



Authors:  
**Alok Tewari & Real estate team**  
alok.tewari@kochhar.com

# Investment Incentives in India - A state-wise overview

## Introduction

India has been adopting a two-fold approach to attract inbound investors by rolling out investments both at the central and state level. A trend that has emerged over the last decade is that states have been outcompeting one another to attract business by providing incentives at the following levels:

- Revisiting industrial policy
- Sector specific incentives
- Reducing operating expenditure
- Easing land acquisition
- Fiscal & Non-Fiscal incentives

India's jump to rank #63 in World Bank's ease of doing business is a testament to India's commitment in its quest to become a global manufacturing hub.

This article provides an overview of the incentives provided by various states in India to foreign investors to set up their businesses in India.

## Easing land acquisition: A sweetener for investors

Companies looking to invest in India should be aware that land can be acquired both through the private means or by the state through a public channel. The latter (i.e. where land is procured by the government) is preferred as public procurement overcomes the uncertainty of fragmented land ownership and other legal impediments.

## Select State Initiatives

### Maharashtra & Karnataka: the economic powerhouses of India

Maharashtra as the "financial capital of India" and Karnataka popularly known as the "IT hub" have traditionally dominated the investment landscape in India.

### Maharashtra

Under the *Industrial Policy 2019* and *Magnetic Maharashtra 2.0* initiative the State of Maharashtra has set out a bundle of incentives such as stamp duty exemption, power tariff and industrial promotion subsidy

on fixed capital investment.

One of the first states to introduce the "Electric Vehicle Policy", the state government has proposed to offer 25% capital subsidy per charging station to the first 250 commercial public stations set up in the state.

For development and investment in Data Centre Parks the state offers a packaged scheme of fiscal incentives for maximum of 10 years.

As part of the land leasing program the state aims to provide plug and play facilities to ease setting up of business on lease rental land. Under the state *Industrial Policy 2019* MIDC is responsible for creating land banks based on demand assessment with 40,000 acres land already carved out for investors with readymade shed facility.

There are also dedicated investment zones in the state such as SUPA Japanese zone and German zone in Pune.

### Karnataka

Home to the 4<sup>th</sup> largest technology cluster in the world the State of Karnataka has pioneered the establishment of electronic registration of land transactions and an online stamping system.

Karnataka has for the first time in India under the new *Industrial Policy 2020-2025* rolled out a production-turnover based incentive in place of tax-based incentives to encourage production based performance.

Under the *Aerospace Space Policy 2013-2023* the state offers investment promotion subsidy, stamp duty exemption on loans/mortgages/hypothecation/credit deeds, lease/lease-cum-sale agreements and reimbursement of land conversion charges.

**Dedicated investment zone:** Country specific investment park such as the Japanese Industrial Township in Tumakuru (Chennai – Bengaluru industrial corridor) is a dedicated investment zone in the State of Karnataka.

**Gujarat: an emerging economic power house Investment opportunities in the**

## ongoing and emerging projects:

**Sanand Mandal Becharaji (SMB) Industrial belt** is expected to emerge as India's largest automobile hub.

**Gujarat International Finance Tec City (GIFT City)** : India's first international financial services centre, multi-specialty SEZ and first smart city constructed on 886 acres of land.

**Delhi-Mumbai Industrial Corridor (DMIC)** : With 62% of the total area of Gujarat falling under the DMIC region, it is one of the most high profile projects in the State with tremendous potential for industrial growth and mobility. Process of land acquisition by the GIDB for the development of logistics parks is already underway.

**Dholera SIR** : An upcoming region focused at defence, aviation & general manufacturing.

Pharmez (Zydus) Industrial Park the first pharmaceutical SEZ under the scheme for development of pharma SEZ.

## Sector/Country specific Industrial Estate:

First country /sector specific industrial estate focusing on automobiles & engineering sector with plug and play facilities.

Inviting companies seeking to relocate from China, the State of Gujarat has earmarked over 33,000 hectares of land under its *Industrial Policy 2020-2025* and has proposed the creation of plug and play facilities on the SMB industrial belt.

## Telangana

With an aim of becoming a leader in innovative technologies, the State of Telangana has recently launched a draft "Blockchain Policy" setting out the framework of the blockchain ecosystem and establishing Hyderabad as the country's first blockchain district.

## Proposed incentives

- Incubator/shared infrastructure facilities.
- 25% subsidy on lease rentals for first 3 years of operations.

- 50% subsidy on exhibition rentals for national/international exhibitions up to 9 sq.mts.of space.
- Land allotment at heavily subsidized rates.
- State of the art IT infrastructure facilities.

### Tamil Nadu

Under the IT & ITeS sector this State has one of the best IT infrastructural setup in the country. Some of incentives under the *IT Policy 2018* include, capital subsidy and electricity tax exemption, reimbursement of stamp duty and up to 100% FSI relaxation to IT and ITeS parks.

With the aim of positioning Tamil Nadu as the leading electric vehicle manufacturer the state has recently enacted the "*Electric Vehicle Policy 2019*", which incentivizes manufacturers with capital subsidy, stamp duty exemption, tax reimbursement etc.

Under the "*Aerospace & Defence Industrial Policy 2019*" along with fiscal incentives the State of Tamil Nadu provides 20% concession on actual land cost for industrial/aerospace/defense parks.

### Uttar Pradesh (UP)

With over 25 SEZ dedicated for IT and ITeS and 40 IT parks, UP, and in particular, the Noida-Greater Noida-Yamuna Expressway has gradually emerged as one of the leading IT clusters of India.

The state "*Electronics Manufacturing Policy, 2017*" envisions Noida-Greater Noida as the

leading electronics and mobile phone manufacturing zone. The state proposes to establish country-specific investment zones and provide array of fiscal and non-fiscal incentives to potential investors.

To create land banks the state has also acquired 1200 hectares of land out of the proposed 3500 hectares as part of its "*Defence Industrial Corridor*" project.

### Punjab

As part of the recently launched "*Land Bank*" initiative with the aim to reduce the number of days in procuring necessary clearances, the state is offering pre-cleared land under its industrial policy.

The state also helps identify and transfer various village common lands and unutilized government lands to be developed as "*Industrial Parks*".

In addition, the state offers fiscal incentives such as 100% stamp duty exemption/reimbursement for purchase or lease of land and building, exemption from property tax up to maximum of 10 years in thrust sectors and one stop clearance system for utility permits.

### Conclusion

The above initiatives clearly underline the Indian government's (both at the centre and the level of the states) intent to foster an investor friendly atmosphere and reform schemes to provide competitive costs of doing business in India. Keeping in mind the sheer diversity of real estate laws across India,

it is imperative to carry out a detailed due-diligence as a pre-investment step for investors looking to invest in India.

In a post Pandemic global scenario, capitalizing on the current market disruption, the Indian government has been quick to revitalize and market its flagship "*Make in India*" policy brand. Taking a cue from the Centre, most states in India have set up special investment task forces to offer their respective regions as a viable alternative to global capital looking to relocate from former investment hotspots such as China. This includes pre-packaged land that is readily available for industrial and commercial use, thus attempting to resolve a long-standing concern of prospective investors looking to invest in India.

Alok Tewari is a Senior Partner and Head of Real Estate law practice. Shivika Upadhyay is a Senior Associate, Niharika Vij and Vishal Singh are Associates at Kochhar & Co.