

## **FAQs on Gujarat IT/ ITeS Policy 2022-2027**

To promote the Information Technology Industry in GIFT City Gujarat and to attract entrepreneurs to set up units in Gujarat, the Government of Gujarat has declared the IT Policy 2022-27 G.R. dated 07th February 2022. The Department of Science & Technology (DST) undertakes following activities for implementation of this policy:

- Registration of units as 'New' / 'Expansion' Unit.
- Facilitation of investments including coordination with key infrastructure support providers
- Monitoring of investment progress and feedback reporting to the government
- To provide much needed impetus to the Start-ups

### **1. What is Gujarat International Finance Tec-City (GIFT City)?**

GIFT City is being developed as a global financial and IT Services hub, a first of its kind in India, designed to be at par or above with globally benchmarked financial centres. GIFT's Master Plan facilitates Multi Services Special Economic Zone (SEZ) with International Financial Services Centre (IFSC) status, Domestic Finance Centre and the associated Social infrastructure. "GIFT SEZ Limited" has been formed by Gujarat International Finance Tec-City Company Limited (GIFTCL) for the development of Multi Services SEZ at Gandhinagar with the prime focus being the development of IFSC and allied activities in SEZ.

## **2. What will be the Operative Period of the Policy?**

The Policy is effective from the date of G.R. and will remain in force till 31<sup>st</sup> March 2027 or till the declaration of a new or revised Policy. Only eligible entities who have applied for assistance on or before 31<sup>st</sup> March 2027 and who have commenced operation on or before 31<sup>st</sup> March 2028 will be eligible for incentives being provided through the Policy.

## **3. What are IT enabled Services ('ITeS') and who all are covered under the Policy?**

The ITeS can be defined as any service, which results from the use of any IT software over a system of IT products for realizing the value addition service rendering through the application of IT. The following services are covered under the Policy:

- Call centers
- Medical transcription
- Back Office Operation/ Business Process Outsourcing (BPO)
- Knowledge Process Outsourcing (KPO)
- Revenue Accounting and other ancillary operations
- Insurance claim Processing
- Web/Digital Content Development/ ERP / Software and Application Development
- Financial and Accounting Processing
- HR & Payroll Processing
- Bio-informatics
- GIS – Enabled services
- IT support centers
- Website services and
- Emerging Technologies such as Cyber security, Big data, Artificial Intelligence, Block Chain, Machine Learning etc.

#### **4. What does IT software mean under this policy?**

IT software means any representation of instruction, data, sound and image, including source code and object code recorded in a machine-readable form and capable of being manipulated or providing interactivity to use through automatic data processing machines.

#### **5. What is definition of an Eligible IT/ITeS Unit?**

Any IT/ITeS unit with minimum 10 employees on its payroll, setting up its operations in Gujarat during the operative period of this policy or an existing IT/ITeS unit in Gujarat undertaking expansion having minimum 15 employees on its payroll after expansion will be eligible for availing incentives under this policy.

#### **6. What is a New Unit?**

A new unit shall mean:

- IT/ ITeS unit that has or had obtained registration under the Companies Act/ LLP Act/ Partnership/ Proprietorship and is setting up or commenced its commercial operations in Gujarat during the operative period of the Policy; and
- An existing unit outside Gujarat State carrying out new investment in IT/ ITeS industry at any location in Gujarat and commences commercial operation during the operative period of the Policy.

## 7. What does Expansion of an Unit means as per the policy?

An expansion unit means an existing unit in Gujarat undertaking expansion such that the headcount of employees on its payroll increase by 50 per cent of the existing or by 1,000 employees, whichever is lower, during the operative period.

## 8. What are the benefits given to IT/ITeS units under the Policy?

The fiscal incentives being provided under the Policy shall be termed as the CAPEX-OPEX Model Incentives which are as follows:

Sr. No.	Investment Category	CAPEX Support	OPEX Support
1	GFCI less than INR 250 cr.	One time CAPEX support of up to 25 per cent of the eligible CAPEX expenditure, subject to maximum ceiling of INR 50 cr. and the disbursement will be done in twenty equal quarterly installments.	OPEX support of up to 15 per cent of the annual eligible OPEX expenditure, subject to maximum ceiling of INR 20 cr. per year for a period of five years and the disbursement will be done in quarterly installments.

2	Mega Project	One time CAPEX support of up to 25 per cent of the eligible CAPEX expenditure, subject to maximum ceiling of INR 200 cr. and the disbursement will be done in twenty equal quarterly installments.	OPEX support of up to 15 per cent of the annual eligible OPEX expenditure, subject to maximum ceiling of INR 40 cr. per year for a period of five years and the disbursement will be done in quarterly installments.
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Further the Mega Projects are eligible for:

- Early Mover Advantage: Relaxation in minimum investment criteria. The first 3 eligible projects with GFCI more than or equal to INR 100 cr. will be considered as mega projects.
- Enhanced Incentive Components: High Powered Committee ('HPC') may include other incentive categories or relax any of the conditions mentioned under this Policy based on the scale of investment, employment generation, high-value addition and potential for attracting further investments.

## 9. What is the meaning of Gross Fixed Capital Investment ('GFCI')?

GFCI means the expenditure made in the construction of the building, computers, software, networking related hardware and other related fixed assets, excluding the cost of land and expenditure on purchase of the building required to produce products or services by the eligible unit.

Also, it is to be noted that expenditure incurred under GFCI towards the construction of new buildings shall be capped at INR 3,000/sq. ft. of built-up area (applicable for a

total built-up area computed at 60 sq. ft. of built-up area per employee on the payroll of the eligible IT/ ITeS un

#### **10. Which projects are termed as Mega Project?**

Mega project means an investment in the field of IT/ ITeS with a minimum GFCI of INR 250 crores or generating a minimum of 2,000 direct IT employment positions on its payroll in the state.

#### **11. What is the eligible CAPEX expenditure?**

- Capital expenditure as per GFCI: GFCI made during the operative period of the Policy and up till two years after the date of commencement of commercial operations/ production;
- Stamp duty and registration fees paid to the government for lease/ sale/ transfer of land and office space; and
- Renewable energy expenditure: Expenditure incurred on the purchase of equipment for setting up of captive renewable energy plant.

#### **12. What is the eligible OPEX expenditure?**

Eligible OPEX expenditure include:

- Lease rental expenditure;
- Bandwidth expenditure;
- Cloud rental expenditure;
- Power tariff expenditure; and

- Patent expenditure.

### **13. What are some special incentives provided under the Policy for IT/ ITeS Units?**

The special incentives that are provided under the policy are:

- Employment Generation Incentive ('EGI'): One-time support for every new local employees hired and retained for a minimum period of one year at 50 per cent of one month's CTC up to INR 50,000 per male and INR 60,000 per female employee.
- Interest Incentive; Interest subsidy at 7 per cent on term loan or the actual interest paid, whichever is lower with a ceiling of INR 1 cr. per annum will be provided to the eligible IT/ ITeS units.
- Atmanirbhar Gujarat Rojgar Sahay: Reimbursement of the employer's statutory contribution under Employees' Provident Fund will be provided for a period of five years made upto:
  - 100 per cent reimbursement in case of female employee;
  - 75 per cent reimbursement in case of male employee;
  - There will be a per employee ceiling of 12 per cent of the basic salary plus Dearness Allowance and retaining allowance;
  - In case of expansion unit, this assistance will be available for incremental employee count beyond that existed before undertaking expansion.
- Electricity Duty Incentive ('EDI'): Eligible units will be allowed to claim the entire amount of electricity duty paid by them to the government of Gujarat for a period of five years.

#### **14. What approaches are being envisaged by the Government towards skill development?**

The Gujarat Government has envisaged a three-pronged approach to undertake massive skill development exercises:

- Tier-I: Gujarat AI School or AI Center of Excellence (Advanced Center of learning)

The government in association with the IT industry and premier academic institutions in the state, envisions establishing an advanced center of learning having prime objective to become the foremost source of industry-ready skilled talent.

- Tier-II: Upskilling industry-ready talent

Direct Benefit Transfer to graduate students and working professionals up to a maximum of INR 50,000 per course or up to 50 per cent of the course fee, whichever is lower for successfully completing globally recognised courses in Information and Communication Technology

- Tier-III: Nurturing roots by promoting IT

The government will launch large-scale information, Education and Communication (IEC) programs targeting school students and general public aimed towards improving digital literacy, enhancing awareness of the potential of IT in daily life and building a foundation for the availability of skilled IT resources in the state.

**15. What incentives are being provided for the IT City/ Township?**

The following incentives are provided by the Policy for the IT City/ Township:

- a) Relaxation in zoning and land use laws, such as permission for mixed land use;
- b) Assistance in obtaining other necessary statutory clearances;
- c) Relaxation in Floor Space Index norms for IT office space; and
- d) Utilities/ infrastructure support up to the doorstep.

In addition, all eligible applicants are entitled to one-time CAPEX support of up to 25 per cent of the eligible CAPEX expenditure, subject to a maximum ceiling of INR 100 cr. and the disbursement will be done in 20 equal quarterly installments.

**16. What is the monthly rental support provided to the eligible IT/ ITeS units opting to start their operations under Co-working space model?**

The government has incentivized eligible IT/ITeS units opting to start their operations under Government facilitated/empanelment Co-working space model for the following fiscal support for a period of five years from the date of start of commercial operations/ in-principle approval, whichever is later:

<b>Monthly rental support to IT/ ITeS units (per seat basis)</b>	<b>Period</b>	<b>Fiscal incentive limit per seat per month (INR)</b>
50 per cent of monthly rental	First 2 years	10,000
25 per cent of monthly rental	Three to five years	5,000

### 17. What incentives are provided for enabling cloud ecosystem?

The government has provided fiscal support for cloud ecosystem in the following ways:

Sr. No.	Support for	CAPEX Support	OPEX Support
1	Cloud ecosystem	One time support up to 25 per cent of the eligible CAPEX expenditure subject to maximum ceiling of INR 20 cr. and the disbursement will be done in 20 equal installments.	Power tariff subsidy of INR 1/ unit for period of five years
2	Data Centers	One time support up to 25 per cent of the eligible CAPEX expenditure subject to maximum ceiling of INR 150 cr. and the disbursement will be done in 20 equal installments.	

### 18. What support is provided by the policy to R&D Institutes/ Centers?

R&D institutes/ R&D Centers established by educational institutes recognized by AICTE can avail one-time CAPEX support for the purchase of equipment for setting up of R&D Center/ laboratory at 60 per cent of the cost for machinery and equipment, hardware and software subject to maximum of INR 5 cr. provided that the institute is acknowledged by Council of Scientific & Industrial Research/ Department of Scientific and Industrial Research for conducting research into the desired field.

### 19. What are the various non-fiscal incentives provided under the Policy?

The government has proposed to provide various non-fiscal incentives which are as follows:

- The government will duly facilitate the allotment of land for eligible projects subject to availability and fulfillment of eligibility criteria;
- IT/ ITeS units will be allowed self-certification without the inspections under act, such as Factory Act, Maternity Act, Minimum Wages Act, etc.;
- A common platform will be created to link all types of industries and a centralized helpdesk call center on a 24x7 basis will be developed;

The government will offer unique opportunities to the IT/ ITeS units to tap into the government market by way of encouraging Gujarat-based companies of the IT/ ITeS sector to take part in public tenders for government-owned/ funded projects for the procurement of IT products and services as per the discretion of the respective government departments and the prevailing procurement Policy of the government of Gujarat.

## **20. How can an eligible unit apply to get the benefits of the Policy?**

The Government of Gujarat is under the process of digitalizing the entire incentive application process and hence the department of Science and Technology will issue detailed implementation guidelines for the same.

## **21. Who is the Point of Contact in GIFT City for queries related to IT/ITeS incentive for setting up office in GIFT City?**

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