

Beyond Incentives: A Framework for Investment-Led Growth

West Bengal unveiled its Investment Promotion Policy, 2026 on 5 November 2026, with the stated objective of attracting fresh investment, accelerating industrialisation and generating employment. Although the Policy is deemed to have come into effect from 9 May 2026, its significance lies in more than the incentives it offers. It seeks to establish a framework of reciprocal commitments between the State and investors, with particular emphasis on employment generation, industrial revival and investment across districts.

Certainty of Incentives: Protecting the Investor's Position

Perhaps the Policy's most significant feature is its emphasis on certainty of incentives. The applicable terms are to be frozen on the date of issuance of the investor's Certificate of Intent, and subsequent amendments cannot reduce the benefits committed to the investor. This is particularly relevant in light of the legal principles governing legitimate expectations and promissory estoppel, under which the State may, subject to considerations of overriding public interest, be held to its representations on which investors have relied. The emphasis on certainty must also be read against the Revocation of West Bengal Incentive Schemes and Obligations in the Nature of Grants and Incentives Act, 2025, which retrospectively withdrew incentives under earlier State schemes. The 2026 Policy applies to investments made on or after 9 May 2026 and does not, by itself, address claims under the withdrawn schemes. Investors with legacy claims should therefore assess them independently of the new framework.

The Policy also envisages a dedicated Assured Incentive Fund to support payment of sanctioned assistance. The State has bound itself to fixed timelines: any deficiency in an application is to be communicated once, within seven days; the Certificate of Intent is to be issued within 30 days and remains valid for three years; the Certificate of Eligibility is to be issued within 45 days; and complete claims are to be sanctioned within 30 days. Where an investor falls short of its investment or employment commitments, the assistance is to be reduced proportionately rather than withdrawn altogether. An opportunity of hearing before adverse action and a right of appeal provide additional procedural safeguards.

The Certificate of Intent will therefore assume considerable importance. Investors should ensure that the project particulars, investment commitments, proposed location and applicable incentive framework are accurately captured at this stage.

Land and Industrial Infrastructure: Addressing the Cost of Establishment

Land remains one of the most significant considerations in setting up an industrial project. The Policy addresses this through a combination of fiscal relief and proposed administrative reforms, such as:

- **Stamp duty and registration**: The Policy provides for reimbursement of stamp duty and registration fees on project land, limited to the first qualifying purchase or lease of land for the project. Since the benefit operates by way of reimbursement, the investor must initially bear the applicable costs. The sequencing of land transactions, including the choice between acquisition and lease, and the identity of the acquiring entity, should therefore be considered at the outset.

- **Strategic and Mega Projects**: A project qualifies as a Strategic and Mega Project by satisfying any two of three tests: investment scale (eligible fixed capital investment above INR 500 crore where land is privately sourced, or above INR 1,000 crore where any land is allotted by the State), operation in a strategic sector, and creation of at least 50 direct jobs per acre. Capital-intensive projects may therefore qualify without meeting the employment-density test. Such projects may seek tailor-made benefits, and projects with eligible fixed capital investment above INR 1,000 crore may also receive State support of up to 10% of eligible fixed capital investment each for internal infrastructure and external connectivity. Expansion or diversification projects, however, must increase fixed capital investment by at least 25% and add at least 20 direct jobs per acre (five direct jobs per acre in specified capital-intensive sectors). Investors proposing phased development or acquiring land substantially in excess of immediate requirements should assess these thresholds at the outset.

- **Relief for existing industrial land**: The Policy contemplates land-ceiling relief for eligible sick and closed industrial units being revived. This measure could facilitate the productive reuse of existing industrial assets.

- **Transparency in land allotment**: The State has also proposed a digital, map-based industrial land inventory and a more transparent, criteria-based allotment mechanism, including priority for brownfield sites. Effective implementation could improve visibility over land availability and reduce uncertainty in the allotment process. The Policy does not itself deal with land acquisition; the Government has indicated that a separate land policy will follow and has stated its intention to purchase land directly from willing owners for a land bank and to reclaim land left unutilised within a stipulated period.

Industrial Revival: Incentivising the Revival of Distressed Assets

The Policy's provisions for the revival of sick and closed industrial units are particularly noteworthy. Eligible units covered by resolution plans approved by the National Company Law Tribunal (NCLT), as well as public sector undertakings and units already assisted by the State, may receive special assistance. This includes power-related support, net metering, case-by-case exemption from the land ceiling, relief undertaking status and a dedicated revival cell. The proposed revival framework could make distressed industrial assets more attractive to resolution applicants by allowing them to factor in State-level support while evaluating acquisition and revival costs.

Employment, Inclusion and Sustainability: Expanding the Scope of Incentives

Employment generation, particularly the participation of women and transgender persons, is a central feature of the Policy. Eligible MSMEs are entitled to reimbursement of 100% of the employer's Employees Provident Fund (EPF) contribution for women and transgender employees, compared with 50% for male employees, subject to prescribed limits and conditions. EPF reimbursement covers only employees earning less than INR 1 lakh a month, and an enterprise that outgrows MSME status retains its MSME benefits for three years. Larger units and service-sector enterprises are also covered by differentiated employment-linked incentives.

The Policy further provides, for applications received up to 31 March 2030, for a complete waiver of cross-subsidy and additional surcharge on green power sourced within West Bengal, with transmission and wheeling charges payable at 25% of the applicable rates. Green power sourced from outside the State attracts 50% of the additional surcharge (and, for non-captive consumers, 50% of the cross-subsidy surcharge as well). This could improve the economics of renewable energy procurement for eligible industrial consumers, particularly those sourcing from generation assets within the State.

Not-for-profit hospitals, medical colleges and universities are also brought within a dedicated incentive framework. Institutions investing at least INR 100 crore and keeping at least 25% of their capacity free for State-notified groups for 10 years may receive a stamp duty exemption of twice the share of capacity offered free (50% at 25%, and 100% at 50% or more), a waiver of the land-use conversion fee and net metering, over and above all ceilings. The framework could encourage private and CSR-backed investment in social infrastructure.

Competitive Positioning: How West Bengal Differentiates Itself

Several States have established investment incentive frameworks, including Gujarat, Maharashtra, Tamil Nadu and Uttar Pradesh. West Bengal's approach, however, places particular emphasis on linking financial assistance to eligible investment, employment generation and geographical priorities. Its focus on women's employment, revival of distressed industrial assets and protection against subsequent dilution of sanctioned benefits gives the Policy a distinct character.

The competitive advantage will ultimately depend not merely on the headline incentive ceilings, but on the predictability and efficiency of their implementation.

Implementation Considerations: Issues Requiring Closer Examination

Notwithstanding its promise, certain aspects warrant attention:

- **Limited incentive base**: For manufacturing units, the aggregate assistance ceiling is linked to eligible fixed capital investment in plant and machinery, rather than the total project cost. Land and buildings are consequently excluded from this calculation, which may affect projects with substantial real-estate expenditure. An annual limit of 15% of eligible fixed capital investment (20% in a Priority Area or Thrust Sector) also applies. By contrast, the separate service-unit track computes its ceiling on eligible capital investment, which includes buildings, fit-outs, IT hardware, equipment and utilities, and offers lease rental assistance. A unit must elect one track.

- **GST-linked assistance**: Assistance is computed on Net SGST, being SGST paid in cash after utilisation of input tax credit. SGST discharged through IGST credit, tax under dispute and tax subsequently refunded do not qualify. Units with significant inter-State procurement, and therefore substantial IGST credit, should factor this into their financial models.

- **Excluded industries**: Several activities, including sponge iron, coal and coke processing, charcoal, stone crushing, traditional brick kilns, sawmills, firecrackers, asbestos, single-use plastics, tobacco and thermal power (other than eligible captive and waste-to-energy units), are expressly excluded from the incentive framework. Trading is also not treated as a service.

- **Transfer restrictions**: Investors must maintain their assets, location, activity and employment through the benefit and lock-in periods, and seek approval at least 60 days before any transfer, closure or relocation. This could have implications for corporate restructurings and acquisitions, and should be treated as a key diligence item. Clarification on whether changes in shareholding or control constitute a transfer would be useful.

- **Priority areas**: Priority Areas are sub-divisions scoring below the State median on an Industrial Development Index, are listed in Annexure I to the Policy and are to be reviewed every three years. Their identification remains important, as location determines the applicable incentive ceiling and other benefits. A unit retains the Priority Area status applicable on the date of its Certificate of Intent, which further underscores the importance of that certificate.

- **Implementing framework**: Although the Policy is deemed effective from 9 May 2026, detailed procedures, forms and operational requirements are to be prescribed under the implementing Scheme. Investors should therefore exercise caution before treating announced benefits as immediately available entitlements.

Looking Ahead: The Test will Lie in Implementation

The Investment Promotion Policy, 2026 represents an attempt to reposition West Bengal as an investment destination through a framework centred on employment generation, industrial revival, land utilisation and greater certainty of incentives. Its emphasis on protecting committed benefits is particularly important in restoring investor confidence.

However, the full contours of the framework will become clearer only upon publication of the gazetted notification of the Policy, together with the implementing Scheme, the prescribed application procedures

and the final list of Priority Areas. These instruments will be critical in determining how the announced incentives translate into actual entitlements, the conditions governing their disbursement and the timelines within which investors can expect assistance. Investors will also await greater clarity on the exercise of discretionary powers and the procedural safeguards available to them.

The real test, therefore, will lie in whether the promised timelines are adhered to, the proposed land-allotment reforms materialise, and the authorities administer the incentive framework transparently and consistently. While the Policy's timelines govern incentive approvals, investors will equally depend on reform of the single-window mechanism for the regulatory approvals required to set up operations. If the implementing framework delivers on these commitments, West Bengal could strengthen its position as a leading investment destination in eastern India. For now, the investment community will await the formal gazetted notifications with considerable interest.

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