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<th>Section Number</th>
<th>Section Title</th>
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Overview of tax incentives
Overview of tax incentives

- In order to attract new investments, develop infrastructure and promote export/industries, India offers various incentives such as tax holidays, investment allowances, tax credits, rebates and so on.
- Prior to expansion/new investments, companies should evaluate and avail of available incentives to obtain tax synergies. Some of the incentives could be available to existing as well as new businesses.

**Location based**
- Tax holiday in specified locations, viz., the Northeastern regions of India
- State-level incentives

**Export linked**
- Benefit for R&D expenditure
- Employment of new workmen
- SEZ developer
- Business of collecting and processing biodegradable waste
- Project Import Scheme for initial set-up or substantial expansion of specified projects

**Activity based**
- Export from SEZ units
- Various indirect tax benefits/refunds, etc

**Industry specific**
- Infrastructure and power facilities
- Oil and gas
- Cold chain and warehousing
- Hospitals
- Fertilizer production
- Affordable housing project schemes
- Hospitality and tourism, etc
Location-based incentives
Specific incentives — state level
Greenfield manufacturing projects, substantial expansion and diversification

Land related
- Stamp duty waiver/concessions
- Other concessions on registration charges, property taxes, conversion charges, etc
- Single-window clearance

Infrastructure
- Electricity duty exemption
- Rebates in tariffs for electricity/water/gas
- Subsidies on clean manufacturing technology, pollution control, etc

Capital investment and employment
- VAT/CST-linked subsidies/soft loan/exemption
- Exemption or refund of entry taxes
- Subsidies linked to social security contributions (PF/ESI)
- Other subsidies (technology, transport, etc)
- Special incentive package for mega projects

Benefits depend on the size of eligible investment, location, employment generation, nature of products, etc

States such as Maharashtra, Rajasthan, Tamil Nadu and West Bengal provide various incentives

Customized incentives for mega projects or investment in backward areas based on negotiations with relevant state governments

Incentives vary across states depending on their respective industrial policies
Undertaking/Manufacturing facility in Northeast India

Location
► Tax benefits are available for setting up undertaking/manufacturing facilities (“units”) in the Northeastern states of India
► No area restrictions are applicable in these states, i.e., the unit can be set up anywhere in the notified regions
► The notified states are Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura

Eligibility
► Manufactures or producers of any article or thing or carrying out any eligible business (such as hotels in the two-star category or above, bio-technology, manufacturing of information technology hardware)
► The following products are not eligible for deduction in respect of direct tax incentives:
  ► Tobacco and manufactured tobacco products
  ► Plastic carry bags
  ► Pan masala
  ► Goods produced by petroleum oil or gas refineries
► Manufacturing activity must be initiated before 1 April 2017

The key incentives are:
► Deduction of 100% of profits of the qualifying unit for 10 consecutive years
► Deduction restricted to profits of the unit on a stand-alone basis
► Refund on excise duty payable on specified value addition for 10 consecutive years
### SEZ unit

- Must be engaged in the export of goods and services from 1 April 2005 onward
- Must not be formed by splitting up or reconstructing an existing business
- Not to be formed by transferring a previously owned plant and machinery to the SEZ unit

### SEZ developers

- Should be involved in the development, operation and maintenance of SEZs, including their infrastructure facilities

### Conditions

- Book profits subject to MAT; nevertheless, MAT credit available for 10 years
- SEZ units eligible for a 15-year tax holiday (in a phased manner – refer below table)

### Tax holiday

- Book profits subject to MAT; nevertheless, MAT credit is available for 10 years
- Developers eligible for a 10-year tax holiday out of 15 years from the year in which the particular SEZ is notified

### Deduction formula for SEZ

\[
\text{Profits of SEZ unit} \times \left[ \frac{\text{export turnover of unit}}{\text{total turnover of unit}} \right]
\]

### Quantum of deduction for the SEZ unit

<table>
<thead>
<tr>
<th>Quantum of deduction for the SEZ unit</th>
<th>Period of deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% of export profits</td>
<td>First 5 years</td>
</tr>
<tr>
<td>50% of export profits</td>
<td>Next 5 years</td>
</tr>
<tr>
<td>50% of export profits, provided that the profits are transferred to a Special Economic Zone Reinvestment Reserve Account for the purpose of acquiring plant or machinery within 3 years</td>
<td>Next 5 years</td>
</tr>
</tbody>
</table>

**SEZ benefits (for the unit/developer) once expired cannot be renewed**
More incentives for SEZ units

**Customs duty**
- Customs duty **exemption** on goods imported for authorized operations
- Customs duty not payable on goods exported by a unit to any place outside India (though customs duty is payable on a sale to the DTA)
- No specific approval/license required for imports

**Excise duty**
- Excise duty **exemption** on all goods brought from the DTA into an SEZ Unit to carry out authorized operations
- Goods manufactured by an SEZ unit not liable to excise duty (but clearances are subject to customs duty)

**Value-added tax**
- VAT exemption on the purchase of goods within the state in most of the states
- Exemption from CST on the inter-state purchase of goods used for authorized operations

**Service tax**
- Upfront exemption from service tax for services received by the SEZ for authorized operations
- Other services not exclusively used for authorized operations eligible for service tax refund, subject to conditions
- Output services provided by SEZ zero rated if services qualify as “export of service”

States grant additional benefits such as stamp duty exemption, VAT exemption/refund and electricity duty exemption.
### Scheme | Benefits
--- | ---
EOU | Exemption/Refund of various indirect taxes such as customs duty, excise duty and CST on the procurement of capital goods and inputs (as the case be) for permitted operations
EPCG | Allows duty-free procurement of capital goods by exporters, subject to the fulfilment of export obligation and other specified conditions
AA/DFIA | Permit the import of inputs without customs duty, subject to the fulfilment of value-added norms and export obligation
SFIS | Available to specified service providers having service exports of INR1 million or more – for import/procurement of spares, office equipment, furniture and consumables
Duty drawback | Post export benefit to allows rebate of taxes and duty paid on inputs and input services used in the manufacture of exported goods at prescribed rates
FPS/FMS | Post export benefit allowed by way of duty credit scrip equivalent to a specified percentage of the FOB value of exports of specified products to any country/all products to notified countries
Activity-based incentives
**Weighted deduction for R&D**

**Benefit:** In-house R&D facility eligible for deduction @ 200% under the Act

**Permissible expenditure:** Capital expenditure incurred (except on land and building) up to 31 March 2017 on in-house scientific R&D facility approved by the DSIR

<table>
<thead>
<tr>
<th>Eligibility</th>
<th>200% deduction on in-house R&amp;D</th>
<th>Key compliances</th>
</tr>
</thead>
</table>
| Companies engaged in the manufacturing or production of any article or thing (other than as mentioned in Schedule 11 – Refer Annexure 1) or in bio technology business |                                 | ➤ Separate accounts to be maintained and audited for each approved facility  
➤ Progress report of R&D activities to be submitted every year within the prescribed time |

**Recent experience**

Applications are reviewed in depth by the DSIR before granting approval
# Incentives for R&D

Customs duty concession

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Incentive/Benefit</th>
<th>Towards import of-</th>
<th>Parameters*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Customs duty exemption</td>
<td>Goods imported for R&amp;D purpose</td>
<td>Export turnover of INR 200 million in the preceding FY</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>An R&amp;D wing registered with the DSIR</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Goods not to be sold or transferred for seven years from the date of installation</td>
</tr>
<tr>
<td></td>
<td>Concessional rate of customs duty</td>
<td>Specified instruments, equipment, consumables</td>
<td>Specified instruments, equipment, components, etc</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The project must be:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>a) undertaken by any company having an in-house R&amp;D unit recognized by the DSIR under the Ministry of Science and Technology;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>funded by the Government of India or related agencies (share of funding not to be less than 20%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>b) funded by the Government of India or related agencies (share of funding not to be less than 20%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Goods not to be sold or transferred for five years from the date of import</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Apart from the customs duty exemption for units registered with DSIR, a provision has been made for entities not registered with DSIR for payment of customs duty at the time of import by public funded and other research institutions, and then claim refund of customs duty paid, subject to submission of a certificate of registration from DSIR and other specified conditions</td>
</tr>
</tbody>
</table>

*The above parameters are only preliminary and generic*
## Employment of new workmen

Deduction equivalent to 30% of additional wages/salary (over and above expenditure on wages/salary) available for three years in respect of new workmen employed.

### Benefits available to
- Factory [as defined under the Factories Act, 1948] of an Indian company
- Manufacturers of goods in a factory
- Factories not formed by hiving off, transfer of another existing entity or as a result of amalgamation with another company

### Workmen include/exclude
- Workers engaged in any manual, skilled or technical work
- Does not include casual workmen, those employed through contract labor or employed for < 300 days during a tax year; neither for employees in a managerial/administrative capacity or in supervisory capacity drawing salary exceeding INR 0.01 million per month

### Number of workmen
- Deduction only for undertakings employing more than 100 workmen during the year
- Deduction only for wages paid to new workmen > 100 employees
- Additional condition – deduction only if total number of new employees is at least 10% more than the existing workforce (and minimum of 100 employees)

### Reporting and compliance
- Return to be accompanied by particulars certified by the tax auditor in the prescribed form

Claims on additional salary/wages could be considered for entry-level employees.
Investment allowance (Large Investments)

▶ Deduction for the acquisition and installation of new assets by a company engaged in the manufacture or production of any article or thing after 31 March 2013 but before 1 April 2015 (specified period)
  ▶ Actual cost of new assets acquired/installed during the specified period to exceed INR 1,000 million
  ▶ Neutral to the description of the article
  ▶ Foreign currency fluctuation gains/losses to be factored

▶ Allowance independent of depreciation claim and computation of WDV

▶ New asset: plant and machinery excluding ships, aircraft, computers or computer software, vehicles, etc
  ▶ Assets depreciable @ 100% do not qualify for relief
  ▶ Tax holiday units eligible for investment-linked incentive would not qualify for allowance
  ▶ There is no specific reference to “intangible” assets
  ▶ Non eligible assets do not enter the calculation of the 1000 million mark

▶ Deduction @ 15% shall be as follows:

<table>
<thead>
<tr>
<th>Period of investment</th>
<th>Quantum of deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) 1 April 2013 to 31 March 2014</td>
<td>15% of the actual cost of the new asset acquired and installed during the tax year 2013-14, if investment &gt; INR 1,000 million</td>
</tr>
<tr>
<td>(B) 1 April 2014 to 31 March 2015</td>
<td>15% of the actual cost of the new asset acquired and installed during the period 1 April 2013 to 31 March 2015, as reduced by deduction under (A) above, if aggregate investment &gt; INR 1,000 million</td>
</tr>
</tbody>
</table>
### Investment allowance (Mid-Size Investments)

**Deduction for the acquisition and installation of new assets** by a company engaged in the manufacture or production of any article or thing on or after 1 April 2014 but before 1 April 2018 (specified period)

- Actual cost of new assets acquired-installed during the specified period to exceed INR 250 million
- Neutral to the description of the article
- Foreign currency fluctuation gains/losses to be factored

**Allowance independent of depreciation claim and computation of WDV**

**New asset**: plant and machinery excluding ships, aircraft, computers or computer software, vehicles, etc

- Assets depreciable @ 100% do not qualify for relief
- Tax holiday units eligible for investment-linked incentive would not qualify for allowance
- There is no specific reference to “intangible” assets
- Non eligible assets do not enter the calculation of the 250 million mark

**Deduction @ 15% shall be as follows:**

<table>
<thead>
<tr>
<th>Period of investment</th>
<th>Quantum of deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 April 2014 to 31 March 2017</td>
<td>15% of the actual cost of the new asset acquired and installed in each tax year, if in each tax year investment &gt; INR 250 million</td>
</tr>
</tbody>
</table>
# Incentives for agricultural extension and skill development

New incentives introduced **w.e.f 1 April 2013**

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Agriculture Extension</th>
<th>Skill development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifying expenditure</td>
<td>Any expenditure on an “agriculture extension project”, as notified by CBDT</td>
<td>Any expenditure (except for cost of land and building) on “skill development project”, as notified by CBDT</td>
</tr>
<tr>
<td>Quantum of weighted deduction</td>
<td>150% of expenditure</td>
<td>150% of expenditure</td>
</tr>
<tr>
<td>Terminal date for expiry of incentives</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Prescribed authority for approval and guidelines</td>
<td>CBDT</td>
<td>CBDT</td>
</tr>
<tr>
<td>Guidelines prescribed</td>
<td>Yes (subject to notification in the Official Gazette)</td>
<td>Yes (discussed in the ensuing slide)</td>
</tr>
</tbody>
</table>
Expenditure on skill development

Deduction available: 150% of expenditure on skill development

Expenses on skill development

- Expenses to include:
  - All expenses incurred wholly and exclusively for skill development (except cost of land and buildings)
  - Expenses reimbursed to the company whether directly or indirectly not eligible for deduction

“Eligible company” and “training institute”

- Eligible company means a company:
  - Manufacturing or production of any article or thing (other than alcoholic spirits and tobacco products); or
  - Providing specified services such as construction, health care, market research, media or film or advertising, power and telecom
- Training Institute
  - Training institute set up by the Central or state government or a local authority or a training institute affiliated to National Council for Vocational Training (NCVT) or State Council for Vocational training (SCVT)

Guidelines prescribed by the CBDT

- Skill development to be undertaken by an eligible company in separate facilities in a training institute
- CBDT to notify the project, in consultation with the National Skill Development Agency (NSDA) for three years (subject to further extension)
- Skill development for existing employees, i.e., not eligible for employees within six months of recruitment
- Company to maintain separate books of accounts for the notified project and get them audited
### Industry-specific incentives

<table>
<thead>
<tr>
<th></th>
<th>Industry and power</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Oil and gas</td>
</tr>
<tr>
<td>b</td>
<td>Hospitality and tourism</td>
</tr>
<tr>
<td>c</td>
<td>Electronics</td>
</tr>
</tbody>
</table>
Specified businesses

Deduction for capital expenditure

► Deduction for capital expenditure (excluding land, goodwill, financial instrument) incurred wholly for specified business
► Covered expenditure: capital expenditure prior to the commencement of operations and capital expenditure capitalized as on the date of commencement of operations
► Asset in respect of which a deduction is claimed and allowed shall be used only for the specified business for a period of eight years

Quantum of Deduction

► **150% deduction** of capital expenditure on:
  ► Cold-chain facility and warehouse facility for the storage of agricultural produce
  ► Building and operating a hospital (specified parameters)
  ► Developing and building a housing project (affordable housing – under specified scheme)
  ► Production of fertilizers in India

► **100% deduction** of capital expenditure on:
  ► Building and operating a hotel (of two-star and above category)
  ► Developing and building a housing project (slum re-development)
  ► Setting up and operating an inland container depot or a container freight station (w.e.f 1 April 2013)
  ► Bee-keeping/production of honey and beeswax (w.e.f 1 April 2013)
  ► Setting up and operating a warehouse facility for storing sugar (w.e.f 1 April 2013)
  ► Laying and operating a slurry pipeline for the transportation of iron ore (w.e.f 1 April 2014)
  ► Setting up and operating a semi-conductor wafer fabrication manufacturing unit (w.e.f 1 April 2014)
Infrastructure and power

<table>
<thead>
<tr>
<th>Infrastructure development</th>
</tr>
</thead>
<tbody>
<tr>
<td>► Available only to an Indian company (or its consortium) engaged in the development or operation and maintenance of infrastructure facilities and has an agreement with Central/state government, etc</td>
</tr>
<tr>
<td>► Infrastructure facility <em>inter-alia</em> meaning a toll road, a bridge, rail system, highway projects, water supply projects, water treatment system, sanitation and sewerage system, etc</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Power generation/distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>► Deduction equivalent to 100% of profits for 10 consecutive years out of 15 years (20 years for specified infrastructure facilities) (subject to other conditions)</td>
</tr>
<tr>
<td>► Book profits subject to MAT; however, MAT credit available for 10 years</td>
</tr>
<tr>
<td>► Available to an undertaking that:</td>
</tr>
<tr>
<td>► Begins the generation of power between April 1993 and March 2017</td>
</tr>
<tr>
<td>► Starts the transmission or distribution of power between April 1999 and March 2017</td>
</tr>
<tr>
<td>► Also available for undertaking substantial renovation and modernization of the existing network of transmission and distribution lines between April 2004 and March 2017 (substantial renovation being specifically defined)</td>
</tr>
</tbody>
</table>

Can be explored for captive power plants
Service tax exemptions on —

- Services provided by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation or alteration of:
  - A road, bridge, tunnel or terminal for road transportation for use by general public
  - A civil structure or any other original work pertaining to a scheme under the Jawaharlal Nehru National Urban Renewal Mission or Rajiv Awaas Yojana
  - A building owned by an entity registered as a charitable institution and meant predominantly for religious use by the general public
  - A pollution control or effluent treatment plant, except when located within a factory

- Services by way of construction, erection, commissioning, installation of original work pertaining to:
  - An airport, port, railway, including monorail or metro
  - A single residential unit that is not part of a residential complex
  - Low-cost house with carpet area of 60 square meters per house in a housing project approved by competent authorities empowered under the Scheme of Affordable Housing in Partnership and framed by the Ministry of Housing and Urban Poverty Alleviation, Government of India
  - Post harvest storage infrastructure for agricultural produce, including cold storages for such purposes
  - Mechanized food grain handling system and machinery for equipment of units processing agricultural produce as food stuff, excluding alcoholic beverages
Service tax exemptions on —

- Services provided to the Government, a local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation or alteration of:
  - A civil structure or any other original work meant predominantly for use, other than for commerce, industry or any other business or profession
  - A historical monument, archeological site or remains of national importance, archeological excavation or antiquity
  - A structure meant predominantly for use as (i) an educational, (ii) a clinical or (iii) an art or cultural establishment
  - Canal dam or any other irrigational work
  - Pipeline, conduit or plant for (i) water supply, (ii) water treatment, or (iii) sewerage treatment or disposal
  - A residential complex predominantly meant for self use or use of employees or other persons specified by the Act

Infrastructure and power
Oil and gas

Deduction of 100% of profits for seven consecutive years on:

► An undertaking located in any part of India that begins commercial production of mineral oil on or after 1 April 1977 (provided that blocks are licensed under NELP before 1 April 2011)
► An undertaking engaged in the refining of mineral oil and begins refining on or after 1 October 1998 but before 31 March 2012
► An undertaking engaged in the commercial production of natural gas in blocks licensed under the NELP – VIII round that begins production on or after 1 April 2009
► An undertaking engaged in the commercial production of natural gas in blocks licensed under the IV round of bidding for coal bed methane blocks that begin production on or after 1 April 2009

Specific mechanism available for computing profit of any business engaged in the extraction and production of mineral oil under an approved production sharing contract that includes 100% capital expenditure
States such as Maharashtra, Madhya Pradesh, Rajasthan and Andhra Pradesh offer incentive packages for hospitality and tourism sector projects.

State-level incentives for such new or significant expansion projects may include:

- Partial/Full exemption from luxury tax
- Refund or exemption from VAT
- Partial/Full exemption from entertainment/amusement tax
- Concessions on electricity tariff/duties
- Partial/Full exemption from stamp duty
- Administrative reliefs in areas such as the renewal of licenses

Benefits defined by the size of eligible investment, location and employment generation.
**Background and objective:**
- The Department of Electronics and Information Technology (DEITY) has notified two schemes under the National Policy on Electronics (NPE) 2012:
  - Modified-Special Incentive Package Scheme (M-SIPS)
  - Electronics Manufacturing Cluster Scheme (EMC)
- Objective – To transform India into a global hub for Electronic System Design and Manufacturing (ESDM) and to expand the manufacturing base of electronic products in India
- Key goals for 2020 – to attract investment of INR 6,000 billion, enhance exports to INR 4,800 billion, achieve turnover of INR 24,000 billion

**Eligibility:**
- M-SIPS – Companies engaged in electronic manufacturing, including telecom, electronics, automotive electronics, consumer electronics players, looking to:
  - Investment in ESDM units being set up within notified areas (EMC)
  - Expansion of existing ESDM units set up within notified areas (EMC)
- EMC scheme – Developers looking to set up/ upgrade cluster/ area in any part of the country
  - Greenfield EMC – for setting up EMCs in the notified areas
  - Brownfield EMC – for upgrading existing EMCs in the notified areas

<table>
<thead>
<tr>
<th>M-SIPS</th>
<th>Fiscal incentives under NPE 2012</th>
<th>EMC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capex Subsidy - 25% in non-SEZ/20% in SEZ</td>
<td>Financial assistance to SPV in the form of grant-in-aid and not as equity</td>
<td></td>
</tr>
<tr>
<td>Reimbursement of CVD/excise on capital equipment for non-SEZ units</td>
<td>Greenfield EMC – grant-in-aid of 50% of project cost (subject to INR50 crore for 100 acres land)</td>
<td></td>
</tr>
<tr>
<td>Reimbursement of central taxes and duties for 10 years in select high-tech units such as fabs, semiconductor logic and memory chips, LCD fabrication</td>
<td>Brownfield EMC – Grant-in-aid of 75% of project cost subject to INR50 crore</td>
<td></td>
</tr>
<tr>
<td>Subsidy/Incentive will be released after the end of the financial year in which the investment exceeds the minimum prescribed threshold</td>
<td>Disbursement mechanism:</td>
<td></td>
</tr>
<tr>
<td>Incentives available for 10 years from the date of approval of the project by DEITY</td>
<td>First installment: 20% of grant-in-aid released in advance of the post final approval</td>
<td></td>
</tr>
<tr>
<td>State government incentives provided in addition to the mentioned incentives</td>
<td>Second installment: 30% of grant-in-aid after the utilization of 80% of the first installment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Third installment: 30% of grant-in-aid after utilization of 80% of the second installment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Final installment: 20% of grant-in-aid after successful completion of the project</td>
<td></td>
</tr>
</tbody>
</table>
Applicability of benefits – prescribed conditions

<table>
<thead>
<tr>
<th>M-SIPS</th>
<th>EMC</th>
</tr>
</thead>
<tbody>
<tr>
<td>► Financial incentive/subsidy for investments in ESDM units such as:</td>
<td>► Financial assistance for setting up EMC:</td>
</tr>
<tr>
<td>► New ESDM units</td>
<td>► Greenfield EMC (new)</td>
</tr>
<tr>
<td>► Expansion of existing ESDM units – Increase in capital investment in P&amp;M of at least 25%</td>
<td>► Brownfield EMC (upgrading existing clusters)</td>
</tr>
<tr>
<td>► For ESDM units set up within notified electronic manufacturing clusters</td>
<td>► Investment in eligible activities within EMC such as basic development, essential services, welfare services, support services, manufacturing support, government regulatory support/services (refer Annexure 3 for details)</td>
</tr>
<tr>
<td>► Investments in eligible 29 verticals/categories of ESDM products, including:</td>
<td></td>
</tr>
<tr>
<td>► Electronics products, including nano-electronics products and telecom products</td>
<td></td>
</tr>
<tr>
<td>► Intermediate goods, including semiconductor chip</td>
<td></td>
</tr>
<tr>
<td>► electronics manufacturing services</td>
<td></td>
</tr>
<tr>
<td>(Refer Annexure 2 for the list of verticals)</td>
<td></td>
</tr>
<tr>
<td>► Open for three years from the date of notification in the official Gazette of India, i.e., until 26 July 2015</td>
<td>► At least 80% of the land to be allotted to the processing area in Greenfield EMC</td>
</tr>
<tr>
<td></td>
<td>► 75% investment in EMC to be from constituted ESDM units</td>
</tr>
<tr>
<td></td>
<td>► Minimum committed investment by ESDM units to be four times of the financial assistance sought for</td>
</tr>
<tr>
<td></td>
<td>► Minimum industrial contribution (i.e., from ESDM units within EMC) to project cost:</td>
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<tr>
<td></td>
<td>► 25% for greenfield</td>
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<td>► 15% for brownfield</td>
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<td></td>
<td>► Available for investments in ESDM units across all stages of value chain, including design, manufacturing, testing and packaging</td>
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<td>► Open for applications for five years from the date of notification, i.e., 22 October 2012</td>
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</tbody>
</table>

Approval process for obtaining fiscal benefits under both the schemes provided in Annexure 4

51 brownfield investment clusters have been notified by the DEITY (Refer Annexure 4)
Our value proposition
Review/Evaluate
► Existing tax positions - incentives availed, deductions claimed
► Issues in tax litigation
► Proposed expansion, if any

Identify/Explore
► Scheme of incentives/concessions available
► Approval process, if any
► Undertaking a simulation study to determine benefits
► Discussion with management to decide on the implementation of the most favorable incentive/concession

Implementation
► Approval, if required, in:
  ► Assistance in strategizing for approval application
  ► Negotiation/Liaison with government officials to obtain approval
► Tax health-check to re-align items/tax positions, where required
► Quantitative services (QS) for systematic tax planning
► Implementing the incentive/concession scheme, as decided by management
Introduction to Quantitative services (QS)

What is QS?
- Domestic tax planning using current and historic information
- A formalized and systematic approach for analyzing large data sets
- Flexible for various accounting systems and jurisdictions
- A methodology that can be applied globally

Why relevant now?
We are hearing from the market:
- "We need cash"
- "We need to do more with less"
- "We need assurance that our estimated disallowable is accurate"
- "Reliefs keep changing and we can’t keep up"
- "100% accuracy takes up too much time of my limited resources"
- "The tax authorities want more detail"

Our QS practice approach
- Our QS practice applies a working capital approach to tax. We identify regions where the group is paying cash tax, or where tax losses may be due to expiry
- We then undertake a top-down review of the financial statements and tax returns to enable us to get feedback on an initial high-level feasibility output for identifying areas that could benefit from a detailed review
- The next stage is a detailed feasibility on the areas identified, where we would review the relevant data and analyze specific accounts in detail

Typical benefits of a QS review
- In carrying out retrospective reviews of expenditure, we do not underestimate the need to consider the tax authority response to retrospective changes to tax returns. As a result, we involve members of our Controversy team, who are typically ex-tax authority inspectors
- Once a retrospective review has been performed, the results will often lead to proactive system recommendations to improve data capture or identify planning opportunities to reduce the impact of non-deductible costs

The typical benefits arising from a QS review depend on the precise area under review. E.g., when we examine disallowable expenditure, we have generated tax benefits from our review of up to 10% of the expenditure under review
- As penalty regimes become more onerous across the world, a QS review provides assurance that the content of tax returns is accurate
Annexures
Annexure 1

Schedule Eleven: list of articles or things

- Beer, wine and other alcoholic spirits
- Tobacco and tobacco preparations, such as, cigars and cheroots, cigarettes, biris, smoking mixtures for pipes and cigarettes, chewing tobacco and snuff
- Cosmetics and toilet preparations
- Tooth paste, dental cream, tooth powder and soap
- Aerated waters in the manufacture of which blended flavoring concentrates in any form are used
  
  Explanation — “Blended flavouring concentrates” shall include, and shall be deemed always to have included, synthetic essences in any form
- Confectionery and chocolates
- Gramophones, including record players and gramophone records
- Projectors
- Photographic apparatus and goods
- Office machines and apparatus such as typewriters, calculating machines, cash registering machines, cheque writing machines, intercom machines and teleprinters
  
  Explanation — The expression “office machines and apparatus” includes all machines and apparatus used in offices, shops, factories, workshops, educational institutions, railway stations, hotels and restaurants for office work and for data processing (not being computers within the meaning of section 32AB of the Act)
- Steel furniture, whether made partly or wholly of steel
- Safes, strong boxes, cash and deed boxes, and strong room doors
- Latex foam sponge and polyurethane foam
- Crown corks, or other fittings of cork, rubber, polyethylene or any other material
- Pilfer-proof caps for packaging or other fittings of cork, rubber, polyethylene or any other material
Annexure 2

List of verticals

A. Electronics products including nano-electronics products and telecom products such as:
   ► Telecom products
   ► IT Hardware products
   ► Consumer electronics including televisions, digital cameras and camcorders
   ► Health and medical electronics
   ► Strategic electronics
   ► Solar photo voltaic including thin film and polysilicon
   ► Light Emitting Diodes (LEDs)
   ► Liquid Crystal Displays (LCDs)
   ► Avionics
   ► Industrial electronic products, including measuring and control equipment, and energy meters
   ► Nano-electronic products
   ► E-waste processing/recycling
   ► Automotive electronics such as anti-lock braking system, electronic brake distribution and traction control
   ► Agri-electronics
   ► Energy conservation electronics
   ► Opto-electronics
   ► Bio-metric and identity devices/RFID
   ► Power supplies for ESDM products
Annexure 2

List of verticals

B. **Intermediate goods, including:**
   - Nano-electronic components
   - Semiconductor wafering
   - Semiconductor chips including logic, memory and analog
   - All assembly, testing, marking and packaging of ESDM units
   - Chip components
   - Discrete Semiconductors such as transistors and diodes
   - Power semiconductors (including diffusion) such as FETs, MOSFETs, SCRs, GTDs and IGBT
   - Electromechanical components and mechanical parts such as multilayer PCBs, transformers, coils, connectors, switches, ferrites, micro motors, stepper motors and films
   - Consumables and accessories such as mobile phones and IT accessories – batteries, chargers, PCBs, foils, tapes, epoxy, cabinets, etc
   - All Fabrication Manufacturing facilities (Fabs) for ESDM products
   - Any intermediates not covered above shall be decided and permitted under the scheme by the Competent Authority

C. **Electronics manufacturing services, including:**
   - Units providing services for the manufacture of sub-assemblies and parts, including integration services, to OEMs
Annexure 3

Eligible activities

Basic development:
► Boundary walls
► Internal roads
► Street light
► Storm water drains

Essential services:
► Government support office
► Water treatment plant
► Sewage lines/treatment
► Water disposal/recycling/water harvesting
► Electricity substation/distribution
► Backup power plant
► Warehousing

Manufacturing support:
► Tool room
► CAD/CAM design house
► Plastic molding
► Sheet metal stamping
► Packing/epoxy supplier
► Testing and certification facility
► Component testing

Support services:
► Centre of Excellence (R&D)
► Training, auditorium and conference facility
► Video conferencing
► IT infrastructure/telecom

Welfare services:
► Employee hostel and mess
► Hospital and ESIC
► Recreational facility playground clubhouse
► Crèche/Nursery
► Local shopping center
► Restaurants
► Educational facilities

Government regulatory support services:
► Development Commissioner/designated officer
► Tax support/filing
► Factory/ Labor compliance support
► Pollution control
Annexure 3

Approval process

M-SIPS approval process:
► An applicant may be legal entity/consortium of legal entities registered in India
► The proposed project may include one or more electronic products; however, the applicable threshold would be the sum of the thresholds required to manufacture each of the products separately
► An initial application may be made for both new units and for the expansion of existing ones
► The proposed project may include multiple manufacturing facilities at one or more locations
► Financial closure is to be submitted for the proposed project:
  ► Single phase implementation for the complete project
  ► Multi phase for at least the first phase of the project
► Non-refundable application fee (ranges from INR10,000 to INR1 lakh)

EMC scheme approval process:
► The applicant may be:
  ► Individual
  ► Company
  ► Society
  ► Industrial association
  ► Financial Institutions
  ► R&D institutions
  ► State or local government or their agencies
  ► Units within EMC
  ► Others
► Two-stage application process:
  ► Preliminary application, followed by in-principle approval
  ► Final application within six months of in-principle approval
► Application to be in prescribed format, including details on applicant, EMC/land, SPV, financial closure and means of finance
► Prescribed application fee to be paid
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<thead>
<tr>
<th>Sr. No.</th>
<th>Brownfield Electronics Manufacturing Cluster for MSIPS, Scheme</th>
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<tbody>
<tr>
<td>1</td>
<td>Districts of Hyderabad</td>
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<tr>
<td>2</td>
<td>Districts of Nellore &amp; Chittoor,</td>
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<td>Duty Free Import Authorization</td>
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<td>Export oriented Unit</td>
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<td>Electronic Manufacturing Cluster</td>
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<td>ESDM</td>
<td>Electronic System Design and Manufacturing</td>
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Thank you

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