



HANDBOOK ON DIGITAL ECONOMY POLICIES, PROGRAMS & INCENTIVES IN KARNATAKA

- Karnataka Digital Economy Mission

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Introduction to Karnataka - Business Ecosystem in the State

Karnataka is the bright spot in the developmental story of India. It epitomizes the best of many worlds. Karnataka is a land of ancient heritage, scenic beauty, thriving wildlife and rich culture. It is also a land of innovation, industry and a rich talent pool.

Home to the Silicon Valley of India, it is a leader in sectors such as IT & ITeS, Machine Tools, Aerospace & Defence, ESDM, Biotechnology, R&D, and Engineering Design. From Silk to Precision Manufacturing, the State covers the entire tapestry of industry. As a result, it has emerged as an An important link in the global supply chain.

Karnataka is a State that is widely recognized as having significant potential, thanks to its large population and favorable business environment. Over the past few years, the country has established itself as a leader in technology services, with a significant number of unicorns, or privately held startups valued at over \$1 billion, based in Bengaluru. This city has been named as one of the top 10 technology innovation hubs outside of Silicon Valley and is known for its favorable landscape for developing disruptive technologies.

The state of Karnataka, where Bengaluru is located, is home to the world's fourth-largest technology and innovation cluster, with over 400 global research and development centers. The government of Karnataka has implemented a range of policies and incentives that are aimed at supporting innovation and helping businesses succeed. These include rental reimbursement, recruitment assistance, and support for quality certifications and patents. These measures are designed to reduce operational costs for companies and allow them to focus on enhancing innovation to compete on a global stage.

One area where India has particularly excelled is in the field of global in-house centers (GCCs). These centers are established by companies in order to take advantage of the country's skilled workforce, which is available at competitive pricing. In addition, the government of Karnataka has provided ongoing support to businesses, including startups, which has helped to create a thriving ecosystem for entrepreneurship.

Among Indian cities, Bengaluru has the largest market share of GCCs, with 34% of the total. It is also home to 37% of India's GCC talent pool, making it the destination of choice for platform engineering GCCs. The combination of an attractive workforce, competitive pricing and supportive government policies have all contributed to India's position as the preferred destination for establishing GCCs.

Overall, Karnataka has a lot to offer for businesses looking to set up operations in the country. Its large and skilled population, favourable business environment and supportive new government policies make it an attractive location for businesses seeking to expand or establish new operations. With its strong focus on innovation and its thriving startup ecosystem, Karnataka is well-positioned to continue to play a leading role in the global technology industry.

As per the economic overview of Karnataka, there is \$268 billion in GSDP with a projected growth rate of 9.5%. Karnataka ranks first in India for attracting FDI (40+%), first in IT and ITeS exports, and first in total exports across all states.

Karnataka ranks first in the India Innovation Index, has the country's largest R&D hub, is home to 400 out of the Fortune 500 companies, ranks first in ESDM, Aerospace & Defense and Machine Tool Manufacturing and ranks first in Biotech Production & Exports. It also has a pleasant climate and cosmopolitan culture. Karnataka has the highest number of engineering colleges, ITIs, and polytechnics.

Karnataka has the most efficient industrial corridors, Quality Education, Skilled Manpower, Knowledge Hub, Policy-Driven, Ease of Doing Business Lifestyle and Entertainment Auto, Auto Components, and Electric Vehicles, and Medical Devices Agri and Food Processing, Textiles and Apparel, Steel Industry, Energy Sector, Tourism and Wellness, and Industrial Cluster Development Programme.

Introduction to the Dept. Industries and Commerce, GoK.

The Department of Industries and Commerce acts as a catalyst for the overall development of the industrial sector through the effective discharge of developmental and facilitation roles. With a view to promote investment and trade, the Department formulates and implements the Policies of the State, Identification of Sectoral Advantages of the State and Human resource development for sustainable and growth-oriented industrialization has been a crucial role of the Department. Facilitating the take-off of infrastructure projects that boost the industrial growth has also been the Department's forte. The Department helps enhance the competitiveness of domestic industry through modernization, technology upgradation and adoption of best practices. It also provides a forum for entrepreneurs and industrialists through their associations to represent their needs to the Government, which translates into Policies of the State.

Some of the crucial infrastructure projects facilitated by the Department include Growth Centers across the State, Export Promotion Industrial Parks, International Technology Park Ltd., Electronic City, Food and Agro-technology parks, Agro-Export zones, Special Economic Zones, Bengaluru International Airport, etc.

The Department is able to reach out to the small businesses as well as Industrial Houses through a great degree of decentralization within the organizational structure. The Department functions through the Districts Industries Centers, various Boards & Corporations and Special purpose vehicles. The implementation of Policies of the Government is done through various schemes and the implementation of these schemes are decentralized for faster delivery of services.

The Department has established the Single Window Mechanism for faster, single-point clearances to be given to projects seeking infrastructure facilities/incentives/concessions and help in establishing industries and businesses in Karnataka. Karnataka Udyog Mitra is the nodal agency under the Single window setup.

There are several Self-employment generation schemes formulated by the State and Central Governments from time to time and are being implemented.

01. Introduction to Karnataka Digital Economy Mission (KDEM)

The Karnataka Digital Economy Mission (KDEM), a section 8 organization which is a unique initiative of the Government of Karnataka and the industry to function as the knowledge bridge to become the digital economic accelerator wherein the industry takes the leadership role to determine the strategy for the growth of the digital economy in the State and on the other hand, the Government provides the entire support mechanism to run the strategy. This strategy is aimed at contributing to 300 billion Dollar Digital economy on the Hon'ble Prime Minister's vision of a 1 trillion Dollar Digital Economy.

Steering towards getting investments and generating employment in the State, KDEM works with a community of stakeholders including industry leaders, government agencies, academia and entrepreneurs. In this digital economy, we are focussing on growing the IT/ITeS GCC companies, growing electronic and system design manufacturing (ESDM) in the State and start-ups and innovation in the industry.

Apart from the industry anchors, another unique initiative is to define the product of each cluster. The product comprises of the ecosystem of the industry, talent availability and talent supply, start-up and innovation ecosystem, policy benefits of Govt. of Karnataka in specific to the region and the various initiatives that KDEM and the industry are putting together in that region and highlights on the other initiatives such as ease of doing business, social infrastructure, physical infrastructure to name a few that covers the definition of the product. The Mission has simulated the P&L for a company if they set up operations in clusters, the impact is at least 20-25% on the bottom line.

Core Objective of KDEM:

- Support technology investments in Karnataka
- Support the Department of IT / BT, S&T
- Help structure promotional efforts abroad
- Help position Karnataka well with technology-sector-specific investment reports
- Sponsor and organize research to uncover technology opportunities
- Provide feedback to government departments on the policy initiatives needed to attract further investments
- Act as a bridge between government and industry
- Build a comprehensive Vision Document with strategy and roadmap directions
- To build Brand Karnataka and enhance our leadership position across segments

KDEM will help guide growth and investments in 5 core sectors. An advocacy council will be set up for each vertical which will guide the management in its goals. A vision document will help provide the strategy for each vertical along with implementation roadmaps. KDEM will also facilitate the execution of short-term and long-term projects. The focus will be to achieve annual goals, increase investment flow and align existing activities within the overall KDEM Goals without conflicting with KITS (Karnataka Innovation and Technology Society (KITS) Department of Electronics, IT, BT and S&T, Government of Karnataka) policy implementation framework.

KDEM: Key Milestones Achieved

- 18 MoUs entered in the year 2021-22
- Activated 15 startups in Bay Area for Start-up Silicon Valley bridge
- Nava sutra strategy developed by the talent accelerator vertical for the state of Karnataka
- Onboarding of Infosys Springboard, NASSCOM Future, Digital Skills Prime, ISAC – Cyber Security, ABAI AVGC Skilling platforms
- Became part of 3 pre-BTS events conducted in the year 2021 at the 3 Beyond Bengaluru clusters of Mysuru, Hubballi and Mangaluru
- Part of Smadja and Smadja India Global Innovation Summit – 2022
- Recognized as the “Economic Times Best Tech Brands – 2022”
- Enabled 18 new ESDM companies to set up operations in Karnataka
- Facilitated the investment of Tecchern Batteries Pvt. Ltd. Worth INR 1,000 crores+ in Mysuru for setting up Li Ion battery plant employing about 400+ people.
- Contributed towards the study of potential job demand estimation of white-collared and blue collared gig workers in Karnataka
- Beyond Bengaluru mission has achieved setting up 25 companies in the last year since KDEM was launched which is ~2 companies per month basis in these clusters

1.1 IT-ITES, BPM & GCC Vertical

Core Objective:

- Attract at least 200 new-age global companies in IT & BPM, ER&D, Software products
- Grow the Software Products revenue by 10X in the next 8 years.
- Create additional 1 Mn direct and Indirect jobs in the next 5 years.
- Make Karnataka the most favoured Engineering and Research and Development destination.
- Support Domestic and International Outreach & Partnership Development

1.2 ESDM Vertical

Core Objective:

- Support Investment Promotion Programme for ESDM Design Centres.
- Support ESDM Policy facilitation.
- Facilitate plan to develop “Semiconductor Technology Park”.
- Enable 50+ ESDM Product companies.

1.3 Start-up & Innovation Vertical

Core Objective:

- Support Start-up Policy Facilitation
- Support Innovation framework through CoE, TBIs, NAINs and CIFs; support Industry connect & Enterprise connect programmes for Start-ups.
- Design and Implement Digital research Hub.
- Provide implementation support for Karnataka Investment Authority (KIA)
- Support ELEVATE companies through effective mentoring & acceleration programs.

1.4 Talent Accelerator Vertical

Core Objective:

- Accelerate & Transform Karnataka as the global hub for talent in the new, emerging technologies.
- Develop Academic- Industry partnership to boost R&D
- Develop Industry ready skills program at various levels
- Mission 2025-Educate/ Skill 2 million people in the new emerging technologies including job earning skills

1.5 Beyond Bengaluru Vertical

The Beyond Bengaluru Mission initiated by Government of Karnataka and anchored by KDEM is spearheading the objective of proliferating the growth of digital economy in clusters Beyond Bengaluru in line with the Hon'ble PM vision of. Uniform growth across the country. The Objective is to achieve USD 10B export of IT Services by 2030.

Beyond Bengaluru is a separate mission of KDEM wherein KDEM is focussing on creating a uniform growth story in the State, for which we have identified the 6 emerging tech clusters – Mysuru, Mangaluru and Hubballi and upcoming 3 new clusters at Shivamogga, Kalaburagi and Tumakuru. Under this mission, local industry champions take the ownership of driving the mission objectives so these local industry players and the partnership with the big companies are playing an important role in determining the strategy of that region. One such example is Spoke-shore Strategy where a hub of a company can be anywhere but spoke can be in the Clusters. Nearly 300+ startups from emerging clusters like Mangalore, Mysuru and Hubballi-Dharwad-Belagavi are already part of this grid. At least 10,000 start-ups from these clusters by 2030.

Core Objective:

- Promote Emerging Technology Clusters “Beyond Bengaluru”
- Increase the Demand from IT/GCC/ESDM to spread these clusters.
- Increase the Talent availability at these clusters through special programmes.
- Support for the effective implementation of “Beyond Bengaluru Programme”

02. Government of Karnataka – Incentives and Offerings under various policies

2.1 IT Policy 2020-2025

Key Incentives and offerings:

a. Creation of Information Technology 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.

b. Co-working Spaces/ Plug and 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

c. Lease/Rental Re-imburement: Reimbursement at the rate of INR 10/- per sq. 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 to IT-ITeS

d. Exemption on stamp duty: 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

e. Power tariff concession: instead of Commercial Power Tariff for IT/ ITeS industry in the State

f. Quality certificate cost 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.

g. 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,

h. Reimbursements on PF/ESI: Reimbursement of PF/ESI 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.

i. Patents cost re-imburement: Up to INR 2 lakh for domestic patents and up to INR 10 lakhs for international patents.

j. 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.

k. Single Window Agency: GoK has authorized Karnataka Udyog Mitra (KUM), Department of Commerce & Industries to act as the Single Window Agency for clearance of IT/ ITeS proposals.

2.2 ESDM Policy 2017-2022

Key Incentives and offerings:

In order to avail the policy incentives, the ESDM company must be registered with KITS as a KESDM company.

a. Patent Registration Incentive: Registered KESDM companies will be reimbursed the actual costs, up to a maximum of INR 2 Lac for filing a domestic patent; and up to a maximum of INR 10 Lacs for filing an international patent.

b. International Marketing Incentive: Govt. of Karnataka will provide reimbursements of 50% of the actual cost incurred in trade show participation and marketing events.

c. R&D Grant: The R&D grant will be available to only those companies that are less than 7 years old (from the date of incorporation). For startups and MSMEs, the available Grant (as percentage of expenses) is 25%, while for large & mega enterprises the available Grant (as percentage of expenses) is 10%

d. Capital Subsidy: The Govt. of Karnataka will provide up to 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.

e. Reimbursement of Quality Certification Costs: Registered KESDM Startups and MSMEs will be eligible for reimbursement of up to 50% of testing/certification charges incurred for getting the products tested/certified from any lab domestic/abroad

f. Reimbursement of Prototyping Cost: reimbursement of 50% of the cost incurred for developing a prototype of a product. This will be subject to an upper limit of INR 10 Lacs per year, with an allowance of a maximum of 2 sanctions per year per company

g. PF / ESI Incentive: Registered KESDM Startups & MSMEs will be reimbursed Provident Fund (PF) or Employee's State Insurance (ESI) of INR 2,000 per employee per month for two years subject to a total reimbursement of up to INR 12 Lacs.

h. Interest Subsidy: Interest subsidy of up to 6% per annum on term loans for a period of five years for loans of up to INR 50 Lacs

i. Exemption from Stamp Duty: 100% in case of startups and MSMEs and 75% in case of large and mega enterprises

j. Reimbursement of Land Conversion Fee: 75% in case of startups and MSMEs and 50% in case of large and mega enterprises

k. Concessional Registration Charges: concessional rate of INR 1 per INR 1000 on registration charges for all loan documents, lease deeds and sale deeds.

l. Power Tariff Concession: Industrial Power Tariff (instead of commercial power tariff) will be applicable to registered KESDM companies to set up in Karnataka and other associated industries within the state.

m. Subsidy for setting up ETP: An upper limit of INR 50 lakhs in case of startups and MSMEs and INR 1 crore in case of large and mega enterprises

2.3 Startup Policy 2022-2027

Key Incentives and offerings:

a. Encouraging Entrepreneurship in Education through New Age Incubation Network (NAIN): which covers at least 50 academic institutions by provisioning grants for supporting operational expenses in their incubator e.g., salaries of regional coordinators, mentoring programs, networking meetings, conducting Hackathons, etc., providing annual financial support for projects for up to Rs. 3 lakhs per project, undertaking training and capacity building for faculty and students.

b. Fostering strong partnerships between R&D institutions and Industry: To encourage research activities Beyond Bengaluru, Government will assist in setting up 6 TBIs in IT/Electronics and 3 TBIs in Biotechnology, with a funding support of upto INR 10 Crore per TBI for over a period of 5 years. The TBIs shall forge a strong link between R&D and the commercialization of technologies in Academic/Technical/ R&D Institutions. TBIs in emerging areas like Additive Manufacturing, AI/ML, Digital Twin Technology, Language Technologies, Computer Vision, AR/VR, Blockchain, Quantum Technologies and Web 3.0, Clean Energy Solutions, Agriculture and allied fields, Education; etc. would be promoted. Funding support and assistance will be provided towards the operational expenditure of the TBI on a case-to-case basis.

c. Funding for Startups: Funding will be in the form of Idea2PoC Grant-in-aid limited to a one-time grant of up to Rs. 50 lakhs to be released in tranches based on the life cycle of the business plan. The Government will provide funding through a Venture Capital Fund of INR 100 Crores to support emerging innovative and deep tech startups in Artificial Intelligence, Machine Learning, Electric Vehicles, MedTech, Robotics, Drones, and other such disruptive technologies across all sectors. To support growth-stage startups established outside Bengaluru Urban District, Government will provide funding support through Beyond Bengaluru Cluster Seed Fund, dedicated to the emerging technology clusters i.e., Mysuru, Hubballi and Mangalore which will enable the scaling up of the startups.

d. Supporting Mentorship and Creation of Incubation and Acceleration Infrastructure: One-time capital grant of max. 50% or INR 50 Lakhs (whichever is less) for Fixed Cost Investment (excluding land & building) will be provided for setting up incubators in emerging technology clusters Beyond Bengaluru. The government will augment the capacity of the established incubation centers located outside Bengaluru Urban District by providing a one-time capital grant of 50% of Fixed Cost Investment (excluding land & building), with a ceiling of INR 25 Lakhs, whichever is lower, for scaling up infrastructure such as upgradation/expansion of workstations, interiors, labs, etc. of the facility.

E. Building Inclusive & Equitable Startup Ecosystem: To nurture and accelerate the growth of women entrepreneurs in the State, with the following initiatives:

- Exclusive Idea2PoC/ Seed funding program for women entrepreneurs from Beyond Bengaluru Earmarking 25% of the INR 100 Crore venture capital fund to women startups
- Accelerate women startups through Elevate Women - 'Acceleration and Incubation Programme'
- Reservation of 20% seats at Government supported incubators for women startups
- Direct loan of up to INR 10 Lakh through Karnataka State Women Development Corporation to women startups

Social Inclusion has been an integral theme of the Startup policy. Entrepreneurs spread across geographies and from different sections of society are being Karnataka Startup Policy 2022-2027 actively supported over the years, and the Government intends to carry forward this vision through the following initiatives:

- The State Government will facilitate setting up a Centre of Excellence for Assistive Technology (AT) with a grant/funding support of INR 15 Crore to develop innovative products and solutions for Differently abled community and senior citizens, in collaboration with the Department of Empowerment of Differently Abled and Senior Citizens, academia, and industry partners.
- Elevate-Unnati will be conducted by Government for supporting startups promoted by SC/ST entrepreneurs
- Dedicated programmes to assist startups founded by entrepreneurs from different sections of society like OBC and Minority category
- Identify, support and nurture startups from aspirational districts of the Kalyan Karnataka region
- Organize capacity-building programs for the Transgender community and Differently Abled Entrepreneurs to foster their ideas

f. Fostering Social and Rural Entrepreneurship: The government intends to establish Rural Innovation Centre with the funding support of upto INR 15 Crore at a government academic institution set up Beyond Bengaluru, and by partnering with local ecosystem players like incubators/ accelerators/ premier academic institutes. The objective of the Centre is to strengthen the regional entrepreneurial ecosystem to accelerate the growth of grassroots and rural startups. Subsidy of upto INR 1 Lakh as internship fees per startup for hiring a maximum 3 interns from Beyond Bengaluru for period of minimum of 6 months for about 50 Startups annually. This can be availed once during the policy period.

g. Channelizing Innovation for Social Impact: Grand Challenges Karnataka (GCK) – Innovative solutions for social impact Each year 3 challenges will be announced in collaboration and funding support of different Government Departments/Corporates. The winners will be awarded an initial grant of INR 10 Lakhs to test and demonstrate the solution and a follow-on funding of INR 50 Lakhs for deployment of solution.

To support ambitious efforts to achieve a sustainable society and to stimulate transition towards Circular Economy, a consortium of concerned State Government Departments, led by Department of Electronics, IT, BT, and S&T, shall be constituted to identify, and implement suitable interventions with Funding support of upto INR 5 Crore shall be allocated by the Government.

Government will setup a dedicated Resource Centre to encourage and support Circular Economy Innovation startups with a funding support of upto INR 50 lakhs during the policy period.

Government will conduct acceleration program with a funding support of INR 40 lakhs/Cohort annually to support startups working on products/services that align to Sustainable Development Goals (SDGs) including Renewable Energy / Sustainability / Climate Change/ Circular Economy.

h. Providing State support in the form of incentives & concessions:

- Reimbursement of State GST - Beyond Bengaluru Startups, incubated in GoK supported incubators and CIFs with a maximum annual turnover of INR 1 Crore shall be eligible for 100% reimbursement of annual State GST (SGST), within first three years of being incubated.

- Marketing Cost Reimbursement - Government shall provide reimbursements of 30% of the actual costs including travel incurred in international marketing through trade show participation. This incentive will be subject to a maximum of INR 5 Lakhs per year per startup.
- Patents Filing Cost Reimbursement –
 - i.The cost of filing and prosecution of patent application will be reimbursed to the startups incubated in GoK supported incubators and CIFs subject to a limit of INR 2 Lakhs per Indian patent awarded. For awarded foreign patents on a single subject matter, upto INR 10 Lakh would be reimbursed.
 - ii.The reimbursement will be done in 2 stages, i.e., 75% after the patent is filed and the balance 25% after the patent is granted.
- Quality Certification Cost 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 startup outside Bengaluru Urban District

2.4 Engineering Research & Development (ER & D) Policy 2021-2026

Key Incentives and offerings:

a. Rental Reimbursement (applicable for Engineering R&D Entities (GCCs)): GoK will provide reimbursement of 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 in Engineering R&D beyond Bengaluru Urban District.

b. Recruitment Assistance: GoK will provide recruitment assistance of INR 20 lakhs to an MNC Indian entity setting up or expanding operations, beyond Bengaluru Urban District. Only one application per entity will be allowed during the policy period.

c. Investment Subsidy: GoK will provide an investment subsidy equal to 20% of investment, up to INR 2 crores, to an MNC Indian entity setting up or expanding GCCs in Engineering R&D, beyond Bengaluru Urban District.

d. Case to Case Basis Offerings across the State: For applicant with investment size of INR 250 crores and above during the policy period or applicant providing employment of greater than or equal to 3000 people.

e. Engineering R&D Fund to support Technological Innovation: GoK will provide a conditional grant up to 40% of the approved R&D expenditures, up to INR 8 crores per entity for entities that focus on development of innovative offerings that leverage cutting-edge technologies (e.g. IoT, AI/ML, AR/VR, Blockchain, Robotics, Digital twin, Predictive/advance Analytics, Advanced Manufacturing, etc.)

f. R&D Infrastructure Program to create and strengthen the testing and prototyping infrastructure: provisioning a grant for the establishment of testing and prototyping infrastructure, as a consortium/ joint activity of a group of GCCs & ESPs, anchored by KDEM. GoK will provide a grant of up to 40% of the approved budget or INR 50 crores, whichever is lower (for 3 units located in 3 distinct locations beyond Bengaluru Urban District).

g. Innovation Labs Program to encourage open innovation: The Innovation Labs Program seeks to setup corporate-led Engineering R&D incubators/ accelerators, as standalone units by GCCs & ESPs. located across Beyond Bengaluru Urban District, across priority sectors of the policy. GoK will provide a funding equivalent to 33% of the costs, up to INR 8 crores per entity for establishment of innovation labs beyond Bengaluru Urban District.

2.5 AVGC Policy 2017-2022

Key Incentives and offerings:

The maximum amount reimbursed to a single company under various incentives would be capped at INR 5 Crores for a single year and INR 15 Crores during the policy period.

- Production grant for game development - INR 20 Lakhs, Maximum of INR 30 Lakhs per year per company.
- Production Grant for Animation Movies: Support up to INR 1Crore.
- Patent Registration Incentive - INR 2 Lacs for domestic; INR 10 Lacs for International. 75% given when patent is filed, rest 25% when it is granted.
- International Marketing Incentive - INR 5 Lacs per year, to be claimed within 6 months of making the expense.
- PF/ESI Incentive – Support up to INR 12 Lacs, only for the Companies who are less than 2 years old.
- International Productions – PDV:
 - a. mid-sized productions up to INR 2 crores, which is 3 per year. Maximum reimbursement of INR 5 crores for a single company in a year.
 - b. Big-sized productions up to INR 3.75 crores, which is 3 per year. Maximum reimbursement of INR 5 crores for a single company in a year.
- International Productions – Game Art development:
 - a. mid-sized projects up to INR 75 Lakhs, which is 3 per year. Maximum reimbursement of INR 2.5 crores for a single company in a year.
 - b. Big-sized projects up to INR 1.5 Crores, which is 3 per year. Maximum reimbursement of INR 2.5 crores for a single company in a year.

2.6 Data Centre Policy 2022-2027

Key Incentives and offerings:

a. Capital Subsidy: Data Centre Units shall be eligible to get one-time 7% capital subsidy up to INR 10CR on value of fixed assets excluding land and building, outside Bengaluru urban district. The same shall be disbursed within 5 years with an annual ceiling of INR 2 Crores.

b. Land Subsidy: 10% land subsidy shall be provided to data centres on purchase/lease of land outside Bengaluru urban district. Land subsidy will be provided for land area up to and not exceeding 10 acres and on actual procurement cost if procured from KIADB or any other agencies of GoK. The subsidy for land procured from other sources will be as per the guidance value of land at the time of procurement. Cap on the maximum amount of land subsidy shall be limited to 10% of the total land cost or INR 3 crore, whichever is less.

c. Exemption of stamp Duty: 100% exemption on stamp duty, upto 10 acres for data centres outside Bengaluru Urban district.

d. Concessional Registration Charges: INR 1/- per INR 1000/- on registration charges for all loan documents, lease deeds and sale deeds for data centres outside Bengaluru Urban district.

e. Exemption of Land Conversion Fees: 100% exemption of land conversion fees for converting the land from agriculture use to industrial for data centres outside Bengaluru Urban district.

f. Power Tariff - Eligibility of Industrial Power Tariff instead of commercial power tariff for new and existing data centre entities in the state, as applicable for IT/ITe

g. S entities. This will be eligible for Data Centres who have a minimum of 30% green energy component in total power consumption.

h. Green Power Tariff Re-imburement: Data centres using energy from renewable sources above 50% will be re-imbursed INR 0.50 surcharge per unit for 5 years. Data centre entities shall be eligible for green power tariff re-imburement of upto 5MW, capped at INR 1.25 Crore. The same shall be disbursed within 5 years with an annual ceiling of INR 25 Lakhs.

i. Exemption from Electricity Duty: 100% for 5 years from the month of commencement of commercial operation.

2.7 Biotechnology Policy 2017-2022

Policy objectives:

a. Simplify administrative and clearance processes to create an enabling environment for the public and private sectors to invest across the biotech value chain

b. Conduct coordinated and integrated R&D

c. Leverage IT and other technology (ESDM / AVGC) capabilities of the state to encourage development of Bio-IT tools and solutions

d. Institute funding mechanisms and mentorship programs for biotech start-ups to stimulate innovations and discoveries

Policy incentives:

a. Anchor Unit Subsidy: Available for the first two manufacturing enterprises with a minimum employment of 50 – 100 members and a minimum green field investment of 50 Crores

b. Reimbursement of Costs for Preparation of Project Report: Refund of cost incurred for preparation of project report, up to a maximum of INR 1 Lakh

c. Power Tariff Concessions: A recommendation certificate from KBITS Department of IT BT and S&T to BESCO to help in power tariff concession.

d. Interest subsidy (6%) for Technology up-gradation for MSMEs for a loan of maximum of INR 50 Lakhs for 5 years

e. Standardization Certificate: Financial assistance of up to 50 % of the cost incurred in obtaining a standards certificate such as ISO / BIS / GLP /GMP / NABL (maximum of INR 5 Lakhs per case)

f. Patent Registration: Financial assistance towards the cost of filing and prosecution of patent application up to a limit of INR. 2 Lakhs per Indian Patent awarded; and for awarded international patents on a single subject matter up to INR 10 Lakhs.

g. Marketing Incentives: Reimbursement of 30% of the actual costs incurred for international marketing programs, subject to a maximum of INR 2 Lakhs per year per company

h. Development of a central web portal for facilitation and dissemination of information related to the state's biotech activities, led by KITS

03. Process for applying incentives and offerings.

3.1 Eligibility Criteria to Avail IT Policy 2020-2025:

To avail the policy incentives and concessions, an Entity must be registered with KITS, Dept of Electronics, IT, BT and S&T, Government of Karnataka as an IT/ITeS Entity.

The maximum amount reimbursed to a single entity under various incentives, excluding financial support extended be capped at INR 2Crores for a single year and INR 10Crores during the entire policy period. All the incentives, except patent reimbursement incentive, will be applicable from the date of registration of the IT/ITeS entity. For the Patent Reimbursement incentive, patent applications filed during the policy period will be considered.

1.1 Nature of Business:

The entity shall be engaged in one of the following businesses -

- Information Technology (IT) involving the development, maintenance, and use of computer systems, Hardware, software, and networks for the processing and distribution of data;
- IT Enabled Services covering the entire spectrum of operations which exploit information technology for improving efficiency of an organization.

1.2 Location:

The entity must have registered office in Karnataka as per the companies Act, 2013 or the Entity should be registered as per the Karnataka Shops & Commercial Establishment Act, 1961.

1.3 Employment:

The entity employs at least 50(fifty) percent of its total qualified workforce in Karnataka, which shall not include contract employees.

1.4 Timelines:

1. These timelines are applicable for the following Incentives and Offerings:

- a. Information Technology Hubs/Clusters
- b. Co-working Spaces/Plug and Play Infrastructure
- c. R&D Support

2. KITS shall submit its Report on the Application to the Approval Committee within 60 days from the receipt of the Application, for the selected Incentives and Offerings

3. The approval/rejection of the application shall be done within 45 days of the receipt of the Report by the Approval Committee

Any such timelines mentioned in this Operation Guidelines are subject to change due to the occurrence of any Force Majeure Event/occurrence of any other unavoidable circumstances that are beyond the control of the Department

1.5 Processing Fees

Registration Fee with KITS/Department

To avail incentives, concessions and subsidy under the Karnataka IT Policy 2020-2025 the applicant must be registered with KITS/Department. Applicants are required to submit registration application as per the process. Upon successful verification of the submitted application and the assessment of all the facts and information, Applicants will be required to make a one-time registration processing fees payment as per the table below:

Fees Structure for Registration/Provisional Registration Certificate with KITS/Department <i>Note: This fee is non- refundable</i>	
Details	Registration Fee
IT/ITeS Entities	Rs. 10,000/- + (18% GST)
Infrastructure Developer	Rs. 10,000/- + (18% GST)

Application Processing Fee for Availing Benefits Under Karnataka IT Policy 2020-25

To avail incentives, concessions and subsidy under the Karnataka IT Policy 2020-2025, applicants are required to make a one-time application processing fee payment, as per the table below:

One-Time Application Processing Fee for Availing Benefits under Karnataka IT Policy 2020-25 <i>Note: This fee is non- refundable</i>	
Incentive & Offerings	Application Processing Fee
1. IT Hubs/Clusters	Rs. 20,000/- + (18% GST)
2. Co-working Spaces/Plug and Play Infrastructure	
1.Lease/Rental Reimbursement	Rs. 10,000/- + (18% GST)
2.Exemption on Stamp Duty	
3.Power Tariff Concession	
4.Quality Certification Cost Reimbursement	
5.Marketing Cost Reimbursement	
6.Reimbursements of PF/ESI	
7.Patents Cost Reimbursement	
R&D Support	

Types of Permitted Businesses/Entity:

A Private Limited Company or a Public Limited Company (as per the Companies Act 1956/2013), a Registered Partnership Firm (under the Partnership Act, 1932) or Limited Liability Partnership (under the Limited Liability Partnership Act, 2008)

List of Documents Required:

Applicants shall submit their online application for registration with KITS/ Department along with the following documents as mentioned below:

1. Duly filled Application in the prescribed format as per the application form on the website.
2. Undertaking to be submitted by the Applicant in the prescribed format
3. Submit financial details

Existing entities

- i. Audited financial statements for the last one year of operations from the date of submission of the application
- ii. Annual Reports for the last one year from the date of submission of the application

Newly established entities

- i. Self – attested detailed project reports on the business that includes financial projections for the next three years

4. Copy of Certificate of Incorporation and Supporting Document

- i. If the Applicant is a Public/Private Company (under The Indian Companies Act, 1956/2013 and subsequent amendments)

- Copy of Certificate of Incorporation
- Copy of Memorandum of Association and Articles of Association

- ii. If the Applicant is a Partnership Firm or a Limited Liability Partnership (registered Partnership Firm under The Indian Partnership Act 1932 or Limited Liability Partnership Act 2008)

- Copy of Registration Certificate
- Copy of Partnership Deed

- iii. If the Applicant is a Proprietorship Firm

- Copy of Registration Certificate under applicable Shops and Establishment Act

5. Self-attested Copy of Rental Agreement/Lease deed agreement/Khata (In case the Applicant has more than one Unit, submit document for each, as applicable)

6. Passport sized photograph of the authorized signatory of the applicant

7. Self-attested copy of GST Registration Certificate

8. Self-attested copy of PAN Card

9. Self-attested copies of the Detailed Project Report and first sale invoice of products/services provided to support nature of IT/ITeS activities undertaken

Applicants who have successfully registered with KITS or the Department shall be qualified to apply online through the website, www.itbtst.karnataka.gov.in.

IT Policy Operation Guidelines: <https://itbtst.karnataka.gov.in/storage/pdf-files/IT%20Policy-OPG%202021.pdf>

3.2 Eligibility Criteria to Avail ESDM Policy 2020-2025:

Eligibility Criteria:

The following are the criteria which should be satisfied by the company for registering as an ESDM Company under the policy:

1. Nature of business:

The company or entity should be engaged in one of the following businesses:

- Manufacturing and or design of electronics products such as Telecom Systems / Mobiles / IT Systems and Hardware / Consumer Electronics / Medical Electronics / Avionics / Industrial Electronics / Defence & Strategic Electronics / Automotive Electronics / Information & Broadcasting Equipment / etc.
- Manufacturing of intermediates such as PCBs / semiconductors / chip components / ICs / components
- Electronics Manufacturing Services (EMS)
- Design / IP / Software services for electronics products
- Any other electronics verticals / products covered by the National Policy on Electronics (NPE) / National Manufacturing Policy (NPM) and related notifications, as issued by the Govt. of India from time to time.

2. Location:

The company or entity should be registered in Karnataka under the Karnataka Shops and Commercial Establishment Act, 1961.

3. Employment:

The company or entity employs at least 50 percent of its total workforce in Karnataka, which should not include contract employees.

4. Value Addition:

The company or entity should do value addition within the state, in-line with the below formulae:

Year	Minimum percentage of value addition
Year 1	25%
Year 2	30%
Year 3	35%
Year 4	40%
Year 5	45%

Product Price (Ex-factory)	A
Cost of Bill of Material (BOM) in 'A'	B (including software design, IP)
BOM sourced from domestic manufacturers	C (including software design and IP design)
Value addition in terms of BOM	$(C/B) * 100$

Applicants who have successfully registered with KITS or the Department shall be qualified to apply online through the website, www.itbtst.karnataka.gov.in.

One time registration charge of Rs.10,000/- + GST. The payment is done through an online payment gateway.

Please find the Link for Online ESDM Registration:

Registration Link: (Please choose the Sector as ESDM)

<http://registration.k-tech.org/>

3.3 Eligibility Criteria to Avail Startup Policy 2022-2027:

To avail the policy incentives and concessions, the entity should meet the definition of Startup as per the Startup Policy and must be registered with Karnataka Startup Cell under Karnataka Innovation & Technology Society (KITS), Department of Electronics, IT, BT and S&T, GoK as a Startup.

Definition of Startups:

An entity will be considered as a Startup on fulfilling the below conditions defined by Government of Karnataka which is in line with the definition of GoI notification. However, the Policy will adopt the amendments and changes made to the definition by Government of India from time to time.

1. The Startup should be incorporated as a 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) in Karnataka.
2. Turnover of the entity for any of the financial years since incorporation/registration has not exceeded INR 100 Crores.
3. An entity shall be considered as a Startup up to 10 years from the date of its incorporation.
4. The Startup should be working towards innovation/ improvement of existing products, services and processes and should have the potential to generate employment/ create wealth.

Applicants who have successfully registered with Startup Cell shall be qualified to apply online through the website, <https://www.missionstartupkarnataka.org/?en>

Startup Policy Operation Guidelines:

<https://www.missionstartupkarnataka.org/policies?en>

3.4 Eligibility Criteria to Avail ER & D Policy 2021-2026:

To avail the policy incentives and concessions, an entity must belong to one of the following categories:

a.1. MNC Indian entities setting up or expanding GCCs with global revenue of USD 2 billion and above and with commitment of minimum employment of 200 and

a.2. MNC Indian entities setting up or expanding GCCs with revenue of INR 200 crores and above for Offerings

b. State Government Universities/ State Government Universities' Affiliated Colleges based in Karnataka and students enrolled in these academic institutions.

Additionally,

NATURE OF BUSINESS:

All legal entities operating in the Engineering R&D industry

ii. LOCATION:

The entity should have registered office in Karnataka as per the Companies Act, 2013 or the Entity should be registered as per the Karnataka Shops & Commercial Establishment Act, 1961. Entities should either be setting up or expanding their Engineering R&D operations in Karnataka.

iii. EMPLOYMENT:

- a. At least 50% of the entity's total qualified workforce should be based out of Karnataka, which should not include contract employees; and
- b. The entity to provide at least 25% employment to women personnel, as may be otherwise stated in a specific Offering.

3.5 Eligibility Criteria to Avail AVGC Policy 2017-2022:

Only registered KAVGC companies can apply for the subsidies/incentives/grants available under this policy.

A first-time applicant needs to apply for registration as a KAVGC company by completing the KAVGC registration form. There is a one-time charge of INR 10,000 for KAVGC registration that should be paid as a demand draft in favor of "Managing Director, KBITS". If the company has previously registered as a Karnataka IT-BT company, there is no charge. Instead, the company may attach a copy of the Karnataka IT-BT registration certificate along with its application.

Location: The company or entity should be registered in Karnataka under the Karnataka Shops and Commercial Establishment Act, 1961.

Employment: Company employs at least 50 percent of its total workforce in Karnataka, which will not include contract employees.

Interested companies can apply for KAVGC registration through the online portal.

www.itbt.karnataka.gov.in

3.6 Eligibility Criteria to Avail Data Centre Policy 2022-2027:

To avail incentives, concessions and subsidies under the Policy, the applicant must be registered with KITS/Department. Applicants are required to submit registration application as per the process. Upon successful verification of the submitted application and the assessment of all the facts and information, Applicants will be required to make a one-time registration processing fees payment as per the table below:

Fees Structure for Registration/Provisional Registration Certificate with KITS/Department	
<i>Note: This fee is non- refundable</i>	
Details	Registration Fee
Data Centre Operators/ Developers/ Service Providers	Rs. 10,000/- + (18% GST)

The details of the process along with the required application forms and documents are also available on the website of the Department at www.itbtst.karnataka.gov.in.

3.7 Eligibility Criteria to Avail Biotechnology Policy 2017-2022

Contact Us

Karnataka Digital Economy Mission

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