

## Highlights of Bihar Industrial Investment Promotion Policy 2016 with Latest Amendments (Effective from 01.09.2016 till 31.03.2025)

### SCOPE OF THE POLICY

The policy shall be applicable to all new units in the state, provided the following conditions:

- If the manufacturing activity does not contribute in **value addition**, it shall not be considered under this policy
- Units involved only in **trading activities** will not come under the purview of this policy
- Units that, at any time in the past were **black listed** by the Government (State or Central) will not be eligible
- Units that have at any time in the past **defaulted** on any loan availed from any bank or Financial Institutions (FIs) or have any dues payable to government will not be eligible
- Incentives under this policy shall be available only for the **investments made in the state**
- This policy shall be applicable only for **private investment, including foreign investment**, and shall not apply to public sector investment by Central or State Governments either alone or in partnership with the private sector

### INDUSTRIES THAT ARE CATEGORISED AS PRIORITY SECTORS:

1.	Food Processing
2.	Tourism Sector
3.	Small Machine Manufacturing
4.	IT, ITeS, Electrical and Electronic Hardware Manufacturing Sector
5.	Textile
6.	Plastic & Rubber
7.	Renewable Energy Sector
8.	Healthcare Sector
9.	Leather
10.	Technical Education Sector
	<i>Additional Sectors added w.e.f. 29.06.2020</i>
11.	Wood Based Industries
12.	General Manufacturing Industries Sector

## 1. Priority sectors in the Food Processing Sector

- Food-grain (Cereal and pulses) and oilseed processing
- Fruits & Vegetable (F&V) Processing
- Milk Processing and Dairy Product Manufacturing
- Honey Processing
- Meat, Poultry and Fish Processing
- Spice and Herbs Processing
- Tea Processing (Biscuits, Bakery, Ice-cream, Chocolates, Ready to Eat meals etc)
- Sugarcane Processing (manufacture of sugar and ethanol)
- Warehousing (CA/MA chambers, cold rooms, ripening chambers, chillers, deep freezers, modern grain silos)
- General/Business Development Services (R&D facilities, Training Centres etc, Food Machinery Manufacturing, Irradiation units)

### ***New Additions w.e.f. 29.06.2020***

- Warehousing (Dry warehouse with cleaning and drying facilities)
- Cold Chain (Integrated Farm Level Processing, Transportation and Distribution of Produce)
- Bottling unit (Juices, Ketchup and Squash based)

## 2. Priority sectors in the Tourism Sector

- Transportation
- Accommodation
- Tours & Travels
- MICE facilities
- HRD Institutions
- Souvenir shops
- Wayside amenities (On National Highways and State Highways)
- Wellness Centres
- River Attraction
- Entertainment
- Cinematic

## 3. Priority sectors in the Small Machine Manufacturing Sector

- Land/ Seed bed preparation
- Seeding/ planting/sowing
- Spraying and dusting Equipment
- Harvesting
- Post-harvest Equipment
- Irrigation
- Small machines and components
- General/Business Development Services (R&D Facilities, Skill Development Centres etc)

***New Additions w.e.f. 29.06.2020***

- Agri-input manufacturing units (Tissue culture labs and crop care chemical units)
- Non agricultural machinery (Manufacture of machinery and equipment n.e.c.)

**4. Priority sectors in the IT, ITeS, Electrical and Electronic Hardware Manufacturing Sector**

- IT & IT enabled Services
- Electronic Hardware Manufacturing
- Other Electronics Manufacturing (Mobiles, DTH, Televisions, Radios and Consumer Electronics)
- Electrical Goods manufacturing (Motors, pumps, Fans, Consumer Durables, UPS etc)

***New Additions w.e.f. 29.06.2020:***

- Manufacture of electric generators, transformers and electricity distribution and control apparatus, Manufacture of electric lighting equipment, Manufacture of electrical equipment, Manufacture of wiring and wiring devices

**5. Priority sectors in the Textile Sector**

- Fibre Production/ Spinning/ Weaving/ Knitting/ Processing
- Production of apparel and home textile
- Manufacturing of Technical textile
- Post Processing of Handlooms and Khadi Textile Products

**6. Priority sectors in the Plastic And Rubber Sector**

- Irrigation Products
- Packaging & Food Storage Products
- Water Supply Products
- Electrical Fittings
- Automobile Products
- Medical Supplies
- Building Construction
- Sports and leisure
- Plastic Testing

**7. Priority sectors in the Renewable Energy Sector**

- Solar Power
- Bio-mass
- Hydel Power

- Other units such as co-generation in sugar and other industries, Waste to Energy projects, Wind Power projects and RE Modular Product Manufacturing

## **8. Priority sectors in the Healthcare Sector**

- In-patient HealthCare Facilities
- Emergency Medical Services
- HRD/Skill Development Services
- Manufacturing Units- Medicines, Equipments & Supplies
- Hospital Waste Management Services
- Educational Institutes (Grade A Nursing Colleges)

## **9. Priority sectors in the Leather Sector**

- Manufacturing of Leather products
- Storage/ Warehousing
- Business Development Services ( R&D Facilities, Design Studios, Quality Testing Labs etc)

## **10. Priority sectors in the Technical Education Sector**

- Technical Education ( Engineering colleges and Polytechnic institutes)
- Skill Development

### ***Additional Priority Sectors w.e.f. 29.06.2020***

## **11. Priority sectors in the Wood Based Industries Sector**

- Pulp and Paper industries
- Matchwood Industries
- Timber and Sawn Wood Industries
- Plywood, Plyboard, Laminate and Veneer Manufacturing
- Bamboo based industries
- Particle Board and Fiber board manufacturing
- Value addition Industries ( Wood and Bamboo seasoning and preservation, Briquettes made out of wood residue, briquettes as feed stock for meeting energy demands)

## **12. Priority sectors in the General Manufacturing Industries Sector**

- Fly Ash bricks, Rice Straw based products
- Agri residue including hay–stack based products
- Automobiles
- Defence Ancillaries
- Jewellery
- Metals & fabrication Units

- Sports Goods
- Telecommunication Equipment Manufacturing Units

## INCENTIVES AND BENEFITS (PRIORITY & NON-PRIORITY SECTORS)

Nature of Incentive	Benefits
<b>Pre-Production Incentives</b>	
Reimbursement of Stamp duty/ Registration paid on land	100% Reimbursement
Land Conversion Fee	100% Reimbursement
<b>Post-Production Incentives</b>	
Interest Subvention on Term Loan from the Bank/ Financial Institution registered under RBI/ SEBI	<ul style="list-style-type: none"> <li>• Micro &amp; Small @12% or actual, whichever is lower</li> <li>• Others @10% or actual whichever is lower</li> <li>• <b>Maximum of 30% of approved project cost for priority sector and 15% of approved project for non priority sector</b></li> <li>• <b>Maximum limit is Rs. 10 Cr.</b></li> <li>• For SC/ ST/ Women/ Differently Abled Person/ War Widow/ Acid Attack Victim/ Third Gender               <ul style="list-style-type: none"> <li>• Micro &amp; Small @13.8 % or actual whichever is lower</li> <li>• Others @11.5% or actual whichever is lower</li> <li>• Overall limit will be 34.5% of approved cost for priority sector and 17.25% for non priority sector</li> <li>• Maximum limit is Rs. 11.5 Cr.</li> </ul> </li> </ul>
Tax Incentive (GST & Electricity Duty benefit)	<ul style="list-style-type: none"> <li>• <b>Priority Sector -100% of approved project cost</b></li> <li>• <b>Non Priority-70% of approved project cost</b></li> <li>• Micro &amp; Small Units/Solar power generation or Renewable energy generation unit for commercial purpose – additional 30% of approved project cost</li> <li>• <b>80% GST reimbursement for five years</b></li> <li>• 100% reimbursement on electricity duty for five years. Not eligible, if captive power exported to entities other than BSPHCL.</li> <li>• For SC/ST/ Women /Differently Abled Person/War Widow/Acid Attack Victim/Third Gender               <ul style="list-style-type: none"> <li>• 92% VAT/ CST/Entry Tax reimbursement for five years</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Priority Sector : 115% of approved project cost</li> <li>• Non Priority : 80.5% of approved project cost</li> </ul>
Private Industrial Park	Interest subvention of 10% or actual which is lower, maximum up to 35% for priority sector/ 30% for non priority project or Rs. 50 Cr. whichever is lower

## HIGH PRIORITY SECTORS (effective from 27.12.2017)

Sector	Criteria
1. IT & ITeS and Electronic System and Design Manufacturing (ESDM) Sector	A unit in which (i) Investment in Fixed Asset and Plant and Machinery (excluding Land) is more than Rs 5 Crore, and (ii) Creating direct employment of at least 50 core workers (Excluding support staff such as Drivers, Guards etc.)
2. Textile, Apparel and Leather Sector <ul style="list-style-type: none"> <li>✓ Weaving/Knitting/Stitching</li> <li>✓ Production of apparel and home textile</li> <li>✓ Banana Fibre/ Jute Fibre</li> <li>✓ Leather and Artificial Leather and leather substitute material</li> </ul> <b>New Additions w.e.f. 29.06.2020</b> <ul style="list-style-type: none"> <li>✓ Yarn manufacturing, Dying and Printing</li> </ul>	A unit in which (i) Investment in Fixed Asset and Plant and Machinery (excluding Land) is more than Rs 5 Crore, and (ii) Creating direct employment of at least 50 core workers (Excluding support staff such as Drivers, Guards etc.).
3. Food Processing Sector <ul style="list-style-type: none"> <li>✓ Maize Processing,</li> <li>✓ F&amp;V Processing</li> <li>✓ Poultry and Fish Processing</li> </ul> <b>New Additions w.e.f. 29.06.2020</b> <ul style="list-style-type: none"> <li>✓ Ethanol manufacturing from sugarcane, maize, rice etc</li> </ul>	A unit in which investment in Fixed Asset and Plant and Machinery (excluding Land) is more than Rs 5 Crore

<ul style="list-style-type: none"> <li>✓ Dal processing units</li> <li>✓ Snacks &amp; Namkeen manufacturing units</li> <li>✓ Pasta &amp; Noodles manufacturing units</li> <li>✓ 2D &amp; 3D fryums making units</li> <li>✓ Biscuits, Cakes and Bakery products</li> <li>✓ Spices and Herbs</li> <li>✓ All branded Agri-based product processing units</li> </ul>	
<b>Additional sector w.e.f. 29.06.2020</b>	
4. E-vehicle Manufacturing Sector (Manufacturing of Two-wheeler & Three-wheeler E-Rickshaw)	Units engaged in mere assembly of e-rickshaw components or those which do not generate substantial value addition shall not be considered

## BENEFITS AND INCENTIVES FOR HIGH PRIORITY SECTORS

Nature of Incentive	Benefits
<b>Pre-production incentives</b>	
Exemption of Stamp duty/Registration Fees	100% exemption of stamp duty/registration fees levied on lease/sale /transfer of industrial land/shed (available to new units only)
Exemption of Land Conversion Fee	100% exemption of "land conversion fees"/ "change in land use" fees being levied for conversion of agricultural land.
<b>Post-production incentives</b>	
Interest Subvention	<ul style="list-style-type: none"> <li>• Rate of interest for interest subvention will be 10% or actual rate of interest on term loan, whichever is lower.</li> <li>• The overall limit of this subvention for high priority sector will be <b>50% of the approved project cost</b>. The upper limit of this subvention shall be <b>Rs 20 Crore</b>.</li> </ul>

<p>Tax Related Incentive</p>	<p>All new units will be entitled to avail <b>100% reimbursement</b> against the admitted <b>SGST</b> deposited in the account of the state government (excluding strictly any tax paid by them arising out of a purely trading business), for a <b>period of 5 years</b> from the date of commencement of commercial production. <b>This shall have a maximum limit of 100% of the approved project cost.</b></p>
<p>Employment Cost subsidy</p>	<p>50% reimbursement (in case of male workers) and 100% reimbursement (in case of female workers) of expenditure on account of contribution toward ESI and EPF scheme for a period of 5 years for new units for those employees who are domicile of Bihar. Maximum limit for reimbursement will be Rs. 1000/- per month for SC/ST and women employee and Rs. 500/- per month for general employee.</p>
<p>Skill Development subsidy</p>	<ul style="list-style-type: none"> <li>• The State Government shall provide skill development subsidy of Rs 20,000 per employee or Bihar Skill Development Mission (BSDM) rates whichever is lower. This incentive will be applicable for training of employees/ staff who are domicile of Bihar</li> <li>• All eligible units will have to employ the trained core employee/Staff for a period of at least 1 year</li> </ul>

**Notes:**

- The unit shall commence its commercial operations within 3 (three) years of Stage-I Clearance.
- The unit has to be under commercial production during the period of disbursement of incentives. Further, the unit shall have to remain in
- Commercial operation for at least the next 5 years from the date of last disbursement of all eligible incentives.
- Employees shall mean those employees who are on the regular roll of the company. Daily wage employees or seasonal employees shall not be entitled to this concession.



## LIST OF SALIENT AMENDMENTS W.E.F 29.06.2020

1. The policy includes the concept of **Customised Incentive Package for Strategic Investment Projects** defined as a new project having investment of above Rs.500 Cr in Plant and Machinery or providing employment to more than 500 persons which shall bring long term direct and indirect benefits to the investment climate and employment generation in the state. Itemized details of this incentive shall be recommended by the State Investment Promotion Board and they shall be approved by the Government before benefits are provided to these units.
  
2. A new clause of **Joint Venture of State PSUs with reputed Private Companies** is added. The State PSUs shall be encouraged to form Joint Ventures with some of leading private companies in labour intensive manufacturing sector. Some of the sectors to be considered under this clause are Food Processing, Medical Equipment, Automobiles, Garments, and Farm Machinery etc. They shall jointly invest in the equity of these JVs.
  
3. **Special Incentive Package for attracting Investments and retaining workers returning to Bihar on account of Covid-19 scenario:**
  - This package shall remain valid for a period of 12 months from the date of notification of this amendment.
  - Any unit applying within this period will be eligible for availing the benefit under this special Incentive package for a period of 12 months from the date of SIPB's approval subject to meeting the below mentioned conditions:
  - The unit has to mandatorily employ at least 20% of the total workers from the pool of workers returning to Bihar. The units should obtain the list of such workers from District Counseling Centers and include such list in their proposal after obtaining necessary confirmation from the respective workers.
  - The units shall commence full scale commercial production in 3 years from the date of obtaining SIPB approval. The units shall attempt to initiate trial production at reduced capacity (say 25% of the overall capacity) by the end of 1st year to enable the State in retaining the workers returning to Bihar.
  - A Committee of Secretaries (CoS) under the chairmanship of Development Commissioner shall be formed for review and inclusion of any additional incentives under this Incentive Package.

#### 4. **Additional Incentive Package for Units relocating from other States to Bihar:**

- Reimbursement of 80% of shifting cost (cost of transportation, installation & commissioning, etc.) after starting commercial production
- To start commercial production, 80% reimbursement of transportation cost on purchase of raw materials for starting commercial production and inter-state selling of finished goods subject to a maximum of Rs. 10 Lacs
- Reimbursement of PF contribution (Employer & Employee) for one year and benefit of deemed approval shall be available as per policy.
- Waiver from inspection/verification of such units from various Bihar government agencies for one year except Pollution control Board and Fire department

#### 5. Additional clauses to the **Preferential Purchase Policy**

- **Promotion of State Based Units:** All state Government departments shall identify such products which shall be manufactured and procured from State Based Units. State Government Agencies in all bids shall clearly indicate items that have to be procured from these units in the bid documents. The provisions of the Public Procurement Policy for Micro and Small Enterprises, notified under section 11 of MSMED Act, 200, shall be adopted to promote micro and small enterprises.
- **Provision of Prior Experience for Bihar based units:** The prior experience and existence related clause should not be used to disqualify State-based MSME units in favour of units from other States. Any Bihar based MSME unit with a capacity to implement the government order shall be allowed to bid Irrespective of the number of years of its existence In the State. It will be the sole responsibility of the State Government agencies in assessing and establishing that the capacity related requirement is met.

## LIST OF GENERAL PROVISIONS

### 1. **Important Definitions :**

- **New Industrial Unit :** New Industrial unit means an industrial unit, in which commercial production has commenced within five years from the effective date i.e. 01.09.2016
- **Approved Project Cost:** For the purpose of calculation of incentive under this policy, the approved project cost shall mean the project cost finally approved by the State Government. The approved project cost shall be the basis for determining the incentives.

2. A unit will not get any incentive beyond a period of 5 years from the date of commercial production or 5 years from the date of end of this policy, whichever is earlier.
3. In the event of change of ownership or management of a unit, the same shall be intimated by the unit to the competent authority as defined by the Department of Industries from time to time. If required, a revised Letter/ Eligibility Certificate shall be issued to the unit (in the name of new owner) for balance incentives. The eligibility period shall not be extended under any circumstances and shall continue to be defined with effect from the original date of production.
4. If any false declaration is given or in the case of any violation of conditions of this policy, the amount of incentives are liable to be recovered from the date of availing such incentives along with interest compounded annually @ 18% per annum. In case of non-payment within the stipulated time, the state government may recover such amounts including interest as arrears of land revenue.

**5. Provisions applicable from 20th January, 2020**

- All eligible units will be provided 80% reimbursement (100% in case of units in High Priority Sector) against the SGST deposited in the account of the State Government from the Electronic Cash Ledger after adjustment of IGST and SGST credit available in the Electronic Credit Ledger, from the date of implementation of GST i.e. 01.07.2017.
- Industrial units having production less than 25% of installed capacity shall not be eligible for SGST reimbursement.
- Maximum limit of land cost in the Approved project cost is increased from 10 percent to 20 percent.
- In order to promote setting up of new and renewable energy based units for catering to the captive energy requirement of the existing and new units, these will be considered as new projects under the Bihar Industrial Investment Promotion Policy, 2016 and all incentives/ facilities will be provided to them accordingly."
- **Expansion/ Modernization/ Diversification**
  - **Expansion Project:** There shall be a minimum 25% (earlier 50%) increase in the initial installed production capacity.

- **Modernization Project:** There shall be a minimum 25% (earlier 50%) increase in the installed production capacity as a result of modernization.
- **Diversification Project:** There shall be a minimum 25% (earlier 50%) increase in the approved project cost with respect to the original value without depreciation and establishment of new product line by the unit.
- Industries under White Category shall be exempted from obtaining CTO & CTE from Pollution Control Board

#### 6. Provisions applicable from 29th June, 2020

- This policy shall expire on 31st March, 2025.
- Unit having investment less than Rs. 25 Lacs or proposed employment less than 25 person shall not be eligible for application under this policy
- All licenses/clearances required in setting up of industrial units in Bihar have the provision of "deemed clearance"
- Effluent treatment plant (ETP) or Air treatment plant (ATP) set up in any existing unit will be considered as a new project and all incentives/facilities will be provided to them accordingly. For new units, cost of any such Effluent treatment plant (ETP) or Air treatment plant (ATP) shall be Included In approved project cost
- Dovetailing of incentives with the Central Government schemes would be allowed under this policy

### NEGATIVE LIST OF INDUSTRIES

1. The following units will not be eligible for any support under this policy:
  - a. Units manufacturing narcotic drugs
  - b. Units manufacturing alcoholic beverages
  - c. Tobacco based industries
  - d. Units manufacturing asbestos
2. The State Government shall have the right to decide whether a unit falls under the negative list and can modify the above list accordingly.

3. As a general principle, any industry which impacts the environment adversely will be discouraged by the State Government for investment. Such industries will not be eligible for any incentive under this policy and be placed in the above mentioned negative list.

Click on the links to read [Full 2016 policy](#) , [Amendment for High Priority Sector](#) and notifications released on [20/01/2020](#) & [29/06/2020](#)