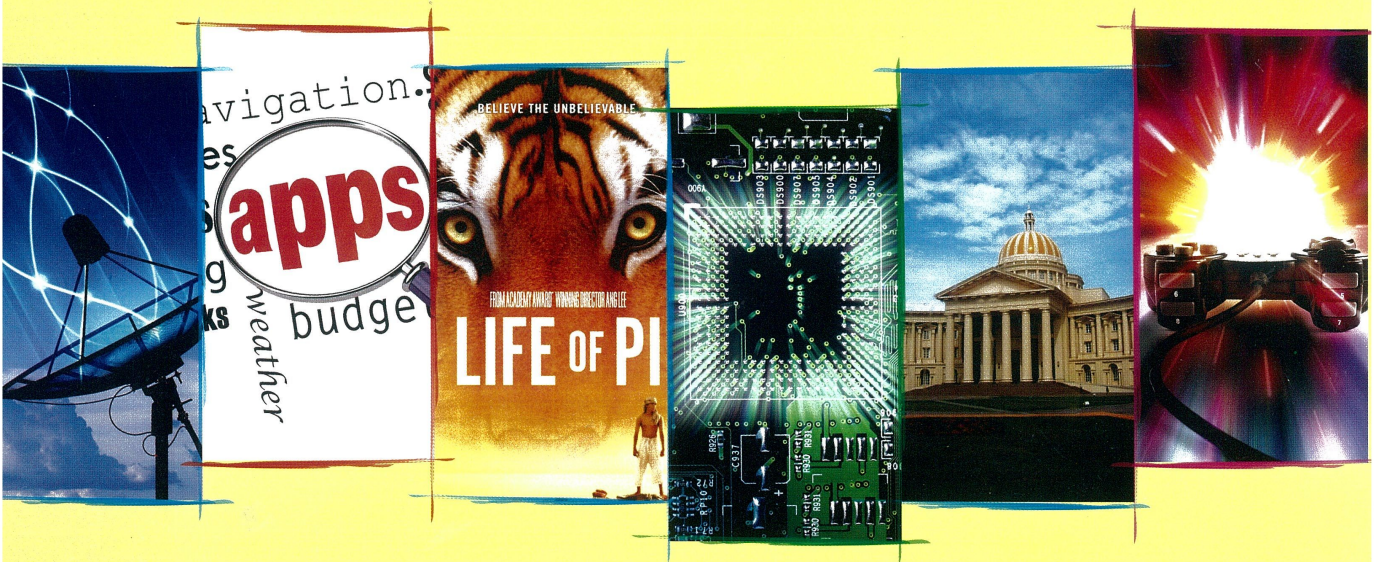




Karnataka i⁴ Policy

IT, ITES, Innovation Incentives Policy

(IT / ITes / Start-ups / Animation / Gaming / Computer Graphics /
Telecom / BPO / KPO / other Knowledge based Industries)



1**Dept. of IT, BT and S&T to be Single Window Clearance Agency**

Government of Karnataka authorises Dept. of IT, BT and S&T to act as the Single Window Agency for clearance of IT/ ITeS/ Start-ups/ Animation / Gaming / Computer Graphics/Telecom/BPO/ KPO / other Knowledge based Industries (in place of Karnataka Udyog Mitra). For investments up to Rs. 100 Crores, all decisions would be taken by a Committee headed by the Minister for IT, BT and S&T Department with the concerned Principal Secretaries / Secretaries to Government as Members. For investments above Rs. 100 Crores, decisions would be taken by a Committee headed by Chief Minister, which will have Minister for IT, BT and S&T, Chief Secretary and all concerned Principal Secretaries / Secretaries as Members.

2**Employment Linked Incentivisation of Land Allotment (E-LILA) outside Bruhat Bangalore Mahanagara Palike Limits**

Land allotment for IT/ ITeS/ Start-ups/ Animation / Gaming/ Computer Graphics / Telecom / BPO / KPO / other Knowledge based Industries at concessional price shall be linked to employment generation for investments outside Bangalore. Government will directly subsidise employment created. There will be no subsidy in land price. This incentive shall be subject to the following conditions:

- i. E-LILA would be for companies with no presence whatsoever in Karnataka, either in their own facility or in any leased facility.
- ii. Companies should be listed on NASDAQ or NYSE or London Stock Exchange / Tokyo Stock Exchange or National Stock Exchange or Bombay Stock Exchange.
OR
Companies present in Fortune 500 US list or Fortune 1000 Global list for a minimum period of 3 years.
OR
Net worth of Rs 250 Crores of the investing company.
- iii. This incentive shall be available only to direct end users and not to real estate developers.
- iv. Company should undertake to provide minimum employment for 1000 persons, at or above a salary of Rs. 20,000/- per person per month, in respect of Bangalore Urban and Rural Districts (excluding BBMP limits) and Rs. 10,000/- per person per month for all other places in the State.
- v. Government will incentivise employment in the form of a subsidy to be set off against the cost of land.
- vi. Land will be allotted at the rate of one acre for every 1000 jobs created.
- vii. The quantum of subsidy will be linked directly to the jobs created.
- viii. The employment for which Government subsidy is given shall be for a minimum period of 2 years from the date of hiring.
- ix. The company shall give a bank guarantee which can be invoked upon failure to fulfil the conditions regarding employment.
- x. The overall total employment commitment to be met by a company, for the offset against the cost of land / value of lease, would be three years from the date of allotment of land (on sale or lease, as the case may be). This would be extendable to a maximum period of five years by the Government, at the request of the company.
- xi. The quantum of subsidy will be capped at Rs. 60,000/- for each such employment created. This subsidy amount shall be adjusted against the amount payable by the company towards the cost of sale / lease of land.
- xii. Rs. 60,000/- per employment created accrues irrespective of whether the company wants to put employees in 100 or 200 or 300 sq.ft each.
- xiii. Monitoring of this incentive will be as per declarations for PF / ESI and Shops and Establishments Act / Cheque payments and Salary Slips of employees.
- xiv. Allocation of land on sale / lease shall be in accordance with the extant policies of the Government of Karnataka in this regard.
- xv. For driving greater presence in Tier II/III cities even companies with a presence in the State can take advantage of it, provided they are not present in that District where they seek to build the new facility.

3**Exemption from Stamp Duty**

IT/ ITeS/ Start-ups/ Animation / Gaming/ Computer Graphics/Telecom/BPO/ KPO /other Knowledge based Industries shall be entitled to Stamp Duty Exemption of 75% in Mysore and Mangalore, in addition to other locations as per the Industrial Policy.



4 Concessional Power Tariff

4

Industrial Power Tariff (instead of Commercial Power Tariff) will be applicable to all IT/ ITeS/ Start-ups/ Animation / Gaming/ Computer Graphics/Telecom/BPO/KPO / other Knowledge based Industries in the State.

5

5 Exemption of IT/ ITeS/ Knowledge/Start-up companies from the applicability of Karnataka Industrial Employment (Standing Orders) Rules, 1946

State Government to exempt IT/ ITeS/ Start-ups/ Animation / Gaming / Computer Graphics/Telecom/BPO/ KPO / other Knowledge based Industries from the applicability of Karnataka Industrial Employment (Standing Orders) Rules, 1946, for a period of 5 years, with appropriate clause for protection of women employees and prevention of sexual harassment in work place.

6

6 Essential Services

IT/ ITeS/ Start-ups/ Animation / Gaming / Computer Graphics/Telecom/BPO/ KPO / other Knowledge based Industries to be treated at par with public utilities to exempt them from the disruptive effects of general strikes and bandhs.

7

7 Reimbursement of PF/ESI

Government will provide for reimbursement of Provident Fund (PF) / Employees' State Insurance (ESI) of Rs. 2000 per employee per month for 2 years for all new employment created, subject to the condition that the employment is for continuous period of 2 years. Employment data will be verified through Provident Fund (PF) / Employees' State Insurance (ESI) Departments.

8

8 Start-ups

Start-ups companies will be eligible for plug and play space with internet at concessional rates of Rs.5-15 per sft, depending on location. The space may be Government owned/leased or privately leased and allotted. Selection of start-ups by an Apex Committee comprising of Government and IT industry's eminent people. A Start-up will have to vacate space upon reaching the following milestones for revenue or employment:

Revenue:

- i) When the start-up reaches a revenue of Rs.25 Crores in Bangalore.
- ii) When the start-up reaches a revenue of Rs.15 Crores in Mysore-Mangalore
- iii) When the start-up reaches a revenue of Rs.10 Crores in other locations.

Employment:

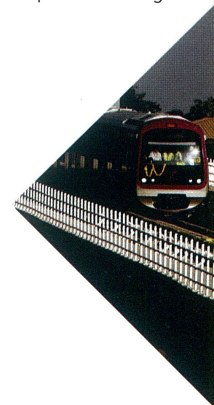
- i) When the start-up has employed 50 technically qualified personnel in Bangalore.
- ii) When the start-up has employed 35 technically qualified personnel in Mysore-Mangalore.
- iii) When the start-up has employed 25 technically qualified personnel in other locations.

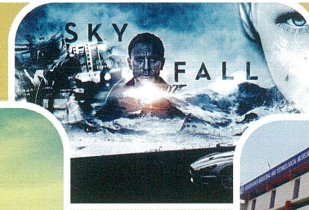
9

9 Creating Brand Bangalore 3.0 and Bangalore First Fund

Brand Bangalore 3.0 Society and a "Bangalore First" fund to be set up to promote Bangalore along the lines of India Brand Equity Fund (IBEF) set up by Government of India in association with CII. The "Bangalore First" fund will be set up in association with NASSCOM / FICCI / CII / MAIT, under the Chairmanship of Secretary – Dept. of IT, BT and S&T, and Members from the Industry. The "Bangalore First" fund shall be utilised to establish the credibility of Karnataka as a destination for technology investments in software and IT services, in outsourcing services, as well as Design and Manufacturing of products and services and the rapidly growing animation / Computer-generated imagery (CGI) / media and entertainment industries.

AVIP Assistance Cell will be created in the Dept. of IT, BT and S&T, to assist VIP Clients.



**10**

Skill Development Policy & Corpus and Default Loan Guarantee Scheme

Skill Development programs will be taken up in association with the Industry for training un-employed youth in basic IT / BPO / Telecom / ESDM etc, skills to be implemented in a PPP mode. The beneficiaries namely, the trainees, shall also bear part of the expenditure towards Skill Development. Government shall facilitate and support to arrange Skill Development financing through Bank loans. Government will provide a 15% default guarantee to banks and encourage them to extend Skill Development loans at low interest rates, particularly for the youth for employment in the ICT emerging Cities of the State. The specific Skill Development programs and funding required for each shall be decided by a Committee headed by Chief Secretary and other Government and Industry representatives.

11

Mega Projects

Any single investment exceeding or equal to Rs. 250 Crores shall be treated as a Mega Project. For such Mega Projects, the State High Level Committee headed by Chief Minister will re-visit each and every incentive / concession and offer a special package.

12

Strengthening Karnataka's Leadership Position by Using IT/ITES to transform society and giving better access to SMEs and Start-Ups

Government shall strengthen the State's leadership position by using IT/ ITes to transform Society and to give better access to SMEs and Start-ups through the following three initiatives :-

- a. By giving opportunities to high capability local companies in state eGov projects, especially those involving government services to citizens, without insisting on prior track record or turnover criteria which often end up excluding highly talented companies despite having high capabilities. This would be subject to a capability rating (with NASSCOM support to identify objective criteria for rating); develop cloud apps with other states (position Karnataka as the bell weather state) and to fund project execution, in part or whole, via project recourse where the project assets and future revenue streams will be securitized to enable financing of the project from Banks/ financial institutions as in infrastructure projects. This is particularly relevant for government to citizens' services (G2C).
- b. Use the collective buying power of the State to give more opportunities to start-ups and SMEs in the sector by aggregating demand of citizens which only government can do.
- c. Support start-ups and entrepreneurial companies outside government space to transform economy and society. Linkages with mentors/ angel funds etc. would be catalyzed and provided by Government of Karnataka through Department of IT/BT/ST and NASSCOM/ academic institutions/ think tanks etc.

The funding required for each activity will be decided by a Committee headed by Secretary – Dept. of IT, BT and S&T with Government and Industry representatives as Members.

(Srivatsa Krishna)

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