



KARNATAKA BIOTECHNOLOGY POLICY 2010

I INTRODUCTION

The Government of Karnataka strongly believes that the emerging Biotechnology holds the promise of boosting economy leading to Qualitative improvement in the lives of people at large. Hence, the state has pioneered launching of Karnataka Biotechnology Policy II as early as 18.07.2009 vide GO.No.ITD 58 MDA 2008, to propel systematic and sustainable growth of Biotechnology Industry in the State. The Document details are available in the website: www.bangaloreitbt.in

II Focus of the Policy:

- a) To sustain and improve upon the present Pre-eminent position of Karnataka towards both vertical and horizontal growth of Biotechnology Industry.
- b) To build high-quality General Infrastructure, Industry-ready Human Resource, state of the art R & D and Biotech Parks for systematic growth of the Industry.

III Salient Features of the Policy:

- a. To spread Awareness about Investment opportunities in Biotechnology, Genomics, Bioinformatics, Bio-fuels, Contract Research etc. among the Entrepreneurial community.
- b. Fully functional State of the Art R & D Institutes like The Institute of Bioinformatics and Applied Biotechnology (IBAB), The Centre for Human Genetics (CHG) at Bangalore Helix and Institute of Agri-Biotechnology (IABT) at Dharwad.
- c. Incubation Centres for Start-Up BT Companies at IBAB and IABT.
- d. State of the Art Biotechnology Park in 50 acres on land at Bangalore Helix, Bangalore.
- e. Financial support to the tune of 20% of Project Cost (on PPP mode) to create specific infrastructures like focused Biotech Parks in the area of Nutraceutical & Phytopharmaceutical Centre of Excellence and Park, Agriculture, Marine Biotech and Animal Husbandry at Tier II/III cities.

- f. Financial support up to maximum of ` 1 crore to each of 12 BT Finishing Schools to cater to the needs of industry-ready human resource.
- g. To provide a set of incentives and concessions for the Biotechnology Industries to attract investments to the state.
- h. To provide special incentives and concessions package to industries with certified Zero discharge.
- i. To launch `K-Bio Venture Capital Fund' of Rs.50 Crores with 26% stake holding by Government of Karnataka.
- j. To provide Animal Quarantine Facility at International AirPort, Bangalore (BIAL).
- k. To promote use of Bio-fuels on 'Go-green mode.'
- l. To establish linkage between existing huge Agriculture Extension Machinery and the State Seed Corporation to achieve commendable growth in Agriculture Biotechnology.
- m. Bio-spectrum, India's first Biotechnology magazine for dissemination of knowledge on BT business.
- n. The Biotechnology Regulatory Authority to monitor the safety measures in regard to GM organisms etc.
- o. Organizing Annual Event 'Bangalore Bio' to showcase the BT activities.
- p. To provide general infrastructure such as high quality roads, Mass Transit System, better Power supply and Airports.
- q. To simplify Administrative procedures.

IV Fiscal Incentives to be provided to Biotechnology Industries as per Karnataka Industrial Policy 2009-2014

- a. Investment Promotion Subsidy to Micro, Small, Medium Enterprises (MSME), including SEZ and selected service Enterprises
- b. Exemption from Stamp Duty Concessional Registration Charges, Waiver of Conversion Fine and Exemption from Entry Tax to MSME, Large and Mega Projects
- c. Additional Incentives for Export Oriented MSME, Large and Mega Projects
- d. Subsidy for setting up ETPs to MSME, Large and Mega Projects
- e. Interest Free Loan on VAT to Large and Mega Projects
- f. Anchor Unit Subsidy to first two Manufacturing Enterprises with minimum employment of 100 members & minimum investment of 50 crores
- g. Special incentives for Enterprises coming up in low HDI districts Only for Large & Mega Projects
- h. Interest Subsidy to Micro manufacturing enterprises
- i. Exemption from Electricity Duty to Micro & Small Mfg. Enterprises
- j. Technology Upgradation, Quality Certification and patent Registration Micro & Small Mfg. Enterprises
- k. Water harvesting / Conservation Measures to Small & Medium Mfg. enterprises in all Zones
- l. Energy Conservation Small & Medium mfg. enterprises in all zones
- m. Addl. Incentives to the enterprises following Reservation Policy of the State
- n. Refund of cost incurred for preparation Project Report Micro & Small Mfg. Enterprises
- o. Single window clearance mechanism for all the projects relating to IT, BT and S & T
- p. Mega projects (Investment of Rs.1000 millions and above) will be offered unique concessions in addition to concessions listed above
- q. 25% financial support upto maximum of Rs.1 crore towards procurement of Equipment to each of 12 selected Institutions, for establishing BT Finishing Schools.

Karnataka Industrial Policy – 2009-14

Package of Incentives and Concessions offered for Investments in Biotechnology Industries

1 Investment Promotion Subsidy

a) Micro Mfg. Entreprises

Zone – 1 : 25% VFA (max. Rs.10 lakhs)

Zone – 2 : 20% VFA (max. Rs.7.5 lakhs)

Zone – 3 : 15% VFA (max. Rs.5.00 lakhs)

b) Small Mfg. Entreprises

Zone – 1 : 20% VFA (max. Rs.20 lakhs)

Zone – 2 : 15% VFA (max. Rs.15 lakhs)

Zone - 3 : 10% VFA (max.Rs.10 lakhs)

c) Med. Mfg. Enterprises (Those who employ minimum 25 workers)

Zone – 1 : Rs.30 lakhs

Zone – 2 : Rs.20 lakhs

Zone – 3 : Nil

Notes:

(i) 25% of the subsidy sanctioned amount will be released every year on refund basis towards the payments made by the unit in respect of gross VAT, ESI and PF and power tariff.

In cases of enterprises which do not use power and not covered under VAT, EPF, ESI the investment subsidy will be released against the loan dues.

(ii) This incentive is available to enterprises availing term loan to an extent of minimum 50% cost of fixed assets only.

(iii) The unit shall avail the sanctioned subsidy within the period of five years.

Additional subsidy to SC/ST, Women, Physical challenged, Ex-Servicemen Entrepreneurs and enterprises coming up in most Backward taluks of Hyderabad Karnataka region.

Additional 5% subsidy subject to a maximum of Rs.1.00 lakh, Rs.3.00 lakhs and Rs.5.00 lakhs for Micro, Small and Medium Manufacturing Enterprises respectively.

2 Exemption from Stamp Duty

MSME, Large and Mega Projects:

Stamp duty to be paid in respect of (i) loan agreements, credit deeds, and mortgage and hypothecation deeds executed for availing term loans from State Govt. and / or State Financial Corporation, Industrial Investment Development Corporation, National Level Financial Institutions, Commercial Banks, RRBs, Co-operative Banks, KVIB / KVIC, Karnataka State SC/ST Development Corporation, Karnataka State Minority Development Corporation and other institutions which may be notified by the Government from time to time for the initial period of five years only and (ii) for lease deeds, lease-cum-sale and absolute sale deeds executed by industrial Enterprises in respect of industrial plots, sheds, industrial tenements, by KIADB, KSSIDC, KEONICS, KSIIDC, Industrial Co-operatives and approved private industrial estates shall be exempted as below :

Zone – 1	:	100%
Zone – 2	:	100%
Zone – 3	:	75%

3 Concessional Registration Charges MSME, Large and Mega Projects:

For all loan documents and sale deeds as specified in 2 above, the registration charges shall be at a concessional rate of Re.1 per Rs. 1000.

- Note : (i). The exemption of stamp duty and concessional registration charges are also applicable to lands purchased under Section 109 of the KLR Act and also for direct purchase of industrially converted lands for the projects approved by SHLCC / SLSWCC / DLSWCC. This incentive will also be applicable for the land transferred by KIADB to land owners as compensation for the acquired land.
- (ii) The exemption of stamp duty and concessional registration charges are also available for registration of final sale deed in respect of lands, sheds, plots, industrial tenements after the expiry of lease period at the rate as specified in the Industrial Policy which was in vogue at the time of execution of lease-cum-sale deed.

4 **Waiver of Conversion Fine**

MSME, Large and Mega Projects

The payment of conversion fee for converting the land from agriculture use to industrial use including for development of industrial areas by private investors will be waived as detailed below:

Zone- 1 : 100%

Zone - 2 : 100%

Zone – 3 : 75%

Note: The waiver of conversion fine will be on reimbursement basis after implementation of projects.

5 **Exemption from Entry Tax**

MSME, Large and Mega Projects:

In

Zone – 1, 2 and 3:

100% exemption from payment of ET on 'Plant & Machinery and Capital Goods' for an initial period of 3 years from the date of commencement of project implementation. For this purpose, the term 'Plant & Machinery and Capital Goods' also includes Plant & Machinery, equipment etc. including machineries for captive generation of Electricity. On raw materials, inputs, component parts & consumables (excluding petroleum products) [wherever applicable] for a period of 5 years from the date of commencement of commercial production.

6 **Incentives for Export Oriented Enterprises**

MSME, Large and Mega Projects

(i) Exemption from payment of ET

For 100% EOUs, 100% exemption from payment of ET on 'Plant & Machinery and Capital Goods' for an initial period of 3 years from the date of commencement of project implementation **irrespective** of zones.

For other EOUs, (Minimum Export obligation of 25% of their total turnover) 100% exemption from payment of ET on raw materials, inputs, component parts & consumables (excluding petroleum products) for an initial period of 3 years from the date of commencement of commercial production in Zone 1, 2, and 3

(ii) Refund of Certification Charges:

Refund of expenses incurred for compulsory marking like Conformity Europeenne (CE), China Compulsory Certificate (CCC), etc., to the extent of 50% of expenses subject to a maximum of ₹.2.00 lakhs per unit for both 100% and other EOUs in all zones.

7 Subsidy for setting up ETPs

MSME, Large and Mega Projects

One time capital subsidy upto 50% of the cost of Effluent Treatment Plants (ETPs), subject to a ceiling of ₹.100 lakhs per manufacturing enterprise in Zone – 1, 2 & 3

8. Interest Free Loan on VAT

Large and Mega Projects:

All new large and mega manufacturing Enterprises established in Zone – 1, 2 and 3 shall be offered interest free loan on VAT as specified below:

Investment range on fixed assets	Min. Direct Emp. (Nos.)	Quantum of interest free loan
10 (value of plant & machinery) – 50	Minimum 100 employment and additional 20 employments for every Rs. 10 cr. investment.	50% of assessed gross VAT for initial 5 yrs. subject to the max. of 100% of total value of fixed assets. Repayment of the loan shall be in 3 annual installments after 5 yrs.
51 – 250	Minimum 200 employment and additional 20 employments for every Rs. 50 cr. investment.	50% of assessed gross VAT for initial 6 yrs. subject to the max. of 75% of total value of fixed assets. Repayment of the loan shall be in 3 annual installments after 6 yrs.
251 - 1000	Minimum 400 up to Rs. 300 Crs and 50 additional employment for every Rs.100 Crs additional investment	25% of assessed gross VAT for initial 7 yrs. subject to the max. of 50% of total value of fixed assets. Repayment of the loan shall be in 4 annual installments after 7 yrs.

1001-3000	Minimum 750 for Rs 1000 Crs and additional 25 for every Rs. 100 Crs additional investment	25% of assessed gross VAT for initial 10 yrs. subject to the max. of 50% of total value of fixed assets. Repayment of the loan shall be in 4 annual installments after 10 yrs.
More than 3000	1250	25% of assessed gross VAT for initial 15 yrs. subject to the max. of 50% of total value of fixed assets. Repayment of the loan shall be in 5 annual installments after 12 yrs.

09 **Anchor Unit Subsidy.**

Anchor unit subsidy of Rs.100 lakhs shall be offered for the first two manufacturing Enterprises with minimum employment of 100 members and minimum investment of Rs.50 crores in each of the taluks coming in Zone-1, 2 & 3 will be offered. This subsidy will be applicable only in taluks where no industrial Enterprises with investment of Rs.50 crores and above exist at present.

10 **Special incentives for Enterprises coming up in low HDI districts**

Only for Large & Mega Projects:

New large scale Enterprises setting up facilities in six districts having bottom most Human Development Index (HDI) and employing atleast 75% local persons as defined in the Sarojini Mahishi recommendations will be offered 75% reimbursement of expenditure on account of contribution towards Employees State Insurance (ESI) and Employees Provident Fund (EPF) scheme for a period of initial five years.

However, these benefits over a period of five years will be limited to 25% of value of fixed capital investment. The amount of reimbursement will be paid annually based on minimum statutory limit subject to the condition that the unit has paid its contribution towards ESI & EPF on the due dates. Following are the six districts having bottom most Human Development Index:

Sl. No.	District	HDI* (2001)
1	Bagalkot	0.591
2	Bijapur	0.589
3	Koppal	0.582
4	Chamarajanagar	0.576
5	Gulbarga	0.564
6	Raichur	0.547

* As per Karnataka Human Development Report – 2005 published by the Department of Planning & Statistics, Government of Karnataka

11 **Interest Subsidy**

Micro manufacturing enterprises:

Interest subsidy @ 5% on term loans. The interest subsidy is payable only on the interest actually paid to financial institutions and not defaulted in payment of principle or interest installments. The amount of interest subsidy will be effective rate of interest (after deducting interest subsidy) receivable by any institutions / under any Govt. of India scheme or 5% per annum whichever is less). The period of interest subsidy is 5 years, 4 years and 3 years in Zone -1, Zone 2 and Zone 3 respectively.

12 **Exemption from Electricity Duty**

Micro & Small Mfg. Enterprises

100% exemption of electricity duty / tax for the initial period of five years, four years and three years in Zone – 1, Zone-2 and Zone-3 respectively.

13 **Technology Upgradation, Quality Certification and Patent Registration**

Micro & Small Mfg. Enterprises

(i) Interest Subsidy on TU Loan:

Zone 1, 2 & 3 : 5% on loans availed from KSFC, KSIIDC & Scheduled commercial banks, which are not covered under CLCSS of GOI.

(ii) ISO series certification:

Zone 1, 2, 3: 75% of cost (max. Rs.75,000).

(iii) BIS Certification:

50% of fees payable to BIS. (max. Rs.20,000) and 25% of cost (max.Rs.50,000) for purchase of testing equipments as approved by BIS.

(iv) Patent registration:

75% of cost of fees payable to Patent Office (max. Rs.1.25 lakhs) and 50% of cost (max. Rs.75,000) towards attorney fees, patent search etc.

(v) Technology Adoption:

25% of cost (max. Rs.50,000) for adopting technology from recognized national laboratories.

(vi) Technology Business Incubation Centre: 25% of the project cost (Max: Rs.50 lakhs).

14 **Water harvesting / Conservation Measures**

Small & Medium Mfg. enterprises in all Zones.

(i) Rain water harvesting : 50% of cost (max. Rs. 1 lakh)

(ii) Waste water recycling : 50% of cost (max. Rs. 5 lakh)

(iii) Zero discharge process : 50% of cost (max. Rs. 5 lakh).

15 **Energy Conservation**

Small & Medium mfg. enterprises in all zones.

Practicing Energy Conservation measures resulting in reduction of Energy Consumption of atleast 10% of earlier consumption: 10% of capital cost (max Rs.5 lakh).

Use of non-conventional energy sources: 10% of capital cost (Max. Rs.5 lakh).

16 **Addl. Incentives to the enterprises following Reservation Policy of the State**

Medium, Large and Mega Manufacturing Enterprises in all zones employing more than 100 persons:

50% reimbursement of expenditure incurred for employees coming under reserved category towards contribution to ESI & EPF schemes for a period of initial 5 years.

17 **Refund of cost incurred for preparation Project Reports**

Micro & Small Mfg. Enterprises

Zone 1, 2 & 3: The cost incurred for preparation of project reports by TECSOK/CEDOK/KSFC or any other recognized institutions for availing loans shall be reimbursed to the maximum of Rs.10,000/- per unit subject to financing of the unit.

Notes :

(i) 25% of the subsidy sanctioned amount will be released every year on refund basis towards the payments made by the unit in respect of gross VAT, ESI and PF and power tariff.

In cases of enterprises which do not use power and not covered under VAT, EPF, ESI the investment subsidy will be released against the loan dues.

(ii) This incentive is available to enterprises availing term loan to an extent of minimum 50% cost of fixed assets only.

(iii) The unit shall avail the sanctioned subsidy within the period of five years.

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Additional 5% subsidy subject to a maximum of Rs.1.00 lakh, Rs.3.00 lakhs and Rs.5.00 lakhs for Micro, Small and Medium Manufacturing Enterprises respectively.

**Classification of Taluks in Karnataka into Zones for the
purpose of administering Incentives & Concessions**

Sl. No.	Districts	Total No.of Taluks	Zone- 1 (Most Backward Taluks)	Zone-2 (More Backward Taluks)	Zone - 3 (Backward Taluk)
1	B'lore (U)	4	-	-	Anekal B'lore (North) B'lore(South) B'lore(East)
2	B'lore (R)	4		-	Devanahalli D B Pur Hoskote Nelamangala
3	Rama-nagara	4	Kanakapura Magadi		Ramanagaram Channapatna
4	Chitradurga	6	Hosadurga	Hiriyur Molakalmur Hololkere Challakere	Chitradurga
5	Davanagere	6	Channagiri Harapana halli	Honnali Jagalur	Davangere Haribar
6	Chikka-ballapura	6	Bagepalli	Gudibande Gowribidanur	Chikka- ballapura Siddlaghatta Chintamani
7	Kolar	5		Mulbagal	Kolar Bangarpet Srinivasapura Malur

Sl. No.	Districts	Total No.of Taluks	Zone – 1 (Most Backward Taluks)	Zone - 2 (More Backward Taluks)	Zone – 3 (Backward Taluk)
8	Shimoga	7	-	Soraba	Shimoga Bhadravathi Sagar Shikaripura Hosanagara Thirthahalli
9	Tumkur	10	Kunigal Madugiri Gubbi Sira Pavagada	Turuvekere Koratagere Chikkanaya - kaanahalli	Tumkur Tiptur
10	Chamaraja - nagar	4	Chamaraja- nagar	Gundlupet Kollegal	Yelandur
11	Chikka - magalore	7	-	Kadur	Chikka - magalore Tarikere Shringeri Mudigere Koppa N R Pura
12	D Kannada	5	-	-	Bantwal Mangalore (excl. Corpn.limits) Puttur Sulya Belthangadi Mangalore (only Corporation limits)
13	Hassan	8	-	Arakalgud	Hassan Arasikere C R Patna H N Pura Belur Alur Sakleshpura
14	Kodagu	3	-	-	Madikeri Somwarpet Virajpet

Sl. No.	Districts	Total No. of Taluks	Zone - 1 (Most Backward Taluks)	Zone - 2 (More Backward Taluks)	Zone - 3 (Backward Taluk)
15	Mandya	7	-	Malavalli Nagamangal a K R Pet	Mandya Maddur Srirangapatna Pandavapura
16	Mysore	7	H D Kote	Hunsur T N Pura Nanjangud	Periapatna Mysore (excl. Corpn. limits) K R Nagara Mysore (only Corporation limits)
17	Udupi	3	-	-	Udupi Kundapura Karkala
18	Bellary	7	Sandur Kudligi	Siraguppa H B Halli Hadagalli	Bellary Hospet
19	Bidar	5	Bhalki Humnabad B Kalyana Aurad	-	Bidar
20	Gulbarga	10	Sedam Shourapur Yadgir Chitapur Afzalpur Shahapur Aland Chincholi Jewargi	-	Gulbarga
21	Koppal	4	Kushtagi Yelburga	Koppal	Gangavathi
22	Raichur	5	Sindanorr Manvi Lingasugur Devadurga	Raichur	

Sl. No.	Districts	Total No.of Taluks	Zone - 1 (Most Backward Taluks)	Zone - 2 (More Backward Taluks)	Zone - 3 (Backward Taluk)
23	Bagalkote	6	Bilagi	Hunagund Badami	Bagalkote Mudhol Jamkhandi
24	Belgaum	10	-	Athani Gokak Soundatti	Belgaum Khnanapur Hukkeri Ramdurga Bailhongal Chikkodi Raibag
25	Bijapur	5	Muddebihal B Bagewadi Indi Sindgi	-	Bijapur
26	Dharwad	5	-	Kalghatagi	Dharawad Hubli Kundaggol Navalgund
27	Gadag	5	-	Mundargi	Gadag Nargund Ron Shirahatti
28	Haveri	7	-	Savanur Shiggaon Hirekerur	Haveri Ranebennur Byadagi Hanagal
29	U Kannada	11	-	Supa Bhatkal	Karwar Haliyal Sirsi Mundagod Yellapura Honnavar Ankola Siddapura Kumta
	TOTAL	176	3	4	97

The details of application formats for claiming the incentives and concessions and Operational Guidelines are available in the website www.bangaloreitbt.in

Ashok Kumar C. Manoli IAS

Principal Secretary to Government
Dept. of IT, BT and S&T, GoK, 6th floor, 5th stage, MS Building
Bangalore
Email: itsec@bangaloreitbt.in

Aravind Jannu IAS

Director,
Directorate of IT & BT &
Managing Director, KBITS
Email: mdkbits@bangaloreitbt.in

