



INCENTIVES FOR EXPANSION OF IT / ITES

Information Technology, Electronics
& Communications Department
Government of Telangana

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Preface



The Government had announced the first (Information & Communications Technology) ICT Policy in May 1999, followed by the second policy in June 2002, third policy in March 2005 and fourth policy in July 2010 for promoting the growth of Information Technology (IT) and Information Technology Enabled Services (ITES) sector, employment generation, augmenting the Gross State Domestic Product (GSDP) and for overall socio-economic development of the state

The Government of Telangana has taken a visionary approach towards framing the new policy and in turn for attracting investments into the state. The initiatives taken by the Government are centred on a ten-point agenda that is explained in detail in the ICT Policy Framework. To maximize the impact of each of the focus areas, the government intends to release a separate list of G.O.s that will enlist the incentives and benefits that the state provides to companies interested in contributing to a particular agenda point. This G.O. that focuses on "Expansion of IT and ITES Units" is first among this series



ICT Investment Promotion

At present, Telangana State contributes to 12% share of the Country's IT exports and ranks 4th in terms of total revenues from the IT sector in the Country. IT sector exports from the state contribute to about 49% of total exports from all sectors in the state.

VISION

The objective of the ICT Policy 2016 is to make

"Telangana the most preferred technology investment destination in the Country"

The State seeks to achieve this aim through:

- a. providing congenial industrial friendly climate for IT companies to locate, grow and sustain their operations most competitively in a hassle-free environment in the State,
- b. creating new skill development initiatives and employment opportunities for the educated youth of all sections of the society across all regions,
- c. achieving higher levels of export turnover resulting in enhanced productivity, and augmentation of Gross State Domestic Product (GSDP),
- d. encouraging innovation and entrepreneurship within the state,
- e. Spreading IT to Tier 2 locations in the state, and
- f. Leveraging Information Technology as a tool for the socio-economic development of the region.

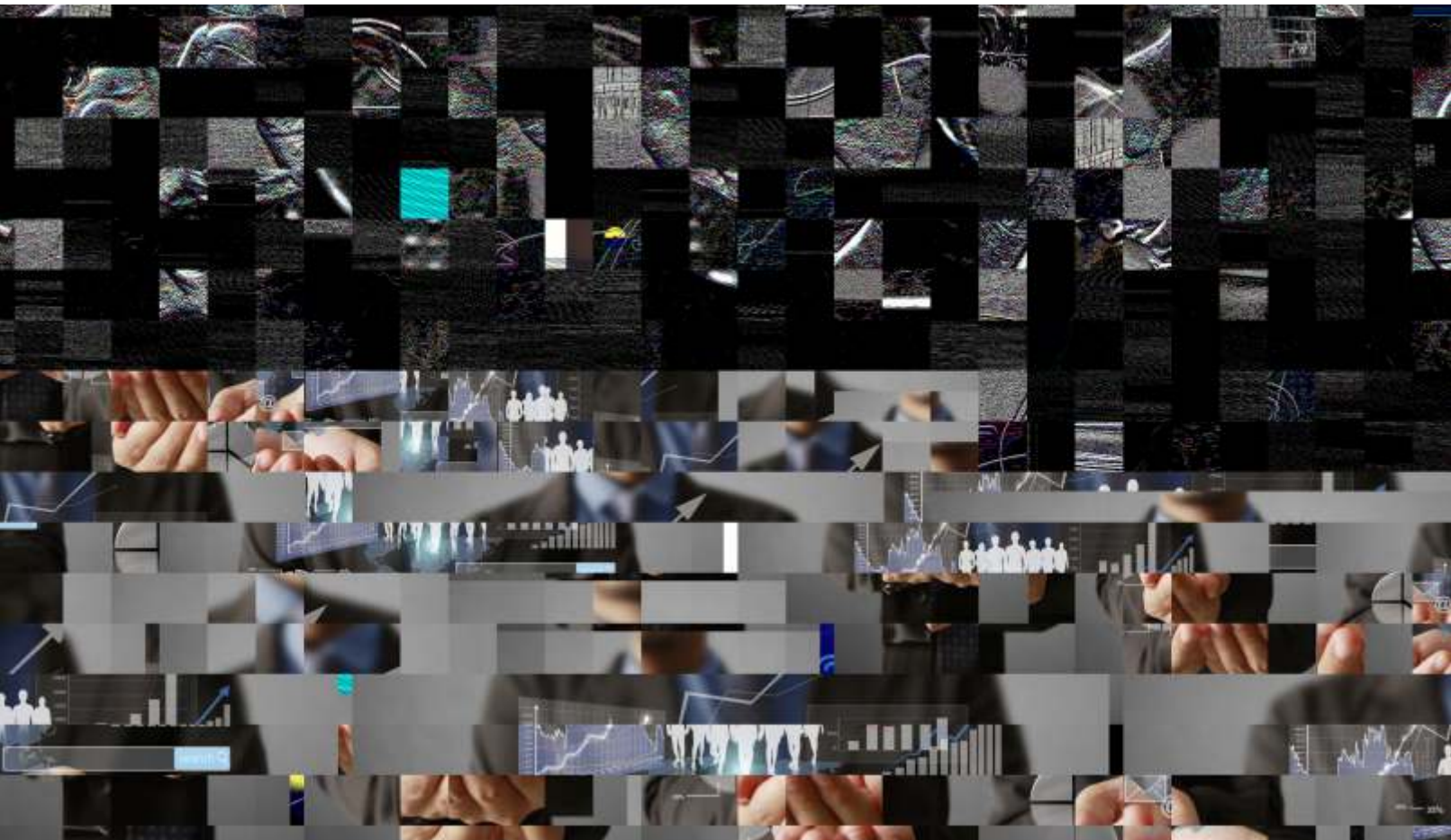
FOCUS AREAS AND INITIATIVES


In order to achieve the above goals for the IT department, the Government plans to flow down the objectives in the following key focus areas for expanding IT/ITES sector in the state:

- a. **Attract investments for infrastructure:** To create state-of-the-art and affordable ICT infrastructure that enables "Walk to Work" environment for new and existing IT/ITES units to thrive and grow.
- b. **Promote IT industry in Tier 2 cities:** To create next wave of IT growth centres in Tier 2 locations in the state by creating robust infrastructure and favorable ecosystem for attracting IT companies and skilled workforce.
- c. **Encourage innovation in disruptive technologies:** To widen the scope of ICT base by encouraging small and medium enterprises with focus on new technology areas such as Social, Mobile, Analytics and Cloud (SMAC), Animation, Gaming & Digital Entertainment, IT Products & Services, etc.
- d. **Promote entrepreneurship:** To foster the spirit of entrepreneurship in order to become the leading "technology start-up city" of India where a vibrant, world-class ecosystem exists.
- e. **Encourage R&D:** To become the innovation hub of India by being a frontrunner in developing cutting edge technologies and patent filing, thereby helping Telangana strengthen its IP product based economy.
- f. **Develop talent:** Provide industry-grade skill upgradation (for technology, operations and global requirements) and training to the students to suit the requirements of the industry and to obtain employment.
- g. **Enable the existing SMEs to grow to the next level:** Provide conducive environment to encourage the SMEs to continue on their growth path.

DEFINITIONS

- (a) ICT means the Information & Communication Technology (ICT) Industry.
- (b) IT Industry means and includes Information Technology (IT), Information Technology Enabled Services (ITES). IT/ITES units/companies include IT software, IT Infrastructure, IT services and IT Enabled Services / BPO / and IT Engineering Services companies.
- (c) Communication Technology Industry means IT/ITES and communication companies engaged in the activities of development of communications software and related IT/ IT Enabled services.
- (d) Real estate Infrastructure developer is a company which is registered under Indian Companies Act, 1956, having core competency in constructing IT Office space for sale/lease or for lease-cum-sale to IT Industry for the purpose of IT/ ITES activities by the IT Industry defined above.
- (e) IT/ITES Park, is defined as an exclusively delineated or earmarked site/area of 1000 sqmtrs land and above and managed and developed/to be developed with IT office space and other amenities and made available on Rent/lease basis to IT industry.
- (f) IT/ITES Campus is defined as IT office space and other amenities developed by an IT Company on its own land or land allotted by the Government for its own use.
- (g) IT/ITES Special Economic Zone (SEZ) is a notified IT/ITES SEZ developed in an area as defined by the SEZ Act by a developer or co-developer, according to the provisions of SEZ Act, 2005 of Government of India and its amendments thereon.





(h) Start-ups (means and includes) individual/companies/Entrepreneurs working on their idea/concept, having 0-5 years in Business and employee strength of 0 - 50.

(i) SME means Small & Micro IT/ITES Companies/units/Enterprises with turnover of more than Rs. 50 Lakhs and less than Rs. 10 Crores per annum.

According to Government of India, Ministry of Micro, Small & Medium Enterprises, a Small & Micro company has an investment of less than Rs. 5 Crores in the manufacturing sector and less than Rs. 2 Crores in the services sector. The nature of an IT/ITES company is such that there is a relatively lower investment compared to other sectors. Hence the definition is changed such that the scale of the company is determined by its revenues.

(j) Mid-Scale companies: IT/ITES Companies/units with turnover more than Rs. 10 Crores and less than Rs. 200 Crores.

According to Government of India, Ministry of Micro, Small & Medium Enterprises, a Medium scale company has an investment of between Rs. 5 Crores and Rs. 10 Crores in the manufacturing sector and between Rs. 2 Crores and Rs. 5 Crores in the services sector. The nature of an IT/ITES company is such that there is a relatively lower investment compared to other sectors. Hence the definition is changed such that the scale of the company is determined by its revenues.

(k) Mega Investments: Companies/entities that invest more than Rs. 200 Crores or provide employment to over 1000 people or belong to areas of strategic importance.

(l) Product company means an IT product/R&D company in existence for 2 years having minimum 100 employees, invested Rs. 5 Crores, having turnover of Rs. 5 Crores and having obtained 1 copy right/Patent.

(m) Engineering Services companies means Software Companies primarily engaged into engineering design, Research and development, and utilization of machines, materials, instruments, structures, processes, and systems using Software Applications and Electronic Hardware.

(n) Stakeholders means the representatives of ICT industry & Associations.

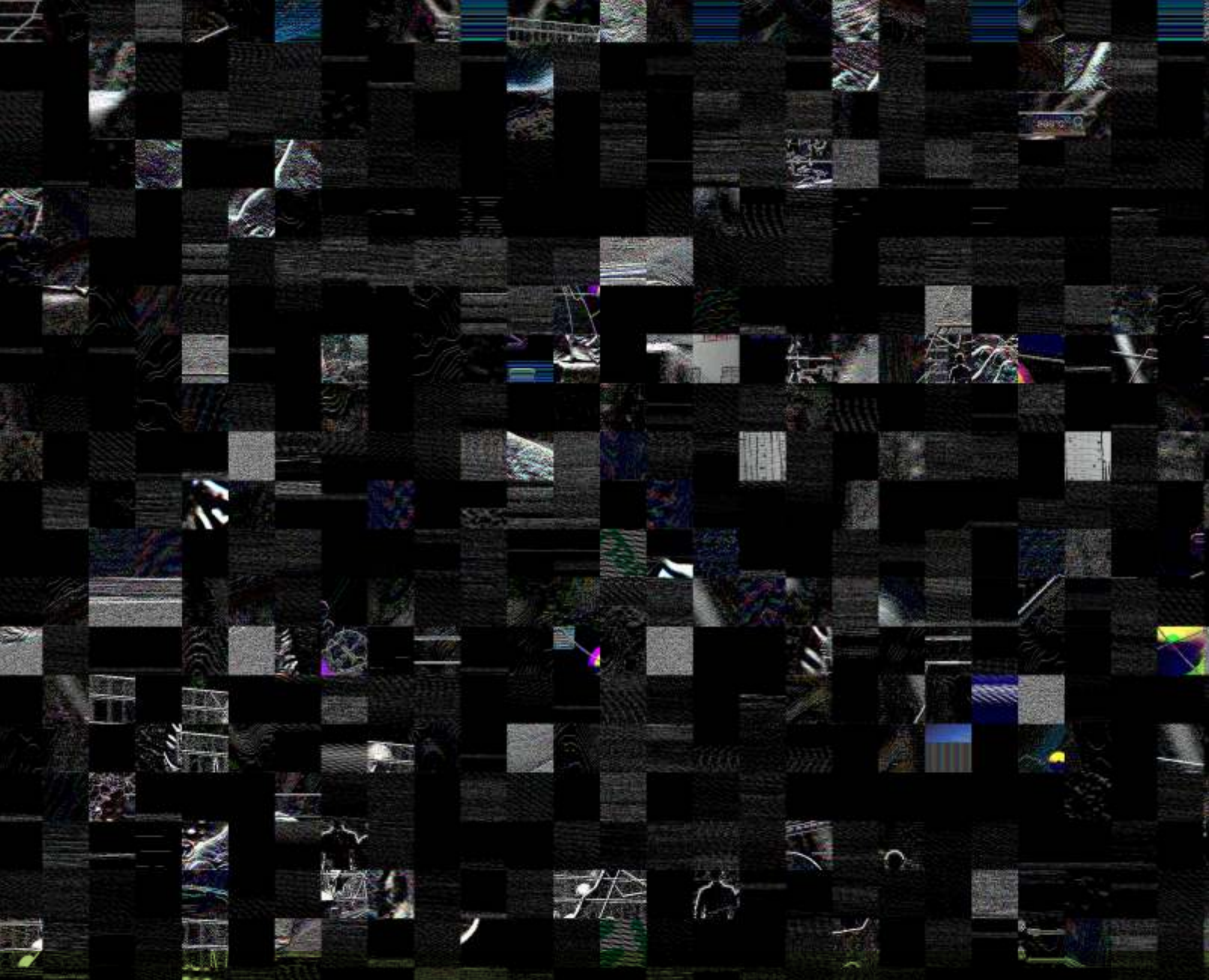
(o) Date of commencement of commercial operations means the date on which commercial operations of the company has commenced, i.e. the date of the first commercial sale bill/invoice raised by the ICT Company.

(p) Tier II locations: Any city/town outside HMDA (Hyderabad Metropolitan Development Authority) city limits in Telangana is classified as a Tier II city.

(q) SMAC (Social media services, Mobile, Analytics, Big Data and Cloud including the Digital enterprises) application based firms: The firms would be eligible for SMAC incentives based on the approval of Consultative Committee on Information Technology Industry (CCITI). The CCITI will accredit firms with a SMAC status on a case to case basis, based on certain percentage of revenue coming from SMAC based applications.

(r) SC/ST Entrepreneurs: ICT companies, having a stake of more than 51% shareholding by an SC/ST entrepreneurs, in the said ICT company/unit/activity.

(s) Women Entrepreneurs are those ICT units having 51% share of women entrepreneurs in the said ICT company/unit/activity.



Incentives

Hyderabad is among the leaders in terms of attracting Fortune 500 companies to invest in the State. Though Hyderabad boasts the presence of IT giants such as Microsoft, Google, Facebook, Amazon, Deloitte etc., the State Government is placing major focus on attracting new investments into the State. Apart from providing world-class infrastructure, ensuring continuous power and water supply, giving access to a rich talent pool, the Government of Telangana aims to create a favourable business environment for all kinds of companies such as R&D companies, BPO centres, Mega Investments, SMEs and start-ups by providing attractive incentive packages.



COMMON FISCAL INCENTIVES FOR ALL COMPANIES:

The following are the specific incentives, available to IT Industry on application, (to be sanctioned on filing of application - Proforma, subject to fulfillment of eligibility criteria and terms & conditions, as stipulated).

These incentives are common to the whole of ICT industry in Telangana and have been formulated keeping in mind the requirements of the existing industry. Specific incentives for identified areas like mega projects, SMEs etc are mentioned in the next section.

a. Allotment of Government Land:

All allotments of Government land to the IT Industry are made subject to availability, fulfillment of eligibility criteria by the applicant IT/ITES company, and on payment of land cost & development cost, as determined by the Government/ Government agencies from time to time i.e., Telangana State Industrial Infrastructure Corporation (TSIIC), Hyderabad Metropolitan Development Authority (HMDA) and other Statutory Authorities.

Given the high land cost in certain areas of Hyderabad, the land could also be allocated on a long-term lease to the companies as well. The conditions for leased land are as follows:

1. The conditions of the leased land to the companies will be decided by a committee headed by the Chief Commissioner of Land Administration (CCLA).
2. The company would have to adhere to the specific commitments including for development, occupation and employment generation of the allotted land as specified by the authorities.

The eligibility criteria for allotment/ leasing of land to IT industry is -

Hyderabad Metropolitan Development Area:

- (i) IT/ITES companies - As on the date of application
 1. the IT/ITES company shall have been in operation at least for the last five financial years
 2. shall have an existing employee strength of minimum 1000 in IT or 1500 in ITES/BPO activities on its rolls & sustained for the last two years, and
 3. shall have a minimum annual turnover of Rs.50 crores, from IT/ITES activities from their existing operations continuously for the last two financial years
- (ii) IT Product/R&D companies - the eligibility for consideration for allotment of land is that the company shall have
 1. Existing employee strength of minimum 250 on its rolls sustained for the last two years, and
 2. Five years of operations, with a minimum annual turnover of Rs.25 crores.
 3. Obtained approval for a minimum 1 patent/copy right.

Within the HMDA area, the Government will demarcate land parcels for promotion of IT projects in the following regions: Adibatla, Boduppal, Mamidipalli and Raidurg.

Tier II Locations:

As on the date of application, the IT company

1. shall have been in operation at least for the last two financial years,
2. shall have an existing employee strength of minimum 75 employees in IT/ITES activities, on its rolls.

For IT/ITES companies, the land recommended for allotment/leasing shall be based on creating a fresh direct IT employment of 500 and construction of 50,000 sft. of office space for every one acre allotted in HMDA Region within 3 years from the date of taking over possession of land, failing which the said allotted land is liable for cancellation and can be taken back to the extent to which proportionate employment is not generated.

For product companies and companies located in Tier II Cities, the land recommended for allotment/leasing shall be based on creating a fresh direct IT employment of 150 and construction of 25,000 sft. of office space for every one acre allotted within 3 years from the date of taking over possession of land, failing which the said allotted land is liable for cancellation and can be taken back to the extent to which proportionate employment is not generated.

If the said land has certain building height constraint due to Airports Authority regulations, then the company would have to apply for relaxation in the permissible builtup space, if applicable.

b. Power:

1. IT industry is classified as industrial units for the purpose of levying the industrial power tariff category. Industrial Power Category Conversion Certificate is accorded on all the Service Connections (Power Meter No), and exclusively used by the IT industry for their operations, even in multiple locations/meters. The effective date of application of the incentive of Industrial Power Category tariff, is from the date of issue of the said Certificate by Government.
2. Further to encourage the green initiative,
 - (i) The Government would be encouraging the retrofitting of energy efficient equipment (including LEDs, Smart sensors etc).
 - (ii) Cost reimbursement of up to 10% of retrofitting cost or INR 10 lacs, whichever is less, would be given to IT companies to conduct retrofitting study and implement the energy efficiency equipment.

c. Registration:

1. 100% reimbursement of stamp duty, transfer duty and Registration fee paid by IT Industry & Communication technology industry companies on sale/lease deeds on the first transaction.
2. 50% reimbursement of stamp duty, transfer duty and Registration fee paid by IT Industry & Communication technology industry companies on sale/lease deeds on the 2nd transaction.
3. The reimbursement of the registration cost shall not be applicable for Mega Projects.

d. Patent Filing Costs/Copy Right/Trademark:

The Government of Telangana is keen to encourage the filing of patents by companies located within the State. The Government will, therefore, reimburse the cost of filing patents/Copy Rights to companies having their R&D units in Telangana for successfully receiving patents/Copy Rights from Competent Statutory Authority. Reimbursement of such cost will be limited to a maximum of Rs.5 Lakhs per successful Indian patent/Copy Right awarded and Rs.10 Lakhs per successful International patent/Copy Right awarded.

e. Quality Certifications:

The Government of Telangana will reimburse 20% of expenditure incurred for obtaining quality certifications for CMM Level 4 upwards. Reimbursement will be limited to a maximum of Rs.4 lakhs. Similar reimbursement will be made to BS7799 for security and also for ITES Companies for achieving COPC and eSCM certification. The IT/ITES units/ companies can claim this incentive only once.

SECTOR SPECIFIC INCENTIVES & FACILITATION

Apart from the above stated incentives that are available for IT companies from the entire ICT industry, the Government of Telangana has identified and listed down focus areas for which a few additional incentives are available. These include

- a. Mega project**
- b. Start-up companies**
- c. IT Product/R&D Companies**
- d. Tier II locations**
- e. SMAC Technologies, Smart City initiatives and other New initiatives**
- f. Engineering services**
- g. SMEs & Mid-Scale companies**
- h. SC/ST Entrepreneurs**
- i. Women Entrepreneurs**
- j. Corporate Social Responsibility**

a. Mega Projects:

A special/tailor made package of incentives, will be offered for mega projects being set up, both by existing and new IT/ITES companies / IT Park / IT SEZ developers within the State (duly approved by the State Cabinet).

1. Mega projects shall be considered for the Deemed generation and distribution license in order to operate and maintain a captive power generation (only renewable energy), power distribution system for supplying electricity for running its operations.
2. Solar Power: 10% capital subsidy or INR 20 lacs, whichever is lower, on installation of solar power generation unit (of greater than 100KW) by existing as well as new IT company or infrastructure developer (exclusively for IT facility) will be given once to the developer/company, in addition to the Central Government subsidy for setting up solar captive power.

3. Additionally, Mega projects will be permitted to avail renewable energy under open access system from within the state after paying cost component to DISCOMs as fixed by ERC (subject to a maximum of one third of their total power requirements).
4. The Government of Telangana will provide one dedicated investment officer to the IT company executing mega project in order to expedite the investment process.
5. Recruitment Assistance at the rate of Rs 10,000 per employee for a minimum annual recruitment of 100 new IT/ITES professionals from the colleges located in Telangana. This assistance will be managed and disbursed by TASK (Telangana Academy of Skilling and Knowledge).

b. Start-ups:

State of Telangana has the legacy of nurturing talent with an objective to making them successful entrepreneurs. The Government of Telangana gives extreme importance to Innovation & Entrepreneurship and this will be done through the government's flagship initiative – T-HUB that aims to make Telangana the start-up capital of the country. As a step forward in this direction the state has developed some first-of-its-kind incentives for start-ups and these shall be listed and explained in detail in a separate "Innovation Policy".

c. IT product/R&D Companies:

IT product/R&D company brings brand value to the State by promoting the concept of home-grown entrepreneurs. Compared to IT services companies, product companies invest a lot of their resources in R&D with reasonably less number of employees. Entrepreneurs into product development domain hire high-end technology professionals with salaries almost twice as much as IT services/ITES companies pay. In order to encourage product companies, the following specific incentives are offered:

1. **R&D grants:** The Government of Telangana will facilitate to provide specific R&D grants to IT companies in tune of 10% of overall R&D expenses of the company's Telangana operations or 2% of annual turnover of company's Telangana operations or Rs. 500,000, whichever is lesser.
2. **Promotion of PhD students in technology sector:** The Government of Telangana intends to attract and nurture PhDs by providing research grants and stipends to PhD students. The stipend of Rs. 25,000 per month will be given to the top 25 percentile students for a period of 2 years. The stipend will be decided by a competent committee of top academicians and industry leaders, and will be applicable to only computer science, information technology and electronics departments of the universities located in Telangana.
3. **Uninterrupted electricity:** The Government shall ensure uninterrupted supply of electricity at industrial tariff. Necessary laws will be passed to facilitate this mechanism.

Additionally, IT Product/R&D companies will be permitted to avail renewable energy under open access system from within the state after paying cost component to DISCOMs as fixed by ERC (subject to a maximum of one third of their total power requirements).

4. **Recruitment assistance:** Recruitment assistance at the rate of Rs. 20,000 per employee for a minimum annual recruitment of 20 new IT professionals from the colleges located in Telangana. This assistance will be managed and disbursed by TASK.

d. Tier-II Locations:

Tier II Locations offer significant advantage, in terms of cost of living, operations cost, availability of skilled human resources at low cost, low commuting time, etc. These locations account for over 25% saving, as compared to large cities. To further promote Tier II locations and to motivate ICT industry to set up their operations, the following specific incentives are offered.

1. Reimbursement of municipal taxes for first three years of operation for first 5 IT Companies and IT parks in each town.
2. For promotion of IT events (by trade association) in Tier 2 city, the Government would provide reimbursement/sponsorship for the event up to a maximum of Rs. 500,000 or 50% of the event cost, whichever is lower.
3. 50% Exhibition stall rental cost or Rs. 50,000, whichever is lower, will be reimbursed for participating in the notified national/international exhibitions limited to 9 sq.mts. of space.
4. The Government shall ensure uninterrupted supply of electricity at industrial tariff. Necessary laws will be passed to facilitate this mechanism.

Additionally, IT companies setting up operations in Tier II locations will be permitted to avail renewable energy under open access system from within the state after paying cost component to DISCOMs as fixed by ERC (subject to a maximum of one third of their total power requirements)

5. Workforce development:
 - i. The Government of Telangana will create Non-IT skill development centre in Tier 2 cities to train work force for support functions.
 - ii. As a part of TASK, the Government will conduct Faculty Development program for colleges and training institutions located in that area.
 - iii. Recruitment Assistance at the rate of Rs. 20,000 per employee for a minimum annual recruitment of 50 new IT professionals from the colleges located in Telangana. This assistance will be managed and disbursed by TASK.
 - iv. Rs. 10 Lakhs subsidy to first 5 anchor units employing more than 250 IT and 500 ITeS employees.
6. Apart from the above-mentioned benefits, the Government of Telangana is providing certain incentives to companies starting BPO operations in rural areas.
 - i. 50% investment subsidy on fixed capital Investment, with a maximum limit per unit of Rs. 20 Lakhs.
 - ii. Training subsidy of Rs. 2,500/month/person for 3 months.
 - iii. 25% reimbursement on Internet and Telephone charges.
 - iv. 100% exemption from payment of SD/EMD and cost of tender document.

e. SMAC Technologies, Smart City Initiatives and other New Initiatives:

The Government of Telangana understands that disruptive SMAC technologies are attracting significant investments across the globe and the state aims to be the national repository for these technologies. The state places special emphasis on making Telangana a global destination for developing these technologies. The initiatives and incentives that focus on this area will be elaborated in a separate policy.

f. Engineering Services:

Government of Telangana intends to unleash the potential opportunity evolving in the Engineering Design Industry. The Engineering Services opportunity for the Indian Companies, as per the projections of NASSCOM, is of the order of USD 40 billion by the year 2020. The growth rates in Engineering Services opportunity are predicted to exceed the growth rates of IT & BPO sectors.

Identifying Engineering Services as a thrust area in ICT industry, the following incentives are offered:

1. The Government shall ensure uninterrupted supply of electricity at industrial tariff. Necessary laws will be passed to facilitate this mechanism.
Additionally, Engineering Services companies will be permitted to avail renewable energy under open access system from within the state after paying cost component to DISCOMs as fixed by ERC (subject to a maximum of one third of their total power requirements)
2. 50% Exhibition stall rental cost will be reimbursed for participating in the notified national/international exhibitions limited to 9 sq.mts. of space.

g. Small and Micro Enterprises (SMEs) & Mid-scale Companies:

Small and Micro Enterprises, Mid-Scale companies are key propellers of competition, growth, and job creation in a global economy. More than 80% of economic activity forms part of this informal sector. In order to encourage these enterprises in IT/ITES sector and provide a hassle free regulatory frame-work to sustain and grow, the following specific incentives have been designed, apart from the general incentives mentioned above.

1. 50% exhibition stall rental cost or Rs. 50,000, whichever is lower, will be reimbursed for participating in the notified national/international exhibitions limited to 9 sq.mts. of space.
2. The Government shall ensure uninterrupted supply of electricity at industrial tariff. Necessary laws will be passed to facilitate this mechanism.
Additionally, Small and Micro Enterprises (SMEs) and Mid-Scale companies will be permitted to avail renewable energy under open access system from within the state after paying cost component to DISCOMs as fixed by ERC (subject to a maximum of one third of their total power requirements)
3. The Government of Telangana will strive to promote local mid-scale & SMEs by purchasing IT products/ services from these mid-scale & SMEs.
4. Recruitment Assistance at the rate of Rs. 20,000 per employee for a minimum annual recruitment of 100 new IT professionals from the colleges located in Telangana. This assistance will be managed and disbursed by TASK.
5. Create 'SME Help Desk' to provide clarifications, and to simplify statutory compliance of the mid-scale and SMEs.
6. 25% Subsidy on Lease Rentals up to Rs. 500,000 per annum for a period of 3 years



h. SC/ST Entrepreneurs:

Keeping in tune with the philosophy and commitment of the Government to strive for the upliftment of the socially challenged sections of the Society, i.e., SC/ST entrepreneurs, the following special dispensation is envisaged in respect of the SC/ST entrepreneurs, engaged in the IT/ITES activity, having a stake of more than 51% shareholding, in the said IT company/unit/activity.

1. The Government shall ensure uninterrupted supply of electricity at industrial tariff. Necessary laws will be passed to facilitate this mechanism.
Additionally, companies owned by SC/ST entrepreneurs will be permitted to avail renewable energy under open access system from within the state after paying cost component to DISCOMs as fixed by ERC (subject to a maximum of one third of their total power requirements)
2. Recruitment Assistance at the rate of Rs. 25,000 per employee for a minimum annual recruitment of 50 new IT professionals from the colleges located in Telangana. This assistance will be managed and disbursed by TASK.
3. 100% Exhibition stall rental cost or Rs. 50,000, whichever is lower, will be reimbursed for participating in the notified national/international exhibitions limited to 9 sq.mts. of space.
4. Reimbursement of 50% of expenditure incurred for obtaining quality certifications for CMM Level 4 upwards. Reimbursement will be limited to a maximum of Rs. 400,000.
5. 25% investment subsidy on fixed capital Investment (additional 5% for SC Women and ST Women Entrepreneurs), with a maximum limit per unit of Rs. 25 Lakhs.
6. 8.5% Interest subsidy on Prime Lending Rate (PLR) on the term loan and working capital, maximum of Rs. 5 Lakhs per year for a period of 5 years

i. Women Entrepreneurs:

Women employees constitute more than 30% of the total working IT population in the State. In order to empower the women entrepreneurs to penetrate into the IT industry and show their mark for the first time in the ICT policy the following incentives are envisaged: (For the purpose of application & eligibility of above incentives, Women entrepreneurs mean those units established as sole Proprietress/Partnership or company registered under Indian companies act of 1956 having 51% share in the ICT Companies):-

1. The Government shall ensure uninterrupted supply of electricity at industrial tariff. Necessary laws will be passed to facilitate this mechanism.
Additionally, companies owned by women entrepreneurs will be permitted to avail renewable energy under open access system from within the state after paying cost component to DISCOMs as fixed by ERC (subject to a maximum of one third of their total power requirements)
2. Recruitment Assistance at the rate of Rs. 25,000 per employee for a minimum annual recruitment of 50 new IT professionals from the colleges located in Telangana. This assistance will be managed and disbursed by TASK.
3. 75% Exhibition stall rental cost or Rs. 50,000, whichever is lower, will be reimbursed for participating in the notified national/international exhibitions limited to 9 sq.mts. of space.
4. Reimbursement of 50% of expenditure incurred for obtaining quality certifications for CMM Level 4 upwards. Reimbursement will be limited to a maximum of Rs. 400,000.
5. 25% rebate on land cost in IEs/IDAs/ STPI/IT/multipurpose SEZ/IT Parks. (both public & Private) up to Rs. 500,000 (33 1/3% for SC/ST Women Entrepreneurs)

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6. 20% investment subsidy on fixed capital Investment, with a maximum limit per unit of Rs. 20 Lakhs.
 7. 5% (8.5% in case of SC/ST Women Entrepreneurs) Interest subsidy on Prime Lending Rate (PLR) on the term loan and working capital, maximum of Rs. 5 Lakhs per year for a period of 5 years

j. Corporate Social Responsibility:

Corporate Social Responsibility (CSR), by IT companies plays a pivotal role in Socio Economic Development of the state. More and more companies in India are coming forward to play their part in terms of CSR by taking up various programs in such as education, health, family welfare, livelihood creation, skill development, environment protection, providing potable drinking water, sanitation and empowerment of weaker sections of the society.

The initiative of State Government is to encourage joint efforts between the Government and ICT Companies in organizing CSR programs for a greater impact in the society through:-

1. Constitution of a Joint Committee comprising of Government, Industry and Industry associations for identification of CSR initiatives in all the districts and execute them in an organized manner.
2. Creation of a common pool of resources in the form of sponsorships in cash and kind voluntarily from the IT companies, which shall be utilized for organizing CSR programs jointly by the stakeholders on a continuous basis.

Taking up CSR programs jointly will result in greater benefit and achieving desired result.

NON-FISCAL INCENTIVES

Below, are given the general incentives available to the ICT industry, automatically.

- a. The IT/ITES are serving global customers on 24x7x365 basis. Therefore, this industry is regarded as an essential services enjoying benefits mentioned below :
- b. IT/ITES units are exempt from the purview of the Telangana Pollution Control Act, except in respect of IT parks/IT SEZ campuses with built up area over 20,000 sqm, special permissions needs to be taken from SEIAA under MoEF.
- c. IT/ITES units/ companies are exempt from the purview of statutory power cuts.
- d. IT Industry is exempt from inspections under the following Acts and the Rules framed thereunder, barring inspections arising out of specific complaints. The IT units are permitted to file self-certificates, in the prescribed formats.
 - The Factories Act, 1948
 - The Maternity Benefit Act, 1961
 - The Telangana Shops & Establishments Act, 1988
 - The Contract Labour (Regulation & Abolition) Act, 1970
 - The Payment of Wages Act, 1936
 - The Minimum Wages Act, 1948
 - The Employment Exchanges (Compulsory Notification of Vacancies) Act 1959.
- e. General permission for three shift operations with women working in the night for IT/ITES units/ companies.
- f. IT/ITES units/companies and non-hazardous hardware manufacturing industry are declared as essential service under AP Essential Services Maintenance Act.



Infrastructure Development

STATE INCENTIVES FOR IT SEZs/IT PARKS/IT CAMPUSES/ITIR

For provision of state-of-the-art physical infrastructure of international standards suiting to the requirements of IT/ITES industry, the following additional incentives, are eligible for notified ITIRs/IT SEZs/IT Parks/IT Campuses in the State.

a. Exemption from Zoning Regulations

ITE&C industry, i.e., IT/ITES Units/Companies and IT Parks/IT Campuses notified by the ITE&C Department, are treated as permitted in all Land Use Zones except Traffic and Transportation Use Zone, Water Bodies and their surrounding buffer Zones and other environmentally sensitive areas subject to ensuring environmental safeguards, and the payment of conversion charges, if applicable as per Zoning Regulations of respective notified Master Plans under the provisions of AP Urban Area Development Act 1975 or AP Town Planning Act 1920, Hyderabad Metropolitan Development Authority Act 2008 or Municipalities Act 1965, Municipal Corporations Act 1994 as applicable for the location of IT/ITES Units/Companies and as stipulated under the Revised Building Rules-2012 of Municipal Administration & Urban Development (M) Department and amendments thereon from time to time, basing on the terms and conditions stipulated.

- 1) IT/ITES Units/Companies/IT Parks so notified by Information Technology and Communications Department are exempt from the procedure of change of Land Use but on payment of land use conversion charges.
- 2) No limitation on height of buildings subject to Revised Building Rules-2012, location norms and clearances from Fire Services, Airport Authority and shall be in conformity with National Building Code, regulations, terms & conditions as per stipulations of Municipal Administration & Urban Development (M) Department and amendments thereon.
- 3) Consequent on adoption of Repeal Act 1999, there is no necessity to file any declarations or to obtain permission under Section 20 (1) of Urban Land (Ceiling & Regulation) Act, 1976, to hold the excess land for future land transactions.
- 4) Notified IT Parks/IT SEZs are eligible for Industrial Power Category conversion on their Service Connections, exclusively used for their operations by the IT industry, located in the said IT Parks/ITSEZs

SEZ INCENTIVES OFFERED BY GOVT. OF INDIA:

a. Information Technology Investment Region (ITIR)

To attract investments in IT, ITES and Electronic Hardware Manufacturing (EHM) units, Government of India, vide Gazette Notification has directed the State Government to create ITIRs.

The objective of the Government is to create an ultra-modern planned infrastructure which can attract ICT companies and Electronic Manufacturers to set up and operate in the most efficient manner. ITIR is expected to become a significant driver of economic activity in Hyderabad.

Information Technology Investment Region (ITIR) in Telangana is being developed in an area of 202 sq.kms in Hyderabad Metropolitan Development Area along Transit Oriented Growth Corridors (TOGCs) for holistic growth.

Newer growth vectors are being developed along with Cyberabad around the Airport area (Mamidipalli, Adibatla, etc), Uppal – Pocharam as well as along the outer ring road corridor. These

areas would be developed to ensure holistic development of the region. The focus will be on developing theme based clusters to provide impetus to various growth segments in technology and electronics. The ITIR is expected to attract a total investment of more than Rs. 2 trillion and create direct IT employment to more than 15 Lakhs workers.

An ITIR Development Authority (ITIRDA) and Special Purpose Vehicles under Public Private Partnership mode will be established for the execution of the project and to ensure planned development.

b. Special Economic Zone (SEZ)

Today, Telangana has emerged as a location for knowledge – driven, skill – based and high value investments. In order to sustain the seamless growth in the State, Government of Telangana has embarked upon promotion of Special Economic Zones (SEZs).

SEZs are specifically delineated enclaves treated as a foreign territory for the purpose of industrial, service and trade operations, with relaxation in customs duties and a more liberal regime in respect of other levies, foreign investments and other transactions.

SEZs may be developed and managed in private sector or jointly by State Government and a private agency or exclusively by the State Government or their agencies. In the case of privately developed SEZs, the investors could be either Indian individuals, NRIs, Indian or foreign companies. The Special Economic Zone Act 2005 came into force w.e.f., 23rd June, 2005. SEZ rules came into effect w.e.f., 10th February, 2006.

IT/ITES SEZ can be set up in an area as prescribed under SEZ Act, Ministry of Commerce, Government of India. Incentives available to developers will be as per the aforesaid SEZ Act of Government of India.






Applying for Incentives and Subsidies

SEZ INCENTIVES OFFERED BY GOVT OF INDIA:

- a. The format of application is common for all the aforesaid incentives and can be filed online by visiting our **web site: it.telangana.gov.in**. However, physical copy of the application, along with requisite supporting documentation, as is indicated, shall be filed for processing and placed before the CCITI for consideration of such incentives as per eligibility.
- b. Processing and release of incentives are subject to verification and authenticity of information furnished by company.
- c. An IT company is eligible and can apply for claim of any incentive under one category only ie, under the Section 4.2 for example -Product/ R&D, start-ups, SME, SMAC, Engineering Services, etc
- d. The interpretation and decisions of the Government is final with regard to applications made by the ICT Industry for any of the above incentives.



Governance Mechanisms



Government of Telangana has always maintained time bound consistency in its approvals and support to the industry and as a step forward has embarked on providing a paradigm shift in terms of its services to ICT Industry through following initiatives:

a. Business Advisory Committee:

Constitution of Business Advisory Committee, under the Chairmanship of Honorable Minister for IT and key stakeholders representing IT/ITES Industry for advising the Government on IT promotion strategies.

b. Single Window Mechanism:

The Government of Telangana is determined to create an ecosystem in which the ease of doing business in the state matches and even exceeds the best global standards. Telangana State Government is aware that offering a hassle-free system is considered to be of the highest priority by the companies. The government has implemented a very effective clearance system for the industries that will go beyond the traditional single window system. The IT/ITES companies would also qualify and follow the similar privileges for single window clearance.

This system, called the Telangana State Industrial Project Approval and Self-certification System (TS-iPASS), will be strengthened by way of legislation. A Right to Single Window Clearance, on the lines of the Right to Information, will be bestowed for all applicants. Penal action will be imposed on the concerned officers who delay the applications.

c. Consultative Committee on Information Technology Industry (CCITI):

Constitution of Consultative Committee on Information Technology Industry (CCITI), is a joint committee with representatives from the Government and the ICT Industry - for administering the incentives to the ICT Industry in a smooth manner, and for effectively resolving the problems, overcoming the impediments and ensuring growth of the ICT Industry in the State. The CCITI shall administer the incentives on specific application made by an ICT Company for the incentives mentioned herein. Such applications shall be prima facie scrutinized by the Sub-Committee of the CCITI headed by the Special Secretary, ITE&C, in association with industry representatives, on the eligibility, veracity of technical/financial information, etc., prior to placing it before the CCITI for its consideration.

d. Information Technology Infrastructure Promotion Committee:

In order to provide solutions to operational issues pertaining to infrastructure, such as water, road, power, sewerage and transport in the IT Layouts, an Infrastructure Committee, under the chairmanship of Principal Secretary, ITE&C, comprising the field level officers of the respective agencies and captains of IT Industry and Associations, has been formed and is in place. This Committee meets periodically to address the related issues for providing requisite facilitation to IT Industry.

e. Information Technology Security & Safety Committee:

To provide appropriate security and safety to the ICT Industry in Telangana, the Government has put in place (i) Industrial Security Task Force, headed by IG of Police and Director (Communications), Director General of Police Office, and (ii) Society for Cyberabad Security Council (SCSC) - IT Security & Safety Committee, headed by Commissioner of Police, Cyberabad. These committees comprise of members representing IT industry / IT Infrastructure developers and IT Associations. Such mechanisms have been put in place to provide the requisite security and safety related comfort to the IT Industry.

In particular, the SCSC helps in combating safety and security threats and criminal activities in Cyberabad IT corridor. This has been made possible by implementing CCTV systems, automating cab registration process, creating awareness through exclusive women safety forums, expansion of public transport network in the IT corridor and intensified policing through more checking and deployment.

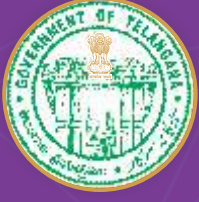
Going forward, the Government through SCSC wants to implement the following initiatives:

1. Build IT tools to smartly manage some of the safety & security related business processes. Some of the examples include Geo-based Vehicle Tracking, criminal tracking, etc.
2. Further strengthen the Exclusive Women Forum to support initiatives on the safety and security of women working in the IT corridor.
3. As a part of the smart city initiative, the government will put special emphasis to devise and implement smart city applications that would enhance the security system across the city.
4. Set up a dedicated call center for citizens to report and address their concerns relating to the safety and security in the city.
5. Fortify the Emergency Response Teams and equip them adequately to improve their response time and effectiveness in handling critical situations.

This policy will be in force for a period of 5 years with immediate effect and supersedes the previous orders.

- Secretary to Government

<http://it.telangana.gov.in>



Jayesh Ranjan IAS
Secretary to Government

Information Technology, Electronics &
Communications Department
Government of Telangana
D - Block 2nd Floor Room No. 315A
Telangana Secretariat Hyderabad - 500 022
P. +91 40 2345 6401 F. +91 40 2345 0103
secy_itc@telangana.gov.in
jayesh_ranjan@hotmail.com