Operative Guidelines under M-SIPS

Background

The Department of Electronics and Information Technology (DeitY), Government of India had, vide notification dated 3 August 2015 (the Notification), revised the Modified Special Incentive Package Scheme (M-SIPS or the Scheme) and extended the time frame by five years i.e. 26 July 2020.

Pursuant to para 6 of the Notification, the DeitY vide notification dated 24 February 2016 issued additional fresh Guidelines (the Guidelines) for effective functioning of the revised M-SIPS. The Guidelines are an addendum to the operational guidelines issued originally vide notification dated 7 October 2012.

Key highlights of the Guidelines have been provided below:

Extension of M-SIPS benefit to additional verticals and revised thresholds

The Guidelines now provide a consolidated list of verticals and revised thresholds, including the additional list of verticals to which M-SIPS was extended vide the Notification.

Investments from the date of initial application

Incentives under the Scheme are now available from the date of filing of initial application. On receipt of initial application, the DeitY would examine if the application meets the eligibility criteria as prescribed in the Guidelines. Application which fulfills the eligibility criteria would be issued a confirmation receipt. The date of confirmation shall be reckoned as the date of initial application. Applicant submitting incomplete application would be informed accordingly.

The aforementioned preliminary examination process shall be completed by the DeitY within five working days of filing the initial application or five working days of any subsequent submission of initial application, if the initial filing was returned as incomplete.

Besides, the Appraisal Committee in its recommendation would specifically state the date of initial application, which would be used for calculation of M-SIPS incentives.

Follow-up application

On receipt of a follow-up application, a similar process, timelines (as detailed above for initial application) would be followed by the DeitY for screening of application as per the eligibility criteria laid down in the Guidelines. The date of confirmation shall be reckoned as the date of follow-up application for the purposes of the Scheme.
Besides, the Appraisal Committee in its recommendation shall specifically state the date of follow-up application, which would be used for calculation of M-SIPS incentives.

No follow-up application received after 10 years of the date of initial application will be considered.

**Disbursement of incentives**

Incentives against eligible capital expenditure would be released after the end of the quarter in which total investments exceed the threshold value and compliance to other terms and conditions of the Scheme/guidelines and the approval letter.

Thereafter, incentives will be provided on a quarterly basis on the value of investments made during the quarter. Separate detailed guidelines will be issued in this regard.

**Production subsidy**

Separate guidelines will be issued with respect to the modalities for operation of production subsidy available for specified electronic products. In the meanwhile, it is pertinent to note that production subsidy would be applicable only on incremental production from a new set up proposed in the project approved and on value addition.

**Miscellaneous**

Incentives on re-manufacturing of electronic products will be provided subject to compliance with Foreign Trade Policy (FTP) and any other existing policy and only if the re-manufactured electronic product is re-exported.

Also, the type of Fabs for which incentives are available for setting up Semiconductor Wafer Fabrication facilities (Fabs) will be decided based on the outcome of investment being attracted by the Government of India to set up two Fabs in the country.

**Our comments**

The DeitY finally notified the much awaited Guidelines on revised M-SIPS extended on 3 August 2015. On the whole, the Guidelines provide the much needed clarity, especially with respect to eligibility criteria related to preliminary screening of application and the date which would be reckoned as the eligible date of submission of application.

The Guidelines also provide the indicative timelines for approving a project. These timelines if adhered to would expedite the entire process.

While the Guidelines bring in clarity on several aspects, it was mute on two aspects—modalities on operation of production subsidy and quarterly disbursement mechanism. For these, separate detailed guidelines would be notified in due course.