



**Karnataka Digital  
Economy Mission**

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# Karnataka Digital Economy Mission

## Policy Pack For Karnataka Digital Economic Growth

*(A reference guide for Industry)*

October 19<sup>th</sup>, 2022

# Government of Karnataka Policy Pack (1/4)

- The unique propositioned policy pack offered by Government of Karnataka presents a range of policy incentives offered under the different state policies mentioned below:

Sr. No.	Policy	Unique Incentives
1.	Karnataka Start-Up Policy	<ul style="list-style-type: none"><li>• <b>Incubation Support:</b> one-time grant of up to Rs. 50 lakhs</li><li>• <b>Marketing Assistance:</b> @30% of the actual costs</li><li>• <b>Matching grants:</b> @30% of actual costs subject to a maximum of Rs.5 Lakhs per year per company.</li><li>• <b>Tax Reimbursement, Booster Kit Service, and patent filing assistance</b></li></ul>
2.	IT Policy 2020-25	<ul style="list-style-type: none"><li>• <b>Rental Reimbursement:</b> @INR 10/- persq. ft. up to a maximum amount of INR 3 lakhs overall, and that of INR 1000/- per-seat</li><li>• <b>Incentives for firms in IT Hubs/ clusters:</b> Financial support of up to 20% of Fixed Investment for Infrastructure</li><li>• <b>Incentives for co-working spaces/ plug and play infrastructure:</b> 33% of the Fixed Investment for Infrastructure (excluding the cost of land), with a ceiling of INR 2 Crores</li><li>• <b>Stamp Duty Exemption:</b> @75%</li><li>• <b>PF/ESI Re-imbursement:</b> @INR 2000 per employee per month for 2 years for all new employment</li></ul>
3.	Karnataka Engineering Research & Development Policy 2021-26	<ul style="list-style-type: none"><li>• <b>Rental Reimbursement:</b> 50% of rent, up to INR 2 crores or INR 1666 per employee per month, to an MNC Indian entity setting up or expanding GCCs beyond Bengaluru Urban District</li><li>• <b>Recruitment Assistance:</b> @ INR 20 lakhs to an MNC Indian entity setting up or expanding operations</li><li>• <b>Investment Subsidy:</b> @20% of investment, up to INR 2 crores</li><li>• <b>ER&amp;D Fund:</b> Conditional grant up to 40% of the approved R&amp;D expenditures, up to INR 8 crores per entity for entities that focus on development of innovative offerings</li><li>• <b>R&amp;D Infrastructure Program and Innovation Labs</b></li></ul>

# Government of Karnataka Policy Pack (2/4)



Sr. No.	Policy	Unique Incentives
4.	ESDM Policy 2017-22	<ul style="list-style-type: none"><li>• Patent Registration incentives</li><li>• International Marketing Incentives</li><li>• Capital Subsidy: 10% capital subsidy, up to a maximum of INR 10 Crores to registered KESDM companies, which will be applicable to the first two anchor units in each greenfield cluster</li><li>• Interest subsidy: @6% p.a. on term loans</li><li>• Exemption from stamp duty</li><li>• Reimbursement of land conversion fee: 75% in case of startups and MSMEs and 50% in case of large and mega enterprises</li></ul>
5.	Biotechnology Policy 2017-22	<ul style="list-style-type: none"><li>• <b>Anchor Unit Subsidy:</b> Available for the first two manufacturing enterprises with a minimum employment of 50 – 100 members and a minimum green field investment of 50 Crores</li><li>• <b>Preparation of project report:</b> refund of up to a maximum of Rs. 1 lakh</li><li>• <b>Interest Subsidy:</b> 6% for Technology up-gradation for MSMEs for a loan of maximum of INR 50 Lakhs for 5 years</li><li>• <b>Standardization Certificate:</b> Financial assistance of up to 50 % of the cost incurred</li><li>• <b>Patent Registration &amp; Marketing incentives</b></li></ul>
6.	AVGC Policy 2017-22	<ul style="list-style-type: none"><li>• <b>Production grant for game development</b></li><li>• <b>Patent Registration Incentive</b></li><li>• <b>International Marketing Incentive</b></li><li>• <b>PF/ESI Incentive</b></li></ul>

## KARNATAKA CYBER SECURITY POLICY 2021-26

## KARNATAKA SKILL DEVELOPMENT POLICY 2017-30

# Government of Karnataka Policy Pack (3/4)

- Incentives provided under other policies and schemes:

Sr. No.	Policy	Unique Incentives
1.	Credit & Finance Assistance Schemes	<ul style="list-style-type: none"><li>• <b>Prime Minister's Employment Generation Program (PMEGP):</b> Project costing above 10 lakh in manufacturing and above 5 lakh in services</li><li>• <b>Credit Linked Capital Subsidy Scheme for Technology Upgradation (CLSS):</b> Any MSME having a valid Udyam registration and availing institutional credit to buy new plant and machinery approved under the scheme</li><li>• <b>Credit Guarantee Fund Trust for Micro &amp; Small Enterprises (CGTMSE):</b> New as well as existing Micro &amp; Small enterprises. Guarantee coverage ranges from 85% to 75%. 50% coverage is for retail activity</li></ul>
2.	Infrastructure Support Schemes	<ul style="list-style-type: none"><li>• Scheme of Fund for registration of traditional industries (SFURTI)</li><li>• A Scheme for Promotion of Innovation of Rural Industry and Entrepreneurship (ASPIRE)</li><li>• Micro &amp; Small Enterprises- Cluster Development Program (MSE-CDP)</li></ul>
3.	Tech-Upgradation Schemes	<ul style="list-style-type: none"><li>• Digital MSME Scheme</li><li>• IPR Related Schemes</li></ul>
4.	Procurement & Marketing Support Schemes	<ul style="list-style-type: none"><li>• Government E-Marketplace (GeM)</li></ul>

# Government of Karnataka Policy Pack (4/4)

- **Special incentives for the ESDM cluster:**

Sr. No.	Incentive head	Quantum proposed
1.	<b>Capital Investment Subsidy</b>	<b>25% on Land</b> only in areas other than Bengaluru Urban and Bengaluru Rural districts up to an extent of 50 acres on actual procurement cost. 20% on Plant & Machinery
2.	<b>Reimbursement of Stamp Duty and Registration Charges</b>	<b>100%</b>
3.	<b>Reimbursement of Land Conversion Fee</b>	<b>100%</b>
4.	<b>Power tariff reimbursement</b>	<b>INR 1.00 per unit for 5 years</b> from the month of commencement of commercial production
5.	<b>Exemption from Electricity Duty</b>	<b>100% for 5 years</b> from the month of commencement of commercial production
6.	<b>Production Linked Incentive (for new investments and expansions)</b>	<b>1.00% of annual turnover for a period of 5 years</b> , starting from the first year of commercial operations

**No upper limits on any individual element, unlike other states; Subsidies can be availed upto 100% of value of fixed assets**

# Policy Enablers – IT Policy 2020

#	Category of Incentive/ Offering	Incentive/ Offering
1.	Rental Reimbursement	Reimbursement at the rate of INR 10/- persq. ft. will be provided for IT/ITeS entities setup outside Zone 3 up to a maximum amount of INR 3 lakhs overall, and that of INR 1000/- per-seat.
2.	IT Hubs/ Clusters	Financial support of upto 20% of Fixed Investment for Infrastructure (excluding the cost of land), subject to a ceiling of INR 3 Crores, whichever is lower. This shall be applicable for a minimum occupancy rate of 60% by IT/ ITeS entities (applicable in case of IT Hub/Cluster space being occupied by IT/ITeS entities) or for a minimum employment generation of 500 in the IT/ITeS industry.
3.	Co-Working Spaces/ Plug & Play Infrastructure	Financial support of upto 33% of the Fixed Investment for Infrastructure (excluding the cost of land), with a ceiling of INR 2 Crores, whichever is lower. This shall be applicable for a minimum built-up area of the co-working space being 15000 sq. ft. and a minimum occupancy rate of 60% by IT/ ITeS entities or for a minimum occupancy by 300 professionals in the IT/ITeS industry .
4.	Stamp Duty Exemption	IT/ ITeS Entities shall be entitled to an exemption of 75% in Mysuru, Hubballi, Dharwad and Mangaluru, and 100% for all other Zones except Zone 3 as per the prevailing Karnataka Industrial Policy.
5.	PF/ ESI Reimbursement	For all IT/ITeS entities outside Zone 3, at the rate of INR 2000 per employee per month for 2 years for all new employment(only applicable for technical manpower) created.
6.	Power Tariff Concession	Commercial Power Tariff for IT/ ITeS industry in the State.

# Policy Enablers – IT Policy 2020

#	Category of Incentive/ Offering	Incentive/ Offering
7.	Single Window Agency	Karnataka Udyog Mitra (KUM), Department of Commerce & Industries acts as the Single Window Agency for clearance of IT/ ITeS proposals.
8.	Quality Certification Reimbursement	50% reimbursement of cost of quality certification fee with an overall ceiling of INR 6 Lakhs (with maximum of 3 industry standard quality certifications) for IT/ ITeS Entities, setup outside Zone 3.
9.	Marketing Cost Reimbursement	30% of actual cost incurred including travel for international marketing through trade show/exhibition participation, up to INR 5 lakhs per entity for IT/ ITeS Entities.
10.	Patents Cost Reimbursement	Up to INR 2 lakh for domestic patents and up to INR 10 lakhs for international patents.
11.	R&D Support	For R&D projects driven by domestic IT/ITeS entities (not applicable to Indian subsidiaries of foreign entities) in the domain of emerging and 5G technologies, matching grants (in collaboration with industry) of up to a maximum of 33% of the total project R&D cost, or up to INR 1 crore, whichever is lower.

# Policy Enablers – IT Policy 2020

Offering	Karnataka – Unique/ Best in class
IT Hubs/ Clusters	Best in class
Co-working spaces/ plug and play infrastructure	Unique – Designed to facilitate firm’s working experience
Lease/ Rental Reimbursement	Best in class
Mega Enterprises	Best in class
Exemption on Stamp Duty	Best in class
Global Alliances	Offers best in class platforms to new partnerships
PF/ ESI Reimbursement	A novel initiative towards bringing down the Op-Ex
Marketing Cost Reimbursement	Unique offering of Government of Karnataka
R&D Support	Best in class
Regulatory Sandbox Enablement	Unique – in the lines of global economies benchmarked for best practices of doing business
Virtual Incubation & Mentorship	Unique – to promote entrepreneurship from anywhere in the State of Karnataka

**Unique Offerings:** Offered uniquely by Karnataka and not by the competing States; **Best in class Offerings:** Quantum/ Type/ Mode of offering by Karnataka is different from that offered by the competing States.



# Women Entrepreneurship (1/2)

- To support women entrepreneurs in the State, a program called Elevate Women Entrepreneurship (Elevate WomEN) was announced in the budget presented in 2021 with an outlay of **Rupees five crore**.

## Major Programs under Elevate WomEN :

**Acceleration Program:** Dedicated program will aim to accelerate existing startups that are at the growth and scale-up stage. This would be a 6-month long program for selected 10- 15 startups.

**Budget: 40 lakh/cohort** as grant-in-aid including 10 lakh for demo day award

**Selected Accelerators:** Deshpande Startups, The GAIN, BBC, DERBI

### **Incubation Program:**

To support early-stage women entrepreneurs in Tier 2 and 3 cities to transform their idea into a business. This will be a 3-6-month program for selected 15-20 startups.

**Selected Incubators:** CWE, GINSERV, Jain University Incubator

### **Incubation Program:**

A web portal to provide information and services hosted by Dept. of EI, IT, BT&ST and other partner agencies. This online portal will serve as the primary mode of engagement with women entrepreneurs across state

- Around **100** women-led startups will be accelerated/incubated in year 1 of the program

# Women Entrepreneurship (2/2)

## Vridhhi Scheme

- Karnataka Innovation and Technology Society (KITS) in association with Karnataka State Women Development Corporation (KSWDC) launched Vridhhi Scheme. This scheme was announced in state budget of FY 2022-23.
- Under this scheme KSDWC will be providing loan assistance of INR. 5 to 10 lakhs at 4% interest rate to be repaid in 60 installments.
- The applicants must be Idea2PoC calls/Elevate (2016-2021)/ Amrita Startups 2021 winners or runners-up with the minimum viable product (MVP).

### ELIGIBILITY CRITERIA

1. Should be an entity (Pvt. Ltd/ OPC/ LLP/ Partnership Firms) Registered or incorporated in Karnataka. (private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008).
2. Total revenue generated in terms of turnover from the date of incorporation should be less than INR 100 Crore.
3. Startups should not have crossed 10 years from the DATE of INCORPORATION/ REGISTRATION Certificate as of 26th August 2022.
4. Must be Idea2PoC calls/Elevate (2016-2021)/ Amrita Startups 2021 winners or runners-up.
5. The product should be a minimum viable product (MVP) with standard results and information from the competent authority.
6. Must have grown during the last three years at an annual rate of up to 20%— either in number of employees or in turnover (billing).
7. At least one director (s) / partner (s) should be a female entrepreneur with substantial shares in the company / office.

### TERMS & CONDITIONS

- Applications will be initially screened for eligibility as per Karnataka Startup Policy 2015-20 and Data Sufficiency by Startup Cell, KITS. The shortlisted applications will be evaluated by independent jury members.
- The following parameters will be considered for evaluation
  1. Concept/Technology
  2. Ability to demonstrate Proof of Technology/PoC
  3. Business Potential
  4. Team strength
  5. Unique selling proposition
  6. Funds raised
  7. Pre Orders
  8. Demonstrated Prototypes
  9. Product Competitiveness in the market
  10. Available Products/ process in the market
- After six months of issuance of the loan, the loan will have to be repaid in 60 equal instalments including the annual interest rate of 4%.



## KDEM (Karnataka Digital Economy Mission)

Government of Karnataka has established Karnataka Digital Economy Mission (KDEM), a Section 8 company to function as the knowledge bridge between the Government of Karnataka (GoK) and industry with a view of accelerating the growth and investments of the IT, BT and S&T sectors in Karnataka.

KDEM's vision is to develop select identified clusters in the state by developing a product and facilitating an entire ecosystem around it.

### KDEM Leadership



**Mr. B V Naidu,**  
Chairman-KDEM

Mr. BV Naidu brings in 30 years of experience as an entrepreneur, mentor and Indian IT growth facilitator. He had played a seminal role for the growth of the IT Industry of India in his capacity as Director of Software Technology Parks of India (STPI).

He has facilitated the growth of the software exports from less than \$8 million with 13 companies in 1991 to \$12.0 billion from more than 1800 companies in Bangalore by 2007. Apart from StartupXseed he is also an IC member on KITVEN Fund. He has founded and/or helmed many organizations as well as Policy groups like IESA, Vision Group, Invest Karnataka, Karnataka Knowledge Commission, Karnataka ICT group and many others to catalyse the growth of Industry in India.



**Dr. E.V. Ramana Reddy**  
Co-Chairman-KDEM

Dr. E.V. Ramana Reddy is an Indian Administrative Service Officer of 1988 batch. He has 30 years of experience across diverse portfolios such as Agriculture, Revenue Administration, Commerce & Industries, Rural Development & Panchayat Raj, Education, Health & Family Welfare, Information Technology & Biotechnology, Space applications, Personnel & General Administration, and Housing.

He has also served as ACS to Hon'ble Chief Minister of Karnataka. As first Director of Department of IT & BT, he spearheaded Asia's biggest tradeshows Bangaloreit.Com and BangaloreBio, for three consecutive years, from 2000 to 2003. He was also an integral part of formulation and implementation of pioneering strategies and policies such as Millennium IT Policy.



**Mr. Sanjeev Kumar Gupta, CEO-KDEM**

Mr. Sanjeev Gupta brings in 25 years of experience and has set up, led and transformed large organizations during his career. Starting his career as Asst Professor with University of Delhi, he later joined GOI as bureaucrat (1998 ISS topper) and served for more than a decade. He served as senior executive in IBM and transition its leadership in Indian Business. He was MD of Accenture handling India & South Asia business covering consulting, technology, operations and digital for Health and Public Service.

He also served as the Country General Manager for Microsoft India to grow India public sector business. He is MD & CEO, Lahari to provide World class electronics testing services for the Industry.

# About US

## Our Associations



## Our Partners



## Reach Us At

**Karnataka Digital Economy Mission**  
KEONICS – K-WINGS, 27th Main Rd, 1st Sector, HSR  
Layout (behind HSR Police Station), Bengaluru 560102  
[admin@karnatakadigital.in](mailto:admin@karnatakadigital.in)

**Our Website:** [www.karnatakadigital.in](http://www.karnatakadigital.in)

**For Queries related to Policy, please reach out to**  
[pm.bb@karnatakadigital.in](mailto:pm.bb@karnatakadigital.in)