

JULY 2021

# Incentives for Doing Business in Tamil Nadu

For Large Businesses & MSMEs



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COMPILED BY

**SAS PARTNERS CORPORATE ADVISORS**

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# DISCLAIMER

This is a reference document for any foreign or Indian company that wants to do business in Tamil Nadu, to understand the investment eco-system in the state and the various incentives offered by the government. This document contains information on incentives from the TN Industrial Policy 2021 and TN MSME Policy 2021. Due care has been taken during the compilation of this report to ensure that the information is accurate to the best of our knowledge and belief.

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# SAS PARTNERS CORPORATE ADVISORS

SAS Partners has been in the forefront of promoting and facilitating foreign direct investments in India. Since its inception in 2008, SAS Partners has been an advisory partner for governments, businesses and entrepreneurs in their endeavor to conceiving, implementing and managing path breaking business ideas to successful organizations.

Drawing from the inherent competencies in legal and regulatory knowledge, SAS Partners has diversified into tax, finance and human resource advisory services. While the offerings are sector agnostic, SAS Partners is building a passionate and experienced talent pool, who can address the nuances of manufacturing in India.

Successful advisory interventions with SAS Partners has resulted in its clients establishing numerous manufacturing projects, undergoing result oriented corporate restructurings and expanding businesses through corporate M&A initiatives.

SAS Partners is establishing themselves as an end to end advisory partner for Indian and foreign Corporates for doing business in India, particularly in Tamil Nadu.

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# INTRODUCTION

**India** has emerged as the fastest growing major economy in the world and is expected to be one of the top three economic powers in the world over the next 10-15 years, backed by its robust democracy and strong partnerships. India's real gross domestic product (GDP) at current prices stood at Rs. 195.86 lakh crore (US\$ 2.71 trillion) in FY21, as per the second advance estimates (SAE) for 2020-21. Numerous foreign companies are setting up their facilities in India on account of various Government initiatives like Make in India and Digital India.

**Tamil Nadu** is the second largest economy in India, contributing to 8.4% of India's GDP. The state has a diversified manufacturing sector and features among the leaders in several industries like automobiles and auto components, engineering, garments, textile products, yarn, leather products and leather tanning, chemicals, plastics, cement, banking and financial services, drugs and pharmaceuticals, agriculture and food processing, electronic hardware, IT & ITeS and tourism. It ranks first among the states in terms of number of factories and industrial workers and is a leader in terms of industrial output. Many globally renowned companies have set up their manufacturing facilities in Tamil Nadu including about 70 Fortune 500 companies.

The State is one of Asia's most preferred investor destinations anchoring 9% of Foreign Direct Investment in India since 2000 and has tremendous investment potential.

## RANKING:

The State's investment potential and strengths have won it laurels and accolades over the years. Tamil Nadu topped the Good Governance Index 2019 launched by the Department of Administrative Reforms and Public Grievances, Government of India. Tamil Nadu is in the top 10 for the availability of employable talent, employability, preferred state to work, and where maximum hiring occurs.



State of the States  
2020 ranking for the  
third consecutive year



Growth, Innovation and  
Leadership Index 2019  
for Economic  
Development in India  
  
NITI Aayog's  
Innovation Index 2019



Sustainable  
Development Goals  
(SDG) India Index  
2019, released by NITI  
Aayog

State Investment  
Potential Index (N-SIPI)  
2018, moving up by  
four places from N-  
SIPI- 2017

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# TN INDUSTRIAL POLICY 2021

The Industrial Policy serves as a critical instrument that will help achieve Tamil Nadu's Vision 2023. This Policy aims to build on the momentum generated by the State through the Industrial Policy of 2014 in upholding its position as a preferred destination for investment in India.

This Policy is applicable for projects establishing or expanding industrial units, industrial parks, R&D projects, warehousing and logistics. Investments made from January 1, 2021, will be considered eligible for availing incentives.

**FOCUS SECTORS:** The Policy shall continue to promote the existing focus sectors, which are drivers of economic growth and development in the state. These focus sectors are Automobile and Auto Components, Chemicals, Electronics & Hardware, Heavy Engineering, Leather, Textiles, Financial Services, and Software and sunrise sectors that have a high potential for growth, diversification and investment (given in Annexure 1).

## **POLICY HIGHLIGHTS:**

- Incentives will be provided to industries that encourage employment for locals, women, transgender, and persons from the SC/ST communities in the workforce. It is also important to engage and accommodate differently-abled persons in industrial activities to achieve inclusivity.
- All enterprises with a proposed investment in 'plant and machinery or equipment' that exceeds Rs.50 cr. and turnover that exceeds Rs.250 cr. are eligible to make use of the current Single Window Portal which offers 38 services/ clearances pertaining to 14 Departments.
- **Investor Facilitation Desks** have been set up to provide information to entrepreneurs regarding the scope of setting up of industries in the state of Tamil Nadu, give them guidance on the procedural aspects of starting industries, incentives and facilities available and, assist them in resolving any problems they may face in setting up an industry.
- **Biz Buddy** - Tamil Nadu's industry help desk portal designed to help businesses report operational issues for resolution by various government departments, disbursement of incentives, and approval of pre-establishment, establishment and operation clearances required, within 30 days on a best effort basis.
- To improve access to sustainable finance for industries, the following options are available to manufacturing Projects investing above Rs. 500 cr. (Mega / Ultra-Mega Projects) in the State.



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- **Equity Financing** - Equity participation by TIDCO in the Joint Sector projects ranges from 11-26 % and in the associate Sector ranges from 2-11% equity. The Escort Sector includes ventures with 1% equity from TIDCO (Tamil Nadu Industrial Development Corporation). Projects that have a high capital requirement in the initial years of the investment may also be offered hybrid security financing in the form of convertible debentures, or land as equity projects with an associated investment plan, and exit plan, on a case to case basis.
  - The Government shall create an **Industrial Ecosystem Fund** with a corpus of Rs. 500 cr. to support small infrastructure projects and ecosystem creation.
  - The Government shall create a **Research & Technology Fund** with a corpus of Rs. 100 cr. to support research and development in sunrise sectors and technology adoption in existing industries.
  - A **Venture Capital Fund** will be created with a corpus of Rs. 500 cr., to support entrepreneurs undertaking ventures in sunrise sectors.
  - Tamil Nadu Industrial Investment Corporation Limited (TIIC) offers **term loan** of up to Rs. 40 cr. (US\$ 5.7 million) under the General Term Loan Scheme.
  - '**Digital Accelerator**' scheme with American Tamil Entrepreneurs Association (ATEA) to promote startups investing in Tamil Nadu from US in various fields such as IT/Healthcare/EV/emerging areas on IoT, AI, Cloud Computing /SDGs. It is proposed that a grant of 10% of capital raised may be provided towards operational and capital expenditure, up to Rs. 1 cr. per startup.



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# INCENTIVES FOR INDUSTRIES

Government of Tamil Nadu intends to support the projects in manufacturing with the potential for positive externalities in the State, through the following Incentive Packages:

- Structured Package
- Incentives for Sunrise Sectors, Industrial Parks, R&D Projects, Logistics Infrastructure, FDIs, Sub-Large Projects

For the purpose of administering the incentives, the following four investment commitment ranges have been identified:

PROJECT CATEGORY	INVESTMENT COMMITMENT RANGE (RS. IN CR.)		STANDARD INVESTMENT PERIOD
	MIN. INVESTMENT	MAX. INVESTMENT	
<b>SUB LARGE</b>	<b>50</b>	<b>300</b>	<b>4 YEARS</b>
<b>LARGE</b>	<b>300</b>	<b>500</b>	<b>4 YEARS</b>
<b>MEGA</b>	<b>500</b>	<b>5000</b>	<b>4 YEARS</b>
<b>ULTRA MEGA</b>	<b>5000</b>	<b>-</b>	<b>7 YEARS</b>

**Eligibility:** Projects creating employment for at least 50 persons will be eligible for incentives under this Policy.

**District Category:** For the purpose of administering the fiscal incentives, the districts of the state are classified as follows:

“**A**” Category Districts (4 districts) - Chengalpattu, Chennai, Kancheepuram & Tiruvallur.

“**B**” Category Districts (12 districts) - Coimbatore, Erode, Karur, Krishnagiri, Namakkal, The Nilgiris , Ranipet, Salem, Tiruchirappalli, Tirupattur, Tiruppur, and Vellore.

“**C**” Category Districts (22 districts) – Ariyalur, Cuddalore, Dharmapuri, Dindigul, Kallakurichi, Kanniyakumari, Madurai, Mayiladuthurai, Nagapattinam, Perambalur, Pudukkottai, Ramanathapuram, Sivagangai, Tenkasi, Thanjavur, Theni, Thiruvarur, Thoothukudi, Tirunelveli, Tiruvannamalai, Villupuram and Virudhunagar.

**Investment Period:** Refers to the actual continuous time taken by the Project from the commencement of investment/ sanction of the G.O./date of MoU in case of structured package, till the completion of the investment commitment.

**Investment Range:** Range of investment inclusive of the Minimum Investment and up to but not including the Maximum Investment.

**Investment:** Cumulative Investment in Eligible Fixed Assets (EFA) committed by the Project within the Investment Period.



## Structured Package of Incentives (For Large & above projects):

Projects that are Mega and Ultra-Mega in “A” Districts, or Large, Mega and Ultra-Mega in “B” and “C” Districts shall be eligible for Structured Package of Incentives.

### a. Investment Promotion Subsidy

#### i. SGST Reimbursement for Final Products

- 100% SGST payable on the sale of final products manufactured, sold, and registered in the State shall be reimbursed for a period of 15 years from the date of commercial production or upon achieving the minimum eligible investment for Structured Package in the given District, whichever is later.
- This shall be applicable only to Projects that manufacture final products with a traceable end-use in the State.
- In case of expansion projects, base volume principle will be applicable.

(OR)

#### ii. Fixed Capital Subsidy (% of EFA)

PROJECT/ DISTRICT CATEGORY	LARGE (RS. 300 CR.- RS. 500 CR. & 150 JOBS)	MEGA (RS. 500 CR. - RS 5000 CR. & 400 JOBS)	ULTRA-MEGA (>RS. 5000 CR. & 2000 JOBS)
"A" DISTRICT	-	10%	20%
"B" DISTRICT	10%	12%	22%
"C" DISTRICT	12%	15%	25%

The Fixed Capital Subsidy will be disbursed in equal annual installments over the period prescribed below:

ANNUAL INSTALMENTS	PROJECT CATEGORY	DISTRICT CATEGORY
10 YEARS	LARGE	B & C
10 YEARS	MEGA	A
12 YEARS	MEGA	B & C
15 YEARS	ULTRA MEGA	ALL

Large Projects in “A” District shall be eligible for a back-ended fixed capital subsidy of Rs. 1 cr.

(OR)

### iii. Flexible Capital Subsidy

- This option is a flexible, objective, transparent, and risk-free subsidy for investors compared to the indirect-tax based reimbursements that are subject to market risk and extended over a long period of time.
- This provides the investor choice of customizing incentive package by choosing the weights of boosters that are best suited to maximize the subsidy based on their business mode.

MAXIMUM CAPITAL SUBSIDY	DISTRICT CATEGORY
35% OF EFA	A
37% OF EFA	B
40% OF EFA	C

- This comprises Standard Subsidy of 5% to all eligible projects and additional incentives of up to 35% of EFA depending on boosters based on location, employment, exports, ecosystem creation and if it is in a sunrise sector.
- Flexible Capital Subsidy is a percentage of the Eligible Fixed Assets and shall be disbursed over the incentive disbursement period equal to 2.5 times the investment period.

(OR)

### iv. Turn-over based Subsidy

- Mega and Ultra Mega projects creating a minimum Employment of 2000 jobs within the Investment Period can avail the Turnover-based Subsidy.
- The company can choose to avail the Turnover based Subsidy, up to a cap of 4% of cumulative investment in Eligible Fixed Assets per annum for a period of 10 years.

TURNOVER-BASED SUBSIDY (% TURNOVER) FOR MEGA AND ULTRA MEGA PROJECTS (INVESTMENT >RS. 500 CR.)		
DISTRICT CATEGORY	EMPLOYMENT > 2000 JOBS	EMPLOYMENT > 4000 JOBS
"A" DISTRICT	1.5%	1.75%
"B" DISTRICT	1.75%	1.8%
"C" DISTRICT	1.8%	2%

- Turnover-based Subsidy for expansion projects shall be determined on a case to case basis and base volume principle will be applicable.

## b. Training Subsidy

**RS. 4000/- PER WORKER PER MONTH FOR 6 MONTHS**

**RESIDENTS OF TAMIL NADU**

**RS. 6000/- PER WORKER PER MONTH FOR 6 MONTHS**

**WOMEN AND TRANSGENDER EMPLOYEES,  
PERSONS WITH BENCHMARKED DISABILITIES,  
PERSONS FROM SC/ST COMMUNITIES**

## c. Land Cost Incentive

For eligible projects in SIPCOT in “A” & “B” districts, land allotment will be made at a 10% concessional rate and at a 50% concessional rate in “C” districts for land up to 20% of EFA.

## d. Interest Subvention

Interest Subvention of 5% as a rebate in the rate of interest shall be provided to Ultra-Mega Projects only on actual term loans taken for the purpose of financing the project, up to Rs. 4 cr. per annum for a period of 6 years.

## e. Standard Incentives

The following incentives shall also be available to Large, Mega and Ultra-Mega projects.

### 1. Electricity Tax Incentive

New or expansion manufacturing projects will be given an electricity tax exemption for 5 years on power purchased from TANGEDCO (Tamil Nadu Generation and Distribution Corporation).

### 2. Stamp Duty Incentive

CONCESSION ON STAMP DUTY	DISTRICT CATEGORY	PROMOTED BY
50%	A & B	SIPCOT
100%	C	SIPCOT/SIPCOT JV/ SIDCO

### 3. Green Industry Incentive

Industrial projects undertaking green initiatives (Safety & Energy Efficiency, Water Conservation, Greening and Pollution Control solutions) shall be eligible for a 25% subsidy on the cost of setting up such environmental protection infrastructure subject to a limit of Rs. 1 cr.

### 4. Quality Certification Incentive

Industrial projects obtaining certifications like ISO, ISI, BIS, FPO, BEE, AGMARK, and ECOMARK, or any other national or international certification as notified from time to time, shall be given a subsidy of 50% of the total cost incurred for obtaining the certification, as certified by the Chartered Accountant, limited to Rs. 25 lakh for the period of investment.

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## 5. Intellectual Property Creation Incentive

The Government will reimburse 50% of the expenditure incurred by the Project subject to a maximum of Rs. 30 lakh for the period of investment for patent, copyright, trademarks, Geographical Indicators registration.

## 6. SGST Refund on Capital Goods

If the company faces an inverted tax structure due to which it is neither able to utilize the ITC on capital goods for payment of output tax nor able to obtain a refund of the same, the State Government will refund the Input SGST paid on capital goods within the standard investment period, to the extent input tax credit is admissible under TNGST Act 2017. The company shall have to reverse the credit of input tax from the SGST credit ledger to the extent refunded. The refund shall be provided from commercial production, in five equal annual installments.



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## Special Incentives for Sunrise sectors:

The following incentives are **in addition to the Structured Package & Standard incentives** and are applicable to projects in Sunrise Sector that are Mega and Ultra-Mega for “A” Districts, or Large, Mega and Ultra-Mega for “B” & “C” Districts.

### a. Investment Promotion Subsidy - Sunrise Booster

Industries opting for Flexible Capital Subsidy shall get a Sunrise Booster of one which implies an additional capital subsidy of up to 7.5% of EFA.

### b. Land Cost Subsidy

For private land in “C” districts, 50% subsidy will be offered on the cost of land as per guideline value up to an extent of 50 acres and subject to land cost not exceeding 20% of EFA and a cap of Rs. 2 cr. provided that at least 70% of the land is used for manufacturing operations.

### c. Stamp Duty Incentive

100% stamp duty exemption will be given for lease or purchase of land/ shed/ buildings meant for industrial use in land obtained from SIPCOT. In the case of private lands, stamp duty concession will be given as a 100% back ended subsidy for up to 50 acres on fulfilment of investment and employment commitment.

### d. Enhanced Incentive for Quality Certification

Projects obtaining certifications like ISO, ISI, BIS, FPO, BEE, AGMARK, and ECOMARK or any other national or international certification shall be given a subsidy of 50% of the total cost incurred for obtaining the certification, as certified by the Chartered Accountant, limited to Rs. 1 cr. for the period of investment.

### e. Enhanced Incentive for Intellectual Property Creation

The Government will reimburse 50% of the expenditure incurred by the Project for the investment period for patent, copyright, trademarks, Geographical Indicators registration subject to a maximum of Rs. 1 cr. for the period of investment.

### f. Interest Subvention

Interest Subvention of 5% as a rebate in the rate of interest shall be provided be on actual term loans taken for the purpose of financing the project, for a period of 6 years subject to the limits provided.

PROJECT CATEGORY	INTEREST SUBVENTION (% RATE OF INTEREST)	MAXIMUM INCENTIVE DISBURSAL PERIOD (YEARS)	CEILING PER ANNUM (RS, LAKHS)
<b>LARGE</b>	5%	6	20
<b>MEGA</b>	5%	6	100
<b>ULTRA-MEGA</b>	5%	6	400

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## Special Incentives for Industrial Parks:

The following incentives shall be offered to developers of Mega and Ultra-Mega Industrial Parks, i.e. investment greater than Rs. 500 cr. (including the cost of land), in “B” & “C” Category Districts, **in addition to Standard Incentives.**

### a. Capital Subsidy

Industrial Park developers shall be eligible for a Capital Subsidy of 12% or 15% of investment in internal infrastructure in “B” or “C” Category Districts, respectively based on these milestones.

- 50% of the amount determined as Capital Subsidy upon paid-up allotment of 50% park area along with 10% operational units, i.e. either 10% of units achieving commercial production or units occupying 10% of park area achieving commercial production. This shall be distributed in equal annual installments over 5 years.
- 50% of the amount determined as Capital Subsidy upon paid-up allotment of 75% park area with 25% operational units, i.e. either 25% of units achieving commercial production or units occupying 25% of park area achieving commercial production. This shall be distributed in equal annual installments over 5 years.

### b. Industrial Housing Incentive

Industrial Park developers will be eligible for Industrial Housing Incentive of 10% on the cost of developing the residential facilities developed within the Industrial Park over 10 years from the date of completion of the investment in the housing facility, subject to a ceiling of Rs. 10 cr.

### c. Green Industry Incentive

Industrial Park Developers undertaking green, sustainable initiatives shall be eligible for a 25% subsidy on cost of capital of setting up undertaking such initiatives, subject to a limit of Rs. 5 cr.





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## Special Incentives for R&D Projects:

The Government of Tamil Nadu shall provide incentives to R&D Projects in the State to further the development of intellectual property and adoption of technology in industries, **in addition to the standard incentives.**



### Eligibility

- Must have a Minimum Investment of Rs. 50 cr. in Eligible Fixed Assets and creation of Employment for 50 persons
- Clearly demarcated facilities inside or outside the industrial unit
- Must be Registered with the Department of Scientific and Industrial Research, Government of India (DSIR) and must be located in Tamil Nadu

### a. Land Cost Incentive for Standalone R&D Projects

R&D projects shall be given an incentive of 50% of the cost of purchase or lease of land for up to 20 acre, subject to a ceiling of Rs. 50 lakh/acre. R&D projects shall also be given priority in land allotment in SIPCOT Industrial Parks.

### b. R&D Training Incentive

R&D Training Incentive of Rs. 10,000 per person per month can be availed for 12 months. This incentive is intended for employees engaged in core R&D and excludes employees in administration or in support services deployed in R&D projects.

### c. Enhanced Quality Certification Incentive

Projects obtaining certifications like ISO, ISI, BIS, FPO, BEE, AGMARK, and ECOMARK or any other national or international certification shall be given a subsidy of 50% of the total cost incurred for obtaining the certification, as certified by the Chartered Accountant, limited to Rs. 1 cr. for the period of investment.

### d. Enhanced Intellectual Property Incentive

Government will reimburse 50% of the expenditure incurred by the Project subject to a maximum of Rs. 1 cr. for the period of investment for in-house R&D for a patent, copyright, trademarks, and Geographical Indicators registration and up to Rs 5 cr. for standalone R&D assets.

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## Special Incentives for Logistics Infrastructure:

Warehousing & Logistics are an important service that supports the manufacturing sector. This policy recognizes Logistics sector as a key emerging sector, which encompasses transportation, storage and distribution, and value-added services.

### Eligibility

- Multimodal Logistics Park comprising Inland Container Depot (ICD) with a minimum investment of Rs. 50 cr. and minimum area of 10-acre and/or,
- Cold Chain Facility with a minimum investment of Rs. 15 cr. and minimum area of 20,000 sq. ft, and/or
- Warehousing Facility with a minimum investment of Rs. 25 cr. and minimum area of 1 lakh sq. ft.

The following incentives shall be provided to logistics provider and industrial warehousing.

### a. Incentive for Integrated Logistics Parks

The Developer of an Integrated Logistics Park in “B” & “C” Category Districts shall also be eligible for Special Incentives for Warehousing & Logistics under Industrial parks subject to meeting the criteria for an Approved Industrial Park with relaxation on the non-processing area (including warehousing) of up to 50% of the park area.

### b. Skilling & Capacity building

- State Government through TNSDC (Tamil Nadu Skill Development Corporation) shall collaborate with Logistics and Warehousing associations to impart necessary skills to the youth.
- Reimbursement of 50% of the training cost shall be provided to logistics and warehousing projects (set up in “C” Districts) for technical training of the employee subject to a maximum of Rs. 10,000 per employee (a resident of Tamil Nadu).

### c. Apex Skill Development Centre for Transportation & Logistics

An Apex Skill Development Centre is being established for Transportation and Logistics and an SPV has been registered in Chennai for this purpose.



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## **Special Incentives for Foreign Direct Investment:**

Tamil Nadu offers attractive investment opportunities to companies that seek to diversify their business operations and supply chain. The following incentives are applicable to FDI investments in projects that are Mega and above. The scheme shall be in place for a period of 1 year from the date of notification of this Policy and shall include the following incentives **in addition to the standard incentives.**

### **a. Investment Promotion Subsidy**

The Project shall be eligible for an Investment Promotion Subsidy of up to 40% of EFA. Investment proposals from companies having relocation plans may be provided a higher set of incentives on a case-to-case basis.

### **b. Imported Machinery**

Relocation of industrial projects would include the relocation of machinery from the country of relocation. Thus, new and second-hand machinery can be included under Eligible Fixed Assets.

### **c. Transport Subsidy**

To facilitate the transition of foreign companies to Tamil Nadu, 75% of the cost incurred on transportation and logistics towards the relocation of capital goods from the source country to Tamil Nadu within the investment period, shall be reimbursed. It will be subject to a total limit of Rs. 10 cr.

### **d. Land Cost Subsidy**

For private land in "C" districts, 50% subsidy will be offered on the cost of land as per guideline value up to an extent of 50 acres and subject to land cost not exceeding 20% of EFA and a cap of Rs. 1 cr. provided that at least 70% of the land is used for manufacturing operations.

## **Special Incentives for Sub-Large Projects:**

All projects with investment in projects that are Sub-Large, i.e. greater than Rs. 50 cr. and less than Rs. 300 cr. in Eligible Fixed Assets and Employment for at least 50 persons engaged in Manufacturing and / or in Manufacturing Services, that are located in Tamil Nadu, shall be eligible for the following Standard Incentives.

### **a. Capital Subsidy**

Sub-Large projects shall be eligible for a back-ended capital subsidy of Rs. 1 cr. upon the completion of the investment within the standard investment period of 4 years. Sub-Large Projects in "C" Districts can avail a Fixed Capital Subsidy of 5% of EFA upon the completion of the investment, disbursed in equal annual installments over 5 years.

### **b. Stamp Duty Incentive**

50% Concession on Stamp duty payable on lease or purchase of land/shed/buildings meant for industrial use shall be offered in parks promoted by SIPCOT/SIDCO.

### **c. Green Industry Incentive**

Industrial projects undertaking green initiatives shall be eligible for a 25% subsidy on the cost of setting up such environmental protection infrastructure in the following solution areas subject to a limit of Rs. 1 cr.

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## **Policy Implementation:**

- Application for incentives shall be received by Guidance and forwarded with its recommendations to the Industries Department for sanction of incentives for Structured Package of Incentives/ Special Incentives for Large, Mega and Ultra-Mega Projects. Application for Standard Incentives for Sub-Large Projects shall be coordinated and sanctioned by SIPCOT.
- SIPCOT is mandated to act as the implementing and disbursal agency for all the incentives listed in the Policy.
- Projects/companies classified as MSME under the new/prevaling definition shall not be eligible for incentives under this Policy (please refer MSME policy).
- The Government may at its discretion approve higher incentives /concessions and relax the conditions mentioned in the Policy in exceptional circumstances for deserving cases, giving due weightage to investment, direct and indirect employment generated, and potential for attracting further investment through vendors and ancillaries.

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## **Annexure - 1**

### **List of Sunrise Sectors**

1. Aerospace & Defence applications
2. Agro & Food Processing except Edible oil industries
3. Renewable Energy Components Manufacturing
4. Electronics System Design & Manufacturing
5. Medical Electronics, Devices and Equipment
6. Electric Vehicles, EV Cell & Battery Manufacturing or any green fuel technology such as hydrogen fuel
7. Biotechnology
8. Pharmaceuticals, Bulk Drugs and Nutraceuticals
9. Petrochemicals and Specialty Chemicals
10. Footwear, Finished Leather Goods and Polyurethane Fabric
11. Technical Textiles including Medical Textiles
12. Any other industries as may be notified by Government from time to time

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# MICRO, SMALL AND MEDIUM ENTERPRISES

The Micro, Small and Medium Enterprises (MSME) sector is the engine of growth in India and contributes substantially to employment generation, scaling up of manufacturing capabilities, balanced regional development and socio-economic empowerment. As per the Annual Report (2018-19) of the Ministry of MSME, Government of India, the share of MSMEs in the Country's GDP is around 28.9%. MSMEs also contribute 48.1% of the total exports from India.

An enterprise is classified as a Micro, Small or Medium Enterprise based on the following composite criteria:

TYPE OF ENTERPRISE	INVESTMENT IN PLANT & MACHINERY NOT EXCEEDING	TURNOVER NOT EXCEEDING*
<b>MICRO</b>	<b>RS. 1 CRORE</b>	<b>RS. 5 CRORE</b>
<b>SMALL</b>	<b>RS. 10 CRORE</b>	<b>RS. 50 CRORE</b>
<b>MEDIUM</b>	<b>RS. 50 CRORE</b>	<b>RS. 250 CRORE</b>

\*Excluding Export Turnover

- As per the National Sample Survey (NSS) 73rd round, conducted by the National Sample Survey Office, Ministry of Statistics & Programme Implementation, Government of India during the period 2015-16, Tamil Nadu has the third-largest number of MSMEs in the Country with a share of 8% and around five million enterprises. It also accounts for nearly 15.24% of India's micro-enterprises and has the highest number of non-farm units.
- MSMEs in the State produce over 6000 different products for both domestic and international markets. They provide a strong and reliable vendor base to large industries in the State. The majority of MSMEs in Tamil Nadu are concentrated in sectors such as food and beverages, textiles and apparel, printing, metal fabrication, machinery and equipment, leather, rubber and plastics, chemicals, wood and furniture etc.
- Though the contribution of MSMEs to the growth of Tamil Nadu's economy is phenomenal, MSMEs face intense pressure and constraints in sustaining competitiveness in a globalized world. The Government of Tamil Nadu recognizes the need to augment the capacities of MSMEs while also creating a conducive business environment for MSMEs to focus on these opportunities. One of the strategic initiatives underlying Vision Tamil Nadu 2023 is to boost the creation and sustenance of several MSME clusters across the State.



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# TN MSME POLICY 2021

## **Policy Objectives**

- Make Tamil Nadu the most vibrant ecosystem for MSMEs/ Start-Ups to thrive and scale-up
- Attract new investments worth ₹ 2,00,000 crore in the sector by 2025
- Create additional employment opportunities for 20 lakh persons in the sector
- Increase the share of exports from the MSMEs in the State by 25%

## **Facilitate investment, including Foreign Direct Investment (FDI)**

To accomplish the goal of making Tamil Nadu, Asia's most favoured investment destination for MSMEs as envisaged in the Vision 2023 document, MSME Trade and Investment Bureau (M-TIPB) will provide escort services to prospective foreign investors in the MSME sector by,

- Provide information to entrepreneurs, especially investors from abroad and other states regarding the scope of setting up of industries/service establishments in the State
- Extend escort services for setting up of industries, for availing incentives and facilities available
- Function as a facilitating agency for single-window clearance for new MSME investments from outside Tamil Nadu to facilitate speedy and timely clearances.

## **Standard Incentives**

- New/existing small enterprises undertaking expansion or diversification of their projects while mortgaging and hypothecating their assets will be eligible for a rebate/ reimbursement of 50% of the stamp duty. In the case of micro enterprises this will be 100%.
- Infusion of additional capital of Rs 1000 cr to TIIC to expand access to affordable institutional finance to the MSMEs
- Equity participation would be provided through the Tamil Nadu Start-up Fund of Funds, which would be managed by a professional financial agency as envisaged in the Tamil Nadu State Start-up and Innovation Policy, 2018.

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# INCENTIVES FOR MSMEs

## 1. SCHEMES FOR STARTUPS

### INNOVATION VOUCHER PROGRAMME (IVP)

**Voucher A:** To promote the development of a new product or production process

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** 80% of the total budget for approved activities

**Maximum Eligibility:** Rs. 2 Lakhs

**Agency/ Time Limit:** EDII (Entrepreneurship Development & Innovation Institute)

**Ineligible activities & enterprises:** As notified in G.O (Ms) No. 17 dated 19.06.2018

**Who can apply?** Any individual/ institution/ MSMEs/ Startups

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**Voucher B:** To promote existing or an early-stage company to quickly access potential markets by developing innovative commercial products

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** 50% of the total budget for approved activities

**Maximum Eligibility:** Rs. 5 Lakhs

**Agency/ Time Limit:** EDII

**Ineligible activities & enterprises:** As notified in G.O (Ms) No. 17 dated 19.06.2018

**Who can apply?** Any individual/ institution/ MSMEs/ Startups

---

**Venture Capital:** Tamil Nadu Startup Fund of Funds

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** Equity participation through a designated Fund Management Company (FMC)

**Maximum Eligibility:** Guidelines will be issued separately

**Agency/ Time Limit:** EDII

**Ineligible activities & enterprises:** Service Enterprises

**Who can apply?** All MSMEs

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## 2. SCHEME FOR FUND-RAISING

**Scheme:** Assistance for listing & raising money in the SME stock exchange

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** 20% of the total expenditure incurred on SME IPO

**Maximum Eligibility:** Rs. 5 Lakhs

**Agency/ Time Limit:** DIC (District Industries Center)

**Ineligible activities & enterprises:** -

**Who can apply?** Any eligible SME

---

**Scheme:** Seed capital assistance for early stage startups

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** Maximum Eligibility as per G.O. (Ms.) No.49 MSME (A) Department dated 18.06.2020

**Agency/ Time Limit:** EDII

**Ineligible activities & enterprises:** -

**Who can apply?** Early startups registered with TANSIM (Tamil Nadu Startup And Innovation Mission). Located and head quartered in Tamil Nadu

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## 3. SCHEMES FOR LEVERAGING THE IPR REGIME

**Scheme:** Subsidy on the cost of Patent Registration in India or abroad

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** 75% of the cost of filing the patent registration application

**Maximum Eligibility:** Rs. 3 Lakhs per Patent Registered

**Agency/ Time Limit:** DIC (Within 6 months from the date of receipt of Patent Registration)

**Ineligible activities & enterprises:** -

**Who can apply?** Any individual/ institution/ MSMEs/startup

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**Scheme:** Subsidy on the cost of Trade Marks or Geographical Indications (GI) Registration in India or abroad

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** 50% subsidy on the cost of filing application for Trade Mark registration including the cost of first time maintenance fee / Geographical Indications registration / application

**Maximum Eligibility:** Rs. 25,000 per Trade Mark or Geographical Indications registered

**Agency/ Time Limit:** DIC (Within 6 months from the date of receipt of Trade Mark or Geographical Indications registration)

**Ineligible activities & enterprises:** -

**Who can apply?** Manufacturing MSMEs

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#### **4. INCENTIVE SUPPORT SCHEMES**

**Scheme:** Capital subsidy for micro enterprises

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** 25% of plant & machinery value

**Maximum Eligibility:** Rs. 25 Lakhs

**Agency/ Time Limit:** DIC (Within one year from the date of commencement of production)

**Ineligible activities & enterprises:** Activities/ Enterprises listed in Annexure III

**Who can apply?** New enterprises / enterprises going in for expansion & diversification

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**Scheme:** Additional capital subsidy for micro enterprises

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** Additional 10% on the investment made in plant and machinery

**Maximum Eligibility:** Rs. 5 Lakhs

**Agency/ Time Limit:** DIC (Within one year from the date of commencement of production)

**Ineligible activities & enterprises:** Activities/ Enterprises listed in Annexure III

**Who can apply?** New enterprises / enterprises going in for expansion & diversification

---

**Scheme:** Capital subsidy for small and medium enterprises

**Location of enterprise:** 254 industrially backward blocks and all Industrial Estates promoted by the Government and Government Agencies like SIPCOT, TANSIDCO etc; All 388 blocks in the State for Agro-based enterprises

**Quantum of Incentives:** 25% of plant and machinery value

**Maximum Eligibility:** Rs. 150 lakhs in three instalment

**Agency/ Time Limit:** DIC (Within one year from the date of commencement of production)

**Ineligible activities & enterprises:** Activities/ Enterprises listed in Annexure III

**Who can apply?** New enterprises / enterprises going in for expansion & diversification

---

### **ADDITIONAL CAPITAL SUBSIDY**

**Scheme:** Payroll subsidy

**Location of enterprise:** All micro enterprises anywhere in the State; 254 industrially backward blocks and all Industrial Estates promoted by the Government and Government Agencies like SIPCOT, TANSIDCO etc; All 388 blocks in the State for Agro-based enterprises

**Quantum of Incentives:** Reimbursement of employer's contribution to the EPF for the first three years, if employment is provided to more than 20 persons

**Maximum Eligibility:** Rs 24000 per employee per annum

**Agency/ Time Limit:** DIC

**Ineligible activities & enterprises:** Activities/ Enterprises listed in Annexure III

**Who can apply?** New enterprises

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**Scheme:** For women, SC / ST, differently-abled and transgender entrepreneurs

**Location of enterprise:** All micro enterprises anywhere in the State; 254 industrially backward blocks and all Industrial Estates promoted by the Government and Government Agencies like SIPCOT, TANSIDCO etc; All 388 blocks in the State for Agro-based enterprises

**Quantum of Incentives:** 5% of plant and machinery value

**Maximum Eligibility:** Rs 5 Lakhs

**Agency/ Time Limit:** DIC (Within one year from the date of commencement of production)

**Ineligible activities & enterprises:** Activities/ Enterprises listed in Annexure III

**Who can apply?** New enterprises

---

**Scheme:** To promote cleaner and environment friendly technologies

**Location of enterprise:** All micro enterprises anywhere in the State; 254 industrially backward blocks and all Industrial Estates promoted by the Government and Government Agencies like SIPCOT, TANSIDCO etc; All 388 blocks in the State for Agro-based enterprises

**Quantum of Incentives:** 25% of plant and machinery value installed to promote such technology

**Maximum Eligibility:** Rs. 10 lakhs

**Agency/ Time Limit:** DIC (Within one year from the date of commencement of production or date of installation of plant and machinery/ equipment)

**Ineligible activities & enterprises:** Activities/ Enterprises listed in Annexure III

**Who can apply?** All new and existing micro, small and medium manufacturing enterprises

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**Scheme:** For MSME units that are engaged in E-Vehicle component and charging infrastructure manufacturing

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** 20% Additional capital subsidy

**Maximum Eligibility:** Additional special capital subsidy of Rs.10 lakhs

**Agency/ Time Limit:** DIC (Within one year from the date of commencement of production)

**Ineligible activities & enterprises:** -

**Who can apply?** New enterprises / enterprises going in for expansion & diversification

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**Scheme:** Incentive for Scaling up

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** 5% of plant and machinery

**Maximum Eligibility:** Rs 25 Lakhs

**Agency/ Time Limit:** DIC

**Ineligible activities & enterprises:** -

**Who can apply?** All Existing MSEs undertaking expansion/ diversification



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**Scheme:** Low Tension Power Tariff (LTPT) Subsidy for Micro enterprises

**Location of enterprise:** Anywhere in the state

**Quantum of Incentives:** 20% on power consumption charges for 36 months from the date of commencement of production or date of receiving the power connection whichever is later.

**Maximum Eligibility:** Actual amount incurred

**Agency/ Time Limit:** DIC - 1. For issue of Eligibility Certificate (EC) Within three months from the date of commencement of production or date of power connection, whichever is later. 2. For submission of subsidy claims (The first claim should be preferred within 30 days from the date of issue of EC. Subsequent claims should be submitted once in six months)

**Ineligible activities & enterprises:** Activities/ Enterprises listed in Annexure III

**Who can apply?** New enterprises / enterprises going in for expansion diversification using Low Tension Power Supply (Tariff III B) only.

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### **SPECIAL CAPITAL SUBSIDY FOR THRUST SECTOR MICRO, SMALL AND MEDIUM MANUFACTURING ENTERPRISES**

**Scheme:** Special capital subsidy for enterprises under the thrust sector as in Annexure V

**Location of enterprise:** Anywhere in the state

**Quantum of Incentives:** 25% of plant and machinery value

**Maximum Eligibility:** Rs. 150 lakhs in three instalments

**Agency/ Time Limit:** Within one year from the date of commencement of production

**Ineligible activities & enterprises:** -

**Who can apply?** New enterprises / enterprises going in for expansion & diversification

---

### **GENERATOR SUBSIDY FOR MICRO MANUFACTURING ENTERPRISES**

**Scheme:** Generator Subsidy

**Location of enterprise:** Areas falling under rural feeder

**Quantum of Incentives:** 25 % on the cost of the generator sets up to 320 KVA capacity

**Maximum Eligibility:** Rs. 5 lakhs

**Agency/ Time Limit:** Within six months from the date of purchase of generator set or date of installation of the generator set, whichever is later

**Ineligible activities & enterprises:** -

**Who can apply?** All new and existing micro enterprises falling under rural feeder

---

## 5. INTEREST SUBSIDY SCHEMES FOR TECHNOLOGY UPGRADATION / CGTMSE SCHEME

**Scheme:** Term loan obtained for technology up-gradation / modernization schemes.

**Location of enterprise:** Anywhere in the state

**Quantum of Incentives:** 5% of the interest on the term loan.

**Maximum Eligibility:** Up to Rs.25 lakhs per enterprise over five years on the term loan taken up to Rs.500 lakhs

**Agency/ Time Limit:** DIC (Every quarter)

**Ineligible activities & enterprises:** -

**Who can apply?** All new enterprises / existing enterprises

---

**Scheme:** Term loan obtained under the Credit Guarantee Fund Trust Scheme (CGTMSE)

**Location of enterprise:** Anywhere in the state

**Quantum of Incentives:** 5% of the interest on the term loan.

**Maximum Eligibility:** Up to Rs.20 lakhs per enterprise over five years on the term loan taken up to Rs.200 lakhs

**Agency/ Time Limit:** DIC (Every quarter)

**Ineligible activities & enterprises:** -

**Who can apply?** All new enterprises / existing enterprises

---

**Scheme:** Interest Subvention Scheme for the medium enterprises engaged in EV component and charging infrastructure manufacturing

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** 6% on the term loan availed from TIIC

**Maximum Eligibility:** -

**Agency/ Time Limit:** TIIC

**Ineligible activities & enterprises:** micro and small enterprises

**Who can apply?** New enterprises who have availed loan from TIIC

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## 6. CREDIT LINKED SUBSIDY SCHEMES

**Scheme:** Unemployed Youth Employment Generation Programme (UYEGP)

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** 25% of Project Cost

**Maximum Eligibility:** Rs.2.50 lakhs

**Agency/ Time Limit:** DIC

**Ineligible activities & enterprises:** As notified from time to time

**Who can apply?** Age: 18 to 45 years Educational Qualification - 8th Std and above

---

**Scheme:** New Enterprise cum Entrepreneurship Development Scheme (NEEDS)

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** 25% of Subsidy on Project cost & 3% Interest subvention on soft loans for the entire repayment period

**Maximum Eligibility:** Rs.50 lakhs

**Agency/ Time Limit:** DIC

**Ineligible activities & enterprises:** -

**Who can apply?** Age: General category (21 to 35 years), Special category (21 to 45 years) Educational Qualification: Degree, Diploma, ITI or Vocational training from recognized institutions

---

## STAMP DUTY EXEMPTION ON MORTGAGED AND PLEDGED DOCUMENTS FOR MICRO ENTERPRISES

**Scheme:** Stamp duty exemption on mortgaged and pledged documents for micro enterprises

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** 100% of stamp duty paid

**Maximum Eligibility:** -

**Agency/ Time Limit:** Sub Registrar / At the time of registration

**Ineligible activities & enterprises:** Activities/ Enterprises listed in Annexure III

**Who can apply?** New enterprises /enterprises going in for expansion & diversification

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## 7. SCHEMES FOR INFRASTRUCTURE SUPPORT

**Scheme:** Reservation of land for micro enterprises in TANSIDCO Industrial Estates

**Location of enterprise:** All TANSIDCO Industrial Estates

**Quantum of Incentives:** 30% of the area

**Maximum Eligibility:** Not exceeding 15 cents per enterprise

**Agency/ Time Limit:** TANSIDCO

**Ineligible activities & enterprises:** -

**Who can apply?** All new/existing micro enterprises

---

**Scheme:** Reservation for MSMEs in SIPCOT Industrial Estates

**Location of enterprise:** All new / expansion schemes of SIPCOT Industrial Estates

**Quantum of Incentives:** 20% of the area will be allocated to SIDCO for subsequent allotment to MSMEs

**Maximum Eligibility:** -

**Agency/ Time Limit:** TANSIDCO

**Ineligible activities & enterprises:** -

**Who can apply?** -

---

**Scheme:** Infrastructure support for creation of Industrial Estates outside the urban areas

**Location of enterprise:** In the outskirts of towns and cities

**Quantum of Incentives:** 50% of the total development cost as grant

**Maximum Eligibility:** Rs. 15 crore

**Agency/ Time Limit:** TANSIDCO

**Ineligible activities & enterprises:** -

**Who can apply?** Entrepreneur associations willing to set up their units outside urban areas

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**Scheme:** Infrastructure Support for shifting of existing units outside urban areas

**Location of enterprise:** Outside urban areas

**Quantum of Incentives:** 75% of the total development cost as grant

**Maximum Eligibility:** Rs. 20 crore

**Agency/ Time Limit:** TANSIDCO

**Ineligible activities & enterprises:** -

**Who can apply?** Entrepreneur associations coming forward to shift their units /clusters to the outskirts of towns and cities

---

**Scheme:** Rebate on Stamp Duty & Registration Charges

**Location of enterprise:** Industrial Estates developed by TANSIDCO or Government or Private Industrial Estates

**Quantum of Incentives:** 50% of Stamp Duty and Registration charges

**Maximum Eligibility:** Actual amount incurred

**Agency/ Time Limit:** Registration Department (At the time of registration in the sub registrar's office)

**Ineligible activities & enterprises:** Activities / Enterprises listed in Annexure III

**Who can apply?** All new micro and small enterprises

---

**Scheme:** Reimbursement of Stamp duty & Registration charges for micro and small enterprises at the time of purchase of land

**Location of enterprise:** 254 industrially backward blocks

**Quantum of Incentives:** 50% of stamp duty and registration charges

**Maximum Eligibility:** Actual amount incurred

**Agency/ Time Limit:** DIC (Within 6 months from the date of commencement of commercial production)

**Ineligible activities & enterprises:** Activities / Enterprises listed in Annexure III

**Who can apply?** All new micro and small enterprises

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## 8. SCHEMES FOR SKILL DEVELOPMENT / UPGRADATION

**Scheme:** AMMA Skill Training & Employment Scheme: Skill Development training for educated unemployed youth and skill up-gradation of existing employees of MSMEs

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** Reimbursement of Rs.2000/- per month per candidate for a maximum of 6 months

**Maximum Eligibility:** Rs. 12000

**Agency/ Time Limit:** DIC and TN Skill Development Corporation (TNSDC)

**Ineligible activities & enterprises:** -

**Who can apply?** MSMEs in the state

---

## 9. MARKETING SUPPORT

**Scheme:** Purchase Preference for micro and small enterprises in Government purchases on participation in the tender process

**Location of enterprise:** All MSEs located anywhere in the State

**Quantum of Incentives:** Minimum 25% procurement / purchase from MSEs.

**Maximum Eligibility:** -

**Agency/ Time Limit:** -

**Ineligible activities & enterprises:** -

**Who can apply?** MSEs with Udyam Registration

---

**Scheme:** Reimbursement of hall rent to MSME Associations for conducting exhibitions

**Location of enterprise:** MSME Associations

**Quantum of Incentives:** 50% on the hall rent

**Maximum Eligibility:** Rs.7.5 lakhs per event in Chennai; Rs.1.5 lakhs per event in the districts other than Chennai; Rs.7.5 lakhs per exhibition in other States

**Agency/ Time Limit:** DIC

**Ineligible activities & enterprises:** -

**Who can apply?** All MSME Associations in the State

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**Scheme:** Financial Assistance for participation in International Trade Fairs

**Location of enterprise:** MSME Associations

**Quantum of Incentives:** 50% of the rent paid towards stall or space charges

**Maximum Eligibility:** Subject to a ceiling of Rs.15 lakhs per International trade fair/exhibitions

**Agency/ Time Limit:** DIC

**Ineligible activities & enterprises:** -

**Who can apply?** All MSME Associations in the state

---

## 10. SCHEMES FOR ENHANCING COMPETITIVENESS

**Scheme:** Promotion of Energy Audit and Conservation of Energy Audit (PEACE): Reimbursement of charges incurred by the MSMEs towards conducting energy audit.

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives: Energy audit:** 75% of the cost of the energy audit

**Maximum Eligibility:** Rs. 1 Lakh per Energy Audit

**Agency/ Time Limit:** DIC (Within one year from the date of completion of the energy audit)

**Ineligible activities & enterprises:** Service Activities

**Who can apply?** All existing manufacturing MSMEs

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**Scheme:** Promotion of Energy Audit and Conservation of Energy Audit (PEACE): Reimbursement of charges incurred by the MSMEs towards implementing the recommendation of the audit

**Location of enterprise:** Anywhere in Tamil Nadu

**Quantum of Incentives:** Implementation of Energy audit: 50% of the cost of the eligible components

**Maximum Eligibility:** Rs. 10 lakh towards the implementation of the recommendations of the energy audit

**Agency/ Time Limit:** DIC (Within one year from the date of implementation of the recommendations of the energy audit)

**Ineligible activities & enterprises:** Service Activities

**Who can apply?** All existing manufacturing MSMEs

---

**Scheme:** Quality Certification (Q-Cert): Reimbursement of charges incurred by the MSMEs for acquiring ISO 9000/9001/ ISO 14001/ Hazard Analysis and Critical Control Point (HACCP), ISO 22000 Good Hygienic Practices (GHP) / Good Manufacturing Practices (GMP), Bureau of Indian Standards (BIS) certification, Zero Defect Zero Effect (ZED) certification) or any other international quality certification recognized in India by a competent authority. This includes payment towards certification and consultancy charges

**Location of enterprise:** MSMEs in the state

**Quantum of Incentives:** 100%

**Maximum Eligibility:** Subject to a maximum of Rs. 2 lakh for National Certification & Rs.10 lakh for International Certification

**Agency/ Time Limit:** DIC

**Ineligible activities & enterprises:** Travel, hotel expenses, surveillance charges etc

**Who can apply?** MSMEs in the state

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**Scheme:** Mini Tool Rooms

**Location of enterprise:** MSMEs in the state

**Quantum of Incentives:** 25% of the project cost

**Maximum Eligibility:** Rs. 1 crore

**Agency/ Time Limit:** TANSIDCO

**Ineligible activities & enterprises:** -

**Who can apply?** Any Industrial Cluster / Association

---

**Scheme:** Cluster Development (Micro Cluster)

**Location of enterprise:** MSMEs in the state

**Quantum of Incentives:** 70% of the project cost

**Maximum Eligibility:** Rs. 2.5 crore

**Agency/ Time Limit:** TANSIDCO

**Ineligible activities & enterprises:** -

**Who can apply?** Any Industrial Cluster / Association

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## 11. SCHEMES FOR TECHNOLOGY DEVELOPMENT

**Scheme:** Technology Development Fund for evolving cleaner and/ or energy-efficient or IT enabled technologies for micro, small & medium manufacturing sector

**Location of enterprise:** Anywhere in the state

**Quantum of Incentives:** 50% of the project cost

**Maximum Eligibility:** Rs. 2.5 Lakhs

**Agency/ Time Limit:** EDII

**Ineligible activities & enterprises:** -

**Who can apply?** Small developmental projects that are taken up at the behest of MSME Associations by IIT-Madras, Universities in the State including Deemed Universities, Engineering Colleges, Polytechnics, and Central Government Institutions of Excellence in the State

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**Scheme:** Technology Business Incubators in the fields like automobile, machine tools, food processing etc., in the MSME sector

**Location of enterprise:** Anywhere in the state

**Quantum of Incentives:** -

**Maximum Eligibility:** Rs. 2.50 crore/ Rs.1. 25 crore per Incubator / Centre of Excellence set up by Governemt and Private institutions respectively

**Agency/ Time Limit:** EDII

**Ineligible activities & enterprises:** -

**Who can apply?** Government and private institutions/organisations

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*The scheme guideliness will be as per GOs and notifications issued by the Government from time to time*

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### **Special Incentives for the MSME Sector (Tamil Nadu Electric Vehicle Policy 2019)**

An additional capital subsidy of 20% will be offered over and above the eligibility limit for capital subsidy under the existing capital subsidy scheme to MSME units that are engaged in E-Vehicle component or charging infrastructure manufacturer. Further, for such E-Vehicle component and charging infrastructure manufacturing firms falling under the Medium Industries category that avail loans from Tamil Nadu Industrial Investment Corporation, 6% interest subvention will be provided as against 3% under the existing scheme. These incentives will be applicable for units that are set up till 31.12.2025.

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### **Financial Incentives for MSMEs (Tamil Nadu Electronic Hardware Manufacturing Policy 2020)**

The Government will formulate a special package of incentives for ESDM units in the MSME sector. This will include Capital subsidy, Interest Subvention, Low Tension Power Tariff Subsidy, Generator Subsidy, assistance for obtaining intellectual property and assistance in obtaining certifications. MSMEs will also be assisted to scale up their business to serve as vendor base for large and Mega investors in this sector.

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## **Annexure - 2**

### **THRUST SECTOR ENTERPRISES ELIGIBLE FOR SPECIAL CAPITAL SUBSIDY**

1. Electrical and Electronics Industries
2. Leather and Leather Goods
3. Auto Parts and Components
4. Drugs, Pharmaceuticals and Nutraceuticals
5. Solar Energy Equipment
6. Gold / Diamond Jewelry for Exports
7. Pollution Control Equipment
8. Sports Goods and Accessories
9. Cost-effective Building Materials
10. Readymade Garments
11. Food Processing
12. Plastic (except 'one-time use and throw away plastics')
13. Rubber
14. Alternate Products to 'one-time use and throw away plastics'
15. Electric Vehicle Components, Charging Infrastructure and Components
16. Medical Devices, Equipment and Components
17. Technical Textiles and Medical Textiles
18. Aerospace, Defence Applications and Components
19. Electronic System Design and Manufacturing
20. Bio Technology
21. Petro Chemicals and Specialty Chemicals
22. Industry 4.0
23. Electronic Waste Processing

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# CONCLUSION



Tamil Nadu has a conducive business ecosystem, good governance and an inclusive economy that makes the state a preferred destination in India for investments. With the new Industrial policy & MSME policy and the key incentives that they offer, the state is poised to become a numero uno state in terms of economical growth and investments in the coming years. SAS Partners, with our expertise in advisory services and an in-depth knowledge about the Indian market, will be able to help foreign companies and Indian companies looking to set up business in India, particularly in Tamil Nadu and leverage the opportunities given by the Government.



PARTNERS  
CORPORATE ADVISORS

### Contact

email : [info@saspartners.com](mailto:info@saspartners.com)

Ph : + 91 98849 04694

[www.saspartners.com](http://www.saspartners.com)