



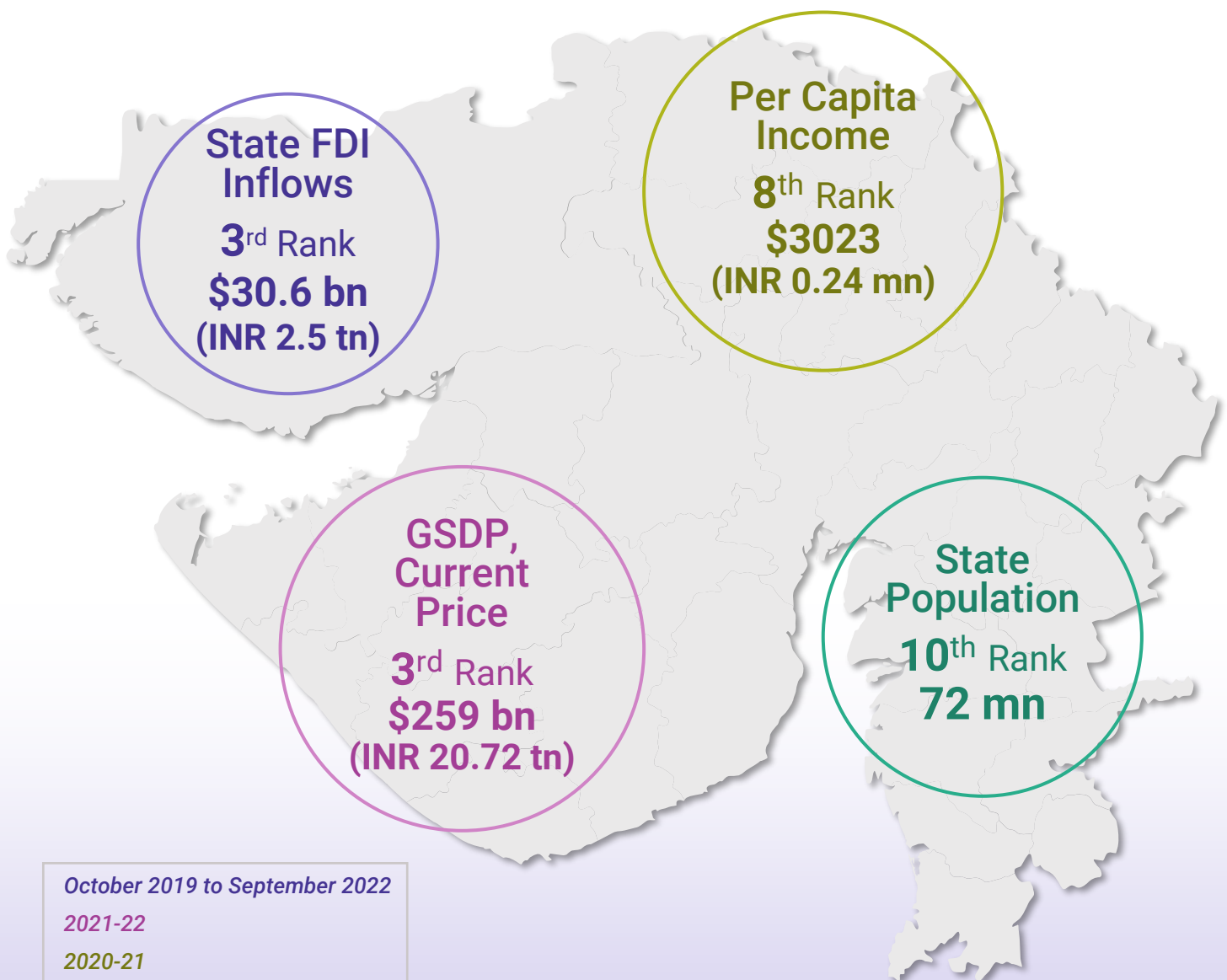
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# Incentives for New Manufacturing Set Ups Gujarat

Indian State Governments offer varied incentives under their respective state industrial development corporation policies to promote the set-up of new manufacturing units in the state. Such incentives are in the form of capital subsidies, interest subsidies, subsidized electricity tariffs, and more. The purpose of such incentive schemes is to attract investments thereby enabling infrastructure development, generating employment, developing focus sectors, and largely facilitating the overall economic development of the state.

To enable the availability of a quick summary of such general incentives offered by various Indian states, Nexdigm is releasing a series of documents focusing on providing a brief overview of such incentives offered by respective State Governments in India. This document covers information about incentives offered by **Gujarat** under the '**Aatmanirbhar Gujarat Schemes 2022 for Assistance to Industries**'.

## Key Statistics | GUJARAT



October 2019 to September 2022

2021-22

2020-21

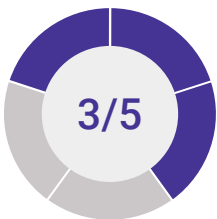
2022

## Policy Overview

To facilitate the vision of Aatmanirbhar Bharat, the Gujarat State Government released '**Aatmanirbhar Gujarat Schemes 2022 for Assistance to Industries**', which is valid from 5 October 2022 to 4 October 2027 for all industries (with an additional five years for Mega Industries).

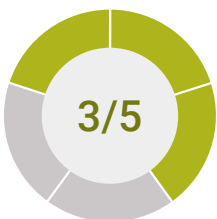
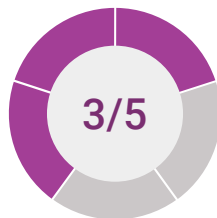
The policy aims to attract investment of ~USD 150 billion (~INR 12.5 trillion) by encouraging entrepreneurs to innovate and generate employment for ~1.5 million people in Gujarat by enhancing manufacturing opportunities.

## Nexdigm Ratings and Observations



Policy Structure

Incentive Range & Quantum



Investor Facilitation

Level Of Digitization



- 10 sectors (along with 23 sub-sectors) have been recognized as thrust manufacturing sectors in the policy. Sectors such as Gems & Jewelry and Textiles & Apparel have historically been areas of strength for Gujarat due to the easy availability of raw materials, associated manpower, state-of-the-art equipment, etc. Furthermore, the list also includes emerging sectors such as Mobility, Green Energy, Sustainability, etc. which are in line with global trends and are considered the future of manufacturing.
- State Goods and Services Tax (SGST) reimbursement is one of the major incentives in the scheme. Companies with a target market or supply chain of customers within Gujarat may be able to take the most advantage of the SGST reimbursement incentives.

*Note: The information/data used for the ratings is subjective based on our assessment of the policy, the experience of Nexdigm professionals in dealing with State Authorities, digitization of select statutory requirements, etc.*

# Policy Highlights

## Industry Classification

Manufacturing enterprises, for the purpose of the scheme, are classified under different categories based on the quantum of investment in plant and machinery which has been briefly tabulated below:

Industry	Investment in Plant & Machinery
Micro*	Investment up to INR 10 mn
Small*	Investment between INR 10 mn to INR 100 mn
Medium*	Investment between INR 100 mn to INR 500 mn
Large	Investment of more than INR 500 mn
Mega	<ul style="list-style-type: none"> <li>Investment of at least INR 25,000 mn</li> <li>Direct employment to a minimum of 2,500 people</li> <li>Belonging to one of the thrust sectors as per the scheme</li> </ul>

*\*Micro, Small & Medium Enterprises (MSME) must have also obtained acknowledgment/registration, as the case may be, from the appropriate authority*

## Region Classification

Regions in Gujarat, for the purpose of the scheme, are classified under different categories based on the development stage of such regions. This promotes investments with relatively higher incentives in developing or moderately developed regions for the balanced growth of Gujarat. The classification is tabulated briefly below:

Category 1	Comprising of industrially developing areas such as Dholera, Tarapur, etc.
Category 2	Comprising of moderately industrially developed areas such as Palanpur, Sihor, etc.
Category 3	Comprising of fully industrially developed areas such as Ahmedabad, Surat, etc.

## Thrust Sectors

Every state encourages select sectors based on its competitive strength and advantage such as geographical location, available resources, raw material availability, existing manufacturing practices, and growth potential. Such sectors are known as thrust sectors and are accorded additional benefits in the incentive scheme.

Sectors identified under this policy are mentioned below:

- Green Energy Ecosystem

- Capital Equipment
- Textiles & Apparel
- Agro-processing
- Mobility
- Metals & Minerals
- Healthcare
- Sustainability
- Gems & Jewelry
- Chemicals  
(Only for Mega Industries)



## Major Incentives

Several incentives are provided to industries based on their investment thresholds and region of set-up in Gujarat. The below table covers a range of incentives depending on the set-up region (Category 1-3) provided to enterprises basis the classification of industries:

Incentive	MSME	Large	Thrust	Mega
<b>Net SGST Reimbursement</b>	80-100% of net SGST for 10 years subject to a cap of 5-7.5% of eFCI** p.a.	80-100% of net SGST for 10 years subject to a cap of 5-7.5% of eFCI p.a.	80-100% of net SGST for 10 years subject to a cap of 5.5-8% of eFCI p.a.	100% of net SGST subject to a cap of 0.9% of eFCI p.a. for 20 years and 100% of input SGST paid on capital goods
<b>Interest Subsidy on Term Loan*</b>	Upto 5-7% subject to a cap of INR 2.5-3.5 million p.a. for 5-7 years	Upto 7% subject to a cap of 1% of eFCI p.a. for 6-10 years	Upto 7% subject to a cap of 1-1.2% of eFCI p.a. for 8-10 years	Upto 7% subject to a cap of 1.2% of eFCI p.a. for 10 years
<b>Capital Investment Subsidy on term loan</b>	10-25% subject to a cap of INR 1-3.5mn (Only micro enterprises)	-	-	-
<b>Stamp Duty &amp; Registration Fees Reimbursement</b>	-	-	-	100% reimbursement for purchase/lease of land
<b>Employees' Provident Fund (EPF)</b>	100% reimbursement of employer's contribution to EPF subject to INR 1,800 per month per employee (whichever is lower) for a period of 10 years			

\* In any case, eligible enterprises have to bear a minimum interest rate of 2% on Term Loans

\*\*eFCI: Eligible Fixed Capital Investment includes investments made in plant & machinery, new building, project-related infrastructure and other constructions. It excludes land & land development cost, working capital, indigenous second-hand plant and machinery, etc.



## Additional Key Incentives

Some other common incentives provided under the scheme are briefly listed below:

### MSMEs

- Financial support in ZED (Zero Effect Zero Defect) Certification and assistance in patent registration, quality certification, technology acquisition, raising capital, etc.
- 1% additional interest subsidy to SC/ST entrepreneurs/physically challenged entrepreneurs/women entrepreneurs/start-ups/young entrepreneurs below the age of 35 in the manufacturing sector.
- The Service Sector, as covered in Appendix 1, will also be eligible for the above mentioned 'Interest Subsidy on Term Loan' on new machinery, equipment and furniture/fixtures (except land and building).

### Electricity Duty

Exemption under the provisions of the Gujarat Electricity Act, 2003

## Other Key Policies

### Gujarat Electronics Policy 2022-28

The policy aims to strengthen the electronics ecosystem in Gujarat and develop robust electronics manufacturing infrastructure by offering fiscal incentives such as capital subsidy, 100% reimbursement on stamp duty, registration fees, and logistics subsidy.

### Gujarat Integrated Logistics and Logistics Parks Policy 2021

The policy aims to facilitate and develop an integrated logistics ecosystem in Gujarat and provides various fiscal and non-fiscal benefits under the scheme. The key benefits include 25% subsidy on FCI for the development of logistic facilities, 100% stamp duty reimbursement, 100% exemption of electrical duty, and patent assistance.

### Gujarat State Electrical Vehicle Policy 2021

The policy encourages the development of a manufacturing hub for electric vehicles and equipment by providing various incentives. Incentives are in the form of 25% capital subsidy on equipment and machinery along with a subsidy on the set-up of charging stations.

### Gujarat Semi-Conductor Policy 2022-27

The policy promotes the electronics manufacturing ecosystem by providing fiscal and non-fiscal incentives to the semi-conductor sector. Incentives include 75% subsidy on land procurement as well as full reimbursement of stamp duty and registration fees.

### Assistance to Private Developers for developing Readymade Sheds in Mini Estates

Eligible private developers will be given financial assistance amounting to approximately 50% of the total project cost, including land, building, and other infrastructure facilities.

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## Appendix 1

List of services within the Service Sector eligible for incentives

- Transport and Logistics Services, Logistics Facilities such as Container Freight Station Operators/Warehouses/Cold Storages, etc.
- Material Testing Centers
- Start-ups and Incubation Centers
- Hallmark Certification Centers
- Technical Testing and Analysis Servicing
- Maintenance and Repair of Machineries and Equipments
- Repair of Computers/Communication and Electronics Equipments/Household Goods
- Maintenance and Repair of Utility Projects
- Packaging Services
- Industrial Reuse/Disposal Services
- Apparel/Cutting & Stitching job work (other than Retail Tailoring)
- Printing, Scanning, Digitalization, and Lamination
- Construction of Weigh Bridges
- Color Labs
- Steam and Air-conditioning Supply
- Environmental Services, Waste Collection, Treatment, and Disposal activities
- Electrical, Plumbing, and other installation activities
- Maintenance and Repair of Motor Vehicles
- Audio Visual Services, Motion Pictures, Video and Television Production, Sound Recording and Music Publishing activities
- Activities of Internet Access by the Operator of the Wireless/Satellite Infrastructure
- Web Hosting activities
- Financial Services
- Health Services
- Construction-related Engineering Services
- Specialized Design Activities - Fashion Design related to Textile/Apparel/Jewelry/ Furniture/Fashion Goods/Graphic Design, etc.

Sources:

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We provide integrated, digitally driven solutions encompassing Business and Professional Services, that help companies navigate challenges across all stages of their life-cycle. Through our direct operations in the USA, Poland, UAE, and India, we serve a diverse range of clients, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries.

Our multidisciplinary teams serve a wide range of industries, with a specific focus on healthcare, food processing, and banking and financial services. Over the last decade, we have built and leveraged capabilities across key global markets to provide transnational support to numerous clients.

From inception, our founders have propagated a culture that values professional standards and personalized service. An emphasis on collaboration and ethical conduct drives us to serve our clients with integrity while delivering high quality, innovative results. We act as partners to our clients, and take a proactive stance in understanding their needs and constraints, to provide integrated solutions. Quality at Nexdigm is of utmost importance, and we are ISO/ISE 27001 certified for information security and ISO 9001 certified for quality management.

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