

Government of Andhra Pradesh

Abstract: Information Technology (IT) Policy of the Government of Andhra Pradesh- Incentives for promoting the IT Industry and IT Enabled Services in the State - Orders - Issued.

Finance and Planning (Plg.IT&C) Department.

G.O.Ms. No. 114. Dated 25-05-1999.

Read the following:

1. G.O.Ms.No.506, Revenue (CT.II) Department, dated 27.6.96
2. G.O.Ms.No. 67, Energy (Power. II) Department, dated 21-07-98.
3. G.O.Ms.No.161, EFS&T (Environment) Dept, dated 15-10-98.
4. G.O.Rt.No. 58, Finance and Planning (Plg.IT&C) Dept. dated 1-2-99.
5. T.T.O(Commercial),No.173, Transmission Corprn. of A.P. Ltd dt. 10-5-99.

ORDER:

1. Government of Andhra Pradesh has clearly recognized the strategic importance of information technology in creating a competitive economy equipped to face the challenges and exploit the opportunities of the future. Information Technology is increasingly permeating every facet of human endeavor and has radically transformed the way societies work, play, gather and access knowledge and govern themselves. Apart from the enormous benefits accruing from usage of information technology, it is also universally well recognized now that India enjoys a unique comparative advantage globally as a natural base for the information technology industry. The primary strength of the country in this sector is the vast, highly cost-effective, highly skilled and mostly English-knowing technical personnel available in the country.

2. Within the country, it is being increasingly recognized that Andhra Pradesh in general and Hyderabad in particular, is a favored destination for the IT industry. Surveys reveal that Andhra Pradesh is the State from which the highest percentage (23%) of Indian IT professionals worldwide originate. The quality of urban infrastructure in Hyderabad, the low cost of living in relation to other destinations in the country for the industry, and the large number of technical personnel graduating from the various institutions in the state are some of the other factors that have added to the comparative advantages of Hyderabad.

3. In order to build on these strong fundamentals, the state has embarked on certain key initiatives in order to foster thugurated and a number of IT companies are now based there. Subsequent phases of the project are expected to ensure that the availability of infrastructure is always ahead of the demand in a sector that has been consistently growing at over 100% every year

4. Recognising that human resource development is the key to sustained growth in the sector, the Government embarked on another major initiative, the establishment of the Indian Institute of Information Technology (IIIT), Hyderabad. This Institute has been established as an autonomous industry-led and driven institution supported by the Government. Major IT companies including several Multi National Companies (MNCs) have participated in the establishment of the institution. As a result of this joint effort, the IIIT is endowed with state-of-the-art facilities and highly competent faculty. With its emphasis on IT enabled and distance education, the Institute is expected to make a major contribution both directly and indirectly (in conjunction with the technical institutions in the state) to the continuous generation of the increasing number of skilled personnel that the industry needs. A large number of training institutions that have sprung up in the state in general and Hyderabad in particular, have seen the emergence of Hyderabad as a major IT training Centre of the country.

5. Other initiatives taken by the State include the establishment of a venture capital fund, HITVEL (Hyderabad Information Technology Venture Enterprises Limited). A special package for start-up companies, which includes venture capital, leased space (including fully furnished space) is also being worked out by APIIC, HITVEL and Software Technology Park of India(STPI), Hyderabad.

6. Another major initiative of the State Government that has implications for the growth of the IT industry in the State is the move towards ushering in an electronic Government in the State. The primary objective of this effort is to leverage the power of modern Information and Communication Technology to provide more convenient, accessible and transparent Government services to citizens and at the same time,

improve efficiency in government. As far as possible, the Government intends to utilize the capabilities and resources of the local IT software and services industry in its efforts towards ushering in an electronic government. This would also provide a strong domestic market for the IT industry, in addition to the offshore market. Some of the major computerization projects undertaken include Mandal computerization project, Treasuries, Commercial Taxes, Registration, Land Records, Employment Exchanges, Rural Development, Twin Cities Network Services project, etc. Major IT infrastructure projects namely the State Wide Area Network, Secretariat Campus Network, Video conferencing project etc. are nearing completion and are expected to provide a sound basis for a modern Information and communication technology enabled Governance system.

7. The above initiatives together with the efforts of the Software Technology Park, Hyderabad have seen the industry reach an export turnover of nearly Rs. 600 crores in 1998-1999 with nearly 200 registered companies. This turnover is expected to touch Rs. 1200 crores in 1999-2000.

8. The State Government has been actively and constantly monitoring the incentives necessary to foster the rapid growth of the industry. A major growth area identified is IT Enabled Services (ITES) or 'Remote Services'. In 1998, this segment generated more than Rs. 980 crores in revenues in India. It is estimated that by the year 2008, the ITES industry in India would generate annual revenue of US \$ 20 billion (Rs. 85,000 crores) leading to opportunities for more than 10,000 full-fledged units. The ITES sector, like the software industry, requires a conducive environment and access to large pools of skilled to semi-skilled professionals. ITES affords a unique opportunity for providing employment to large numbers of qualified unemployed youth in the state as well as business opportunities for budding knowledge entrepreneurs. Keeping in view the intensely cost-competitive nature of this sector globally, the need to have a specific set of incentives tailored to the requirements of this sector has been considered by the Government in order to attract the maximum employment potential of the industry to the state. An employment-linked incentive has accordingly been worked out to link the incentives given by the State directly to the employment generated.

9. Feedback received during deliberations with the industry also indicated that there is a need to provide certain incentives to the IT/ IT infrastructure industry to ensure conditions conducive to its establishment and sustained growth in the State. A number of suggestions were also received for simplification of procedures for compliance with various regulatory Acts and Rules. Following are some of the aspects on which the industry had proposed incentives / procedural simplification:

- (a) Exemption from environmental clearance;
- (b) Exemption from zoning regulations for purposes of location;
- (c) Fiscal incentives;
- (d) Power tariff at rates applicable to industry;
- (e) Exemption from sales tax;

Self-certification for purposes of compliance of the following Acts:

- (i) Water and Air Pollution Act;
- (ii) Factories Act;
- (iii) Employment Exchange (Notification of Vacancies Act);
- (iv) Payment of Wages Act;
- (v) Minimum Wages Act;
- (vi) Contract Labor (Regulation and Abolition) Act;
- (vii) Workmen Compensation Act;
- (viii) Andhra Pradesh Shops and Establishments Act; and
- (ix) Employees State Insurance Act.
- (g) General permission to run a three-shift operation;
- (h) Rebate in land cost keeping in view the high employment potential;
- (i) Relaxation of FAR for IT parks;
- (j) Exemption from stamp duty, transfer of property and registration charges for all IT parks; etc.

10. Against the background narrated above, the Government of Andhra Pradesh decided to frame an appropriate package of incentives for the IT and IT Infrastructure industry. The purpose of the package is to enable the State to leverage its resources and facilitate their optimal utilization to the best advantage of the State; provide a relative competitive edge over other competing markets; tap the massive

employment potential of the global IT market in IT (software and hardware) and IT enabled Services.

Accordingly, a proposal was prepared and discussed with all the departments concerned either individually or in the SIPC/ SIPB. The Cabinet Sub-Committee constituted in the orders 4th read above also considered the proposed incentives

11. After careful consideration of all relevant aspects of the issue, Government approve the following package of incentives for the IT industry and for IT Infrastructure:

Note:

1.IT includes IT and Telecommunications

2.IT Industry includes IT hardware and software industries; IT software industry includes IT software, IT services and IT enabled services.

3.IT Infrastructure means the physical Infrastructure built by a firm or a builder and sold to an IT Industry for its own use or the Infrastructure built by an IT Industry for its own use.

4.In case of any ambiguity in implementing / interpreting this policy, clarifications issued from to time by IT&C Department shall prevail.

(a) IT Software industry is exempted from the purview of the AP Pollution Control Act, except in respect of power generation sets (orders issued by Environment, Forest, Science and Technology Department vide reference 3rd cited);

(b)IT industry is exempted from the purview of statutory power cuts (orders issued by Energy department vide reference 2nd &5th cited);

(c) Industrial power tariff and all other admissible incentives and concessions applicable to industries in respect of power shall be applicable to the IT Industry including those in the urban areas (orders issued by Energy Department vide reference 2nd &5th cited);

25% concessional power tariff shall be allowed to the new IT Industrial units for a period of 3 years from the date of release of power or of going into actual commercial production whichever is earlier.

Note: Concessions provided by the A.P.TRANSOCO, to the IT industry are elaborated in the reference 5th cited.

(d) The Government vide reference 1st cited have totally exempted, computer software from the payment of Sales Tax payable under the provisions of A.P. General Sales Tax Act, 1957

(e) IT Software Industry is exempted from zoning regulations for purposes of location;

(f) Government agree in principle to self-certification/exemption as far as possible for the IT Software Industry from the provisions of the following Acts/ Regulations (subject to issue of specific orders by the departments concerned in consultation with the I.T&C Department);

i. Factories Act;

ii. Employment Exchange (Notification of Vacancies Act);

iii. Payment of Wages Act;

iv. Minimum Wages Act;

v. Contract Labor (Regulation and Abolition) Act;

vi. Workmen Compensation Act;

vii. Andhra Pradesh Shops and Establishments Act; and

viii. Employees State Insurance Act.

(g) General permission is accorded to run a three-shift operation to the IT Software industry (subject to issue of specific detailed order separately by the department concerned);

(h) Rebate in the cost of land allotted to an IT industry at Rs. 20,000/- (Twenty thousand only) per job created subject to the following conditions:

i) The rebate shall be applicable only in respect of lands allotted by Government/APIIC with prospective effect;

(ii) The rebate shall be restricted to Rs. 20,000/- per job created or the cost of the bare land (excluding development charges/cost) whichever is less subject to a ceiling computed at the rate 0.30 acres for

every 100 jobs created. (Eg. If 3250 jobs are created the limit for allotment of land at concessional price would be 9.75 acres).

- (iii) The minimum number of employees to be hired by a company in order to avail of the concession on land cost shall be 100 (corresponding to a ceiling of 0.30 acres of land).
- (iv) On areas allotted in excess of the limit i.e. the ceiling of 0.30 acres for every 100 jobs created, no concessions would be applicable;
- (v) The minimum gross salary/ wage for an employment to be considered to have been created would be Rs. 5000/- per month;
- (vi) The period for which such employment would have to be sustained to be eligible to be reckoned for this incentive shall be two years;
- (vii) The number of employees to be considered for the purpose of this provision shall not exceed the number arrived at by the formula: [no. of computer work stations at a location x (1.33) x number of shifts (of 8 hours each) operated by the company at the location];
- (viii) APIIC shall specify suitable guidelines to ensure that the benefit of this provision reaches a company only after it meets the stipulated conditions regarding job creation and that the employment figures reported are corroborated by other supporting data such as investment, turnover, returns filed with RBI, returns filed with STPI, Hyderabad, etc.;
- (ix) Cost of these incentives to APIIC shall be offset against cost of Government lands alienated to APIIC;
- (x) The concessions linked to employment generation will be limited to the extent of the number of persons of Andhra Pradesh origin employed by the company. A Company will be free to employ persons as per their own policies subject to conformity with local regulations as applicable. However, the concessions available under this incentive will be restricted to the number of persons of AP origin employed by the company. For the purposes of this provision, a person of AP origin is defined as a person who, at the time of employment by the company has been:

" A resident of the State of AP;

" Domiciled in the State of AP;

" Born in the State of AP;

" Studied in a school/ college/ university in the State of AP;

" A person either of whose parents was born or attended school/ college/ University in AP or was domiciled in AP.

i) For IT infrastructure companies establishing facilities on private /APIIC/ Government lands, concessions will be in the form of rebate on registration and transfer of property charges and exemption from stamp duty on a tapering scale for sale/ lease of built-up space to the IT Industry

i) For facilities established and sold / leased before 1-4-2000, 90% rebate; 70% rebate; and

iii) For facilities established and sold / leased on or after 1-4-2001 and up to 31-3-2002, 50% rebate.

iv) This concession would be available only to IT parks notified by the Department of Information Technology and Communications and which provide certain minimum facilities like uninterrupted/ backup power, reliable telecom links, etc.

v) The rebate would be applicable on the combined levy of registration fee, stamp duty and transfer of property duty and no total exemption of stamp duty would be extended.

vi) This concession would be available only for the first transaction, when the first sale by the infrastructure company is made to an IT industry.

vii) The above concession would also be available on the purchase of land by an IT Industry establishing an IT park for its own use provided it does not avail of the concession in para (h) above, i.e. rebate on cost of land linked to employment. IT&C Department would stipulate such conditions as may be necessary in this regard while notifying such IT parks.

(j) For IT Industry/IT infrastructure companies establishing facilities on private lands outside the limits of the Municipal Corporations and the nine surrounding municipalities of Hyderabad and Gaddiannaram village, relaxation of FAR to the extent of 50% of the prevailing norm will be available. For example, if the normal FAR is 1.5, the FAR allowed in such cases would be 2.25.

This concession would be available only to IT parks notified by the Department of Information Technology and Communications and which provide certain minimum facilities like uninterrupted/ backup power, reliable telecom links, etc.

This incentive would not be available in respect of Government/ APIIC lands allotted at a concessional price.

(k) District headquarters and other major economic nodes in the State like Vijayawada and Tirupathi offer highly competitive locations for siting IT parks for IT Enabled Services as skilled and semi-skilled manpower is readily available at these locations and the cost of living is very low. Government will consider providing required telecommunication linkage through the A.P. State Wide Area Network (APSWAN) to such IT parks coming up at these locations. This will also enable APSWAN to meet one of its targeted objectives of serving as a highway for jobs in ITES to flow down to the hinterland.

(l) Investment subsidy for new IT (hardware and software) industries:

Investment subsidy: 20% of the fixed capital investment but not exceeding Rs.20.00 lakhs; however in respect of Entrepreneurs belonging to Scheduled Castes and Scheduled Tribe Categories the investment shall be 25% of Fixed Capital Cost, not exceeding Rs.50.00 lakhs. This subsidy shall not be available to IT Industries availing of the rebate on land cost as provided in para (h) above.

(i) Fixed capital investment, wherever referred to in this order shall always mean the original fixed capital invested in the project before depreciation.

(ii) The I.T&C Department shall prescribe a procedure for scrutiny and sanction of the claim of units involving eligible capital investment as specified from time to time. The Commissioner of Industries shall pay the sanctioned amounts to the units from the same provision and head of account from which investment subsidy is paid to industries. The decisions of the Information Technology and Communications Department shall be final in scrutinising and deciding the eligible investment and sanctioning the incentives for eligible industries. (m) Special Incentives for Mega Projects / Pioneering Projects: For Mega Projects, with investment exceeding Rs. 100 crores, Government may consider Special Package of Incentives, on a case to case basis, based on the gestation period of projects, pioneer nature of projects, vocational aspects, state of the art technology, profitability, scope for further related investments, etc. The above incentives will be inclusive of any similar incentives of State Government/Central Government institutions / Agencies already availed / Central incentives which may be announced from time to time by the Government of India and other such incentives extended by any other Government agency. The package of concessions will initially be valid for a period of three years and subject to review thereafter. This order issues with the concurrence of the Finance wing of this department de U.O.No.1961/P.F.S/99 dated 22.05.1999.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

R.Chandrashekhar,
Secretary to Government.