

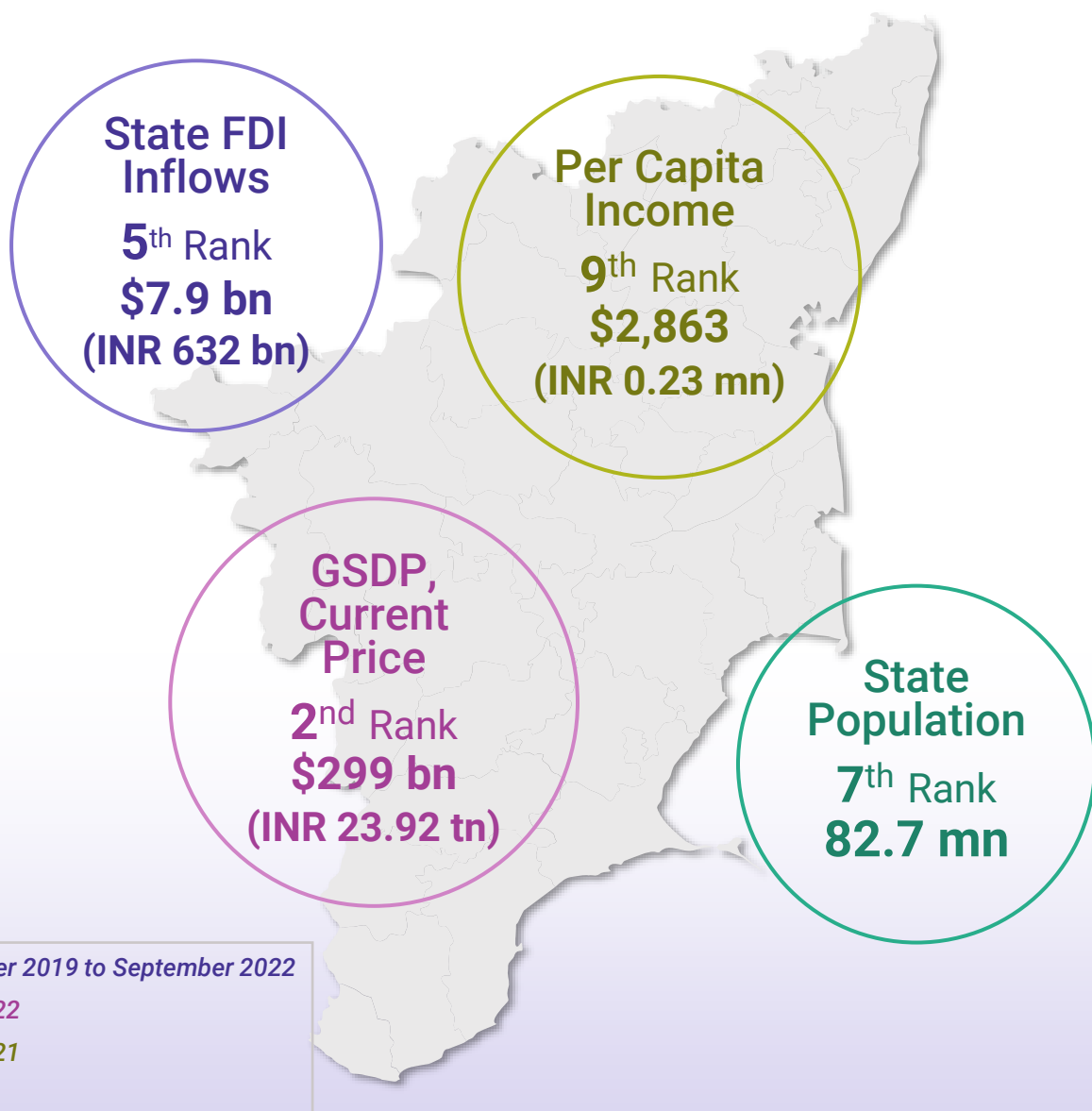
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Incentives for New Manufacturing Set Ups **Tamil Nadu**

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 investment 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 **Tamil Nadu** under the '**Tamil Nadu Industrial Policy, 2021**'.

Key Statistics | **TAMIL NADU**

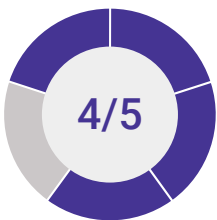


Policy Overview

The Tamil Nadu State Government released '**Tamil Nadu Industrial Policy 2021**', which is valid from 1 January 2021 to 31 March 2025. The policy aims to attract investment of USD 135 billion (~INR 10.8 trillion) and achieve an annual growth rate of 15% in the manufacturing sector during the policy period.

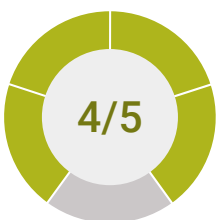
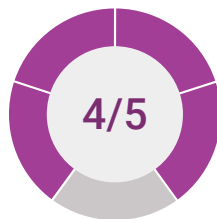
The policy has placed special attention to the manufacturing sector with an objective to increase the contribution of the manufacturing sector to 30% of Gross State Value Added (GSVA) by 2030.

Nexdigm Ratings and Observations



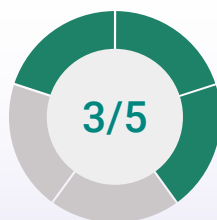
Policy Structure

Incentive Range & Quantum



Investor Facilitation

Level Of Digitization



- Investment Promotion Subsidy is one of the major incentives in the policy wherein four possible options are outlined for availing the subsidy. Companies have the choice to select the most feasible option based on their business model.
- The state has the vision to meet global standards for ease of doing business for which key forums have been introduced, namely a Single Window Facility, Investor Facilitation Deck, and Biz Buddy. These forums provide adequate information to investors for securing land options, necessary clearances, government subsidies, etc.
- This policy covers incentives applicable for large, sub-large, mega, and ultra-mega projects. The State Government has separately released the 'MSME Policy, 2021' detailing the incentives for Medium, Small, and Micro Enterprises (MSME). The same is summarized in a separate table under the section 'Incentives for MSMEs under MSME Policy, 2021 of Tamil Nadu'.

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 Eligible Fixed Assets (EFA) which has been briefly tabulated below:

Industry	Investment in Eligible Fixed Assets (EFA)
Sub-Large	More than INR 500 mn and up to INR 3,000 mn with a standard 4-year investment period
Large	More than INR 3,000 mn and up to INR 5,000 mn with a standard 4-year investment period
Mega	More than INR 5,000 mn and up to INR 50,000 mn with a standard 4-year investment period
Ultra-Mega	More than INR 50,000 mn with a standard 7-year investment period

In addition, the above enterprises should create employment for at least 50 persons to be eligible for incentives under this policy.

Region Classification

Regions in Tamil Nadu, for the purpose of the scheme, are classified under different categories based on the development stage of such regions, thereby promoting investments with relatively higher incentives in developing or underdeveloped regions for the balanced growth of the entire state. The classification is tabulated briefly below:

Block A	Comprising of fully industrially developed areas such as Chengalpattu, Chennai, Kancheepuram, and Tiruvallur. This block covers 4 districts
Block B	Comprising of moderately industrially developed areas such as Coimbatore, Erode, Tiruppur, etc. This block covers 12 districts
Block C	Comprising of industrially developing areas such as Kanniyakumari, Madurai, Thanjavur, etc. This block covers 22 districts

Thrust Sectors

Every state encourages select sectors based on their 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.

11 thrust sectors have been identified under this policy:

- Aerospace & Defence Applications
- Agro & Food Processing except for the Edible Oil industries
- Renewable Energy Components Manufacturing
- Electronics System Design & Manufacturing
- Medical Electronics, Devices, & Equipment
- Electric Vehicles, EV Cell & Battery Manufacturing
- Biotechnology
- Pharmaceuticals, Bulk Drugs, & Nutraceuticals
- Petrochemicals & Speciality Chemicals
- Footwear, Finished Leather Goods, & Polyurethane Fabric
- Technical Textiles including Medical Textiles



Major Incentives

Several incentives are provided to industries based on their investment thresholds and region of set-up in Tamil Nadu. The below table covers a range of incentives depending on the set-up region provided to enterprises basis the classification of industries:

Particulars	Large	Mega	Ultra-Mega	Sub-Large
Investment Promotion Subsidy	The company can choose one of the following options (Not Applicable to 'Block A' for Large Industries)			-
A. SGST Reimbursement OR	100% reimbursement of SGST payable on the sale of final products manufactured and sold in Tamil Nadu for 15 years			-
B. Fixed Capital Investment *OR	10-12% of EFA disbursed equally over 10 years	10-15% of EFA disbursed equally over 10-12 years	20-25% of EFA disbursed equally over 15 years	-
C. Flexible Capital Subsidy OR	5-40% of EFA disbursed equally over the incentive disbursement period (2.5 times of investment period). The range is dependent on 4 factors – employment generation, export revenue, ecosystem creation, and thrust sector			-
D. Turnover-based Subsidy **	-	1.5-2% of turnover, subject to a cap of 4% of EFA p.a. for 10 years		-
Capital Subsidy	A Block - INR 10 mn	-	-	A & B Block - INR 10 mn, C Block - 5% of EFA disbursed equally over 5 years
Interest Subvention	-	-	Up to 5% rebate on Term Loan, subject to a cap of INR 40 mn p.a. for 6 years	-
Electricity Tax Incentive	Exemption for 5 years on power purchased from the Tamil Nadu Generation and Distribution Corporation Ltd. (TANGEDCO)			
Stamp Duty Exemption	50-100% exemption for lease or purchase of land/shed/building			

To avail Fixed Capital Investment Subsidy, companies must provide minimum employment as follows – Large (150), Mega (400), and Ultra-Mega (2000)

** To avail Turnover-based Subsidy, Mega and Ultra-Mega Industries must provide minimum employment to 2000/4000 employees

Important Notes

- **Eligible Fixed Assets (EFA):** EFA includes investments made in land, building, plant & machinery, equipment, project-related infrastructure, other constructions, etc., and excludes intangible assets
- Industries that form part of thrust sectors and R&D projects shall be eligible for enhanced subsidies on top of the above package

(higher incentive percentage or limits on Investment Promotion Subsidy, stamp duty exemption, interest subvention, etc.)

- Service sectors including warehousing and logistics are also eligible for some incentives such as electricity tariff subsidy, affordable loans, land rate concession, etc.



Additional Key Incentives

- **Training Subsidy:** Up to INR 4,000 per worker per month for six months
- **Land Cost Incentive:** 10-50% land rate concession
- Additional incentives for recycling waste, energy, and water conservation (25% subsidy), quality certification, intellectual property creation (up to 50% subsidy), and SGST refund on capital goods are also available for the above industries.

Incentives for MSMEs under MSME Policy, 2021 of Tamil Nadu

A separate policy has been launched by the State Government for covering incentives for MSME.

Eligibility criteria: Minimum investment in plant & machinery up to INR 500 million and turnover up to INR 2,500 million.

Below are the high-level major incentives available to MSMEs as per this policy:

Capital Subsidy	25-35% of plant and machinery value, subject to a cap of INR 2.5-15 mn
Power Tariff Subsidy	20% on Low Tension (LT) power consumption charges for three years (only for micro enterprises)
Stamp Duty Exemption	50-100% exemption on mortgage/lease/purchase of premises
Payroll Subsidy	Reimbursement of employer's EPF contribution of INR 24,000 per employee p.a. for the first three years on employment of more than 20 persons (only for micro enterprises)

Additional Incentives such as the innovation voucher program (up to 80% subsidy), trademark and patent registration (50-75% subsidy), cleaner environment initiatives (25% subsidy), and 5% interest subsidy for technology upgradation are also available to MSME units.

Other Key Policies

Tamil Nadu Electric Vehicles Policy 2023

This policy covers units engaged in the manufacturing of Electric Vehicles (EV), EV components, Electric Vehicle Supply Equipment (EVSE) and EV charging infrastructure, charging stations/charging point operators, and customers purchasing EVs in Tamil Nadu. The policy offers investment promotion subsidies such as 100% reimbursement of the Gross SGST, turnover-based subsidy, capital subsidy of up to 15% of the investment, electricity tax exemption, 100% stamp duty exemption, etc.

Tamil Nadu Footwear & Leather Products Policy 2022

The Tamil Nadu Leather and Footwear Products Policy 2022 offers special incentives for two key categories – A special package for Footwear and Leather Products (FLP) manufacturing and FLP design studios.

Tamil Nadu Start-up & Innovation Policy 2018

The Tamil Nadu Start-up and Innovation Policy 2018-2023 aims to provide an enabling, innovative ecosystem in the state. Implementation of the policy will enable Tamil Nadu to emerge as the 'Knowledge Capital' and 'Innovation Hub' of the country.

Tamil Nadu New Integrated Textile Policy 2019

With a vision to achieve higher and sustainable growth in the textile value chain, multiple incentives are provided to textile units, majorly in the form of credit-linked Capital Investment Subsidy (CIS).

Tamil Nadu Fintech Policy 2021

The Government of Tamil Nadu shall support FinTech start-ups and large firms venturing into the FinTech sector. The State Government shall also support angel funds, private equity, venture capital funds, and incubators. Major incentives include up to 75% of reimbursement of operating expenses and SGST reimbursement.

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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.

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