INDUSTRIES DEPARTMENT

GOVERNMENT OF MAHARASHTRA

1. INTRODUCTION

Considering Maharashtra's strengths in terms of human resources, connectivity and infrastructure, and the special significance of Information Technology (IT) for generating employment, increasing efficiency and improving the quality of life, the State Government announced its first IT Policy in 1998. It was followed by the IT and IT-Enabled Services (ITES) Policy in 2003 which provided comprehensive support for the further development of this sector in Maharashtra.

These Policies have been highly successful. Among other achievements, and in addition to the specialized infrastructure provided by public agencies such as MIDC and CIDCO, 369 private IT Parks are being established in Maharashtra. 55 of these Parks have already been set up, generating employment for 1.27 lakh persons. When they are completed, the remaining IT parks will provide more than 6.62 lakh new jobs. Since the 2003 Policy, IT exports from Maharashtra have increased by 135%, positioning Maharashtra among the top three States. The growth rate of FDI in the State's IT sector has been the highest in the country. Maharashtra is also a leader in the telecommunications sector, and is home to over 20% of the broadband subscribers in India.

The Government of Maharashtra now intends to consolidate and build upon the earlier initiatives through a new IT Policy. New strengths have developed in the State in fields such as Animation, Visual Effects and Gaming (AVGC) which can provide considerable value addition. Certain other areas such as IT hardware and Telecom manufacturing require further focused attention in order to strengthen synergies in the ICT sector. The new Policy addresses these areas.

.

According to the recent NASSCOM - AT Kearney report, 90% of the IT-BPO industry in India is concentrated in and around 7 cities in India, including Mumbai and Pune in Maharashtra. The report has identified Aurangabad, Nagpur and Nashik as the emerging new areas with high potential for the IT sector. The Government also intends to further promote its development across the State, and particularly in districts which

are low in the Human Development Index (HDI) in the interest of balanced regional growth and to provide local skills and entrepreneurial talent with greater opportunities. For this purpose, the Policy provides additional benefits to IT units and infrastructure around cities with high potential as well as the most backward regions of Maharashtra, while continuing to support investment in the leading areas.

A large, trained workforce with enhanced skill levels is a sine qua non for the continued growth and value addition in the IT sector, and its spread to other areas in the State. The new Policy therefore places emphasis on innovative measures to promote capacity building, largely through public-private initiatives.

Maharashtra is the largest market for IT hardware and internet in India. IT continues to transform daily life for the better. It has become necessary to address the environmental consequences of the rapid increase in IT users. The Policy proposes path-breaking initiatives to promote 'green' IT and electronic hardware, as well as e-waste re-cycling.

2. IT & ITES POLICY 2009

1. Strategic Drivers of the Policy

2.1.1 **Promotion of Nagpur, Nashik, Aurangabad and low HDI Districts**: To attract IT investments across the State, and particularly in Nagpur, Nashik, Aurangabad and Low HDI districts so as to build on their potential and generate employment.

2.1.2 **Promotion of Focus Sectors**: To promote the development of special fields such as AVGC (Animation, Visual effects, Gaming and Comics) in which the State has particular strengths.

2.1.3 **Promotion of 'Green IT':** To ensure growth of the IT sector in an environmentally sustainable and responsible manner.

2.1.4 **Promotion of Entrepreneurship and Innovation**: To promote the establishment of Knowledge/Resource Centres and Incubation Centres across the State.

2.1.5 **Promotion of Brand Maharashtra**: To position Maharashtra as a rewarding destination for IT investment.

3. POLICY INITIATIVES

The strategic drivers for the IT & ITES Policy provide direction to the State's commitment to create long term assets through an expanding talent pool, extensive IT infrastructure and a thriving culture of innovation and entrepreneurship. These drivers are to be implemented through specific initiatives and incentives.

3.1. BENEFITS

3.1.1 Infrastructural and fiscal benefits

1. Additional FSI and other benefits for IT Parks

1) 100% additional FSI shall be made available to all registered IT/ITES units (including Telecom manufacturing units) in Public and Private IT/ITES Parks approved by the Directorate of Industries, with or without premium as follows:

   a) With 10% premium in Nashik, Aurangabad and Nagpur Districts and without premium in Low HDI Districts

   b) With premium as determined by the Empowered Committee in other areas of the State.

2) Recreational, residential and other support facilities are necessary to service IT-ITES Parks and provide a suitable environment. The area used for such services shall not exceed:

   a) 20% in A & B areas as classified under PSI 2007

   b) 40% in all other areas in the State including Nashik, Aurangabad and Nagpur districts.

3) 100% additional FSI shall be made available for support facilities in Public and Private IT/ITES Parks with or without premium as follows:

   a) With premium of 10 % in Nashik, Aurangabad and Nagpur Districts and without premium in Low HDI Districts

   b) With premium in private IT Parks in other areas of the State, to be determined by the Empowered Committee such that a significantly higher premium is levied in A and B areas.

4) Where relevant, global FSI at layout level may be allowed subject to the guidelines of the Urban Development Department.

5) In order to support efforts to develop Mumbai as an international financial Centre, and considering the scope for financial services in Pune, their nexus with IT/ITES and their employment potential, upto 30% of the built-up area in IT/ITES Parks in the Mumbai and Pune Metropolitan Region may be utilized for specified financial services provided that at least 50% of the built-up area is used for IT/ITES and not more than 20% for support facilities.

   However, the premium levied on the additional FSI for financial services shall be higher than that applicable for IT/ITES. Further, these services shall be subject to the Development Control Rules applicable in any particular area.

2. Excluding parking space, the following support facilities will be permitted in IT/ITES parks:-

- Banking Services
- Medical Stores
- Convenience Shopping outlets
- Communication Centre
- Conference and Meeting Halls.
- Travel Agencies
- Food Services, including cafeterias, food courts, coffee shops, etc.
- Dispensaries
- Recreational facilities including gymnasiums, club houses etc.
- Guest Houses
- Vehicles Service Centres for Automobiles (In Nashik, Aurangabad, Nagpur and Low HDI districts)
- Accommodation facilities including Hotels/ Service Apartments (in Nashik, Aurangabad, Nagpur and Low HDI districts).

3. Eligible IT-ITES units covered under PSI will be exempt from payment of Electricity Duty as per the provisions of that Scheme.

4. IT/ITES units will be supplied power at industrial rates applicable under the Maharashtra Electricity Regulatory Commissioner's tariff orders.

5. IT-ITES units, including IT Hardware and Telecom Hardware manufacturing units will be entitled to Stamp Duty exempted as follows:

   1) 100% Stamp Duty exemption for the following transactions to all new registered IT-ITES units and expansions/ areas, in C, D, D+, No Industry and Low HDI Districts: Hypothecation, pawn, pledge, deposit of title deeds, conveyance, charge on mortgage property, lease, mortgage deed and security bond on mortgage deed.

   2) 100% Stamp Duty exemption for the following transactions to new IT-ITES units and expansions in public IT parks, in IT, IT Hardware, and Telecom Hardware Manufacturing SEZs in A and B areas : hypothecation, pawn, pledge, deeds, conveyance and lease.

   3) 75% Stamp Duty exemption for the following transactions to new IT-ITES units and expansions in private IT parks (including IT hardware and Telecom hardware manufacturing units) in A and B areas: hypothecation, pawn, pledge, deeds, conveyance, lease and public assignment lease.

   4) 90% Stamp Duty exemption on merger, de-merger and reconstruction of IT-ITES units throughout the State.

   5) 90 % Stamp Duty exemption to assignment leases of IT-ITES units under section 60 and leave and licenses of IT-ITES under section 36 A of the Bombay Stamp Act 1958.

6 Works contract tax on annual maintenance agreements of IT-ITES units shall generally be charged at the minimum rates recommended by the relevant Empowered Committee at the centre, barring certain exceptions.

7. IT-ITES units shall be exempt from octroi/ entry tax or other cess or tax levied in lieu of these.

8.   Property tax shall be levied on IT-ITES units at par with residential rates at applicable in the relevant jurisdictions.

9.   IT-ITES units (except IT hardware and Telecom Hardware Manufacturing Units) will be allowed in any Zone (including residential and no-development zones, etc).

10.   To supplement infrastructural investment by the State Government and urban local bodies, developers of private IT parks will be permitted to establish high quality road connectivity to the highways. Such roads will be transferred by the developers to the urban local bodies, and the investments made by the developers would be adjusted against the property tax payable to the local bodies in future.

11.   VAT on sale of IT products will generally be charged at the minimum floor rate recommended by the concerned Empowered Committee at the Centre, with some exceptions.

3.1.2 Human Resources Development

1. Special emphasis has been given to the development of human resources for the IT industry, particularly in the new areas of high potential and the Low HDI districts.

2. The Maharashtra Knowledge Corporation Limited (MKCL), the Maharashtra State Board of Technical Education (MSBTE) and other agencies will institute training-based certification and placement programmes. They would collaborate with NASSCOM and other associations as well as the local IT-ITES industry to understand their resource requirements. Based on these requirements, a merit-based, defined certification and placement procedure shall be instituted so that appropriate manpower is created for the industry. This is particularly important for small IT units which are not in a position to impart the required training in-house.

3. Based on an assessment of feasibility and other details by the Task Force Constituted under the Empowered Committee, proposals will be prepared for the establishment of centres of excellence and research and development, furnishing schools and other employment-oriented centres in Low HDI Districts.

3.1.3 Initiatives related to Laws

1. IT-ITES Units will continue to benefit from:

    1) Relaxations under the Shops and Establishment Act with regard to working hours, work shifts and employment of women.

    2) Exemption from maintaining physical records for attendance and salary.

    3) Option for self-certification and filing of consolidated annual returns under 13 Acts administered by the Labour Department.

2. Provision for IT-ITES units to maintain employee-related records required under various labour laws in electronic form, and to accept returns in electronic form will be made in line with the progress of computerization in the Labour Department.

3. IT/ITES units not discharging process effluent and with less than 100 employees will be exempt from obtaining consent from the Maharashtra Pollution Control Board (MPCB). Such units will be required to submit annual statements to MPCB on the disposal of wastes, including electronic wastes, used batteries and used oil. The registration of such units by the Directorate of Industries will incorporate specific conditions for this purpose. These units will also have to be connected to the local sewage network.

4. Relaxations under the Contract Labor Act which have been approved for units in SEZs will be considered for all IT-ITES units also, subject to approval of the Legislature.

5. IT-ITES units (other than IT hardware and Telecom hardware manufacturing units) will be treated as continuous process units for the purposes of power supply.

3.2 Promotion of Focus Sectors (Animation, Visual Effects, Gaming and Comics)

1. AVGC units will be eligible for all the benefits available to IT units through this Policy.

2. The Government will facilitate the establishment of common facilities etc. through the promotion of AVGC Centres in the State. The AVGC Centre would be an

integrated facility including production facilities, studios, space for performing arts, exhibition galleries and work-place requirements for the artists. The Task Force will work out the infrastructural requirements, revenue and operating model (such as PPP), location, facilities, etc. for the AVGC Centre in consultation with the industry.

3) A pool of AVGC industry professionals will be developed through collaborations among Universities, the industry and agencies such as MKCL and MSBTE.

4) Support will be provided for international events related to AVGC in Maharashtra.

3.3 Promotion of Nashik, Aurangabad, Nagpur and Low HDI Districts

1. Additional FSI and other benefits will be provided to encourage the establishment of IT Parks in these areas, as specified elsewhere in this Policy. Other sections of this Policy also provide for support to human resource development and other requirements.

2. IT Units setting up in MIDC area in Low-HDI Districts will be provided land at 25% of the prevailing rates.

3. New IT-ITES units setting up facilities in the Low HDI Districts will be provided reimbursement of 75% of th expenditure on account of contribution towards Employees State Insurance (ESI) and Employees Provident Fund (EPF) Scheme for a period of 5 years under the provisions of PSI 2007 and the criteria of local employment under that scheme. However, this benefit will be limited to 25% of the fixed capital investment. The reimbursement will be made annually based on the minimum statutory requirement subject to the condition that the unit has paid its contribution towards ESI and EPF by the due dates.

4. City internet portals for Nashik, Aurangabad and Nagpur will be standardized and provide comprehensive information, including about private and public social and other infrastructure, State and local initiatives, etc.

5. For the purposes of various benefits under this Policy, references to Nashik, Aurangabad and Nagpur include the entire District.

3.4   Promotion of 'Green IT'

1)   Awards will be instituted for demonstrated, efficient natural resource management by IT units.

2)   The development of comprehensive e-waste collection and recycling systems and their use by State as well as private agencies for the disposal of IT products will be promoted.

3)   While procuring IT products, Government will give preference to firms that have an expressed end-of-life product take-back policy and e-waste recycling processes.

4)   Government Departments and agencies would give preference to 'green' and energy- efficient IT products in their procurement.

5)   In consultation with the Environment Department and with the approval of the Empowered Committee, norms will be determined to facilitate 'green' IT Parks as well as the units in such parks to obtain consent relating to environment and other benefits.

3.5   Promotion of Entrepreneurship and Innovation

1)   The Government will facilitate the establishment of a common platform for exchange and dissemination of knowledge resources between academic and research institutions and the IT industry, and the setting up of Incubation Centres particularly for small enterprises. The Task Force will define a model and framework for setting up such a platform and for Incubation Centres across the State in ICT fields such as embedded software, chip and telecom technology, etc.

2) New IT Parks will be required to allocate at least 5% of the built-up area for providing incubation facilities for new units. This area would be treated as a part of the Park to be used for IT activities, and be eligible for additional FSI benefits accordingly.

3) 50% of the cost of filing patents will be reimbursed to micro, small and medium IT units covered under the PSI, subject to a maximum of Rs. 5 lakh .

3.6 Promotion of Brand Maharashtra

1) The Government will facilitate and support international and national-level professional conferences, exhibitions and other events in Maharashtra relating to the IT sector generally, and to AVGC in particular.

2) 50% of the expenditure incurred for certification of CMM Level 2 upwards, IS0 27001 for security and COPC and eSCM certification, limited to a maximum of Rs. 5 lakhs, will be reimbursed to micro amd small-scale IT units under PSI.

3) The State's Information Technology Day will continue to be celebrated on 20th August of every year, when awards will be presented to IT-ITES units for outstanding contribution and performance.

3.7 Administrative Measures

1) Applications for permission for Right of Way for laying of cables and for erection of towers and antennae would be approved within 30 working days provided the application is in the prescribed format and contains the required documentation.

2) Wide-ranging e-governance initiatives have been taken by the State Government over the past few years. These initiatives would be bilingual (Marathi & English) so that order to ensure that their impact is maximized.

3) Initiatives will be undertaken to standardize Marathi language software so as to ensure interoperability.

4) Unicode will be introduced in the Government offices so that documents in can be read on any computer and properly stored.

4. Management Framework for Policy Implementation

4.1 ***Empowered Committee:*** An Empowered Committee will be constituted at the State level to monitor the implementation of this Policy, and to develop procedures and modalities where required. The composition of the Empowered Committee will be as follows:

1. Chief Secretary - Chairperson

2. Principal Secretary (Finance) - Member

3. Principal Secretary (Industries) – Member

4. Principal Secretary (Urban Development I)- Member

5. Principal Secretary (Higher & Technical Education) – Member

6. Principal Secretary (Planning) – Member

7. Secretary (Information Technology) – Member

8. Secretary (Urban Development II)- Member

9. Director, STPI - Member

10. Nominee of NASSCOM - Member

11. Nominee of Manufacturers' Association of IT (MAIT) - Member

12. Development Commissioner (Industries)- Member-Secretary

The Empowered Committee may invite the representative of any Department or Association or other person as it may deem necessary.

4.2 **Charter of the Empowered Committee**:

1 The Empowered Committee will constitute Task Force for coordinating and implementing the instruments in respect of each of the following key areas of the Policy:

- o Human Resource Development
- o Promotion of focus sector (AVGC)

- o Promotion of Nashik, Aurangabad, Nagpur and Low HDI Districts
- o Promotion of 'green' IT
- o Entrepreneurship and innovation
- o Promotion of Brand Maharashtra

2. Monitor and ensure timely release of relevant orders/ GRs notifications and amendment required.

3 Approve the framework/modalities of implementation proposed by the Task Force

4 Set timelines and targets for each initiative proposed by the Task Force.

5. Bring about inter-Departmental coordination in respect of matters related to this Policy.

6. Institute effective analysis and evaluation of IT Policy implementation on the basis of data on key indicators.

7. Establish norms, in consultation with Environment Department so as to facilitate 'Green' IT Parks and units in such parks to obtain permissions relating to environment and other benefits.

8. Resolve implementation issues at all levels.

9. Review the list of IT/ITES as well as financial services and support facilities permitted in IT Parks and approve amendments as may be appropriate.

10. Determine premium and other terms and conditions for grant of additional FSI within the guidelines laid down in the Policy and harmonize the practices followed in this respect by local bodies and public bodies such as MIDC and Special Planning Authorities.

11. Review best practices.

5. DEFINITIONS

5.1 In the context of this Policy, the Information Technology industry consists of IT Software, IT hardware, and IT Enabled services as defined below:

a) IT Software: IT Software is defined as any representation of instruction, data, sound or image, including source code or object code,

recorded in machine readable form and capable of being manipulated to providing interactivity to a user with the means of a computer.

b) IT Hardware: IT Hardware covers products as notified by the Directorate of Industries from time to time. An indicative list is at Annexure 1

c) IT enabled Services: IT enabled Services are defined as web enabled, marketed services, and include

- Data conversion, data mining, digitization, data entry, data processing, data warehousing

- Digitization of spoken material

- Computer aided design/CAD/CAM services

- Medical Transcription

- Legal Database processing

- Digital content development

- Information Services

- Packaged software support services

- IT System Audit services

- IT Security and IT Risk Management services

- IT Solution Providers/implementers (including server data banks, application service providers, internet/ web based e-commerce service providers, smart card customization service providers, system integration service providers)

- Website Services, web designing, and web content development services

- Business Process Outsourcing (BPOs, including Call Centres)

- AVGC (Animation, Visual effects, Gaming and Comics) and

- Other services provided with the intensive use of computers (including tele-medicine services, remote access cyber services, remote diagnostic and repair services)

The list of IT enabled services will be updated from time to time by the Directorate of Industries, with prior approval of the Empowered Committee

IT Units are defined to include IT hardware and Telecom hardware manufacturing units, IT enabled Services (ITES), and Software industries including Services.

5.2   Low Human Development Index (HDI) Districts shall refer to the following 10 districts specified in the Package Scheme of Incentives (PSI) 2007.

- Gadchiroli
- Yavatmal
- Jalna
- Nandurbar
- Washim
- Dhule
- Nanded
- Osmanabad
- Buldhana
- Chandrapur

The IT and ITES Policy 2009 will be valid up to 14th August, 2014.