrial Power Tariff (instead of commercial power tariff) will be applicable to registered Biotech companies including start-ups, MSMEs, large scale units engaged in Biotechnology Activities in Karnataka. This will be subject to Karnataka Electricity Regulatory Commission (KERC) regulations.

- d. **Interest subsidy** (6%) for Technology up-gradation for MSMEs for a loan of maximum of INR 50 Lakhs for 5 years

Applicability - Interest subsidy of up to 6% per annum on term loans taken during the policy period will be provided for the New or existing MSMEs which take up Expansion/ Modernization/ Diversification programme (Both own and Financed enterprises)

- e. **Standardization Certificate:** Financial assistance of up to 50 % of the cost incurred in obtaining a standards certificate such as ISO / BIS / GLP /GMP / NABL (maximum of INR 5 Lakhs per case)

Applicability - The enterprises with annual turnover not exceeding INR 50 Crore are eligible for availing the incentive.

- f. **Patent Registration:** Financial assistance towards the cost of filing and prosecution of patent application up to a limit of INR. 2 Lakhs per Indian Patent awarded; and for awarded international patents on a single subject matter up to INR 10 Lakhs.

Applicability – Patent incentive will be provided to patents filed or granted during previous policy period or within the current policy period. The enterprises with annual turnover not exceeding INR 50 Crore are eligible for availing the incentive.

- g. **Marketing Incentives:** Reimbursement of 30% of the actual costs incurred for international marketing programs, subject to a maximum of INR 2 Lakhs per year per company

Applicability - The incentive will include registration, travel, boarding and lodging expenses, and exhibition stall rentals. The enterprises with annual turnover not exceeding INR 50 Crore are eligible for availing the incentive.

Website:

<https://itbtst.karnataka.gov.in/english>

<https://itbtst.karnataka.gov.in/info-3/Company++Registration+Information/en>

<http://registration.k-tech.org/>

2.8 Electric Vehicles and Energy Storage Policy 2017

2.8.1 Key Incentives and offerings:

Karnataka Electric Vehicles and Energy Storage Policy 2017 to make Karnataka a preferred investment destination for electric vehicle manufacturing by leveraging the benefits and opportunities available for the continued growth of this promising segment.

1. Support for EV Charging Infrastructure Under Karnataka EV Policy

Availability of charging infrastructure is a prerequisite for electric mobility. The government of Karnataka will develop charging infrastructure as a commercially viable business venture that attracts private investment. It is proposed to adopt BIS standards for charging equipment, mandating charging infrastructure in public buildings, amending building bylaws for provision of charging outlets, regular electricity supply, etc.

To support charging infrastructure the following measures will be taken:

The government of Karnataka in association with Industry & Academia will come out with standards for battery, charging infrastructure & swapping mechanisms, etc to build an interoperable network where different vehicles from different OEM COI1 participate; and recommend to the Government of India.

- The government of Karnataka will encourage private players to set up the Automotive Research Association of India (ARAI)-compliant/BIS Standard, EV charging Systems/infrastructure.

- The government of Karnataka will identify potential places and provide land belonging to Government / Government agencies, wherever available, on a long lease basis for setting up EV fast-charging stations and battery swapping infrastructure by following a transparent bidding process.
- A Special Purpose Vehicle (SPV) involving BBMP, BMTC, BESCOM, KREDL, KIADB, and other related agencies will be mooted for the creation of Charging infrastructure in Bengaluru.
- The government of Karnataka will offer incentives by way of investment subsidy for setting up the first lot of 100 fast-charging stations.
- The government of Karnataka will facilitate providing the required electricity supply from the grid and examine special tariffs at commercially viable rates for EV charging stations.
- ESCOMs will examine bringing in amendments to their policies and allow re-sale of power to encourage the setting up of charging stations.
- ESCOMS will examine permitting the use of solar energy / renewable energy at Mw connection cost and offer zero wheeling charges by EV charging stations.
- To facilitate EV mobility on highways between prominent cities with a heavy density of vehicles such as the Bengaluru-Mysur highway and others, a fast-charging station/ battery swapping infrastructure will be provided at every 50 kilometers.
- Amendments will be made to building bye-Mws for providing charging infrastructure for EVs in all high-rise buildings/ new SEZ / TechnoMgy Park / Apartments in the State.
- Existing apartment associations will be encouraged to provide a special dedicated plug/charging station facilitating the adoption of EVs by their members.
- BMRCL / BMTC / KSRTC / BBMP will provide charging stations for two-wheelers at their parking stations to encourage EVs for Mst mile commute.
- Charging infrastructure for personal transport vehicles of Government employees would be made available at Vikasa Soudha Basement/ Multistoried Building parking area and covered parking areas in all Government buildings across the State
- Encourage toot / or pay-per-use business models with battery-swapping station network, integrated payment, and tracking system in partnership with BMTC and other private players.
- The government of Karnataka will facilitate deploying used EV batteries for solar application, create a secondary market and provide battery disposal infrastructure in a PPP model.

2. Incentives and Concessions to Electric Vehicle & Components Manufacturing Enterprises

All the EV manufacturing Enterprises will be eligible for the incentives and concessions.

Manufacturing Enterprises of components required for Electric Vehicles such as Motors, Power Trains, Power Electronics kits, etc. will be eligible for incentives and concessions as per the policy subject to the approval of the Technical Committee which would be substituted & mandated to define/certify EV component manufacturing enterprises.

The following incentives & concessions Will be offered:

- A Micro, Small & Medium Enterprises A. Investment Promotion Subsidy
 - a. Micro Enterprises 25% of the Value of Fixed Assets (VFA) (max. Rs. 15.00 lakh)
 - b. Small Enterprises 20% of the Value of Fixed Assets (VFA) (max. Rs.40.00 lakh)
 - c. Medium Manufacturing Enterprises Rs.50.00 lakh
- Exemption from Stamp Duty 100% Stamp duty to be paid in respect of
 - d. loan agreements, credit deeds, mortgage and hyphenation deeds executed for availing loans from State Government and/or State Financial Corporation, National Level Financial Institutions, Commercial Banks, RRBs, Co-operative Banks, KVIB/KVIC, Karnataka State SC/ST Development Corporation, Karnataka State Minority Development Corporation and other institutions which may be notified by the Government from time to time and
 - e. for lease deeds, lease-cum-sale, sub-lease, and absolute sale deeds executed in respect of industrial plots, sheds, industrial tenements by KIADB, KSSIDC, KEONICS, Industrial Co-operatives and approved private industrial estates/parks shall be exempted.
- Concessional Registration Charges: For all loan documents, lease deeds, and sale deeds as specified in B above, the registration charges shall be at a concessional rate of Rs.1 per Rs.1000.
- Reimbursement of Land Conversion Fee 100% of the land conversion fee for converting the land from agriculture use to industrial use will be reimbursed.
- Subsidy for Setting up Effluent Treatment Plant (ETP) One-time capital subsidy up to 50% of the cost of ETP, subject to a ceiling of Rs. 50 lakh.

- Exemption from Tax on Electricity Tariff 10096 exemption of duty/tax on electricity tariff for the initial period of five years.

3. Incentives and Concessions to Large, Mega, Ultra Mega, and Super Mega Enterprises

- Exemption from Stamp Duty 100% Stamp duty to be paid in respect of
 - a. loan agreements, credit deeds, and hypothetical deeds executed for availing loans from State Government including VAT /SGST loan from Department and/or State Financial Corporation, Industrial Investment Development Corporation, National Level Financial Institutions, Commercial Banks, RRBs, Co-operative Banks, and other institutions which may be notified by the Government from time to time only and
 - b. for lease deeds, lease-cum-sale, sub-lease, and absolute sale deeds executed in respect of industrial plots, sheds, industrial tenements, by KIADB, KEONICS, KSIIDC, Industrial Co-operatives, and approved private industrial estates/parks shall be exempted.
- Concessional Registration Charges: For all loan documents, lease deeds, and sale deeds as specified in A above, the registration charges shall be at a concessional rate of Rs.1.00 per Rs.1,000.
- Reimbursement of Land Conversion Fee: 100% of the land conversion fee for converting the land from agriculture use to industrial use will be reimbursed.
- Subsidy for Setting up ETPs: One-time capital subsidy up to 50% of the cost of Effluent Treatment Plants (ETPs), subject to a ceiling of Rs. 200 lakhs.

4. Incentives and Concessions to EV Battery Manufacturing/Assembly Enterprises

The State has set itself a target of inviting investments in setting up to 5 GWh of EV Battery manufacturing capacity which is expected to generate 5,000 direct employments in this industry and around 7,500 more in the overall EV Battery manufacturing/Assembly supply chain. All the EV Battery manufacturing/ Assembly Enterprises will be eligible for the incentives and concessions.

Manufacturing and assembly of the major component required for Electric Vehicles such as lithium-ion batteries will be eligible for incentives as per the policy subject to the approval of the Technical Committee which would be constituted & mandated to certify/define EV battery manufacturing enterprises.

The following incentives & concessions will be offered:

- Investment Promotion Subsidy - Micro, Small & Medium Enterprises
 - c. Micro Enterprises 25% of the Value of Fixed Assets (VFA) (max. Rs. 15.00 lakh)
 - d. Small Enterprises 20% of the Value of Fixed Assets (VFA) (max. Rs.40.00 lakh)
 - e. Medium Manufacturing Enterprises Rs.50.00 lakh

Investment Subsidy of 20% of the Value of Fixed Assets (VFA) (max. Rs. 20 Crore per project) will be available for the first TWO units in the State.

- Exemption from Stamp Duty for all EV Cell Manufacturing, EV Battery Pack/Module Manufacturing & Assembly Enterprises 100% Stamp duty to be paid in respect of
 - f. loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing loans from State Government including VAT /SGST loan from Department and/or State Financial Corporation, Industrial Investment Development Corporation, National Level Financial Institutions, Commercial Banks, RRBs, Co-operative Banks, and other institutions which may be notified by the Government from time to time only and
 - g. for lease deeds, lease-cum-sale, sub-lease, and absolute sale deeds executed in respect of industrial plots, sheds, industrial tenements, by KIADB, KEONICS, KSIIDC, Industrial Co-operatives, and approved private industrial estates/parks shall be exempted.
- Concessional Registration Charges for all EV Cell Manufacturing, EV Battery Pack/Module Manufacturing & Assembly Enterprises: For all loan documents, lease deeds, and sale deeds as specified in 2 above, the registration charges Shall be at a concessional rate of Rs. 1.00 per Rs. 1,000.
- Reimbursement of Land Conversion Fee for all EV Cell Manufacturing, EV Battery Pack/Module Manufacturing & Assembly Enterprises: 100% of the land conversion fee for converting the land from agriculture use to industrial use will be reimbursed.

- Exemption from Electricity duty for EV Cell Manufacturing MSMEs, EV Battery Pack/Module Manufacturing & Assembly MSMEs: 100% exemption of electricity duty/tax on electricity tariff shall be available for an initial period of five years for MSMEs.
- Subsidy for Setting up ETPs for all EV Cell Manufacturing, EV Battery Pack/ Module Manufacturing & Assembly Enterprises

2.9 Aerospace & Defence Policy 2022-2027

2.9.1 Key Incentives and Concessions:

The following incentives and concessions shall be offered to Aerospace and Defence units under this policy:

Incentives and Concessions for MSME's

1. Investment Promotion Subsidy for Micro & Small Enterprises

General Category

Micro Enterprises

Zone 1: 30% of VFA (Max of INR 25 Lakh)

Zone 2: 25% of VFA (Max of INR 20 Lakh)

Zone 3: 25% of VFA (Max of INR 20 Lakh)

Small Enterprises

Zone 1: 25% of VFA (Max of INR 100 Lakh)

Zone 2: 20% of VFA (Max of INR 90 Lakh)

Zone 3: 20% of VFA (Max of INR 90 Lakh)

VFA - Value of Fixed Assets

Special Category (SC/ST, Women, Minorities, Physically Challenged and Ex-Servicemen Entrepreneurs)

Micro Enterprises

Zone 1: 35% of VFA (Max of INR 30 Lakh)

Zone 2: 30% of VFA (Max of INR 25 Lakh)

Zone 3: 30% of VFA (Max of INR 25 Lakh)

Small Enterprises

Zone 1: 30% of VFA (Max of INR 105 Lakh)

Zone 2: 25% of VFA (Max of INR 95 Lakh)

Zone 3: 25% of VFA (Max of INR 95 Lakh)

Note: The above incentives include additional subsidy of 5% of VFA
(Max. of INR 5 Lakhs)

2. Investment Promotion Subsidy for Medium Enterprises

Minimum direct employment 20 number for first INR 10 Crore and Additional 7 employment for every additional investment of INR 10 Crore proportionately.

For Both General category and Special category

Zone	Turnover Percentage	Maximum Period	VFA Limit
1	2.50%	6	40% of VFA
2		5	35% of VFA
3		5	35% of VFA

NOTE: Medium Enterprises can avail an investment promotion subsidy to an extent of % turnover in each financial year for a maximum period as above from the date of commercial production. Such cumulative investment promotion subsidy availed will be limited to either the period or VFA limits whichever is reached earlier and no carry forward is permitted.

3. Exemption from stamp duty for MSME's:

General Category:

Zone 1	100%
Zone 2	100%
Zone 3	75%

Special Category:

Zone 1	100%
Zone 2	100%
Zone 3	100%

4. Concessional Registration Charges for MSME's

All Zones and across all category: INR 1/- per INR 1,000/-

5. Reimbursement of Land conversion fee for MSME's

General Category:

Zone 1	100%
Zone 2	100%
Zone 3	75%

Special Category:

Zone 1	100%
Zone 2	100%
Zone 3	100%

6. Exemption from tax on Electricity Tariff for MSME's

General Category:

Zone 1	100% for 7 years
Zone 2	100% for 6 years
Zone 3	75% for 4 years

Special Category:

Zone 1	100% for 8 years
Zone 2	100% for 7 years
Zone 3	100% for 5 years

7. Power subsidy for Micro and Small enterprises

For All Zones reimbursement of cost of power paid at INR 1.00/- per unit consumed for a period of 3 years.

Technology Adoption & Innovation for MSME's

1. Interest subsidy on Technology Up-gradation loan

For Both General Category and Special Category

Zone 1	5% for 6 years
Zone 2	5% for 5 years
Zone 3	5% for 5 years

2. Technology Adoption

For all zones in General Category – 25% of cost (max. INR 50,000/-) for adopting technology from recognized national laboratories.

For all zones in Special Category – 50% of cost (max. INR 1,00,000/-) for adopting technology from recognized national laboratories.

3. Technology Business Incubation Centre (TBIC)

For All Zones in General Category – 25% of the cost of incubation centre (max. INR 50.00 Lakh)
(Min 1 TBIC in zone1)

For All Zones in Special Category – 50% of the cost of incubation centre (max. INR 60 Lakh)
(Min 1 TBIC in Zone1)

4. Incentives for Quality Certification

For All zones in General Category:

ISO Series Certification: 75% of cost (Max. INR 75,000/-)

BIS Certification: 50% of fees payable to BIS for Certification (Max. INR 20,000/-) & 25% of cost (max. INR 50,000/-) for purchase of testing equipment as approved by BIS.

As 9100 Series certification: 75% of cost (max. INR 75,000/-)

NADCAP Series certification: 75% of cost (max. INR 2,00,000/-)

For All zones in Special Category:

ISO Series Certification: 75% of cost (Max. INR 1,00,000/-)

BIS Certification: 50% of fees payable to BIS for Certification (Max. INR 25,000/-) & 25% of cost (max. INR 1,00,000/-) for purchase of testing equipment as approved by BIS.

As 9100 Series certification: 75% of cost (max. INR 1,00,000/-)

NADCAP Series certification: 75% of cost (max. INR 3,00,000/-)

WEConnect Certification for women owned business enterprises (WBE's)

For All Zones - For a period of 3 years maximum limit Rs. 75,000/-

100% of certification fees for the 1st year – max INR 30,000/-

90% of certification fees for the 2nd year – max INR 27,000/-

80% of certification fees for the 3rd year – max INR 18,000/-

Sustainability and responsible industrialization by MSME's

1. Rainwater Harvesting

For All Zones in General Category: 50% of cost of equipment (max. INR 2.00 lakh)

For All Zones in Special Category: 75% of cost of equipment (max. INR 2.50 lakh)

2. Wastewater Recycling

For All Zones in General Category: 50% of cost of equipment (max. INR 7.50 lakh)

For All Zones in Special Category: 75% of cost of equipment (max. INR 8.50 lakh)

3. Reimbursement of expenses incurred for

For All Zones both in General and Special Category: 75% subject to max. of INR 1.0 lakh each for water audit (one time)

Sustainability and Responsible Industrialization by MSMEs

1. Zero Discharge

For All Zones in General Category – 50% of cost of equipment (max. INR 7.50 Lakh)

For All Zones in Special Category – 75% of cost of equipment (max. INR 8.50 Lakh)

2. Subsidy for setting up ETP

For All Zones in General Category – 50% of cost of ETP (max. INR 50.00 Lakh)

For All Zones in Special Category – 75% of cost of equipment (max. INR 60.00 Lakh)

Incentives and Concessions for Large, Mega, Ultra Mega and Super Mega Enterprises

The details of standard package of Incentives and concessions offered for establishment of Aerospace and Defence Industries under Large, Mega, Ultra Mega, Super Mega category of enterprises are as under:

Focus sub-sectors:

The following sub-sectors are identified as focus sub-sectors under this policy:

1. Units providing integrated end assemblies for civil and defence aviation
2. Maintenance Repair & Overhaul (MRO)
3. Units manufacturing for space applications including LEO satellites
4. Composite Manufacturing and 3D Printing for Aerospace & Defence Applications
5. Electronic components manufacturing for Aerospace / Defence / Space Sector

a. The incentives applicable for focus sub-sectors 1, 2, 3 and 4 are as follows.

S.No.	Incentive Head	Quantum
1	Capital investment Subsidy	20% on Plant & Machinery. 20% on land up to an extent of 50 acres on actual procurement cost.
2	Exemption of Stamp Duty	100%
3	Concessional Charges Registration	INR 1/- per INR 1,000/-
4	Reimbursement Conversion Fee of land	100%
5	Production Linked Incentive (for new investments and expansions)	1.00% of annual turnover for a period of 5 years, starting from the first year of commercial operations

6	Subsidy for setting up Effluent Treatment Plant (ETP)	50% of the cost of Effluent Treatment Plants (ETPs), subject to a ceiling of INR 250 Lakh
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b) Capital Investment Subsidy on Land will be provided for land area up to and not exceeding 50 acres and on actual procurement cost if procured from KIADB or any other agencies of Government of Karnataka. The subsidy for land procured from other sources will be as per the guidance value of land at the time of procurement. Cap on the maximum amount of land subsidy for each unit will be prescribed in the Operational Guidelines which would be formulated for implementation of the Scheme.

c) The 20% Capital Investment Subsidy on Plant & Machinery will include expenditure on used / second-hand / refurbished plant, machinery, and equipment (including for associated utilities and R&D) only if it is imported.

d) The 20% capital Investment subsidy on Plant & Machinery for units providing integrated end assemblies for civil and defence aviation (1, For e.g., Aircrafts, Helicopters, etc.) is subject to a minimum investment size of INR 1,000 Crore.

e) The 20% capital Investment subsidy on Plant & Machinery for any company that sets up an MRO facility (2) is subject to a minimum investment size of INR 500 Crore.

f) The 20% capital Investment subsidy on Plant & Machinery shall be paid over five equal annual payments.

g) 100% Reimbursement of stamp duty and concessional registration charges shall be provided in lieu of 100% Exemption of stamp duty and concessional registration charges till such time an amendment is made in the Karnataka Stamp Act.

h) Production Linked Incentive will be based on annual sales turnover (includes sales within the state, inter- state, and exports), as evidenced by annual audited accounts/audited balance sheets.

i) The subsidy on ETP shall also cover other green production measures including Waste Management Systems, Common Spray Dryer, Common Multiple Effect Evaporator, Zero Liquid Discharge plants, etc.

j) Products / Activities that are eligible for incentives under manufacturing for space applications including LEO satellites (3) are listed in Appendix - 1.

k) Incentives will be provided only to new investments or for capacity expansion. It will not be applicable for existing companies.

1) Total quantum of incentives sanctioned to a unit under this policy shall not exceed 40% of Value of Fixed Assets created by the unit in Zone-3 and 50% of the Value of Fixed Assets (VFA) created by the unit in Zone-1 & 2.

The detailed guidelines for these incentives shall be released after the launch of this policy.

a)

S.No.	Incentive Head	Quantum
1	Capital investment Subsidy	25% on Land only in areas other than Bengaluru Urban and Bengaluru Rural District up to an extent of 50 acres on actual procurement cost. 20% on Plant & Machinery.
2	Reimbursement of Stamp Duty and Registration charges	100%
3	Reimbursement Conversion Fee of land	100%
4	Power tariff reimbursement	INR 1.00 per unit for 5 years from the month of commencement of commercial production
5	Exemption from Electricity Duty	100% for 5 years from the month of commencement of commercial production
6	Production linked incentive (for new investments and expansions)	1.00% of annual turnover for a period of 5 years starting from the first year of commercial operations

b) The 25% Capital Investment Subsidy on land will be eligible to only those industries who are setting it up in areas other than Bengaluru Urban and Bengaluru Rural districts.

c) Capital Investment Subsidy on land will be provided for land area up to and not exceeding 50 acres and on actual procurement cost if procured from KIADB or any other agencies of Government of Karnataka. The subsidy for land procured from other sources will be as per the guidance value of land at the time of procurement. Cap on the maximum amount of land subsidy for each ESDM unit will be prescribed in the Operational Guidelines of the Scheme.

d) The 20% Capital Investment Subsidy on Plant & Machinery will include expenditure on used/second-hand / refurbished plant, machinery, and equipment (including for associated utilities and R&D), whether imported or procured domestically.

e) Production Linked Incentive will be based on annual sales turnover (includes sales within the state, inter-state, and exports), as evidenced by annual audited accounts/audited balance sheets.

f) Incentives will be provided only to new investments or for capacity expansion. It will not be applicable for existing companies.

g) Total quantum of incentives sanctioned to a Manufacturing/Assembly unit under this package shall not exceed 100% of the value of fixed assets created by the unit.

h) The new-age companies such as drones, Avionics, Robotics, Simulations & Embedded systems, etc. shall also be included under this scheme.

Other sub-sectors

These are units involved in the engineering, fabrication, manufacturing, supplying such materials/components/sub-assemblies, etc. fully or partially to the OEMs/Tier 1/Tier 2/Tier 3 companies of Aerospace & Defence majors.

S.No.	Type of support	Quantum
1	Exemption of Stamp Duty	Zone 1 – 100% Zone 2 – 75% Zone 3 – 75%
2	Concessional Charges Registration	Zone 1, Zone 2, Zone 3: INR 1/- per INR 1,000/-

3	Reimbursement of Land Conversion Fee	<p>Zone 1 – 100%</p> <p>Zone 2 – 100%</p> <p>Zone 3 – 100%</p>
4	Subsidy for setting up Effluent Treatment Plant (ETP)	<p>One-time capital subsidy up to 50% of the cost of Effluent Treatment Plants (ETPs), subject to a ceiling of INR 250 Lakh for all zones.</p> <p>The subsidy on ETP shall also cover other green production measures including Waste Management Systems, Common Spray Dryer, Common Multiple Effect Evaporator, Zero Liquid Discharge plants, etc.</p>
5	Subsidy for setting up Common Effluent Treatment Plant (CETP)/ Industrial Hazardous waste disposal projects by a private investor	<p>One-time capital subsidy up to 50% of the cost of Common Effluent Treatment Plant (CETP)/ Industrial Hazardous waste disposal projects subject to a ceiling of INR 500 Lakh per project in all zones.</p> <p>The subsidy on CETP shall also cover other green production measures including Waste Management Systems, Common Spray Dryer, Common Multiple Effect Evaporator, Zero Liquid Discharge plants, etc.</p>
6	Investment Subsidy for Anchor Industries	<p>To encourage investments in taluks where there are no industries with investments above INR 100 crore and direct employment of 75 persons.</p> <p>Investment Subsidy of INR 10.00 crore in Zone 1 and INR 7.00 crore in Zone 2.</p>