



GOVERNMENT OF KARNATAKA

No: ITBT 11 PRM 2021

Karnataka Government Secretariat,
Room No.504, 5th Phase,
5th & 6th Floor, M.S Building,
Bangalore-01, Dated: 17.06.2021.

From:

The Additional Chief Secretary to Government,
Department of Electronics, Information Technology,
Biotechnology and Science & Technology.

To:

The Managing Director,
KITS,
Shanthinagar, Bengaluru – 560 027.

Madam/Sir,

Sub: Operational Guidelines for Special Incentives Scheme for ESDM Sector,
2020- 2025 – reg.

Ref: Praposal in File No:KITS/IT/ESDP/1/2020-IT-KITS of KITS.

While drawing your attention to the above referred proposal, I am directed to convey the approval of Government to the proposed Operational Guidelines for Special Incentives Scheme for Electronics System Designing and Manufacturing (ESDM) Sector, 2020- 2025 as enclosed herewith.

Yours faithfully,

Shalini K Hegde 17/06/2021
(Shalini K Hegde)

Under Secretary to Government,
Department of Electronics, Information Technology,
Biotechnology and Science & Technology.

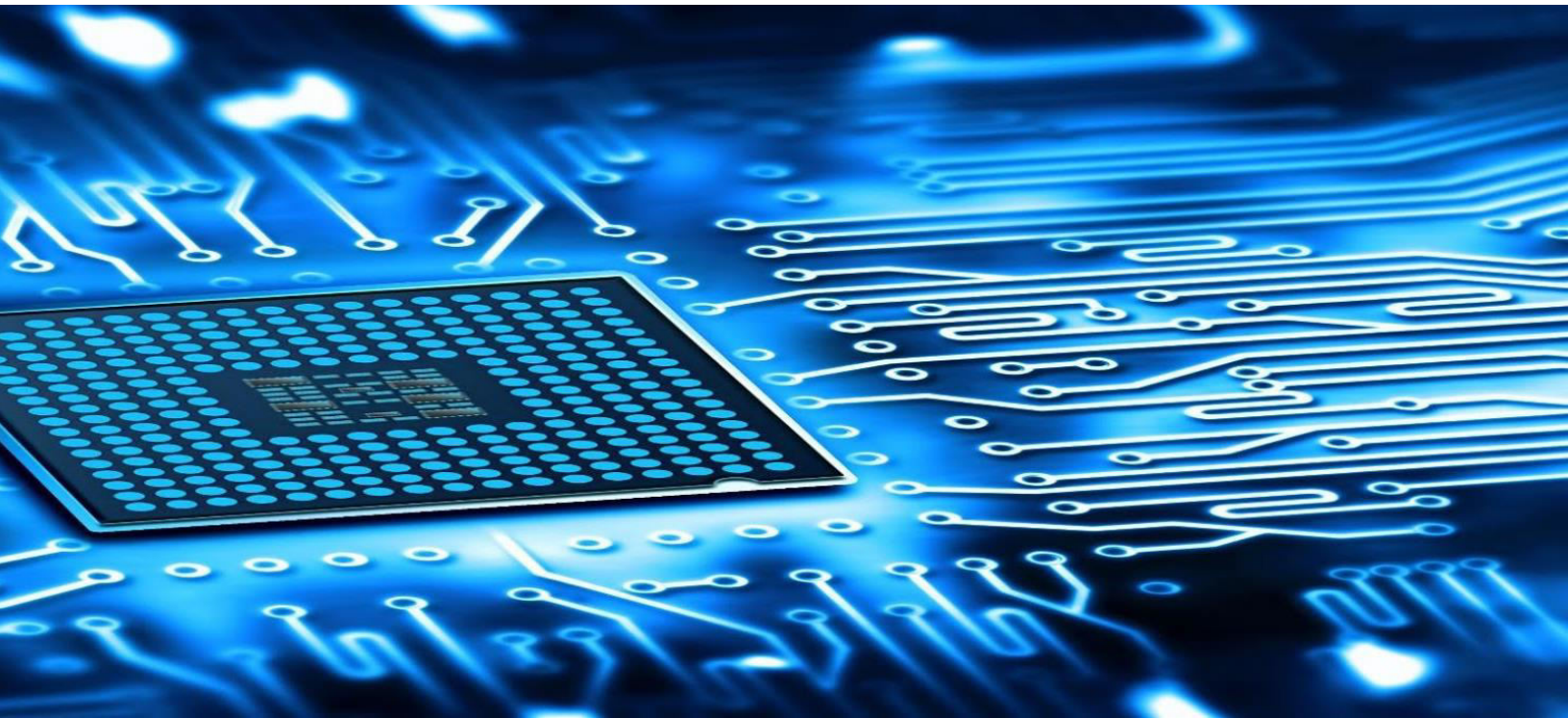
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GMC(IT)

Encl: As above.



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Special Incentives Scheme for ESDM Sector 2020 - 2025

Operational Guidelines

*Department of Electronics, Information Technology, Biotechnology, and
Science & Technology, Government of Karnataka*

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Acknowledgement

Government of Karnataka, through Karnataka Innovation and Technology Society (KITS), Department of Electronics, IT, BT and S&T, has announced the **Special Incentives Scheme for ESDM Sector 2020 - 2025** (hereinafter called the “Scheme”) effective from 7th September 2020, offering various incentives & concessions to ESDM companies in the State. To support the ecosystem and administer the incentives & concessions, KITS desires to bring out Operational Guidelines. This will be a useful guiding tool for both field level officers and also investors.

The definitions, formats, and procedures for claiming & sanctioning various benefits are fully explained. The narration is simple so that it is understood by every reader. The scope for seeking clarifications and interpretations are minimized. Government of Karnataka’s intent to promote ESDM sector in the State will be put into practice through these guidelines.

List of Abbreviations

ESDM	Electronics Systems Design and Manufacturing
EC	Executive Committee
GM, KITS	General Manager, Karnataka Innovation and Technology Society
GoI	Government of India
GoK	Government of Karnataka
GST	Goods and Services Tax
ICAI	Institute of Chartered Accountants of India
INR	Indian Rupee
KIADB	Karnataka Industrial Area Development Board
KITS	Karnataka Innovation and Technology Society
MCA	Ministry of Corporate Affairs
MCLR	Marginal Cost of funds-based Lending Rate
MD, KITS	Managing Director, Karnataka Innovation and Technology Society
MeitY	Ministry of Electronics and Information Technology, Government of India
PLI	Production Linked Incentives
PMC	Project Management Cell
R&D	Research and Development
RPT	Related Party(ies) Transaction
SBI	State Bank of India
SPECS	Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors
ToT	Transfer of Technology
VFA	Value of Fixed Assets

1. Definitions

Sl. No.	Term	Definition
1.	Applicant	Applicant for the purpose of the Scheme is a legal entity i.e. Pvt. Limited Company, Public Limited Company, Partnership, or Limited Liability Partnership registered in India, making an application for seeking incentives under the Scheme for setting up of a Project/Unit for manufacturing of the Target Segments (as amended from time to time). The Applicant can operate new or existing manufacturing facility(ies) to manufacture goods covered under the Target Segments.
2.	Chartered Accountant (CA)	Accounting professional who are members of the Institute of Chartered Accountants of India (ICAI)
3.	Chartered Engineer (CE)	Engineers having corporate membership of the Institution of Engineers (India) and having Chartered Engineer (India) certificate issued by Institution of Engineers (India) (as per SPECS).
4.	Date of Commencement of Commercial Production	The term "Commercial Production" means the production is undertaken for the sale of manufactured goods by the approved Project / Unit as defined in relevant accounting standards issued by the Institute of Chartered Accountants of India. In case of expansion / modernization / diversification Projects / Units, the Date of Commencement of Commercial Production shall be the later of (i) the date of actual commencement of commercial production for the Project and (ii) the date by which the entire investment to be claimed under this Scheme has been made and capitalized in the books of account of the Applicant (as per SPECS).
5.	Diversification	A Project / Unit in Karnataka that has existing capacity of goods other than the goods proposed to be manufactured and involves an increase in fixed capital investment on or after 7 th September 2020, to manufacture the proposed goods as per SPECS).
6.	DLSWCC	District Level Single Window Clearance Committee for consideration of application from entrepreneurs intending to establish industries with the investment up to INR 15 Crore.

Sl. No.	Term	Definition
7.	Electricity Duty	A duty levied and paid to the Government of Karnataka on the charges payable on electricity sold to or consumed by any consumer at such rate as may be notified by the Government of Karnataka.
8.	Eligible Capital Expenditure on Plant & Machinery	<p>Eligible Capital Expenditure on Plant & Machinery shall be computed considering the following:</p> <ul style="list-style-type: none"> ▪ The cost of Refurbished Plant, Machinery and Equipment shall be capped at 20% of the Sanctioned Capital Expenditure on Plant & Machinery. ▪ The cost of R&D shall be capped at 20% of the total Sanctioned Capital Expenditure on Plant & Machinery. ▪ The cost of Transfer of Technology shall be capped at 10% of the total Sanctioned Capital Expenditure on Plant & Machinery. ▪ The cost of Associated Utilities shall be capped at 20% of the total Sanctioned Capital Expenditure on Plant & Machinery. ▪ The cost of Other Equipment shall not exceed 10% of the Sanctioned Capital Expenditure on Plant & Machinery.
9.	Eligible Company	Any New Company or Existing company that is eligible to apply for the Special Incentives Scheme for ESDM Sector as per the criteria defined in section 2 of this document.
10.	Employment	Jobs which are directly involved in the production process or with related activities beginning from when materials enter a production facility and up until the resultant manufacturing good leaves the production facility. Such employment shall include on-roll, contractual and apprentice workforce created by the Project / Unit.
11.	Existing Company	Company / Enterprise in Karnataka which have commenced commercial production before 7 th September 2020.

Sl. No.	Term	Definition
12.	Expansion	A Project/ Unit in Karnataka that has existing capacity of the goods proposed to be manufactured and there is an increase in fixed capital investment on or after 7 th September 2020, in additional manufacturing lines to enhance capacity of the proposed goods (as per SPECS).
13.	Expenditure on Land	As defined in section 3.1.1 of this document
14.	Expenditure on Building	This includes expenditure incurred on factory building / construction required for manufacturing related activities of the Project / Unit, as approved by KITS in the Sanction Letter issued to the Applicant.
15.	Financial Year	Financial year begins on the 1st April of a year and ends on 31st March of the following year as notified by the Ministry of Corporate Affairs (MCA), Government of India (as per SPECS).
16.	Force Majeure	Extraordinary events or circumstances beyond human control such as an event described as an act of God (e.g. natural calamity) or events such as a war, strike, public health emergency, riots, crimes (but not including negligence or wrong-doing, predictable / seasonal rain and any other events specifically excluded) (as per PLI).
17.	Guidance Value	Value of land in a particular area, as determined by the Government of Karnataka, published by Department of Stamps & Registration, Government of Karnataka.
18.	KITS	Karnataka Innovation and Technology Society, Department of Electronics, Information Technology, Biotechnology and Science & Technology
19.	Manufacturing	In accordance with Central Goods and Services Tax (CGST) Act, 2017; manufacturing shall mean processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character and use and the term "manufacturer" shall be construed accordingly (as per PLI).

Sl. No.	Term	Definition
20.	Modernization	A Project / Unit in Karnataka that has existing capacity of the goods proposed to be manufactured and there is an increase in fixed capital investment on or after 7 th September 2020, to enhance, optimize / revamp the existing capacity of the proposed goods (as per SPECS).
21.	Net Sales Turnover	Net Sales Turnover shall mean the Gross Sale Turnover minus the net of credit notes (raised for any purpose), discounts (including but not limited to cash, volume, turnover, target or for any other purpose) and taxes applicable (as per PLI).
22.	New Company	Company / Enterprise whose commencement of commercial production takes place on or after 7 th September 2020.
23.	Plant & Machinery	<p>Plant & Machinery in this Scheme includes:</p> <ul style="list-style-type: none"> <li data-bbox="618 919 1382 1297">i. <u>“Plant, Machinery, Equipment”</u>: This shall include plant, machinery, equipment, as well as tools, dies, moulds, jigs, fixtures (including parts, accessories, components, and spares thereof) of the same, used in the design, manufacturing, assembly, testing, packaging or processing of any of the goods eligible under the Scheme. It shall also include packaging, freight / transport, insurance, erection and commissioning of the plant, machinery, equipment (as per SPECS). <li data-bbox="618 1346 1382 1684">ii. <u>“Associated Utilities”</u> shall inter-alia include captive power and effluent treatment plants, essential equipment required in operations areas such as clean rooms, air curtains, temperature and air quality control systems, compressed air, water & power supply, control systems, etc. Associated Utilities would also include IT and ITES infrastructure related to manufacturing including servers, software and ERP solutions (as per SPECS).

Sl. No.	Term	Definition
		<p>iii. <u>“Research and Development (R&D)”</u>: This shall include in-house and captive R&D, directly attributable to goods for which application is made, including all stages in the entire value chain of the goods proposed to be manufactured including software integral to functioning of the same. This shall also include test and measuring instruments, design tools, software (directly used for R&D) and licensing, technology, IPR, Patents and Copyrights for R&D (as per SPECS).</p> <p>iv. <u>“Transfer of Technology (ToT)”</u>: This shall include technology related to Target Segments under this Scheme (as per SPECS).</p> <p>v. <u>“Refurbished Plant, Machinery and Equipment”</u>: This shall include used/second hand/refurbished plant, machinery and equipment (including for associated utilities and R&D), whether imported or procured domestically (as per SPECS).</p> <p>vi. <u>“Other Equipment”</u> shall include equipment required for manufacturing of the Target Segments not included above.</p>
24.	PLI by MeitY, GoI	Production Linked Incentive Scheme for Large Scale Electronics Manufacturing (PLI) by Ministry of Electronics and Information Technology (MeitY), Government of India
25.	Program Management Cell (PMC)	As defined in section 4.1.1 of this document.
26.	Project/Unit	New Project or Diversification / Expansion /Modernization for setting up of a manufacturing facility for Target Segments in Karnataka and which has achieved commencement of commercial production after 7th Sept 2020.
27.	Registered Valuer	A person registered with the Insolvency and Bankruptcy Board of India (IBBI) in accordance with the Companies (Registered Valuers and Valuation) Rules, 2017 for asset class ‘Plant and Machinery’ (as per SPECS).

Sl. No.	Term	Definition
28.	Related Party(ies)	The term related party(ies) would be defined as per provisions of relevant statutes and Accounting Standard, as may be applicable to the Applicant, as notified by Ministry of Corporate Affairs (MCA) or any other appropriate authority from time to time (as per SPECS).
29.	Sanctioned Capital Expenditure on Plant & Machinery	The capital expenditure on the approved list of Plant & Machinery under the Scheme annexed to the Sanction Letter given by KITS, to the Applicant.
30.	SBI MCLR	Marginal Cost of funds-based Lending Rate of State Bank of India
31.	Scheme	Scheme in these guidelines refer to the Special Incentive Scheme for ESDM Sector 2020-2025, as notified by Government of Karnataka vide Government Order No. ITBT 101 ADM 2020 dated 7 th September 2020.
32.	Scheme Period	Scheme Period in these guidelines refers to the duration of validity of the Special Incentive Scheme for ESDM Sector 2020-2025, i.e. from 7 th September 2020 up to 6 th September 2025.
33.	SLSWCC	State Level Single Window Clearance Committee for consideration of application from entrepreneurs intending to establish industries with the investment of above INR 15 Crore up to INR 500 Crore each to be set up in the State
34.	SHLCC	State High Level Clearance Committee for consideration of application from entrepreneurs intending to establish industries with the investment of above INR 500 Crore each to be set up in the State
35.	Special Incentive Scheme for ESDM Sector 2020 - 2025	Scheme outlined in Government Order No. ITBT 101 ADM 2020 dated 7 th September 2020.
36.	SPECS by MeitY, GoI	Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS) by Ministry of Electronics and Information Technology (MeitY), Government of India

Sl. No.	Term	Definition
37.	Stamp Duty	Duty paid in respect of lease deeds, lease-cum-sale and absolute sale deeds executed by the Applicant and KIADB / other Government Agencies in Karnataka / any other party with respect to lease/purchase of land, industrial plots, sheds, industrial tenements, flatted factories for setting up of Unit in Karnataka.
38.	Statutory Auditor	A Chartered Accountant appointed to undertake statutory auditing services of the company.
39.	Successor-in-Interest	Successor-in-Interest shall mean the new or re-organized entity formed after the merger, demerger, acquisition, transfer of business or significant change in ownership of an Applicant (as per PLI).
40.	Target Segment	In accordance with Section 2.1 under this Scheme, Target Segments shall be considered to validate Applicant's eligibility.
41.	Time period for filing of applications	The window for filing applications for incentives shall be 1 st April to 30 th September and 1 st October to 31 st March every year till the Scheme is valid.
42.	Value of Fixed Assets	Value of Fixed Assets (VFA) shall include Expenditure on Land not exceeding 50 acres, Expenditure on Building and Eligible Capital Expenditure on Plant and Machinery, as defined in these guidelines.

2. Eligibility Criteria

2.1. Target Segments

The company applying for Special Incentive Scheme for ESDM Sector (“Scheme”) should be involved in manufacturing of one or more of the following Target Segments or related activities (“Eligible Products/Activities”):

- a) Manufacturing and / or design of electronics products such as Telecom Systems / Mobiles / IT Systems and Hardware / Consumer Electronics / Medical Electronics / Avionics / Industrial Electronics / Defense & Strategic Electronics / Automotive Electronics / Information & Broadcasting Equipment etc., covered by Karnataka ESDM Policy 2017-22
- b) Semiconductor manufacturing & design including manufacturing of Semiconductors, ICs, PCBs, bare boards, chip components, chemicals for board manufacture, covered by Karnataka ESDM Policy 2017-22
- c) Electronic Manufacturing Services including design / IP / software services for electronics products, covered by Karnataka ESDM Policy 2017-22
- d) The products / activities covered by National Policy of Electronics 2019 of Government of India and Schemes of Government of India such as Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS) and Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing.
- e) Solar Cells Manufacturing - Standalone and with Modules
- f) LED - Fab, Intermediaries and manufacturing & assembly of LED products
- g) Other ESDM and its related Target Segments that may get approved by Executive Committee on case to case basis on receipt of Applications under this category during active policy duration

The Executive Committee, at its discretion, shall review and update the list of Target Segments. If an Applicant cannot find its product in the list of Target Segments as defined in these guidelines, the Applicant may present its case to the Technical Committee for review and approval. The Technical Committee will submit its recommendations to the Executive Committee. Decisions of the Executive Committee shall be final and binding.

2.2. Location

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

2.3. Employment

Employment Criteria (as per Karnataka Industrial Policy 2020-25) for enterprises availing incentives and concessions under this Scheme are as follows:

S. No	Investment for Eligible Capital Expenditure on Plant & Machinery	Commitment for Employment generation
1	> INR 15 Crore	15 jobs per INR 15 Crore worth Capital Expenditure on Plant & Machinery and then 7 additional jobs for every additional INR 10 Crore worth Capital Expenditure on Plant & Machinery
2	INR 50 to INR 250 Crore	50 jobs per INR 50 Crore worth Capital Expenditure on Plant & Machinery and then 35 additional jobs for every additional INR 50 Crore worth Capital Expenditure on Plant & Machinery
3	INR 250 to INR 500 Crore	200 jobs per INR 250 Crore worth Capital Expenditure on Plant & Machinery and then 35 additional jobs for every additional INR 50 Crore worth Capital Expenditure on Plant & Machinery
4	Above INR 500 Crore	400 jobs per INR 500 Crore worth Capital Expenditure on Plant & Machinery and then 35 additional jobs for every additional INR 50 Crore worth Capital Expenditure on Plant & Machinery

2.4. Minimum Investment

The minimum investment to be undertaken by the investor in order to be eligible for the Special Incentives Scheme for the ESDM Sector, as measured by investment on Plant & Machinery is as follows:

S. No	Type of unit	Eligible Capital Expenditure on Plant & Machinery (In INR)
1	New Project/Unit	15 Crore

2	Existing Project/Unit (Expansion/Modernization/Diversification)	50 Crore
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2.5. Applicability of Incentives

The Government of Karnataka has announced the Special Incentives Scheme for ESDM Sector, vide Government Order No. ITBT 101 ADM 2020 dated 7th September 2020. This package of incentives shall come into effect from 7th September 2020 and shall have a span of 5 years, up to 6th September 2025 (“Scheme Period”).

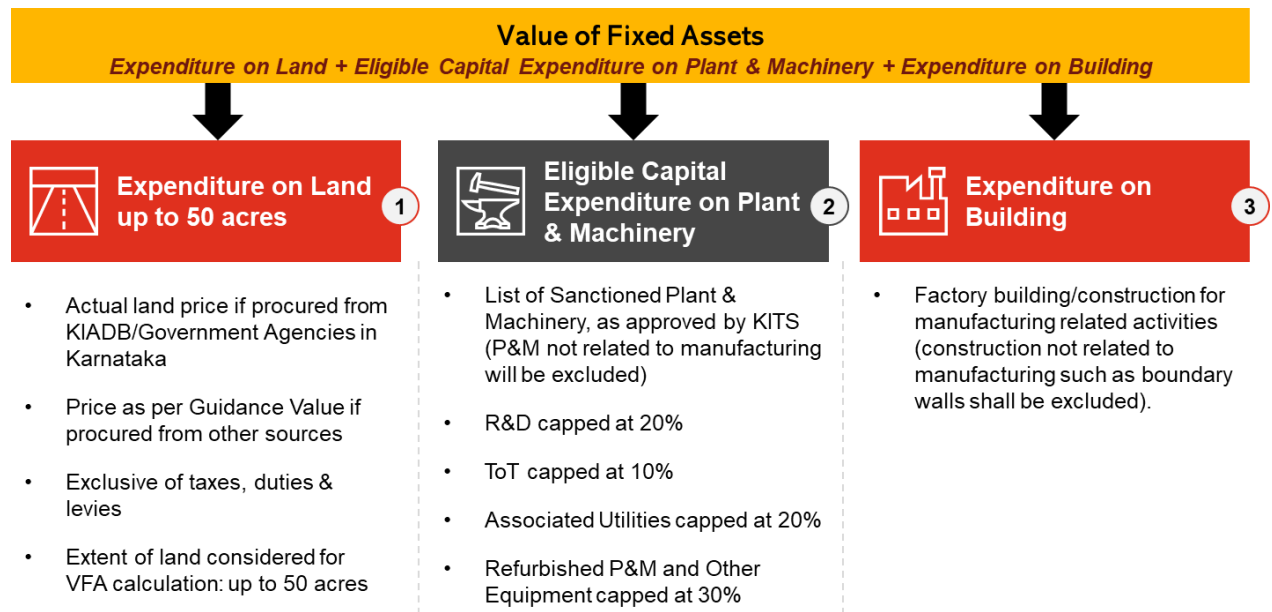
Incentives under Special Incentives Scheme for ESDM Sector 2020 – 2025 shall be provided only to New Companies or for investments made for Expansion / Diversification / Modernization of Existing Companies.

The incentives under this Scheme can be availed in addition to incentives and subsidies provided under any of the policies of Government of India. Companies availing incentives under this Scheme cannot avail incentives under any of the other policies of Government of Karnataka for the same Project. Any irregularity / misrepresentation in this regard may disqualify the company from availing any incentives under this Scheme.

Maximum incentive amount sanctioned to a single company / enterprise under Special Incentives Scheme for ESDM Sector shall not exceed 100% of the Value of Fixed Assets. In case of solar cells manufacturing, if Value of Fixed Assets is INR 500 Crore or more, incentives will be capped at 50% of the Value of Fixed Assets. Total incentive disbursement for this category will be capped when total value of fixed assets of firms applying under this category (regardless of number of firms) touches INR 3,000 crore.

Target Segment	Ceiling on Incentive disbursed to Applicant under Scheme (% of VFA)
Solar Cells Manufacturing (if VFA is INR 500 Cr or more)	50%
Solar Cells Manufacturing (if VFA is less than INR 500 Cr)	100%
All other Target Segments	100%

An illustration showing the computation of Value of Fixed Assets is shown below. The computations are further detailed out in the following sections of the document.



A New / Existing Company can submit a new application for incentives under the Scheme for every subsequent Expansion / Diversification / Modernization undertaken during the Scheme Period; restricted to one new application in one year.

3. Incentives Offered

Government of Karnataka will provide the following incentives to Eligible Companies under the Special Incentives Scheme for ESDM Sector:

Sl. No.	Incentive Head	Quantum Proposed
1.	Capital Investment Subsidy	25% of Expenditure on Land only in areas other than Bengaluru Urban and Bengaluru Rural districts up to an extent of 50 acres (“ Land Subsidy ”) 20% of Eligible Capital Expenditure on Plant & Machinery (“ Plant & Machinery Subsidy ”).
2	Reimbursement of Stamp Duty and Registration Charges	100%
3	Reimbursement of Land Conversion Fee	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

3.1. Capital Investment Subsidy

Eligible Companies can apply for Capital Investment Subsidy on Capital Expenditure on Land and Eligible Capital Expenditure on Plant and Machinery (as defined in section 1 of this document).

3.1.1. Land Subsidy

Government of Karnataka shall provide up to 25% subsidy on land value up to an extent of 50 acres. The Land Subsidy shall be applicable for land only in areas other than Bengaluru Urban and Bengaluru Rural districts.

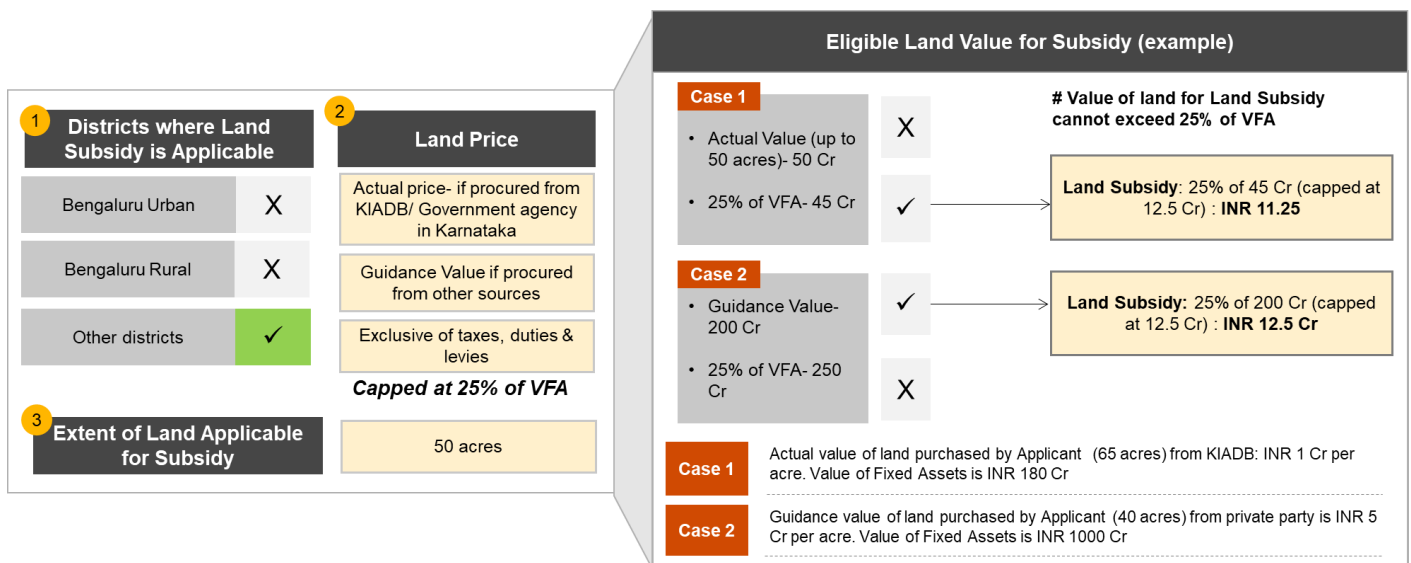
For the computation of land cost (“Expenditure on Land”), the following shall be considered:

- i. **Price of the land:** Actual procurement cost to be considered if the land is procured from KIADB or any other agencies of Government of Karnataka. In case of land procured from other sources, the price shall be determined based on the Guidance Value of land at the time of procurement.
- ii. **Extent of Land:** Land area up to a maximum of 50 acres shall be considered.
- iii. **Coverage:** All taxes, duties and levies such as Stamp Duty, Registration Charges, Land Conversion Fee etc. shall be excluded.

For computation of Land Subsidy, the following points shall be considered (“Expenditure on Land for Subsidy”):

- i. **Land value for computation of Land Subsidy:** The Expenditure on Land, as computed above, shall be capped at 25% of Value of Fixed Assets.
- ii. **Extent of Land Subsidy:** The total Land Subsidy shall be capped at INR 12.5 Crore.

An illustration showing computation of eligible land value for subsidy is shown below.



A summary of key guidelines governing calculation of Land Subsidy is tabulated below:

Land Subsidy	: 25% on land value
Location	: All districts of Karnataka, excluding Bengaluru Urban and Bengaluru Rural districts
Frequency of filing	: One-time per application
Price of Land	: <ul style="list-style-type: none"> ▪ KIADB / Other Govt. agencies land: Actual price ▪ Other sources: Guidance Value
Expenditure on Land for Subsidy	: <ul style="list-style-type: none"> ▪ Extent of Land - Up to 50 acres ▪ Land Value - Capped at 25% of VFA ▪ Extent of Subsidy – Capped at INR 12.5 Crore

An Applicant may apply for Land Subsidy by submitting the relevant forms and supporting documents as detailed out in Annexures 3,4 and 4A. The list of supporting documents is provided in section 4.3 of this document. All forms and documents can be submitted online through the online portal available on the department website itbtst.karnataka.gov.in. The detailed application procedure is described in section 4.2 of this document.

Plant & Machinery Subsidy

Government of Karnataka shall provide up to 20% subsidy on investment in Plant & Machinery, whether imported or procured domestically.

KITS will approve the list of capital items for Plant & Machinery submitted by the Applicant as per the definition of Plant & Machinery (as defined in section 1 of this document). For capital items submitted by the Applicant and not included in the definition, KITS will evaluate the eligibility of the capital items submitted by the Applicant under the Scheme. The approved list of capital items shall be provided in the Sanction Letter issued to by KITS to the Applicant (“Sanctioned Capital Expenditure on Plant & Machinery”).

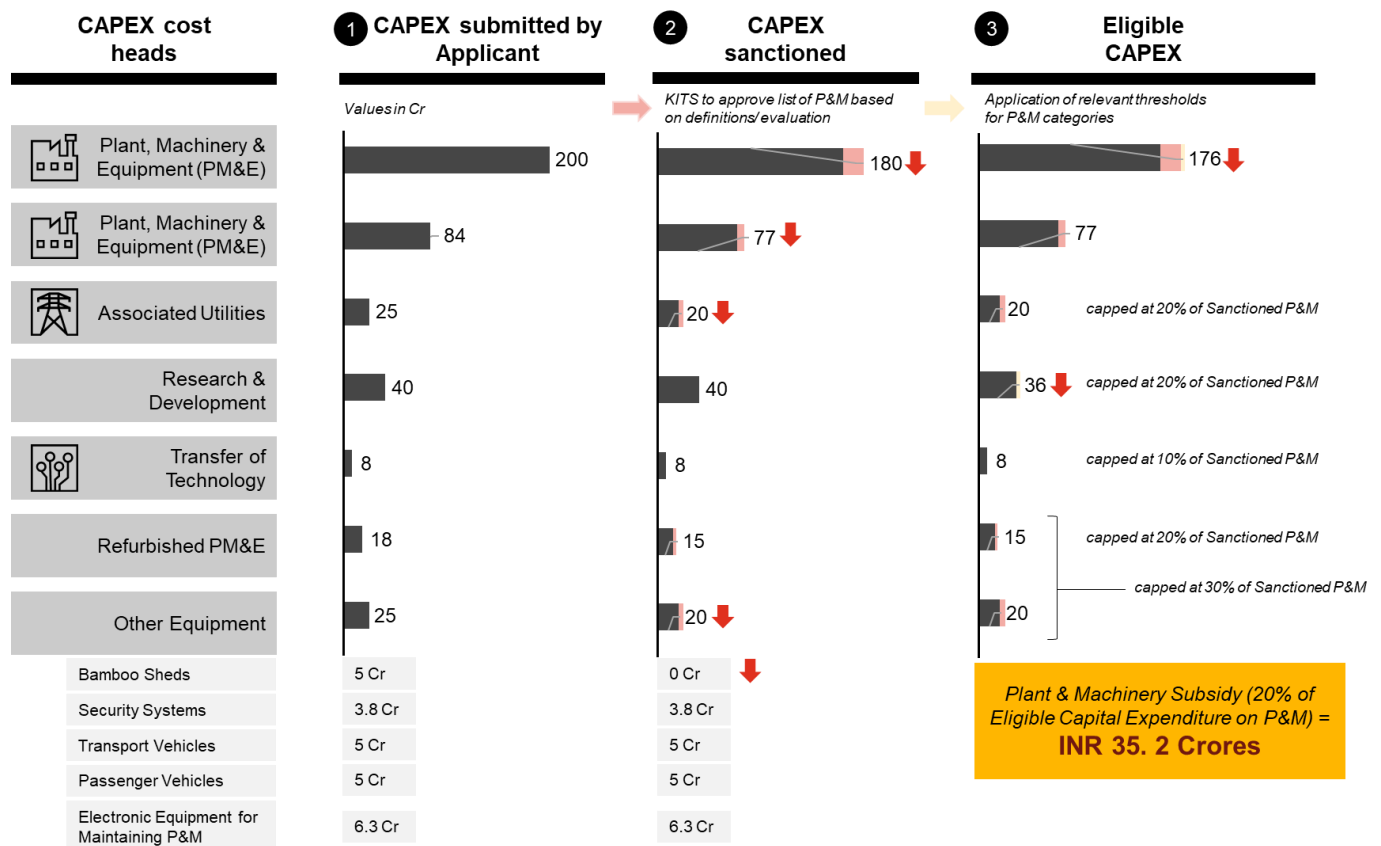
For computation of Subsidy on Plant & Machinery, the cost of Plant & Machinery shall be computed based on the following (“Eligible Capital Expenditure on Plant & Machinery”):

- i. The cost of Refurbished Plant, Machinery and Equipment shall be capped at 20% of the Sanctioned Capital Expenditure on Plant & Machinery
- ii. The cost of R&D shall be capped at 20% of the total Sanctioned Capital Expenditure on Plant & Machinery

- iii. The cost of Transfer of Technology shall be capped at 10% of the total Sanctioned Capital Expenditure on Plant & Machinery
- iv. The cost of Associated Utilities shall be capped at 20% of the total Sanctioned Capital Expenditure on Plant & Machinery
- v. The cost of Refurbished Plant, Machinery and Equipment and Other Equipment shall not exceed 30% of the Sanctioned Capital Expenditure on Plant & Machinery.
- vi. All non-creditable taxes and duties are excluded in such expenditure.

This is also applicable for Expansion, Modernization, and Diversification undertaken by Existing Companies. Refurbished Plant, Machinery and Equipment shall be considered, subject to such machinery having a residual life span of minimum five years as certified by a Chartered Engineer.

An illustration showing computation of Plant & Machinery subsidy is shown below.



Key guidelines governing the Plant & Machinery subsidy incentive are tabulated below:

Plant & Machinery Subsidy	: 20% on Eligible Capital Expenditure on Plant & Machinery
Location	: All districts of Karnataka
Frequency of filing	: One-time per application
Sanctioned Capital Expenditure on Plant & Machinery	: Approved list of capital items provided in the Sanction Letter issued by KITS to the Applicant

Eligible Capital Expenditure on Plant & Machinery	
i. Refurbished Plant, Machinery and Equipment and Other Equipment	– Capped at 20% of the Sanctioned Capital Expenditure on Plant & Machinery
ii. R&D	– Capped at 20% of the total Sanctioned Capital Expenditure on Plant & Machinery
iii. Transfer of Technology	– Capped at 10% of the total Sanctioned Capital Expenditure on Plant & Machinery
iv. Associated Utilities	- Capped at 20% of the total Sanctioned Capital Expenditure on Plant & Machinery
v. Refurbished Plant, Machinery and Equipment and Other Equipment	– Shall not exceed 30% of the Sanctioned Capital Expenditure on Plant & Machinery

An Applicant may apply for Plant & Machinery Subsidy by submitting the relevant forms and supporting documents as detailed out in Annexures 3 and 4. The list of supporting documents is provided in section 4.3 of this document. The detailed application procedure is described in section 4.2 of this document.

3.2. Reimbursement of Stamp Duty and Registration Charges

Government of Karnataka shall provide a one-time 100% reimbursement of Stamp Duty & Registration Charges paid in respect of lease deeds, lease-cum-sale and absolute sale deeds executed between the Applicant and KIADB / other Government Agencies in Karnataka / any other party with respect to lease / purchase of land, industrial plots, sheds, industrial tenements and flatted factories for setting up of Unit.

A summary of key guidelines governing Reimbursement of Stamp Duty & Registration Charges incentive is provided below:

Reimbursement of Stamp Duty & Registration Charges	: 100%
Location	: All districts of Karnataka
Frequency of filing	: One-time per application.
Cap on land:	: Up to 50 acres in all districts of Karnataka except Bengaluru (Urban) and Bengaluru (Rural)
Cap on subsidy	: Up to 10 Cr. in Bengaluru (Urban) and Bengaluru (Rural) districts

Calculation of Land Price for computation of Stamp Duty	
i.	For land leased / purchased from KIADB and other Government agencies: On actual value
ii.	For land leased / purchased from other sources: On Guidance Value

Note: An Applicant may apply for Reimbursement of Stamp Duty & Registration Charges only once per Project / Unit either for registration of lease deed, lease-cum-sale deed or final sale deed in respect of lands, sheds, plots, industrial tenements and flatted factories.

An Applicant may apply for Reimbursement of Stamp Duty & Registration Charges by submitting the relevant forms and supporting documents as detailed out in Annexures 3 and 5. The list of supporting documents is provided in section 4.3 of this document. The detailed application procedure is described in section 4.2 of this document.

3.3. Reimbursement of Land Conversion Fee

Government of Karnataka shall provide a one-time 100% reimbursement of Land Conversion Fee payment, made for converting land from agricultural use to industrial use, for the purpose of the Project/Unit for which the application has been made.

A summary of key guidelines governing Reimbursement of Land Conversion Fee incentive is provided below:

Reimbursement of Land Conversion Fee	: 100%
Location	: All districts of Karnataka
Frequency of filing	: One-time per application
Extent of land eligible for subsidy	: Up to 50 acres

An Applicant may apply for Reimbursement of Land Conversion Fee by submitting the relevant forms and supporting documents as detailed out in Annexures 3 and 5. The list of supporting documents is provided in section 4.3 of this document. Detailed application procedure is described in section 4.2 of this document.

3.4. Exemption from Electricity Duty

Government of Karnataka shall provide 100% exemption from Electricity Duty for a period of 5 years from the Date of Commencement of Commercial Production.

Existing Companies undertaking Expansion / Diversification / Modernization can avail exemption from Electricity Duty only for the new facility or new machines installed. A separate electricity meter will be required to be installed with the applicable Government electricity supply agency exclusively for this new or additional capacity.

Exemption from Electricity Duty will come into effect only after the issue of enabling notifications by Energy Department.

The Exemption of Electricity Duty will be applicable for Eligible Units in all districts of Karnataka. The details for calculation of Exemption from Electricity Duty are provided below:

Exemption from Electricity Duty	Location	Frequency of filing
100%	Karnataka	One-time per application

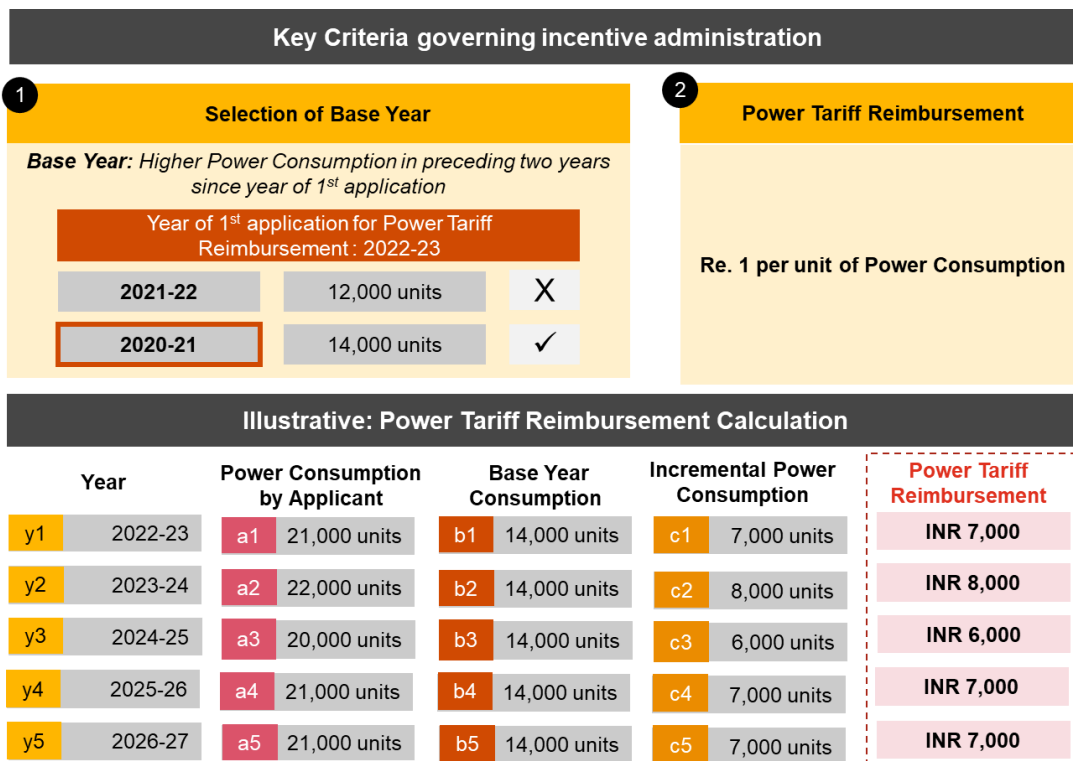
An Applicant may apply for Exemption from Electricity Duty by submitting the relevant forms and supporting documents as detailed out in Annexures 3, 6, 6A and 6B. The list of supporting documents is provided in section 4.3 of this document. The detailed application procedure is described in section 4.2 of this document.

3.5. Power Tariff Reimbursement

Government of Karnataka shall provide subsidy of INR 1.00 per unit of power consumed for a period of 5 years from the Date of Commencement of Commercial Production.

Existing Companies undertaking Expansion / Diversification / Modernization can avail Power Tariff Reimbursement only for the new facility or new machines installed. A separate electricity meter will be required to be installed with the relevant Government electricity supply agency exclusively for this new or additional capacity. For such companies the Power Tariff Reimbursement shall be computed based on incremental power consumed with respect to the base year. During the last 2 Financial Years, the year in which higher number of units of power were consumed shall be considered as the base year for computing Power Tariff Reimbursement for all 5 years.

An illustration of the Power Tariff Reimbursement calculation for existing companies is set out below.



Key guidelines governing the Power Tariff Reimbursement incentive are provided below:

Power Tariff Reimbursement	Type of Unit	Location	Frequency of filing
INR 1.00 per unit for 5 years	New Project / Unit	Karnataka	Once every 6 months
INR 1 per unit on incremental consumption from base year for 5 years	Existing Project / Unit (Expansion / Modernization / Diversification)		

An Applicant may apply for Power Tariff Reimbursement by submitting the relevant forms and supporting documents as detailed out in Annexures 3, 7 and 7A. The list of supporting documents is provided in section 4.3 of this document. The detailed application procedure is described in section 4.2 of this document.

3.6. Production Linked Incentive

Government of Karnataka shall provide Production Linked Incentive (PLI) to the tune of 1.00% of Net Sales Turnover from the Target Segments for a period of 5 years from the Date of Commencement of Commercial Production.

The Net Sales Turnover shall mean the Gross Sale Turnover minus the net of credit notes (raised for any purpose), discounts (including but not limited to cash, volume, turnover, target or for any other purpose) and taxes applicable. The Net Sales Turnover shall include sales within the state, inter-state and exports, as evidenced by provisional or audited accounts certified by Statutory Auditor, and CA certified copy of GSTR-9 annual return of the Applicant.

For new units, PLI will be calculated on the Net Sales Turnover generated from the Unit for the Target Segments.

For Existing Companies, Production Linked Incentives shall only be applicable for turnover generated and attributable to new/additional capacity generated from Expansion / Diversification / Modernization. For such companies, the Production Linked Incentive shall be computed based on incremental Net Sales Turnover from Target Segments with respect to the base year. During the last 2 Financial Years, the year in which higher Net Sales Turnover was achieved shall be considered as base year for computing PLI for all 5 years.

An illustration of the PLI calculation for existing companies is set out below.

Key criteria governing incentive administration														
1	Selection of Base Year		2	Net Sales Turnover Formula		3	PLI							
<p><i>Base Year: Higher Net Sales Turnover in preceding two years</i></p> <p>Year of 1st application for PLI: 2022-23</p> <table border="1"> <tr> <td>2021-22</td> <td>INR 80 Cr</td> <td>X</td> </tr> <tr> <td>2020-21</td> <td>INR 100 Cr</td> <td>✓</td> </tr> </table>			2021-22	INR 80 Cr	X	2020-21	INR 100 Cr	✓	<p>Gross Sales Turnover – Credit Notes (raised for any purpose) – Discounts (including but not limited to cash, volume, turnover, target, or for any other purpose) – applicable taxes</p>			<p>1% of Incremental Net Sales Turnover</p>		
2021-22	INR 80 Cr	X												
2020-21	INR 100 Cr	✓												
Illustrative PLI Calculation														
Year	Net Sales Turnover by Applicant		Base Year Turnover		Incremental Net Sales Turnover		Production Linked Incentive							
y1	2022-23	a1 INR 200 Cr	b1	INR 100 Cr	c1	INR 100 Cr	INR 1 Cr							
y2	2023-24	a2 INR 250 Cr	b2	INR 100 Cr	c2	INR 150 Cr	INR 1.5 Cr							
y3	2024-25	a3 INR 300 Cr	b3	INR 100 Cr	c3	INR 200 Cr	INR 2 Cr							
y4	2025-26	a4 INR 300 Cr	b4	INR 100 Cr	c4	INR 200 Cr	INR 2 Cr							
y5	2026-27	a5 INR 250 Cr	b5	INR 100 Cr	c5	INR 150 Cr	INR 1.5 Cr							

Key guidelines governing the Production Linked Incentive are summarized below:

Production Linked Incentive	Type of Unit	Location	Frequency of filing
1% of Net Sales Turnover for 5 years	New Project/Unit	Karnataka	Once every 6 months
1% of incremental Net Sales Turnover from base year for 5 years	Existing Project/Unit (Expansion / Modernization /Diversification)		

An Applicant may apply for Production Linked Incentive by submitting the relevant forms and supporting documents as detailed out in Annexures 3, 8, 8A, 8B, 8C. The list of supporting documents is provided in section 4.3 of this document. All forms and documents can be submitted online through the online portal available on the department website itbtst.karnataka.gov.in. The detailed application procedure is described in section 4.2 of this document.

4. Management and Administration of Scheme

4.1. Role of key stakeholders involved in Scheme implementation

4.1.1. Nodal agency and other key supporting institutions/professionals

Karnataka Innovation and Technology Society (KITS) will be the nodal agency for implementation of Special Incentives Scheme for ESDM Sector and will be responsible for the implementation of the Scheme. The primary responsibility of the nodal agency for execution of the Special Incentives Scheme for ESDM sector include:

- a) Receipt of application, examination and appraisal of applications and issuing acknowledgements.
- b) Determination of eligibility of applications based on product categories and other eligibility criteria set in these guidelines.
- c) Detailed examination and appraisal of applications.
- d) Assisting potential Applicants with any queries related to the Scheme.
- e) Making appropriate recommendations to the Executive Committee for approval of applications under the Scheme.
- f) Examination of claims for disbursement of incentive and making appropriate recommendations to the Executive Committee.
- g) Verification of the reconciliation of disbursement claims with the prescribed documents.
- h) Issuing approval letter to the Applicants on basis of recommendations from the Executive Committee.
- i) Disbursal of incentives to the Applicants who claims are found eligible under the Scheme and are approved by the Executive Committee, as per the procedures laid out in these guidelines
- j) Compilation of data regarding progress and performance of the Scheme through quarterly review reports and other information/documents.
- k) KITS may request for additional information, details, documents from the Applicant as deemed necessary.
- l) KITS shall have the right to carry out physical inspection of an Applicant's manufacturing units and offices through site visits. However, such visits shall be required to be pre-authorized by Managing Director, KITS

A Program Management Cell ("PMC") shall be constituted within KITS. It shall support the nodal agency in Scheme administration, management and coordination related activities for Scheme implementation. The PMC shall be headed by General Manager ("GM"), KITS and supported by consultancy firm, Chartered Account, Chartered Engineers, Registered Valuers and Legal Advisors who shall play a key role in validating all the incentive claims submitted by the Applicants. KITS shall appoint / empanel such agencies / professionals.

They may take up the following supporting roles:

- a) Consultancy firm - To be responsible for assisting the nodal agency in promoting ESDM investments in Karnataka, facilitation of such investments, and lastly management, administration and coordination related to Scheme implementation.
- b) Chartered Accountant / Accountancy firm – To evaluate whether all the financial and related statements/certificates submitted by the Applicant are in line with respect to the operational guidelines of this Scheme and relevant accounting standards & practices, and lastly validate the genuineness of such claims.
- c) Chartered Engineer / Registered Valuers - To assess the genuineness of claims submitted by the Applicant in terms of value of the relevant plant/machinery/equipment, life span in case of second-hand machinery, alignment of prices submitted by the Applicant with market prices and any other information.
- d) Legal Advisory – To provide assistance related to review of operational guidelines of this Scheme and also assist KITS on litigation matters (if any) related to implementation of this Scheme.

4.1.2. Executive Committee

An “Executive Committee” shall be constituted to oversee the execution and approval/sanctioning of incentives under the Special Incentives Scheme for ESDM Sector under the chairmanship of Addl. Chief Secretary / Principal Secretary / Secretary to the Government, Department of Electronics, IT, BT, and S&T. MD, KITS shall be the Member Secretary on this committee. The primary responsibilities of the Executive Committee shall include, among others,

- a) Consider and review applications submitted to the Executive Committee by the nodal agency for consideration under the Scheme. Based on need, the Executive Committee may seek additional information from the Applicants before taking a decision.
- b) Decision regarding approval for all disbursements after receiving recommendations from the nodal agency (KITS) under this Scheme.
- c) The Executive Committee shall also deal with exceptional cases to provide flexibility in the Scheme.
- d) Review and amend, if necessary, the eligible activities and criteria falling under 'Electronics Systems Design and Manufacturing' category other than those mentioned in the Government Order No: ITBT 101 ADM 2020, in case a need arises for the same
- e) Policy related decisions including changes to policy, exceptions, amendments, revisions and other policy related matters

- f) The Executive Committee is authorized to carry out any amendments in the Scheme and guidelines for effective functioning of the Scheme.
- g) Periodic reviews with respect to progress and performance of the Scheme and changes, if any to the Scheme and guidelines.

The constitution of the Executive Committee is provided in Annexure 1

4.1.3. Technical and Screening Committee

A “Technical and Screening Committee” shall be constituted to review the applications once they have been validated by the PMC. The Technical and Screening Committee shall review and validate all the technical aspects of the applications including but not limited to certifying the Eligible Products / Activities under the Scheme, approval of capital items for Plant & Machinery not specified under the definitions provided in section 1 of this document and verification of incentive claims and supporting proofs submitted by the Applicant in accordance with the relevant standards and industry benchmarks.

The Technical and Screening Committee shall also review proposals for new products/activities to be included under the list of Target Segments / Eligible Products & Activities and make necessary recommendation to the Executive Committee. The committee shall evaluate the specific nature of product / activity and certify its eligibility under the Scheme. The certification of the Technical and Screening Committee shall be based on sound justification arising from the technical expertise and industry knowledge of the members.

The roles and responsibilities of the Technical and Screening Committee shall include:

- a) Review the applications and enquiries received from the Project Management Cell and certify the eligibility of the products in conformance with the products / activities set out in the Government Order.
- b) Review and approve the list of capital items for Plant & Machinery submitted by the Applicant for eligibility under the Scheme. Verify and approve the Sanctioned Capital Expenditure on Plant & Machinery.
- c) Review of incentive application and claims submitted by Applicant and to verify they are in line with industry standards and benchmarks.
- d) For products / activities beyond those specified in the Government Order, review and certify the eligibility of any additional product / activity as part of the 'Electronics Systems Design and Manufacturing' industry with respect to coverage of the scheme.

The Technical and Screening Committee shall be qualified to assess any investment proposals received from Government to evaluate whether the investment proposals are eligible / suitable to be included under the ambit of the Scheme, based on the nature of activity and potential

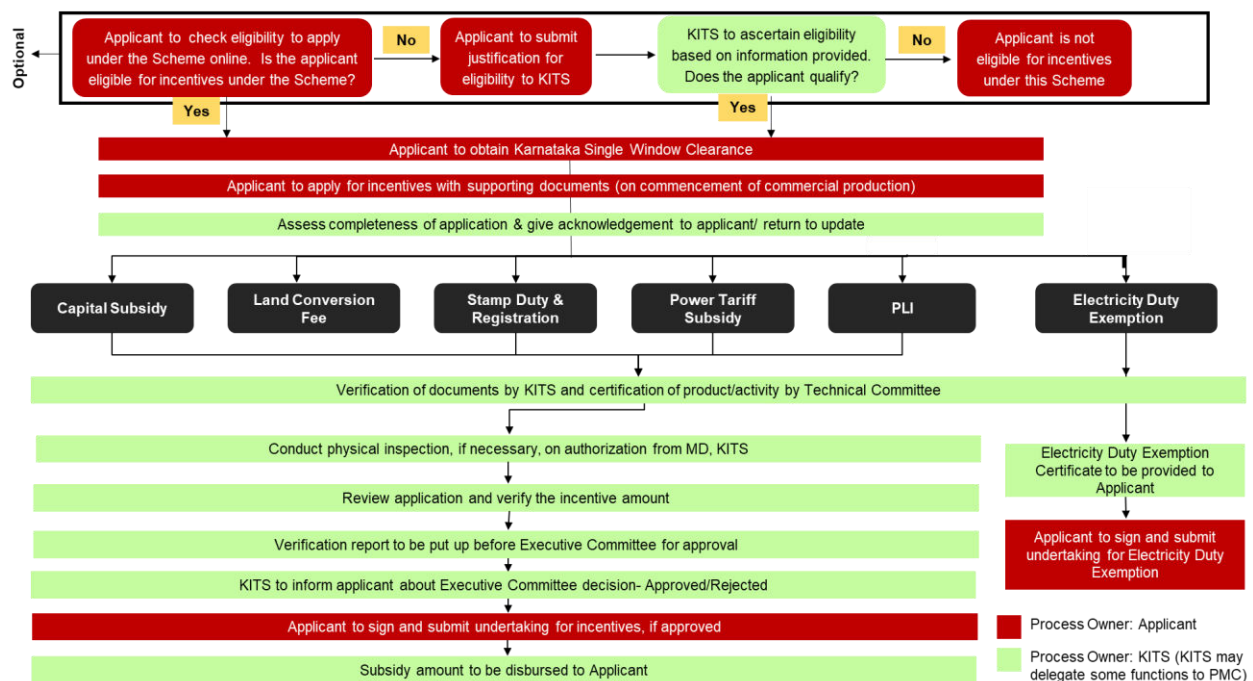
benefit to the ESDM ecosystem in the State arising out of the investment. Additionally, the Technical Committee shall look into the Mega Investments above INR 250 Cr. as per the provisions of KESDM Policy and evaluate whether the investment proposals are eligible / suitable under the Policy.

The Technical and Screening Committee shall meet as and when required to review the applications placed before it by the PMC. The Technical and Screening Committee shall consist of key industry representatives and technical experts. The constitution of the Technical and Screening Committee is provided in Annexure 2.

4.2. Process for submission of incentive claim

A potential Applicant may check its eligibility under the Scheme (as detailed out in section 2 of this document) through a tool available on the department website itbtst.karnataka.gov.in. In case the Applicant is found ineligible and / or in case of any queries, the potential Applicant may contact KITS to ascertain its eligibility under the Scheme. For any queries regarding the Scheme/eligibility under the Scheme, please reach out to KITS at esdmcell@karnataka.gov.in. This is an optional process / step included especially for those investors who wish to prima-facie evaluate if they shall qualify under this Scheme. The figure below indicates the process flow for applying for incentives under this Scheme.

Figure 1 : Process Map for Incentives Claim



An Applicant can apply for incentives under the Scheme upon commencement of commercial operations (as defined by the Date of Commencement of Commercial Production). It is

mandatory to have obtained SLSWCC / SHLCC approval for New and Diversification / Expansion / Modernization Units to apply for incentives under the Scheme.

All applications shall be submitted through the online portal notified under the Scheme. The Applicant shall pay an online processing fee as per the schedule set out below:

Investment Size as approved in Single Window (in INR)	Processing Fee
>= 1,000 Crore	INR 1,25,000
>= 500 Crore and < 1,000 Crore	INR 1,00,000
>= 250 Crore and < 500 Crore	INR 75,000
>= 75 Crore and < 250 Crore	INR 50,000
>= 25 Crore and < 75 Crore	INR 25,000
< 25 Crore	INR 10,000

In case the aforementioned portal is not available, applications may be submitted in physical form to:

Karnataka Innovation and Technology Society (KITS),
Department of Electronics, IT, Bt, and S&T, Government of Karnataka,
BMTC - Central Officers Building,
TTMC 'B' Block, 4th Floor,
Shanthinagar, KH Road,
Bengaluru- 560 027.

Upon successful submission of an application, a unique application ID shall be issued to the Applicant. All Applicants may refer to their application ID for any future correspondence on the subject. If any company has more than one unit in Karnataka, to avail benefits under the Special Incentives Scheme for ESDM Sector, a single Login ID for all the units will be applicable. The Applicant may apply for incentives by filling the relevant application forms and attaching the soft copies of all supporting documents applicable for making an application for incentives.

The format for Application Forms are provided in Annexures 3 to 8. In case a company is applying for different incentives under the Scheme at different points of time, the company can do so through the same application by providing the additional details and supporting documents for the relevant incentives. The company may access its application through the same login ID created.

Eligible Companies shall submit applications in the prescribed format along with the documents for sanction of subsidy within a period from 12 months from the Date of Commencement of Commercial Production.

KITS will assess the completeness of the application and give an acknowledgement to the Applicant regarding receipt of application. In case, any documents are missing, KITS will return the application to the Applicant for updation.

Once KITS has received a complete application, it will review and verify all the documents and may conduct a physical inspection of the Unit (if required), on authorization from Managing Director, KITS. Based on its evaluation, KITS will submit the application and evaluation report to the Executive Committee, which will take a final decision regarding the approval on incentives. KITS will inform the Applicant regarding the decision of the Executive Committee. If approved, the Applicant will be required to submit the relevant undertakings for incentive claim. KITS will subsequently disburse the incentive amount to the Applicant.

4.3. Proof / evidence against incentive claims

The table below provides a summary of all the documents required for application of various incentives described above under the Special Incentives Scheme for ESDM Sector.

Incentive	Supporting Documents
1. Common Application Form for claiming Incentive	1. Fillable form (Annexure 3)
2. Land Subsidy	1. Land Documents <ul style="list-style-type: none"> a) Land Document: Absolute Sale Deed and Records of Rights, Tenancy & Crops (RTC) in case of purchase (or) b) Land Document: Sale cum lease deed in case of allotment from Government organizations c) Land Document: Allotment Letter or Possession Certificate for KIADB in case of land leased from KIADB 2. Certificate from Company Secretary / Chartered Accountant shall contain: <ul style="list-style-type: none"> a) Land is in the name of Applicant or Applicant has right to use land

Incentive	Supporting Documents
	<ul style="list-style-type: none"> b) No litigations on aforesaid land c) Land is meant for industrial use d) All clearances required (Statutory clearances, environmental clearances etc.) have been obtained for undertaking manufacturing activity at the proposed location e) UDIN of the CA / Company Secretary <p>3. CA Certified copy of Statement on Expenditure Incurred under Capital Investment (Annexure 4A) with UDIN Number</p>
<p>3. Plant & Machinery Subsidy</p>	<ul style="list-style-type: none"> 1. Copies of all invoices / Purchase Orders relevant to the investment in the name of Applicant along with corresponding GSTR 2A forms. 2. Technology: Copy of Technology agreements with Technology provider (If applicable) 3. Documents/ certificates required from Concerned Government Department <ul style="list-style-type: none"> a) Non-encumbrance certificate b) Certificate that the land is meant for industrial use in case privately acquired c) Building Completion Certificate
<p>4. Reimbursement of Stamp Duty, Registration Charges, (if applicable)</p>	<ul style="list-style-type: none"> 1. Fillable form – Annexure 5 2. Payment Receipt for Stamp Duty and Registration Charges
<p>5. Reimbursement of Land Conversion fee (if applicable)</p>	<ul style="list-style-type: none"> 1. Fillable form – Annexure 5 2. Payment Receipt for Stamp Duty and Registration Charges 3. Copy of land conversion order issued by Revenue Department Copy of receipt / challan as proof of payment made towards land conversion charges

Incentive	Supporting Documents
6. Exemption from Electricity Duty	<ol style="list-style-type: none"> 1. Fillable form – Annexure 6 2. Copy of the ESCOM power sanction letter and service letter with R.R. No. and date 3. Copy of first electricity bill 4. Copies of the latest 3 months electricity bills with receipt 5. Undertaking for Exemption from Electricity Duty (as per Annexure 6A) 6. Service Certificate as per Annexure 6B.
7. Power Tariff Reimbursement	<ol style="list-style-type: none"> 1. Fillable form – Annexure 7 2. Copy of the ESCOM power sanction letter and service letter with R.R. No. and date 3. Copies of the electricity bills with payment receipts for the duration of claiming subsidy 4. For expansion projects, previous two financial years monthly power bills for the unit 5. Service Certificate as per Annexure 7 A
8. Production Linked Incentive	<ol style="list-style-type: none"> 1. Fillable form – Annexure 8 2. Certificate(s) from Company Secretary stating that all clearances required by law like statutory clearances, environmental clearances etc. have been obtained 3. Certificate from Statutory Auditor stating: <ol style="list-style-type: none"> a. Annexure 8A (Details of revenue) b. Investment has been made according to Scheme guidelines c. UDIN No. of the Statutory Auditor 4. Certificate from Statutory Auditor on letterhead (Annexure 8B) 5. Format for undertaking for PLI (Annexure 8 C) 6. Annual Report of the Company for the Financial Year for which incentive is claimed 7. CA Certified GSTR 9 form of the Applicant entity for the corresponding period
9. Undertakings	<p>During Application stage:</p> <ol style="list-style-type: none"> 1. Undertaking related to correctness of information

Incentive	Supporting Documents
	<p>provided in incentive application (Annexure 9 A)</p> <ol style="list-style-type: none"> 2. Undertaking to remain in commercial production for a period of at least three year from the date of commencement of commercial production or one year from the date of receipt of last incentive, whichever is later (Annexure 9 B) 3. Undertaking for availing incentive against Bank Guarantee for Related Party Transaction (Annexure 9 C) 4. Undertaking regarding employment (Annexure 9 D) <p>Post sanction:</p> <ol style="list-style-type: none"> 5. Undertaking during sanction of incentives (Annexure 9 E) 6. Format of Bank Guarantee for Related Party Transaction (Annexure 9 F)

4.4. Verification and sanction of incentive claims

If the application is complete in nature, then KITS will carry out a detailed assessment and evaluation of the application and calculate the applicable incentive amount.

Applicant would be required to maintain and produce all original documents including original invoices, bills of entry (for imported items), original bank-certified bank statements, etc. for the purpose of verification of claim for incentive. KITS shall have the right to verify any documents in relation to the Claim for Incentive including but not limited to actual bills/invoices for the amounts claimed. KITS may seek any additional documents, certificates, etc. during the process of verification from the Applicant. All costs for arranging the documents /certificates/information / data for this purpose shall be borne by the Applicant. The quantum of incentive payable for the Project would be assessed based on eligible capital expenditure.

KITS shall verify the genuineness of the claim with reference to the documents furnished by the Applicant. KITS may take up physical verification if required, on authorization from MD, KITS. The inspection may be undertaken on, but not be restricted to:

- a) Land, including that utilized for factory building required for Installation of plant and machinery, storage of raw material, finished goods, drying yards, soaking pits etc.
- b) The plant and machinery installed in the enterprise with reference to the statement of fixed assets, investment certified by the KSFC / KSIIDC / Bank / Other financial institutions and investment certified by Chartered Accountant. The least amount of value shall be accepted.

- c) Any other investments directly made by the enterprise on eligible fixed asset items, must be certified by a Chartered Accountant and it must be considered by obtaining the bills and receipts.
- d) Operations of the unit and the installed electrical systems (for electricity duty and power tariff subsidies).
- e) For incentives related to R&D based activities, physical inspection will be carried out by a technical committee. Based on the evaluation carried out by KITS with support of PMC, it will prepare a report regarding the incentives to be disbursed to the Applicant.

Based on this appraisal, KITS shall submit its Verification Report to the Executive Committee (EC). The Verification Report, shall, inter alia, include the (i) approval details, (ii) disbursement request by the Applicant for claim for incentive, (iii) Status of compliance of approval order conditions and other terms and conditions of Scheme Guidelines, (iv) Assessment of eligible incentive and (v) Recommendation for release of eligible incentive.

For any clarifications related to an application, KITS may refer the matter to EC for clarification. The inputs provided by the EC in this regard shall be considered as final with respect to evaluation of the proposal.

The Executive Committee will review the application and verification report prepared by KITS and take the final decision to approve/reject the application for incentives. EC may give the Applicant a chance to modify its application, if required. The decision of the Executive Committee shall be final. KITS shall inform the Applicant of the decision of the Executive Committee by issuing a Sanction Letter to the Applicant.

Incentives and subsidies under the Scheme shall be granted to Eligible Companies from time to time on approval from the Executive Committee, based on recommendations from the nodal agency. The committee shall meet at least once every 3 months to consider all applications as well as any other related issues, unless required to do so earlier. The decision of the Committee shall be deemed final while sanctioning the eligible amount for incentives / concessions. Reimbursement amounts shall be released / disbursed on first come first serve basis depending upon the budget allotted under the Scheme and budget availability by the State Government during the Financial Year.

4.5. Disbursement of Incentives

KITS shall issue a "Sanction Letter" to intimate the Applicant about the approval of its incentive claim from the Executive Committee. The Sanction Letter shall contain the following details:

- i. Eligible Product/Activities
- ii. Decision of the Executive Committee regarding approval of incentives under the Scheme.
- iii. Approved list of capital items of Plant & Machinery eligible under the Scheme.

- iv. Eligible Capital Expenditure on Plant & Machinery
- v. Value of land used for computation of Land Subsidy.
- vi. Approved list of items considered for calculation of Expenditure on Building
- vii. Value of Fixed Assets including Expenditure on Land, Expenditure on Building and Eligible Capital Expenditure on Plant and Machinery.
- viii. Eligible incentive amount.

On approval of the application by the Executive Committee,

- a) The Applicant shall provide an undertaking related to correctness of information provided in incentive application (format given in Annexure 9A) on receipt of Sanction Letter from KITS for disbursement of incentives.
- b) The Applicant will need to sign an undertaking on a stamp paper of INR 200 as per the prescribed format (see Annexure 9E) and submit to KITS.
- c) Post submission of the undertakings, the sanctioned incentive amount shall be released to the companies as per availability of grants from the Government on first come first serve basis.
- d) The company shall provide an Undertaking (see Annexure 6A) to inform KITS and the concerned ESCOM immediately in case the Company changes location / closes / changes the company name / amalgamation / acquisition / changes its activity in the location for which Exemption from Electricity Duty has been taken. In case of companies located in Industrial Parks / Rented premises, the landlord or the company shall submit a certificate to KITS and the concerned ESCOM about continuation of its activity in the same premises every year to continue availing Exemption from Electricity Duty.
- e) Electricity Duty Exemption Certificate shall be issued to the Eligible Company by the Managing Director, KITS.
- f) The disbursement of incentives shall be done by KITS on the basis of approval conditions and as per the extant financial rules.
- g) KITS shall disburse the funds upon completion of all pre- disbursal formalities by the Applicant.
- h) The disbursement of incentive may be in the form of Direct Bank Transfer.
- i) The incentives shall be released subject to compliance with terms and conditions stipulated in the Scheme / Guidelines/ Approval Letter.
- j) KITS shall furnish information to EC with details of Claims received for incentive, Claims approved, amount disbursed, and reasons for rejection / delay in disbursement of the incentive on a quarterly basis.
- k) In the event of disbursement of excess claim, the Applicant shall reimburse KITS for any incentive amount refundable along with interest calculated at 3 years SBI MCLR (as at the date of disbursement, compounded annually).

- l) KITS shall submit quarterly reports to the Executive Committee (EC) about the progress and performance of the Scheme.

4.6. Other Terms and Conditions

4.6.1. General conditions

- a) Applicants must not be availing any other subsidies or incentives from other schemes/policies of Government of Karnataka for the same Project/Unit. However, they can apply for incentives under any Central Government Scheme.
- b) Any change / deviation in the location of a Project / Unit, after filing the application or after the date of commencement of commercial production, shall be allowed by KITS after due verification of application of eligible incentives at the changed location.
- c) Any such change/deviation in the location of a Project / Unit, shall be intimated by KITS to the EC for consideration and recommendation. Based on the EC's recommendation, KITS shall communicate approval for such change of location.
- d) Any deviation with respect to approved Target Segment, after the Date of Commencement of Commercial Production, shall be intimated by KITS to the EC for its consideration and recommendation. Based on the EC's recommendation, KITS shall communicate approval for such change of approved Target Segment.
- e) An Applicant shall intimate KITS of any change in the shareholding pattern of the Promoters' holding in the Applicant/ Project, including any change in encumbrance, post application and during the period of 5 years from the date of application.
- f) The Scheme proposes that the units receiving incentive under the Special Incentives Scheme for ESDM Sector shall have to remain in commercial production for a period of at least 3 (three) years from the Date of Commencement of Commercial Production or 1 (one) year from the date of receipt of last incentive, whichever is later. Applicant has to provide an undertaking for the same as per the format at Annexure 9B.
- g) However, in the event of default or closure of an Applicant unit that has availed incentive under the Scheme before the period as mentioned in the previous paragraph, the Applicant unit shall be required to refund the incentive disbursed, refund the incentives along with interest calculated at 3 years SBI MCLR prevailing on the date of disbursement, compounded annually, after giving an opportunity to the Applicant of being heard. Failing which, recovery shall be done from the liquidated assets of such unit as per established procedures.

- h) To obviate any malpractices in the financial matters where disbursements are made to industry by the Government, it has been decided to provide a deterrent against corrupt practices for promotion of transparency and equity. Therefore, keeping in view the sensitivities involved in the process and taking cue from the instructions of the Central Vigilance Commission regarding adoption of an Integrity Pact in the matter of procurement, it has been decided to obtain undertaking(s) from Applicants under the Scheme.
- i) KITS may issue supplementary guidelines from time to time for the smooth implementation of the 'Scheme'.
- j) Mid-term assessment of the Scheme shall be done to assess the benefits reaped by the industry and economy.
- k) If KITS is satisfied that eligibility under the Scheme and / or disbursement of incentives have been obtained by misrepresentation as to an essential fact or furnishing of false information, KITS may ask the Applicant to refund the incentives along with interest calculated at 3 years SBI MCLR prevailing on the date of disbursement, compounded annually, after giving an opportunity to the Applicant to be heard. Failing which, recovery shall be done from the liquidated assets of such unit as per established procedures.
- l) Any deviations from these guidelines shall need to be approved on a case to case basis by the Executive Committee, on provision of required justification and documentation submitted by the Applicant. The decision of Executive Committee shall be final and binding.

4.6.2. General conditions for Capital Investment Subsidy, Reimbursement for Stamp Duty & Registration, Reimbursement of Land Conversion Fee and Exemption from Electricity Duty

- a) An enterprise may apply for Capital Investment Subsidy, Reimbursement of Stamp Duty and Registration Charges and Reimbursement of Land Conversion Fee within 12 months from the date of commencement of commercial production. In case a company files for subsidy after 12 months from Date of Commencement of Commercial Production, the company must provide reasonable justification for the same which will be evaluated by and Executive Committee. The decision of the Executive Committee will be final.
- b) All capital expenditure relating to the Project/Unit that have been incurred and paid for directly by the Applicant or on behalf of the Applicant, are to be claimed only after actual payment has been made (on cash basis) and not on accrual basis.
- c) All invoices, lease/sale deeds and other relevant documentation and certification shall be in the name of the Applicant.
- d) If the new items under consideration, which were not included in the approved eligible capital expenditure, are within the same eligible capital expenditure limit for similar items

and are intended for the same purpose as was proposed for the manufacturing of the approved product(s), the same may be approved by Executive Committee after due-diligence. Any additional data / information/documents/certificates required by KITS for this purpose shall be arranged by the Applicant.

- e) Any change in the share holding pattern of an Applicant leading to a Successor-in-Interest shall be intimated by KITS for consideration and recommendation of the EC. Based on the EC's recommendation, KITS shall communicate approval to such successor-in-interest to submit claims for disbursement of incentive
- f) In case of a Successor-in-Interest, all incremental capital expenditure undertaken by the Applicant to whom approval was accorded under the Scheme, would be considered for determining Eligible capital expenditure, subject to recommendation and compliance with any other condition stipulated by the EC, as may be deemed appropriate. The earlier capital expenditure and eligible capital expenditure for the successor-in-interest shall be the same as determined for the Applicant to whom approval was accorded under the Scheme.

4.6.3. General conditions for Production Linked Subsidy and Power Tariff Reimbursement

- a) An enterprise can make the first application for PLI incentives after completion of one complete financial year since the commencement of commercial production. The company will be eligible for availing Power Tariff Subsidy, Exemption from Electricity Duty and PLI for a consecutive period of five years since first application for these subsidies.
- b) Later, the Applicants may file incentive claim once every 6 months for operations undertaken during previous 6 months of any financial year i.e., an Applicant shall submit its claim during the month of October to March for all operational incentive claims it intends to submit for operations undertaken during the period April to September and likewise for the next 6 months.
- c) All half yearly claims will be adjusted and settled off during disbursement of incentives for the respective financial year.
- d) In case a force majeure event applicable to Karnataka is declared by Government of India/Government of Karnataka for more than 6 months, the Applicant and Government have the option to exclude that year for filing/ disbursement of incentives. The enterprise may file for incentives from the following year until a 5 year period is completed.

4.6.4. Related Party Transaction (RPT)

- a) For any expenditure forming part of the claimed capital expenditure which involves purchase/lease from Group Companies / 'related' entities:
 - a. Any relevant certificate/ documents (for domestic and / or international procurement) must be provided by the Applicant. This shall be submitted in accordance with the provisions of relevant statutes and Accounting Standard as amended from time to time.
 - b. The decision on approval/rejection of the relevant certificate/document shall be based on the final assessment as per provisions of relevant statutes and Accounting Standard as amended from time to time, and such decision / final assessment shall be final and binding on all.
- b) The Applicant shall submit all relevant documents with respect to Related Party Transactions.
- c) In case, before the final assessment as per provisions of relevant statutes and Accounting Standards as amended from time to time, if the Applicant seeks disbursement of the eligible RPT, post-verification of claim application, the same is subject to the following:
 - a. The Applicant shall submit an unconditional, irrevocable Bank Guarantee (BG) from a Scheduled Commercial Bank (format provided in Annexure 9E) for an amount equivalent to the incentive amount on the approved Related Party Transactions. The validity of the Bank Guarantee shall be for 5 years initially from the date of release of Sanction Letter for incentive.
 - b. The Applicant through its authorized representative shall submit an undertaking to KITS on the company's letterhead (format in given in Annexure 9C).
- d) If the assessment as per existing laws is not completed within 5 years from the start of the validity of Bank Guarantee, the Applicant shall submit a fresh Bank Guarantee for an amount which shall be the sum of the amount of earlier Bank Guarantee and accrued interest calculated at 3 years SBI MLCR (as applicable on the date of disbursement) compounded annually. The period of Bank Guarantee shall be to the satisfaction of KITS. In the event of failure to do so, KITS shall have the option to invoke the earlier submitted Bank Guarantee by issuing a notice for taking requisite action within one month from the date of issue of letter
- e) KITS shall ensure proper custody and regular monitoring of the validity of Bank Guarantee and issue alerts to the Applicant companies where BG validity is likely to expire in the following six months

- f) Even if the notice is not issued to the Applicant, the Applicant is legally bound to renew the BG, failing which KITS may invoke the BG
- g) While considering disbursement claims, the Applicant company shall invariably provide the details / status of assessment as per existing tax laws, in respect of RPTs for which incentive has been disbursed by KITS in the previous claims.
- h) In case, any expenditure is disallowed as per provisions of relevant statutes and Accounting Standard as amended from time to time, the Applicant shall inform KITS immediately and shall reimburse KITS for any incentive amount claimed on the disallowed expenditure along with the interest calculated at 3 years SBI MCLR (as applicable on the date of disbursement) compounded annually.

Annexures

Annexure 1: Constitution of Executive Committee

Sl. No.	Committee Members – Executive Committee	Position
1.	The Additional Chief Secretary / Principal Secretary / Secretary to the Government, Department of Electronics, Information Technology, Biotechnology and Science & Technology, Government of Karnataka	Chairperson
2.	Managing Director, Karnataka Innovation and Technology Society, Department of Electronics, Information Technology, Biotechnology and Science and Technology.	Member Secretary
3.	Secretary, Budget & Resources, Government of Karnataka	Ex-officio Member
4.	Commissioner for Industrial Development and Director of Industries & Commerce, Government of Karnataka	Ex-officio-Member
5.	Commissioner, Commercial Taxes, Government of Karnataka	Ex-officio-Member
6.	Chief Executive Officer, Karnataka Industrial Area Development Board	Ex-officio-Member
7.	Inspector General of Registration – Enforcement, Department of Stamps & Registration, Government of Karnataka	Ex-officio Member
8.	Director (Technical), Energy Department, Government of Karnataka	Ex-officio-Member
9.	Chairperson, India Electronics and Semiconductor Association	Ex-officio-Member
10.	Director, Indian Institute of Science, Bangalore	Member
11.	Director, International Institute of Information Technology, Bangalore	Member
12.	Nominee – Member of Institution of Engineers (India) having Chartered Engineer (India) certificate issued by Institution of Engineers (India)	Member
13.	Chairperson of the Committee may nominate / invite any other Subject Expert / Industry Representative as a special invitee to the Committee	

Annexure 2: Constitution of Technical Committee

Sl. No.	Proposed Member	Position
1.	Managing Director, Karnataka Innovation and Technology Society	Chairperson
2.	Under Secretary, Finance Department, Government of Karnataka	Member
3.	Joint Director, Department of Industries & Commerce, Government of Karnataka	Member
4.	Joint Commissioner, Commercial Taxes, Government of Karnataka	Member
5.	Chief Engineer & Chief Development Officer, Karnataka Industrial Area Development Board	Member
6.	Assistant Inspector General of Registration – Enforcement, Department of Stamps & Registration, Government of Karnataka	Member
7.	Director (Technical), Energy Department, Government of Karnataka	Member
8.	Chairperson, Indian Electronics and Semiconductor Association (IESA)	Member
9.	Director, Indian Institute of Information Technology (IIIT), Bangalore	Member
10.	Chair – Department of Electronic Systems Engineering, Indian Institute of Science, Bangalore	Member
11.	General Manager, Karnataka Innovation and Technology Society	Member Secretary
12.	Chairperson of the Committee may nominate / invite any other Subject Expert / Industry Representative as a special invitee to the Committee	

Annexure 3: Common Application Form

Common Application Form for Incentive	
Name of the Company	
Type of Unit	<input type="checkbox"/> New Unit <input type="checkbox"/> Expansion / Modernization / Diversification
Target Segment (drop down menu)	<input type="checkbox"/>
Details of Proposed Project / Unit	<input type="checkbox"/>
Address: Telephone number:	
Communication details: Name of Contact Person: Designation: Contact address: Telephone Number: Mobile Number: Email ID:	
Type of the Company (please specify)	<input type="checkbox"/> Private Limited Company <input type="checkbox"/> Public Limited Company <input type="checkbox"/> Partnership Firm <input type="checkbox"/> Other
Date of Incorporation	
Date of Single Window Approval	
Date of Commencement of Commercial Production	
PAN number	
GSTIN	
Details of Promoters / Directors / Key Executives	
Details of Branch Offices / Units	
1	Number of Branch Units / Offices

Common Application Form for Incentive

2	Full Address of Branch Offices / Units (please provide details of all Units / Offices in Karnataka)	
Number of Employees in India		
1	Total number of employees	
2	Employees on Contract basis	
3	Full Time employees	
4	Others	
Location of the Project		
1	Type of Sourcing (Lease / Freehold)	
2	Location	
Break-up of Capital Investment made		
1	Expenditure on Land (Freehold/lease hold)	Total Inv. on Land (INR) –
		Area (In Sq. meter) –
2	Stamp Duty & Registration Charges -	
3	Land Conversion Fee (if applicable) -	
4	Capital Expenditure on Plant and Machinery & Equipment	
A	▪ Plant & Machinery (New)	
	▪ Refurbished Plant and Machinery	
B	▪ R&D	
C	▪ Transfer of Technology	
D	▪ Utilities	
E	▪ Other Items	

Common Application Form for Incentive

4	Capital Expenditure on Building	
	Total Eligible Capital Investment on Plant & Machinery (For New Unit- INR 15 Crore and above For Existing Unit- INR 50 Crore and above)	
	Bank Details for Incentive Disbursement	<ul style="list-style-type: none"> ▪ Name of Bank ▪ Branch Address ▪ Account holders Name ▪ Account Number ▪ IFSC Code

List of Documents to be furnished.

1. Audited financial statements for the last one year of operations of the Applicant and annual reports
2. Certified copy of Memorandum and Articles of Association/ / Certificate of Incorporation / Certificate of Commencement of business / Partnership Deed / Trust Deed / Byelaws / Registration Certificate from Registrar of firms / societies, as the case may be
3. Undertaking stating the details of assistance sought / received from Govt. of Karnataka apart from Special Incentive Scheme
4. Self-certificate that the Applicant is not blacklisted by any Government department / agency
5. Credit History (undertaking from Company Secretary): Details of presence of Applicant / Non-Independent Directors, Promoters in — RBI's Defaulter and Willful Defaulter Lists, SEBI Debarred List, and CIBIL Score
6. Detailed Project Report (DPR) including details of the project, location and site details, manufacturing processes, use of technology, raw material sourcing, revenue projections - split by exports, domestic sale (next 5 years), forecasted returns - RoI and breakeven estimates, Financial plan, Funding sources, economic impact assessment, etc. Proposed plan for employment, indicating a range for employment generation created by the investment over the next 5 years. This project report cum DPR shall be prepared by an independent professional agency (Chartered Accountant, Consultant etc).
7. Chartered Accountant (CA) Certificate (With membership no.) showing shareholding pattern (indicating number of shares and investment)
8. Copy of Single Window Application Form and Single Window Approval
9. Proof of Financial closure (wherever applicable)
 - a. Term Loan: Sanction letter, loan agreement, appraisal note, loan account statement,

Common Application Form for Incentive

- b. Internal Accruals: Documents supporting fund availability
 - c. Equity: Documents supporting fund availability, Equity subscription agreement, commitment letters from equity providers
 - d. Unsecured loan: documents supporting fund availability, Unsecured loan agreements, commitment letters from unsecured loan providers
10. Certificate required from a Chartered Accountant stating the following
- a. Investment in the Project: item-wise and date-wise details of capital expenditure incurred (on cash basis) in the Project along with details of payment from the bank account(s) of the company.
 - b. That the Capitalization of expenditure in the books of accounts of the Applicant is in line with the relevant accounting standards issued by ICAI and confirmation of the Date of Commencement of Commercial Production
 - c. That the capital expenditure has been incurred for the purposes of the project in accordance with Scheme Guidelines and the approval accorded by KITS.
 - d. Separate records have been maintained for the project in a manner that the assets procured under the Scheme can be identified and Applicant is maintaining a fixed asset register for these assets.
11. First sale invoice
12. Documents /certificates from Chartered Engineer
- a. Date of Commencement of Commercial Production
 - b. Certificate stating that the plant, machinery and equipment (including for R&D) and associated utilities have been installed, the price is as per the market value and the same are being used exclusively for the manufacturing of products as applied and approved under the Scheme.
 - c. Certificate stating that all the plant, machinery and equipment (including for R&D) and associated utilities are new or whether there are any used / second hand refurbished capital goods
 - d. Certificate comparing expenditure claimed for various utilities with KPWD plinth area rates.

Annexure 4: Application form for Capital Investment Subsidy on Land and Plant & Machinery

List of Documents to be furnished.

For Land Subsidy

1. Land Documents
 - a) Land Document: Absolute Sale Deed and Records of Rights, Tenancy & Crops (RTC) in case of purchase (or)
 - b) Land Document: Sale cum lease deed in case of allotment from government organizations
 - c) Land Document: Allotment Letter or Possession Certificate for KIADB in case of land leased from KIADB
2. Certificate from the CA / Company Secretary containing:
 - a) Land is in the name of Applicant or Applicant has right to use land
 - b) No litigations on aforesaid land
 - c) Land is meant for industrial use
 - d) All clearances required (Statutory clearances, environmental clearances etc.) have been obtained for undertaking manufacturing activity at the proposed location
 - e) UDIN of the CA / Company Secretary
3. CA Certified copy of Statement on Expenditure Incurred under Capital Investment (Annexure 4A) with UDIN Number

For Plant & Machinery

1. Copies of all invoices / Purchase Orders relevant to the investment in the name of Applicant along with corresponding GSTR 2A Forms
2. Technology: Copy of Technology agreements with Technology provider (If Applicable)
3. Documents/ certificates required from Concerned Government Department
 - a) Non-encumbrance certificate
 - b) Certificate that the land is meant for industrial use in case privately acquired
 - c) Building Completion Certificate
4. CA Certified copy of Statement on Expenditure Incurred under Capital Investment (Annexure 4A)

Annexure 4A: CA Certified copy of Statement on Expenditure Incurred under Capital Investment

UDIN No. : _____

PART A – Capital Investment on Land

Location (Taluk / Indl. Area / Indl. Estate)	Survey. No. / Plot No.	Land Required (Sq. Mts)	Date of purchase / sale deed / allotment	Payment Details				Guidance Value
				Date	Amount	Mode of Payment	Receipt No.	

PART B – Capital Investment on Plant and Machinery

Particulars of Fixed Assets / Capital Expenditure	Name and Address of Supplier	Condition of the Asset (New/Used)	Date of Order Placement	Date of Invoice	Invoice Amt.	Mode of Payment	Payment Details	Receipt No. and Date
Capital Expenditure on New Plant & Machinery								
Item 1								
Item 2								
.								
Capital Expenditure on Refurbished Plant & Machinery								
Item 1								
Item 2								

Particulars of Fixed Assets / Capital Expenditure	Name and Address of Supplier	Condition of the Asset (New/Used)	Date of Order Placement	Date of Invoice	Invoice Amt.	Mode of Payment	Payment Details	Receipt No. and Date
.								
.								
Capital Expenditure on Associated utilities								
Item 1								
Item 2								
Capital Expenditure on Research & Development								
Item 1								
Item 2								
.								
Capital Expenditure on Transfer of Technology								
Item 1								
Item 2								

Particulars of Fixed Assets / Capital Expenditure	Name and Address of Supplier	Condition of the Asset (New/Used)	Date of Order Placement	Date of Invoice	Invoice Amt.	Mode of Payment	Payment Details	Receipt No. and Date
Capital Expenditure on any other eligible Items								
Item 1								
Item 2								
Total								

Signature of the Authorized Person

Annexure 5: Application form for Reimbursement of Stamp Duty, Registration charges and Land Conversion Fee

Allotment Agency (KIADB / KSIIDC / KSSIDC / KEONICS / Others / Private)	
Land Use (In case of private purchase / lease)	
Size of the Land	
Total Cost of Land	
Total Stamp Duty paid	
Total Registration Charges paid	
Total Land Conversion Fee paid	
List of Documents to be furnished <ol style="list-style-type: none">1. Payment Receipt for Stamp Duty and Registration Charges2. Copy of land conversion order issued by Revenue Department3. Copy of receipt / challan as proof of payment made towards land conversion charges	

Annexure 6: Form for Exemption from Electricity duty

Electricity Meter RR Number	
List of Documents to be furnished <ol style="list-style-type: none">1. Copy of the ESCOM power sanction letter and service letter with R.R. No. and date2. Copy of first electricity bill3. Copies of the latest 3 months electricity bills with receipt4. Undertaking for Exemption from Electricity Duty (as per Annexure 6A)	

Annexure 6A: Format of Undertaking for Exemption from Electricity Duty

The following undertaking shall be on the Applicant's letter head and duly signed and affixed with company / entity seal, and should be submitted by the company while availing Exemption from Electricity Duty

UNDERTAKING

The undertaking executed this day _____ of 20__ by carrying on the business of under the name and style of M/s. _____ hereinafter called the 'Grantee' of the one part in favor of the Governor of Karnataka, represented by Karnataka Innovation and Technology Society (KITS), hereinafter called the Government of other part WITNESSETH.

Where KITS has sanctioned an exemption from Electricity Duty under the Government of Karnataka Special Incentives Scheme for ESDM Sector to the Grantee for the purpose of his enterprise.

The Grantee hereby acknowledges, agrees and covenants as follows:

1. To inform immediately to KITS and the concerned ESCOM in case the Company changes location/closes/changes the company name / amalgamation / acquisition / changes its activity in the location for which Power Tariff Reimbursement and / or Exemption from Electricity Duty has been taken.
2. In case of companies located in Industrial Parks / rented premises, the landlord or the company shall submit a certificate to KITS and concerned ESCOM about continuation of their activity in the same premises every year for continuing to avail Power Tariff Reimbursement. In the event of any company engaged in any activity other than ESDM, then the Power Tariff Reimbursement and Exemption from Electricity Duty shall be discontinued.

Witness:

Signature of the Grantee

1.

2.

Common Seal of the Company

Annexure 6B: Service Certificate

On the letter head of the electricity supply company

No:

Address of the issuing authority

Date:

Service Certificate

This is to certify the installation bearing RR No: _____ serviced with electrical meter in the name of < Name of the Company > < address of the company > with a sanctioned load of ___kVA under ___ Tariff.

The certificate is issued as per request of the consumer

Signature and Seal of the issuing authority

Annexure 7: Application form for Power Tariff Reimbursement

Name of the Company			
KITS Registration Number			
Date of Commencement of Commercial Production			
Period for which Power Tariff Reimbursement is being applied for			
Number of meters			
Electricity Meter RR No.			
	Month / Year	Bill Number	Total Units Consumed
1	<Month / Year>		
2	<Month / Year>		
3	<Month / Year>		
Base power consumption in case of expansion (Max monthly consumption in the last 24 months)			
Total Amount of Subsidy Applied			
List of Documents to be furnished			
<ol style="list-style-type: none"> 1. Copy of the ESCOM power sanction letter and service letter with R.R. No. and date 2. Copies of the electricity bills with payment receipts for the duration of claiming subsidy 3. For expansion / modernization / diversification projects: Previous two financial years monthly power bills for the unit 			

Annexure 7A: Service Certificate

On the letter head of the electricity supply company

No:

Address of the issuing authority

Date:

Service Certificate

This is to certify the installation bearing RR No: _____ serviced with electrical meter in the name of < Name of the Company > < address of the company > with a sanctioned load of ___kVA under ___ Tariff

The certificate is issued as per request of the consumer

Signature and Seal of the issuing authority

Annexure 8: Application form for Production Linked Incentive (PLI)

Name of the Company		
Date of Commencement of Commercial Production		
Details of Annual Turnover (From the eligible unit)		
1	Period for which incentive is being claimed	
2	Turnover from Operations of Target Segments during the period	
3	Base Sales turnover (In case of expansion)	
Amount of Production Linked Incentive Claimed		
<p>I / We hereby certify that the particulars given above for the purpose of sanction of Production Linked Incentive from the Government of Karnataka are to the best of my/our knowledge and belief, are true and correct.</p> <p>Place: Date: Signature(s) Name and Designation of the Proprietor/ Managing Partner/Managing Director/ Authorized Person</p>		
List of Documents to be furnished		
<ol style="list-style-type: none"> 1. Certificate(s) from Company Secretary stating that all clearances required by law like statutory clearances, environmental clearances etc. have been obtained 2. Certificate from Statutory Auditor stating: <ol style="list-style-type: none"> a. Annexure 8A (Certificate from Statutory Auditor regarding details of revenue) b. Capitalization of Investment in the books of accounts of the applicant is in line with the relevant accounting standards issued by ICAI c. Certificate from Statutory Auditor on letterhead (Annexure 8B) <p>The Certificate must clearly mention the UDIN No. of the Statutory Auditor</p> 3. Format for undertaking for PLI (Annexure 8 C) 4. Annual Report of the Company for the Financial Year for which incentive is claimed 5. CA Certified GSTR 9 form of the Applicant entity for the corresponding period 		

Annexure 8 A: Certificate from Statutory Auditor

UDIN No. : _____

Sl. No	Particulars	Unit	Base Year	Period of Claim
1	Investment in the unit as on date of filing the claim	INR		
2	Employment as on Date of Filing Claim	Numbers		
3A	Revenue from Operations: Domestic Sales (minus the net of credit notes, discounts, and taxes applicable)	INR		
	Manufacturing activity			
	1. Target Segment			
	2. Other Goods in Target Segment			
	3. Other goods			
	Trading Activity			
	1. Target segment			
	2. Other Goods			
	Services activity			
3B	Revenue from Operations: Exports net (of credit notes, discounts, and taxes applicable)	INR		
	Manufacturing activity			
	1. Target Segment			
	2. Other Goods in Target Segment			

Sl. No	Particulars	Unit	Base Year	Period of Claim
	3. Other goods			
	Trading Activity			
	1. Target segment			
	2. Other Goods			
	Services activity			
3C	Total Revenue from Operations: Domestic Sales and Exports	INR		

Annexure 8 B: Certificate from Statutory Auditor (On letterhead)

I / We hereby certify that from the examination of the Book of Accounts and other relevant records of the applicant M/s. ----- that the statements made and particulars furnished herein are correct.

I / We hereby further certify that the figures shown herein are only in respect of production and sale of Eligible Products / Activities by eligible unit and Production Linked Incentive subsidy claimed is only to extent of Semi Annual or Annual Operating Turnover by Eligible Unit at -----
-----.

I / We further certify that the applicant M/s. -----has maintained separate accounts and records of, expansion project.

Seal

Signature of the auditor

Registration No.

UDIN No.

Date:

Annexure 8 C: Format for Undertaking for PLI

Undertaking on the Applicant Letterhead

1. We, _____ hereby, acknowledge that the incentives that would / may be provided to us under the Production Linked Incentives (PLI) under Special incentive Scheme by KITS, Department of Electronics, IT, BT and S&T, will be provided to us based on, and after relying upon, the information provided by us to avail the said incentives.
2. We hereby confirm that the information provided by us for availing the said incentives is true, correct and complete in all respects and that no material fact / information that may have an adverse impact on the information provided by us for availing the said incentives has been concealed. We acknowledge and confirm that the foregoing averment is on an on-going basis and further undertake to immediately apprise KITS about any change in the status of the information provided by us to avail the said incentives
3. We further undertake that in the event of (i) any of the information provided by us to avail the said incentives being found false, incorrect or incomplete, (ii) in the event of the undertakings and confirmations stated at Para 2 above being found false, incorrect, incomplete or breached; we will (a) refund the entire amount of incentives availed by us along with interest calculated at 3 years SBI MCLR prevailing on the date of disbursement, compounded annually, for the period between excess payment and date of refund.
4. We acknowledge that the remedies provided in para 3 (a) above are not the exclusive remedies available with the Department of Electronics, Information Technology, Biotechnology and Science & Technology, Government of Karnataka and are without prejudice to any legal remedies available with Department of Electronics, Information Technology, Biotechnology and Science & Technology, Government of Karnataka for events mentioned in Para 3 (i) and (ii) above

Annexure 9: Undertakings

Annexure 9 A: Undertaking related to correctness of information provided in incentive application

Undertaking from the Applicant on the letterhead

1. I / We, _____ hereby, acknowledge that the incentive that would / may be provided to us under the Special incentive Scheme for ESDM Sector notified by Department of Electronics, Information Technology, Biotechnology and Science & Technology, Government of Karnataka vide Government Order No. ITBT 101 ADM 2020 dated 7th September 2020, will be provided to us based on and after relying upon, the information provided by us to avail the said incentive.
2. We hereby confirm that the information provided by us for availing the said incentive is true, correct and complete in all respects and that no material fact / information that may have an adverse impact on the information provided by us for availing the said incentive has been concealed.
3. We acknowledge and confirm that the foregoing averment is on an on-going basis and further undertake to immediately apprise Department of Electronics, Information Technology, Biotechnology and Science & Technology, Government of Karnataka about any change in the status of the information provided by us to avail the said incentive.
4. We further undertake that in the event of (i) any of the information provided by us to avail the said incentive being found false, incorrect or incomplete, or (ii) in the event of the undertakings and confirmations stated at para 2 above being found false, incorrect, incomplete or breached; we will refund the entire amount of incentive availed by us along with an interest calculated at 3 years SBI MCLR (as applicable at the date of disbursement of incentive) compounded annually.
5. We acknowledge that the remedies provided in para 4 above are not the exclusive remedies available with the Department of Electronics, Information Technology, Biotechnology and Science & Technology, Government of Karnataka and are without prejudice to any legal remedies available with Department of Electronics, Information Technology, Biotechnology and Science & Technology, Government of Karnataka for events mentioned in para 2 and 3 above.

Annexure 9 B: Format of undertaking to remain in commercial production

Undertaking to remain in commercial production for a period of at least three year from the date of commencement of commercial production or one year from the date of receipt of last incentive, whichever is later

Subject: Self-Certification on Compliance with Scheme regarding remaining in commercial production for a period of at least three years from the Date of commencement of production or one year from the date of receipt of last incentive, whichever is later

_____ (hereinafter called the "Applicant") (Name of Applicant) hereby certify that our unit which has commenced commercial production of the new/ expansion/ modernization / diversification project _____ (project name) on _____ (date) and received last disbursement of incentive on (date) will remain in commercial production for a period of at least three years from the date of commencement of production or one year from the date of receipt of last incentive, whichever is later under the Special incentive Scheme for ESDM sector 2020-2025. This Self Certificate is binding on the Applicant, its successors, transferees, and assignees, and the person or persons whose signatures appear below are authorized to sign this Assurance on behalf of the Applicant.

Applicant Name:

Signature by (Authorized Signatory)

Designation

Name

Date

Annexure 9 C: Undertaking for Availing Incentive Against BG for Related Party Transaction

Undertaking from the Applicant on the letterhead

1. I / We _____ hereby acknowledge that the incentive that would / may be provided to us against related party transactions under the Special incentive Scheme for ESDM Sector by Department of Electronics, IT, BT and S&T, Government of Karnataka vide Government Order No. ITBT 101 ADM 2020 dated 7th September 2020 and other relevant guidelines, communications, will be provided to us based on, and after relying upon, the information provided by us to avail the said incentive.
2. We hereby confirm that the information provided by us for availing the said incentive is true, correct and complete in all respects and that no material fact / information that may have an adverse impact on the information provided by us for availing the said incentive has been concealed. We acknowledge and confirm that the foregoing averment is on an on-going basis and further undertake to immediately apprise Karnataka Innovation and Technology Society (KITS) , Department of Electronics, IT, BT, and S&T, Government of Karnataka about any change in the status of the information provided by us to avail the said incentive.
3. In case of all Related Party Transactions, we understand that the decision on approval / rejection of the certificate and its amount shall be based on the final assessment as per provisions of relevant statutes and Accounting Standard as amended from time to time.
4. With regard to the aforesaid transactions., we hereby undertake the following:
 - a) In case any item expenditure is disallowed as per provisions of relevant statutes and Accounting Standards as amended from time to time, then we will inform Karnataka Innovation and Technology Society (KITS) , Department of Electronics, IT, BT and S&T, Government of Karnataka immediately and will reimburse Karnataka Innovation and Technology Society (KITS) , Department of Electronics, IT, BT and S&T ,Government of Karnataka for any incentive amount claimed on the disallowed expenditure along with the interest calculated at 3 years SBI MCLR (as applicable on the date of disbursement) compounded annually.
 - b) To avail the incentive corresponding to the related party transaction, we further undertake to provide Bank Guarantee from a schedule commercial bank and accept the methodology for BG calculation which is mentioned below:

SI. No.	Particulars	Details
1	Date of issuance of Incentive Sanction Letter	
2	Validity period of BG*	
3	Amount of Bank Guarantee	

**5 years front the date of issuance of incentive sanction letter*

- c) If the assessment is as per provisions of relevant statutes and Accounting Standard as amended from time to time, is not completed within a period of 4 years and six months from the start of the validity or Bank Guarantee, we undertake to submit a fresh Bank Guarantee for an amount which shall be the sum of the amount of the earlier Bank Guarantee and accrued interest calculated at 3 years SBI MCLR (as applicable on the date of disbursement) compounded annually, and period to the satisfaction of Karnataka Innovation and Technology Society (KITS) , Department of Electronics, IT, BT and S&T, Government of Karnataka. In the event of failure to do so. Karnataka Innovation and Technology Society (KITS) , Department of Electronics, IT, BT, and S&T, Government of Karnataka shall have the option to invoke the earlier submitted Bank Guarantee by issuing a notice for taking requisite action within one month from the date of issue of letter.
- d) We understand and agree that even if the notice is not issued to us, we are legally bound to renew the BG / issue fresh BG, failing which Karnataka Innovation and Technology Society (KITS) , Department of Electronics, IT, BT, and S&T, Government of Karnataka, may invoke the BG.
- e) In case of loss, mutilation, force majeure or any other eventualities, with respect to Original BG (favoring Karnataka Innovation and Technology Society (KITS) , Department of Electronics, IT, BT and S&T , Government of Karnataka), KITS will not be liable for the same and the onus would be with us to arrange for alternate /duplicate BG in place of the original BG

Annexure 9 D: Undertaking Regarding Employment

Undertaking on the letterhead of the Applicant

1	Name of the Applicant					
2	Address	<u>Office:</u>	<u>Factory:</u>			
3	Product					
4	Date of Commercial Production (dd / mm / yyyy)					
6	Name of the Administrative Officer in charge of recruitment					
8	Employment details					
	Particulars	Group A	Group B	Group C	Group D	Total
A	Total No. of employees					
B	On Roll					
C	Contracted					
D	Others (Please specify)					

Place:

Date:

Signature of authorized person

Annexure 9 E: Undertaking during sanction of incentives

To be submitted on Stamp Paper of INR 200

The undertaking executed this day _____ of 20__ by _____ carrying on the business of under the name and style of M/s. _____ herein after called the 'Grantee' of the one part in favor of the Governor of Karnataka, represented by KITS hereinafter called the Government of other part WITNESSETH

Where KITS has approved:

- i. Capital Investment Subsidy of INR _____
(_____) only
- ii. Reimbursement of Stamp Duty & _____
Registration Charges of INR (_____)
- iii. Reimbursement of Land Conversion Fee of _____
(_____) only
- iv. Power Tariff Reimbursement of _____
(_____) only
- v. Production Linked Incentive of _____
(_____) only

under Government of Karnataka's Special Incentive Scheme for ESDM Sector to the Grantee for the purpose of his enterprise.

The Grantee hereby acknowledges and agrees to the follows:

1. The Grantee shall not change the location of the whole or any part of the industrial enterprise or effect any contraction or disposal of a part of its total fixed capital investment within a period of three years after the enterprise receives this grant.
2. In the event of the subsidy being sanctioned, which at later date is found to be not actually due, the grantee shall refund to Government such portion or the whole amount as determined by KITS. On failure to do so, such amount shall be recovered by the Government as arrears of land revenue.
3. Where the industrial enterprise goes out of production or remains closed without production activities within one year from the date of receipt of subsidy or 3 years from the Date of

Commencement of Commercial Production, except in case where the enterprise remain out of production for short period extending not more than six months due to reasons beyond control, such as shortage of raw materials, power etc. the grantee shall refund to Government the entire subsidy received. If the enterprise fails to refund the subsidy amount the same shall be recovered as arrears of land revenue.

4. The investment subsidy sanctioned herein is in the nature of "Grant-in-aid" and shall not be construed as a "contract" with Government of Karnataka. The grantee shall not exercise his right of privacy of contract in the matter of release of subsidy by Government of Karnataka, who shall release the subsidy amount as and when the grantee is eligible for the same, in such proportions and instalments as the Government may regulate. The subsidy sanctioned may be released directly through NEFT / RTGS to the concerned Financial Institutions / Banks.
5. That the grantee shall not exercise his right of claiming release / reimbursement of subsidy amount out-of-turn either directly or through his attorney and that the decision of the Government in the matter of periodic release based on the availability of funds shall be final and binding on the grantee.

In witness whereof the Grantee has set his hand on this _____ day of _____

Witness

Signature of the Grantee

1.

2.

Common Seal of the Company

Annexure 9 F: Format of Bank Guarantee for Related Party Transaction

Bank Guarantee for availing incentive against Related Party Transaction

(From any scheduled commercial bank)

This Deed of Guarantee executed on this _____ day of _____ 20- at _____ by _____ (from any scheduled commercial bank), having its Head Office / Registered Office at _____ and inter- alia a Branch Office at _____ (hereinafter referred to as the Bank or the Guarantor, which expression shall, unless it be repugnant to the subject or context hereof, be deemed to include its successors and assigns).

In favor of

Karnataka Innovation and Technology Society (KITS), Department of Electronics, IT, BT and S&T, Government of Karnataka (hereinafter referred as "KITS") represented by KITS, having its registered office at BMTC – Central Offices Building, TTMC 'B' Block, 4th Floor, Shanthinagar, KH Road, Bengaluru 560 027, acting as the Project Management Agency (PM) for the Special Scheme of incentives for ESDM sector notified vide Government order No ITBT 101 ADM 2020

WHEREAS

1.a company within the -meaning of the Companies Act, 1956 OR meaning underand having its Registered Office at (herein after referred to as 'the applicant" which expression unless repugnant to the subject or context includes its successors. Legal representatives and permitted assigns) and have been awarded approval under Special Incentive Scheme for ESDM Sector vide Letter Reference..... Dated..... and sanction letter for incentive dated.....for a total incentive amount of INR.....out of which INR is an incentive amount against related party transaction of INR.....
2. In terms of the undertaking dated..... and clause.....of the Guidelines on RPTs, Reference No.dated....., the Applicant has to provide a Bank Guarantee for an amount equivalent to INR.....which is calculated in line with the undertaking.
3. At the request of the Applicant, the Guarantor has agreed to provide this guarantee, being these presents, guaranteeing the due and punctual performance/discharge by the Vendor of its obligations under the said contract during the implementation period.

NOW THEREFORE THIS DEED WITNESSETH AS FOLLOWS

- a) The Guarantor hereby irrevocably guarantees the due and compliance of terms by the Applicant of all its obligation under the said undertaking till the time assessment as per

provisions of relevant statutes and Accounting Standard as amended from time to time, is completed.

- b) The Guarantor shall, without demur, pay to Karnataka Innovation and Technology Society (KITS) sums not exceeding in aggregate (INR.....) within five bank working days (as per the Reserve Bank of India) of receipt of a written demand thereof from Karnataka Innovation and Technology Society (KITS) stating that the Applicant has failed to meet its obligations under the said undertaking. The Guarantor shall have not to go into the veracity of any breach or failure on the part of the Applicant or validity of the demand so made by Karnataka Innovation and Technology Society(KITS) and shall pay the amount specified in the demand notwithstanding any direction to the contrary given or any dispute whatsoever raised by the Applicant or any other person. The Guarantor's obligations hereunder shall subsist until all such demands are duly met and discharged in accordance with the provisions hereof;
- c) In the event of delay on the part of the Guarantor to pay on demand, the Guarantor shall be liable to pay interest calculated at 3 years SBI MCLR as applicable at the date of demand) compounded annually, to Karnataka Innovation and Technology Society (KITS). There shall not be any delay in payment of the guaranteed amount and payment of interest shall not be an excuse for delaying the payment of guarantee amount. Time is the essence of this Guarantee;
- d) The Guarantor agrees that its liability under this guarantee shall in no manner be affected by any such variation, alteration, modification, waiver dispensation with or release of security and that no further consent of the Guarantor is required for giving effect to any such variation, alteration, modification, waiver dispensation with or release of security;
- e) This Guarantee shall be enforceable against the Guarantor notwithstanding that any security or securities comprised in any instrument executed or to be executed by the Applicant in favor of Karnataka Innovation and Technology Society(KITS) may at the time when the proceedings are taken against the Guarantor of this guarantee be outstanding or unrealized or lost. In order to give effect to this Guarantee, Karnataka Innovation and Technology Society (KITS) shall be entitled to treat the Guarantor as the principal debtor;
- f) This Guarantee shall be irrevocable and shall remain in full force and effect till.....
- g) Until and unless discharged/released earlier by Karnataka Innovation and Technology Society (KITS) in accordance with the provisions of the said undertaking, the Guarantor's liability in aggregate shall be limited to a sum of INR..... (INR.....);

- h) This Guarantee shall not be affected by any change in the constitution or winding up of the Applicant / Guarantor or and absorption, merger or amalgamation of the Applicant/ Guarantor with any other person;
- i) The Guarantor has power to issue this Guarantee and discharge the obligations contemplated herein, and the undersigned is duly authorized to execute this Guarantee pursuant to the power granted under.

All future correspondence with reference to this Guarantee shall be made to (Bank Name and Address).

This jurisdiction in relation to this Guarantee shall be the Courts at Bengaluru and Indian Law shall be applicable.

IN WITNESS WHEREOF THE GUARANTOR HAS SET ITS HANDS HEREUNTO ON THE:
DAY, MONTH AND YEAR FIRST HEREINABOVE WRITTEN

SIGNED AND DELIVERED BY
.....Bank by the hand of..... its.....and authorized official.