

Government of Bihar
Department of Industries

Resolution

Subject: Amendment to Bihar Industrial Investment Promotion Policy 2016 for High Priority Sectors

1. Introduction

In order to establish Bihar as the most preferred investment destination by leveraging the state's comparative advantages and maximizing employment opportunities for attaining a balanced regional and sustainable development, Government of Bihar had announced the Bihar Industrial Investment Promotion Policy, 2016 vide notification No.1822, Dated 01.09.2017. Further, The Bihar Industrial Investment Promotion Act, 2016 and The Bihar Industrial Investment Promotion Rules, 2016 were also formulated to facilitate the investment in the State.

The Bihar Industrial Investment Promotion Policy, 2016 is operational since last one year. Based on the assessments of their economic and employment generation potential, it is however, realised that an increased focus is required on the three broad sectors namely-

- a. IT,IT enabled Services (ITeS) and Electronic System Design and Manufacturing (ESDM) Sector
- b. Food Processing Sector and
- c. Textile, Apparel and Leather Sector

These sectors are manpower intensive requiring huge skilled manpower and are based on the huge production potential for the diverse agricultural commodities in the State. In order to promote accelerated investment in these three sectors the State Government has amended the Bihar Industrial Investment Promotion Policy 2016 for High Priority Sectors.

Details of the High Priority Sectors and Package of Incentives under the Bihar Industrial Investment Promotion Policy 2016 for High Priority Sectors are as follows:

2. High Priority Sectors

2.1. Definition of Industrial Unit under High Priority Sectors, Priority Sectors and Non-priority Sectors

The industrial units can be categorized into following categories:

| Category | Characteristics |
|---------------|---|
| High Priority | <u>For ESDM, Textile & Leather Sector</u> A unit in which (i) Investment in Fixed Asset and Plant and Machinery (excluding Land) is more than Rs 5 Crore, and (ii) creating direct employment of at least 50 core workers (excluding support staff such as Drivers, Guards etc.). |

| Category | Characteristics |
|---------------------|--|
| | <p><u>For IT and ITeS Sector</u></p> <p>A unit in which (i) Investment in Fixed Asset and Plant and Machinery (excluding Land) is more than Rs 5 Crore, and (ii) creating direct employment of at least 50 core workers (excluding support staff such as Drivers, Guards etc.).</p> <p><u>For Food Processing Sector</u></p> <p>A unit in which investment in Fixed Asset and Plant and Machinery (excluding Land) is more than Rs 5 Crore</p> |
| Priority | As defined in the Bihar Industrial Investment Promotion Policy, 2016 |
| Non-Priority | As defined in the Bihar Industrial Investment Promotion Policy, 2016 |

2.2. High Priority Sectors in IT, ITeS and ESDM Sector

At the time when India is pushing hard to open up its markets, reduce regulatory roadblocks and develop innovative campaigns to attract more foreign direct investments in the IT, ITeS and ESDM sector in a bid to fuel growth in the country and create job opportunities, the State Government of Bihar is poised to make the State a major IT, ITeS and ESDM Hub of the country through targeted initiatives. The State Government's vision to develop the sector in the State revolves around:

- Spurring the growth of knowledge based economy in the State
- Bridging the digital divide between the urban and rural Bihar
- Developing Bihar into the next investment destination for IT/ ITeS, and allied industries, and
- Enabling good governance with technology-enabled reforms in the State

The State has already embarked on the development of the IT ITeS and ESDM industry with the implementation of several citizen-centric governance initiatives, and planning to set up state-of-the-art IT infrastructure, such as IT City, IT Tower, and IT Park. Besides these, to promote industry-led growth in the State, Bihar is also in the process of implementing key reforms and strategic initiatives that will help the State accelerate its envisaged development plan in the sector.

The strategic initiatives in IT, ITeS and ESDM are targeted towards key investment opportunity areas within the sector, as listed below:

| Sectors | Investment Opportunity |
|-----------------------------------|---|
| IT and IT enabled Services (ITeS) | <ul style="list-style-type: none"> • IT products, software and services • Knowledge Process Outsourcing (KPO) • Call-centres • Software development centres • Digital content development • Smart technologies • Internet of Things (IoT) • Data centres • Big Data and Analytics • PC gaming, console gaming, online/ multiplayer gaming, mobile gaming, video games • Comics and animated cartoon series, fully animated feature films • Visual effects or VFX • Web-designing • E-learning and E-education |

| Sectors | Investment Opportunity |
|---|---|
| Electronic System Design and Manufacturing (ESDM) | <ul style="list-style-type: none"> • Computer peripherals and other office equipment • Chip manufacturing and design • Semiconductors • Server and storage devices • Communication and Networking devices • Automotive electronics • Medical Electronics • Industrial Electronics • Telecom electronics • Strategic electronics and devices • Electronic manufacturing services • Solar Photo Voltaic including thin film, polysilicon cells • Electronic consumer products • LEDs • Embedded software • Defense electronic equipment • Information, and broadcasting electronic devices |

Note: Prior consent of the Information Technology Department, Government of Bihar shall be obtained through the single window clearance system before granting Stage-I approval under this policy. The above list of units/enterprises is only indicative and the State Government may suitably revise the list under the high priority sector from time to time.

2.3. High Priority Sectors in the Food Processing Sector

The food processing units discussed below shall be considered under the High Priority Sectors for the purpose of availing the incentives under this policy.

| Sectors | Investment Opportunities |
|-------------------------------------|--|
| Maize Processing | (a) Maize based Feed units (Cattle feed, Fish meal, Poultry Feed) (b) Maize related food products (c) Starch Manufacturing Unit and other maize related products except primary processing like grading sorting etc. |
| Fruits & Vegetable (F&V) Processing | (a) All kinds of F&V processing units (including units for manufacturing dehydrated and frozen F&V items using IQF/Blast Freezer/Spiral Freezer, etc.) (b) Dehydration and powdering of vegetables like onions, mushrooms, etc. (c) Unit for processing litchi (e.g. units for manufacturing litchi pulp, juice, pulp slabs, jam, jelly, beverage, nectar, candies, powder, etc.) (d) Unit for processing local variety (varieties from Bihar) of mangoes into pulp, juice, pulp slabs, jam, jelly, beverage, nectar, candies, powder, etc. (units using mango pulp imported from other states or countries shall not be considered under the priority sector.) (e) Unit for banana processing (e.g. banana chips, pulp, powder, baby food, jam, jelly, banana flower vegetables, banana trunk vegetables & pickles, etc.) (f) Unit for makhana processing (e.g. unit for producing makhana pops, making flavoured and/or roasted makhana snacks, RTC kheer, baby food etc.) |

| Sectors | Investment Opportunities |
|-----------------------------|---|
| | <p>(g) Natural Honey Processing</p> <p>(h) Processing and value addition of Spice and Herbs grown in Bihar.</p> <p><i>Note: There should be sufficient value addition to the agriculture produce. Units which carry out activities like washing, grading, sorting, cleaning, grinding and packing only shall not be considered under this sector. Accordingly all such units should also have the integrated processing/value addition and packaging facility like canning/ tinning, bulk packing, coding and labelling etc.</i></p> |
| Poultry and Fish Processing | <p>(a) Poultry and fish processing units (e.g. fresh, chilled, and frozen fish; fish fillets and pieces; fish cured or smoked and fish meal fit for human consumption; edible offal of poultry; dried eggs; etc.)</p> <p><i>Note: The end product for such units should be ready to the extent for consumption/sale in the retail market or for industrial sale. Units manufacturing products that are intermediary in nature shall not qualify under this category. Accordingly all such units should also have the integrated packaging facility like canning/ tinning, coding and labelling etc.</i></p> |

Notes:

- a. Agriculture raw materials used by the units should primarily be grown in Bihar.
- b. Units purely engaged in washing, sorting, cleaning, and packaging those do not generate any substantial value addition shall not be considered under the high priority sector.
- c. Units/ enterprises set up for the purpose of packaging/ repackaging of food items imported from other states or countries shall not be considered under the high priority sector.
- d. If a unit/ enterprise is setting up two or more kinds of facilities in an integrated manner/for captive use purpose, the facilities would be treated as a single project and combined cost of the facilities would be considered for grant calculation purposes. The classification of the units/ enterprises into priority or non-priority would be as per the nature of the main/mother facility, i.e. the core facility.
- e. In case a unit migrates from non-priority sector to high priority sector or from priority sector to high priority sector through capacity expansion and/or facility addition etc., it would enjoy the incentives as per the high priority sector for the portion that falls under the high priority sector.
- f. Units for manufacturing any food item fit for human/ animal consumption which does not contain any F&V or any processed/preserved items (like pulp concentrate, extract etc.) made from F&V as its main ingredient would be considered under the non-priority sector.
- g. The above list of units/ enterprises is only indicative and the State Government may suitably revise the list under the high priority sector from time to time.

2.4. High Priority Sectors in the Textile, Apparel and Leather Sector

The High Priority Sectors for investment identified by the State Government in Textile, Apparel and Leather Sector are listed below:

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| Sectors | Investment Opportunity |
|--|---|
| Weaving/Knitting/Stitching | (a) Power-loom and knitting (b) Production of Ready-made garments |
| Production of apparel and home textile | (a) Woven and knitted apparel manufacturing (b) Hosiery products manufacturing (c) Carpets and other home textiles |
| Banana Fibre/ Jute Fibre | (a) Integrated units for processing Banana Fibres and manufacture of products using Banana Fibres like cloth and other items. (b) Integrated units for processing Jute Fibres and manufacture of products using Jute Fibres like cloth and other items. |
| Leather and Artificial Leather and leather substitute material | (a) Manufacturing of garments/ Shoes/Slippers/footwear (b) Manufacture of furniture upholstery, upholstery for automobile (cars, etc.) (c) Manufacturing of leather goods (for e.g. labels, tags, belts, bags, purses hand gloves and other accessories, and fashion items) |

Note:

- a. The end product for such units should be ready to the extent for consumption/sale in the retail market. Units manufacturing products that are intermediary in nature shall not qualify under this category. Accordingly all such units should also have the integrated packaging facility including coding and labelling etc.
- b. The above list of units/ enterprises is only indicative and the State Government may suitably revise the list under the high priority sector from time to time.

3. Package of Incentives:

State government is committed to encourage the process of industrialization by assuring an entrepreneur-friendly regime and an attractive package of incentives for the entrepreneurs. The following package of incentive will be made available to the high priority category of Industrial Units.

3.1 Pre-production incentives:

| Type of Incentive | | Salient Features |
|-------------------|--|---|
| 3.1.1 | Exemption from Stamp Duty/ Registration Fees | <ol style="list-style-type: none"> a) No stamp duty to be paid in respect of land allotted by the government to IDA/ BIADA. b) 100% exemption of stamp duty/registration fees levied on lease/ sale /transfer of industrial land/shed as also those outside the jurisdiction of Industrial Area Development Authority would be available to all the new units. This exemption of stamp duty and registration fees will be granted only for the first time and will not be applicable in subsequent stages of lease/sale/transfer. This incentive will be available to new units only. c) The area of land required by the unit shall be fully described in the DPR and/or the Bank Appraisal Report prepared by the bank or financial institution which is |

| | | |
|-------|----------------------|--|
| | | supposed to extend the term loan to the unit. |
| 3.1.2 | Land Conversion Fees | a) 100% exemption of “land conversion fees”/ “change in land use” fees being levied for conversion of agricultural land. |

3.2. Post-production incentives:

| Type of Incentive | Salient Features |
|---------------------------------|---|
| 3.2.1 Interest Subvention | <p>(a) State shall extend “Interest Subvention” to the eligible units on the term loan availed by the unit from a bank/ financial institution registered by RBI/SEBI.</p> <p>(b) Rate of interest for interest subvention will be 10% or actual rate of interest on term loan, whichever is lower.</p> <p>(c) The overall limit of this subvention for high priority sector will be 50% of the approved project cost. The upper limit of this subvention shall be Rs 20 crore.</p> <p>(d) Disbursement of the subvention amount would be in instalments linked with the term loan repayment schedule stipulated by the concerned bank/financial institutions which extends the term loan to the unit. Interest shall not be paid on promoter’s contribution in any form in the unit.</p> <p>(e) In case the promoters do not avail any term loan for the unit, they would not be eligible for this incentive.</p> |
| 3.2.2 Tax Related Incentive | <p>(a) All new units will be entitled to avail 100% reimbursement against the admitted SGST deposited in the account of the state government (excluding strictly any tax paid by them arising out of a purely trading business), for a period of 5 years from the date of commencement of commercial production. The SGST reimbursement shall be applicable only to the net tax payable, after adjustment of input tax credit against the output tax liability. This shall have a maximum limit of 100% of the approved project cost.</p> |
| 3.2.3 Employment Cost Subsidy | <p>(a) For IT and ITES Sector, ESDM, Leather and Textile Sector and Food Processing, 50% reimbursement (in case of male workers) and 100% reimbursement (in case of female workers) of expenditure on account of contribution toward ESI and EPF scheme for a period of 5 years for new units for those employees who are domicile of Bihar. Maximum limit for reimbursement will be Rs. 1000/- per month for SC/ST and women employee and Rs. 500/- per month for general employee.</p> |
| 3.2.4 Skill Development Subsidy | <p>(a) The State Government shall provide skill development subsidy of Rs 20,000 per employee/ Bihar Skill Development Mission (BSDM) rates whichever is lower. This incentive will be applicable for training of employees/ staffs who are domicile of Bihar</p> <p>(b) All the eligible unit will have to employ the trained core employee/ staff for a period of at least 1 year</p> |

3.3. The State Government shall also extend the Project Management Unit (PMU) support to the High Priority Sector Units. The State Government will set up an Investor Facilitation Cell cum PMU for investor facilitation. The Investor Facilitation Cell cum PMU for the IT, ITeS and ESDM sector shall be set up by the Department of Information Technology, Govt. of Bihar and the Investor Facilitation Cell cum PMU for the other two sectors shall be established by the Department of Industries, Govt. of Bihar. Some of the major responsibilities of the Investor Facilitation Cell cum PMU are mentioned below:

- i. Facilitating investment proposals and assisting entrepreneurs and investors in setting up their units in the State
- ii. Facilitation to addressing of investors' query, grievance redressal and handholding entrepreneurs through the entire process of compliance to statutory obligations
- iii. Disseminating information through mass media related to prospects of industries, prospective projects for investment, and statutory compliance requirements for setting up units etc.
- iv. Organizing, sponsoring, associating or participating in any fair, exhibition, celebration or campaign for the promotion of investment in the High priority sectors
- v. Reviewing and assessing the performance of the State in the sectors in terms of number of units set up, persons employed, amount of investments drawn and value of production
- vi. Deploying dedicated relationship officers for maintaining investor relationship in the State

4. General Conditions

This Amendment to the Bihar Industrial Investment Promotion Policy, 2016 for high Priority Sectors shall be an integral part of the Bihar Industrial Investment Promotion Policy, 2016. All other provisions, terms and conditions mentioned in the Bihar Industrial Investment Promotion Act-2016, Bihar Industrial Investment Promotion Rules-2016 and Bihar Industrial Investment Promotion Policy-2016 shall remain unaltered.

Following general conditions shall be applicable for availing the incentives under this policy:

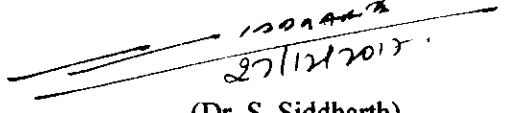
- i. Dovetailing of incentives with the Central Government schemes would be allowed.
- ii. Units those have availed benefits under this policy shall not be eligible to avail benefits for the same assets under any other policy/scheme of the State.
- iii. Employees identified for State Government Projects or any of its undertakings and agencies cannot be considered for employment counting of a unit under this policy for the purpose of availing incentives in case the Company is implementing a project in the Government in which some resources are employed, the employed resources would not be eligible for the incentives. Any duplication in the counting of the employees for the purpose of availing incentive shall attract penalty as mentioned below in Section. 4(v). Tax related incentives shall not be available for projects related to the Government or any of its undertakings or agencies.
- iv. To avail the incentives under this policy, units shall have to commence their commercial operation within 3 (three) years of Stage-I of Clearance. The unit has to be under commercial production during the period of disbursement of incentives. Further, the unit shall have to remain in commercial operation for at least next 5 years from the date of last disbursement of all the eligible incentives to it under the policy.
- v. If any false declaration is given for the purpose of availing incentives or if incentives are availed for a unit that was not eligible or any violation of condition of this policy, the amount of incentive is liable to be recovered from the date of availing such incentives along with interest compounded annually @ 18% per annum. In case of non-payment within the stipulated time, the state government may recover such amounts including interest as arrears of land revenue.
- vi. For the purpose of this Policy:
 - a. Employees shall mean those employees who are on regular roll of the company. Daily wage employees or seasonal employees shall not be entitled to this concession. The employee strength shall be calculated on the basis of the employees involved in the core activities of the project. This shall be certified by the statutory auditor of the company as a support to the claim for incentive. Core

activity shall be defined as those activities that are part of the production process. Support staff shall not be counted towards the employee's strength.

- b. Domicile of the State of Bihar shall mean those who have been defined by the State Government from time to time as the original domiciles of Bihar and who hold the certificates issued for this purpose by the competent authority.

The Bihar Industrial Investment Policy 2016 shall be amended to this extent. These amendments to the Policy will come into effect from the date of issuance of this notification and will remain effective during the entire period of operation of the Bihar Industrial Investment Promotion Policy, 2016.

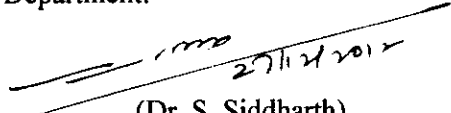
By order of Governor of Bihar


(Dr. S. Siddharth)
Principal Secretary, Department of Industries
Bihar, Patna

No:-1937/Patna, dated 27.12.17

File No.- 4Tech./Policy Amendment/181/2017

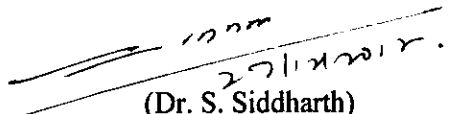
Copy: - State Printing Press, Gulzarbagh, Patna to publish in the special edition of Bihar gazette. Request to print 1000 copies of the published gazette and make it available to the Department.


(Dr. S. Siddharth)
Principal Secretary, Department of Industries
Bihar, Patna

No:-1937/Patna, dated 27.12.17

File No.- 4Tech./Policy Amendment/181/2017

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