

MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY
(Department of Electronics and Information Technology)
IPHW Division

No. 27(35)/2013-IPHW

New Delhi, 03-08-2015

NOTIFICATION

**Subject: Modified Special Incentive Package Scheme (M-SIPS) :
Enhancement of scope and extension of timeline and other
amendments - Revised Notification**

References:

1. Modified Special Incentive Package Scheme (M-SIPS) Policy Gazette Notification vide no. 175 dated 27-07-2012.

2. Guidelines for Modified Special Incentive Package Scheme vide no. 27(3)/2012-IPHW dated 07-10-2012 and Amendment dated 23-05-2013 & 23-12-2013

- 3.. Guidelines for notifying Brownfield Clusters under M-SIPS in the Electronics Systems Design and Manufacturing (ESDM) Sector vide no. 36(3)/2012-IPHW dated 14-01-2013

4. Renaming of Guidelines for notifying Brownfield Clusters under M-SIPS scheme for ESDM as "Notified Electronics Manufacturing Clusters for the purpose of M-SIPS" vide no. 36(14)/2014-IPHW dated 07-05-2014

The policy for Modified Special Incentive Package Scheme (Modified-SIPS) cited as reference (1) above was notified in the Gazette on July 27th, 2012. The implementation guidelines cited as reference (2) above have also been published. Necessary guidelines for notifying areas/ clusters in which the incentives under Modified SIPS is available have been issued vide reference cited as (3) and (4) above.

2. Various representations have been received from industry associations, potential applicants and other stakeholders regarding improvements in the scheme. These suggestions have been examined and detailed consultations have been held with all stakeholders. Based on the same, the following amendments are proposed in the Modified SIPS policy. All other provisions remain unchanged.

3. **Extending Modified SIPS benefits to additional verticals**

3.1 The M-SIPS incentives are hitherto available to the verticals as mentioned in reference (1) above. It is proposed to expand the list of verticals for which Modified SIPS will be available. The additional list is at **Enclosure 1** of this notification.

4. **Simplifying process**

4.1 The incentives under the scheme will be available from the date of receipt of application subject to the condition that the additional incentives so calculated should be on a prospective basis (i.e. from the date of notification). Consequently, the period of 10 years for which an applicant is eligible for claiming incentives shall also be reckoned from the date of application. However, the incentives will be given to a unit only after it achieves threshold investment as required under the scheme and approval of the project by Competent Authority.

4.2 Based on further industry inputs, the revised thresholds for various industry units are proposed for unit to be eligible for incentives under the scheme. The revised thresholds for all project types are at **Enclosure 2** of this notification.

4.3 It is proposed to introduce Production Subsidy @ 10 % of the production turnover (ex-factory) for Fabrication and ATMP of Analog/ Mixed signal semiconductor chips, Power Semiconductors, OLEDs, LCD (LCD fabrication & glass substrate), Fabrication of Chip Components, Discrete Semiconductors, SPV (Polysilicon, ingots and/ or wafers, cells), LEDs and Manufacturing of PCBs, nano-Electronic components and LCM. It is intended

as an operational incentive. The existing provision of "reimbursement of Central Taxes and Duties" for Semiconductor Wafering, Logic Microprocessors, Digital Signal Processors (DSP) & Application Specific Integrated Circuits (ASICs), Memory, LCD Fabrication is proposed to be changed as "Production subsidy @ 10 % of the production turnover (ex factory)".

4.4 The incentives for Modified SIPS will be disbursed immediately after the threshold of investment has been achieved. Thereafter, the disbursements will be made on quarterly basis.

4.5 The scheme will be available to any viable unit as appraised by Appraisal Committee located in any industrial area notified by Centre/ State/ local authority. The practice of notifying areas wherein the incentives will be eligible is hereby dispensed with. The practice of having separate Technical Evaluation Committees will also be dispensed with.

5. Extension of Time Period for Applications

5.1 The time for making applications under the Revised Scheme is extended for a period of 5 years beyond the current expiry of the scheme in July, 2015.

6. For effective functioning of the revisions in the M-SIPS policy, a set of Guidelines may be issued by Department of Electronics and Information Technology separately.



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Additional List of ESDM verticals/ projects for which incentives are available under M-SIPS

A	Electronics Products (Sl no. 1 of Enclosure 2):
1	Telecom products : Optical Fibres and Optical Fibre Cables, Headends*
2	IT Hardware products : Automatic Teller Machines (ATMs), etc.*
3	Consumer Electronics : Audio Video products, electronic watches and clocks, electronic toys, wearable electronics, electronic personal care products, etc.*
4	Automotive Electronics: Brushed DC Motors*, etc.
5	Bio-metric and identity devices/RFID: Smart Card manufacturing and personalization*
6	Consumer Appliances like Refrigerators, ACs, Fully Automatic Washing Machines, Microwave Ovens, etc.
7	Electronic product design including PCB design
8	Machine to Machine (M2M) and Internet of Things (IoT) products
9	Home Fuel Cells
10	Multi-functional electronic devices
11	Semiconductor Equipment such as Automatic Test Handler, Pick & Place Machines, Test Head Manipulator and their accessories like Test

	Sockets, Probe Cards, ATE Load Boards, Conversion Kits, Docking Mechanisms
12	Electronic security devices- including CCTV/ surveillance equipment, CCTV, Access Control, intruder alarms etc.
B	Intermediates (SI no. 2 of Enclosure 2)
1	Electro-plating, small precision plastic and metal parts, tools, moulds & dies
2	Liquid Crystal Module (LCM)
3	Organic Light Emitting Diodes (OLED)
4	Chip Modules for Smart Cards
5	Analog/ Mixed Signal Semiconductor Chips
C	Capital Equipment for electronic products
D	Raw material exclusively for electronic products
E	Remanufacturing of electronic products

* These verticals already exist in the notification dated 27-07 -2012 and have been amplified to include additional products.

Enclosure 2

Revised Investment Thresholds and Financial Incentives

S. No.	Type	Investment Threshold (in Rs Crore)			Financial Incentives	
		Fab	Assembly, Testing, Marking and Packaging (ATMP)	Manufacturing	SEZ	Non SEZ
1	Electronic Products	-	-	10	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
2	Intermediates					
2.1	Nano Electronic Components	-	-	200	20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)
2.2	Semiconductor Wafering	-	-	1000	20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)
2.3	Semiconductor Chips:					
a)	Logic — Microprocessors,	2000	100	N.A.	20% of Capex + 10% of	25% of Capex + Reimbursement

	Microcontrollers, Digital Signal Processors (DSP) & Application Specific Integrated Circuits (ASICs)				Production Subsidy on Production turnover (Ex-factory)	of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)
b)	Analog/ Mixed Signal	1000	100	N.A.	20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)
c)	Memory	5000	200	N.A.	20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)
2.4	Chip Components, Discrete Semiconductors and Power Semiconductors:					
a)	Chip Components	200	N.A.	N.A.	20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)

		N.A.	10		20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
b)	Discrete Semiconductors like Transistors, Diodes etc.	25	N.A.	N.A.	20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)
		N.A.	10	N.A.	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
c)	Power Semiconductors (including Diffusion) like FETs, MOSFETs, SCRs, GTDs, IGBTs etc.	100	50	N.A.	20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)
2.5	Solar Photovoltaics (SPV):					
i)	Polysilicon	500	N.A.	N.A.	20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)

ii)	Ingots and/ or wafers	150	N.A.	N.A.	20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)
iii)	Cells	75	N.A.	N.A.	20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)
iv)	Modules/ Panels	N.A.	N.A.	10	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
2.6	Light Emitting Diodes (LED)	150		N.A.	20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)
			10		20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment

2.7	Organic Light Emitting Diodes (OLED)	600	100	N.A.	20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)
2.8	Chip Modules for Smart Cards	N.A.	10	N.A.	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
2.9	Liquid Crystal Displays (LCD):					
a)	LCD Fabrication	1500	250	N.A.	20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)
b)	LCD Glass Substrate	250	100	N.A.	20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment+10 % of Production Subsidy on Production turnover (Ex-factory)

c)	Liquid Crystal Module (LCM)	N.A.	N.A.	50	20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)
2.10	Passive Components, Electro - Mechanical Components, Mechanicals Parts and Consumables & Accessories:					
a)	Passive Components such as Resistors, Capacitors, Inductors, Thermistors etc.	N.A.	N.A.	5	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
b)	Electromechanical Components and Mechanical Parts such as Transformers, Coils, Connectors, Switches, Ferrites, Micro Motors, Stepper Motors, Films, small precision plastic and metal parts, tools, moulds & dies etc.	N.A.	N.A.	5	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
c)	Printed Circuit Boards	N.A.	N.A.	5	20% of Capex+ 10% of Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production

						turnover (Ex-factory)
d)	Consumables and Accessories such as Mobile Phones and IT accessories - Batteries, Chargers etc., Foils, Tapes, Epoxy, Cabinets etc.	N.A.	N.A.	1	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
3.	Electronic Manufacturing Services (EMS)	N.A.	N.A.	10	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
4.	Capital Equipment for electronic products	N.A.	N.A.	10	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
5.	Raw materials exclusively for electronic products	N.A.	N.A.	5	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
6.	Bio-metric and identity products/ RFID/ Smart Card manufacturing and personalization	N.A.	N.A.	5	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment.
7.	Remanufacturing of electronic products (refer Note 1)	N.A.	N.A.	5	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment.

Note 1: Incentives will be provided subject to compliance of Foreign Trade Policy (FTP) and any other relevant existing policy and only if the re-manufactured electronic product is re-exported.