



**STATE GST LINKED INCENTIVE UNDER
HARYANA ENTERPRISES & EMPLOYMENT
POLICY 2020**

**'Investment Subsidy in lieu of Net SGST of Haryana'
notified under the Haryana Enterprises & Employment
Policy,2020 (dated 29.12.20) - an attractive incentive
scheme for various categories of enterprises**



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INTRODUCTION

With an objective to establish Haryana as a favoured investment destination and generating jobs in the State, the Industries and Commerce Department of the Haryana Government had announced the [Haryana Enterprises and Employment Policy-2020](#) (HEEP) on 29 December 2020. The HEEP envisaged a variety of fiscal incentives "for reducing cost of doing business to make the industry competitive and sustainable" for various categories of enterprises. In pursuance thereof, the Haryana government has notified the '[Investment Subsidy in lieu of Net SGST](#)' (the Scheme) on 29 July 2021 which is also in line with the changes introduced in tax administration, post implementation of GST.

In terms of the Scheme, the eligible units (depending on their categorization as Ultra Mega/ Mega/ Large/ MSME/ Thrust Sector/ etc) will be entitled to reimbursement of SGST amounts paid in Haryana in cash, on sale of eligible products (post utilisation of all eligible input tax credit (ITC) of GST including eligible ITC of integrated GST (IGST) in its credit ledger against the SGST liability in Haryana). In other words, the quantum of reimbursement will be restricted only to SGST amounts paid through the cash ledger (defined in the Scheme as 'Net SGST') as opposed to being paid by utilisation of input GST credit.

SALIENT DETAILS OF THE SCHEME

Quantum of incentives and key conditions

1. Ultra-Megaprojects

Quantum of incentives	Key Conditions
Customised package of incentives with the quantum and period shall be decided by the Haryana Enterprises Promotion Board (HEPB).	Iconic Projects with minimum Fixed Capital Investment (FCI) - <ul style="list-style-type: none"> (i) INR 6,000 crore in A Blocks* (ii) INR 4,500 crore in B Blocks (iii) INR 3,000 crore in C Blocks (iv) INR 1,500 crore in D Blocks

* The Haryana government has declared and demarcated areas in the State as 'A' Blocks, 'B' Blocks, 'C' Blocks and 'D' Blocks for the implementation of the Scheme.

2. Mega Projects

Quantum of incentives	Key Conditions
For units established in D Blocks with cap of 125% of FCI <ul style="list-style-type: none"> ➤ 75% of Net SGST for 1st 5 years ➤ 35% of Net SGST for next 3 years 	Projects with minimum FCI - <ul style="list-style-type: none"> (i) INR 200 crore in B Blocks

<p>For units established in C Blocks with cap of 100% of FCI</p> <ul style="list-style-type: none"> ➤ 50% of Net SGST for 1st 5 years ➤ 25% of Net SGST for next 3 years <p>For units established in B Blocks with cap of 100% of new FCI from the date of commencement of commercial production</p> <ul style="list-style-type: none"> ➤ 30% of Net SGST for 1st 5 years ➤ 15% of Net SGST for next 3 years <p>5% of FCI for 8 years in equal annual instalments</p> <ul style="list-style-type: none"> ➤ For projects with inverted duties ➤ For units with Net SGST < 5% of FCI 	<p>(ii) INR 100 crore in C Blocks</p> <p>(iii) INR 75 crore in D Blocks</p> <p>A project undertaking expansion / diversification and identified service enterprises with same criteria of investment shall also be treated as a Mega Project.</p> <p>Special Package of incentives for Mega Projects having potential to develop ancillary enterprises or cluster establishment / relocation with same criteria of investment shall be decided by the HEPB based on Cost Benefit Analysis.</p>
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3. Large Units

Quantum of incentives	Key Conditions
<p>For units established in D Blocks with cap of 125% of FCI</p> <ul style="list-style-type: none"> ➤ 75% of Net SGST for first 7 years ➤ 35% of Net SGST for next 3 years <p>For units established in C Blocks with cap of 100% of FCI</p> <ul style="list-style-type: none"> ➤ 50% of Net SGST for first 5 years ➤ 25% of Net SGST for next 3 years <p>For units established in B Blocks with cap of 100% of new FCI from the date of commencement of commercial production</p> <ul style="list-style-type: none"> ➤ 30% of Net SGST for first 5 years ➤ 15% of Net SGST for next 3 years <p>Similar benefits for units undergoing expansion / diversification with 50% additional investment in P&M with cap of 100% of new FCI.</p>	<p>Projects with minimum -</p> <p>(i) INR 50 crore in Plant and Machinery ('P&M')</p> <p>(ii) INR 250 crore in turnover</p>



4. MSMEs

Quantum of incentives	Key Conditions
<p>For units established in D Blocks with cap of 150% of FCI</p> <ul style="list-style-type: none"> ➤ 75% of Net SGST for first 10 years ➤ 35% of Net SGST for next 3 years <p>For units established in C Blocks with cap of 125% of FCI</p> <ul style="list-style-type: none"> ➤ 75% of Net SGST for first 7 years ➤ 35% of Net SGST for next 3 years <p>For units established in B Blocks with cap of 100% of new FCI from the date of commencement of commercial production</p> <ul style="list-style-type: none"> ➤ 50% of Net SGST for first 5 years ➤ 25% of Net SGST for next 3 years <p>For woman / SC / ST led new micro enterprises in B, C and D Blocks with cap of 150% of new FCI from the date of commencement of commercial production</p> <ul style="list-style-type: none"> ➤ 75% of Net SGST for first 7 years ➤ 35% of Net SGST for next 3 years <p>Similar benefits for units undergoing expansion / diversification with 50% additional investment in P&M with cap of 100% of new FCI.</p>	<p>For medium enterprises, projects with maximum -</p> <ul style="list-style-type: none"> (i) INR 50 crore in P&M (ii) INR 250 crore in turnover <p>For small enterprises, projects with maximum -</p> <ul style="list-style-type: none"> (i) INR 10 crore in P&M (ii) INR 50 crore in turnover <p>For micro enterprises, projects with maximum -</p> <ul style="list-style-type: none"> (i) INR 1 crore in P&M (ii) INR 5 crore in turnover

5. Thrust Sector - Mega, Large and MSMEs

Quantum of incentives	Key Conditions
<p>For new enterprises in Electronics System Design & Manufacturing</p> <ul style="list-style-type: none"> ➤ 100% of Net SGST (subject to a cap of 100% of the new FCI) for 10 years in B, C and D Blocks and 5 years in A Blocks from the date of commencement of commercial production <p>For other sectors</p>	<p>State has identified the following eight thrust sectors -</p> <ul style="list-style-type: none"> (i) Auto, Auto Components & Light Engineering (ii) Agro-based, Food Processing & Allied Industry (including Registered Farmer Producer Organization and Integrated Pack Houses)



<ul style="list-style-type: none"> ➤ 100% of Net SGST for 10 years in D Blocks with cap of 150% of FCI ➤ 75% of Net SGST for 8 years in C Blocks with cap of 125% of FCI ➤ 50% of Net SGST for 7 years in B Blocks with cap of 100% of new FCI from the date of commencement of commercial production <p>Similar benefits for units undergoing expansion / diversification with 50% additional investment in P&M with cap of 100% of new FCI.</p>	<ul style="list-style-type: none"> (iii) Textiles and Apparels (iv) Electronics System Design & Manufacturing (ESDM) (v) Defence and Aerospace Manufacturing (vi) Pharmaceutical & Medical Devices (vii) Chemical and Petrochemical (viii) Large Scale Energy & Data Storage
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6. Mega, Large and MSMEs

Quantum of incentives	Key Conditions
<p>For developer of co-location facilities</p> <ul style="list-style-type: none"> ➤ 100% of Net SGST for first 3 years ➤ 50% of Net SGST for next 7 years <p>For data centre units</p> <ul style="list-style-type: none"> ➤ 75% of Net SGST for 10 years with cap of 100% of new FCI from the date of commencement of commercial production <p>For import substitution enterprises</p> <ul style="list-style-type: none"> ➤ 100% of Net SGST for 10 years in D Blocks with cap of 150% of FCI ➤ 100% of Net SGST for 8 years in C Blocks with cap of 125% of FCI ➤ 100% of Net SGST for 7 years in B Blocks with cap of 100% of new FCI from the date of commencement of commercial production <p>Similar benefits for units undergoing expansion / diversification with 50% additional investment in P&M with cap of 100% of new FCI.</p>	<p>Co-location facilities – A standalone building in which multiple companies share space for storing and running their IT and/or Network equipment, akin to a multi-tenant office building.</p> <p>Data Centre Unit – A physical facility that enterprises and cloud service providers use to store and manage their business-critical applications and information on a Network of IT servers.</p> <p>Import Substitution Enterprises – Enterprises engaged in the manufacturing of products for which nation is dependent on imports, as specified in Annexure 8 of the HEEP.</p>



7. Others

Quantum of incentives	Key Conditions
<p>For start-ups</p> <ul style="list-style-type: none"> ➤ 100% of Net SGST for 7 years with cap of 100% of FCI from the date of commencement of commercial production <p>For service enterprises</p> <ul style="list-style-type: none"> ➤ 50% of Net SGST for 5 years in B, C & D Blocks with cap of 100% of new FCI from the date of commencement of commercial production <p>For Essential Sector Enterprises of all categories</p> <ul style="list-style-type: none"> ➤ 75% of Net SGST for 1st 10 years ➤ 35% of Net SGST for next 3 years in D Blocks with cap of 100% of new FCI <p>Similar benefits for units (except start-ups) undergoing expansion / diversification with 50% additional investment in P&M with cap of 100% of new FCI.</p>	<p>Start-ups - As defined by Department of Electronics and Information Technology, Haryana, from time to time and registered with <i>Startup Haryana</i>.</p> <p>Service Enterprises - Enterprises rendering services as specified in the list of services in the Scheme (listed in the table below encapsulating the 'eligible goods' and 'eligible services').</p> <p>Essential Sector Enterprises - Essential Goods and Services are classified as those activities, which are necessary for the survival of citizens, employment generation, business linkages and ancillary industries, have seasonality of commodities and required in dealing with disaster.</p>

Eligible goods and services

Eligible goods	Eligible services
<p>Manufacture of all goods <u>other than the following (restrictive list)</u> will be eligible for incentives:</p> <ul style="list-style-type: none"> (i) trade effluents and air emissions setup in residential areas (ii) tobacco and manufactured tobacco substitutes (iii) Soft drinks, aerated / packaged drinking water in Dark Zones (iv) Stone crushers / washeries 	<p><u>Only the following services (positive list)</u> will be eligible for incentives:</p> <ul style="list-style-type: none"> (i) Healthcare Services (ii) Educational & Skill Development Services (iii) IT & ITeS Services (iv) Heritage Property Restoration Services (v) Bulk courier services



(v) Lime kilns / brick kilns except refractory bricks, fly Ash bricks and cement blocks	(vi) Testing and R&D
(vi) Copper smelter / zinc smelter recovery of zinc metal from zinc ash and Dross and waster	(vii) Engineering and Design Services
(vii) Ethyl Alcohol/ Distillery/ Fermentation/ Brewery except wines/ liquors/ brandy made from 100% fruits and Barley produced in the State	(viii) Equipment rental & leasing (construction & Industry related)
(viii) Sulphuric acid/ thinners & varnishes/ electroplating	(ix) Equipment maintenance & repair, environmental services (sewage/ refuse disposal/ waste management)
(ix) Dyes and Dye intermediates for yarn & cloth except covered under zero liquid discharge	(x) Entertainment Parks except Cinema Halls having investment in Building and equipment more than Rs. 10 crores
(x) Refining of used oil	(xi) Any other service enterprises notified by the State Government for inclusion in the list from time to time
(xi) Tanneries	
(xii) Poultry excluding Hatcheries	
(xiii) Fire crackers	
(xiv) Hot mix plants	

Eligibility criterion

The Scheme provides detailed eligibility provisions along with the procedures vide paragraph 4 thereof.

Anti-Abuse provisions

The Scheme contemplates refund of incentives received along with 12% compound interest per annum apart from other legal action (including debarment from any incentives and public procurement) in cases where any unit is found to be availing benefits of the Scheme on the basis of false information or declares inter-state supplies as intra-state supplies "through intermediary/marketing network/or any other middle man, either directly or indirectly controlled by it".

Governance

The Scheme provides detailed governance and implementation arrangement through a three-tier structure as encapsulated below:

- HEPB shall approve scheme for customized package of incentives for Ultra Mega Projects and Special package of incentives for Mega Projects over and above Standard package of incentives



- Director / Director General, Industries & Commerce /Micro, Small and Medium Enterprises shall be competent authority for approval and sanction for Large and Mega Projects / Ultra Mega Projects
- Additional Director shall be competent authority (Competent Authority) for approval and sanction for Micro, Small & Medium Enterprises

The Administrative Secretary Industries & Commerce, Haryana has been empowered to interpret/clarify the Scheme or any provision thereof. Further the said authority is also empowered to hear appeals against the orders issued by the above Competent Authorities.

Assuring timely delivery under the Scheme, it provides the following timelines for different activities/ actions thereunder:

Tasks	Time limit (in working days)
1. Letter of Approval	30 days
2. Letter of Sanction	7 days
3. Disbursement	7 days

Other Aspects

This Scheme will be effective from 01 January 2021 for units gone into production on or after 01 January 2021 or which have taken 'Effective Steps' (as prescribed in paragraph 5 of the Scheme) for establishment of Industrial unit before 31 December 2025.

CONCLUDING THOUGHTS

Being amongst the industrialized States in India, Haryana has made rapid strides in industrial development over last six-seven years. With its locational advantage of nearly 57 percent of the State falling within the National Capital Region (NCR), coupled with strong industrial, educational and skill development infrastructure, Haryana has been an attractive investment destination to both domestic and industrial investors. While in the recent past, investor sentiment vis a vis Haryana was affected to some extent owing to the concerns expressed by various industry bodies against the [Haryana State Employment of Local Candidates Bill, 2020](#) (which received Governor's assent on 26 February 2021), this new Scheme should help to overcome those headwinds and give a strong fillip to industrial and service sector growth and overall economic stability in Haryana.

For businesses contemplating new investments in manufacturing as well as services it will be prudent to evaluate the HEEP read with the Scheme at length (coupled with other strategic advantages of Haryana as alluded to above) before zeroing down on a destination.

- Sudipta Bhattacharjee (Partner), Ayush A Mehrotra (Partner) & Marmik Kamdar (Associate)



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