

## **Uttar Pradesh's Progressive FDI Policy On Its Way To Boost Economic Growth**

In a first-of-its-kind initiative in the country, the Government of Uttar Pradesh under the visionary leadership of Hon'ble Chief Minister Yogi Adityanath has recently rolled out a new dedicated Foreign Direct Investment (FDI), Fortune Global 500 and Fortune India 500 Companies' Investment Promotion Policy 2023. The policy aims to incentivize FDI and attract investments from Fortune 500 companies globally, aligning with the state's vision to become a trillion dollar economy.

Notably, the state has already seen considerable success in attracting investments worth around Rs. 4,12,000 crores between 2017 and 2022. Renowned international investors like Samsung, Microsoft, Uber, PepsiCo, Lulu Group, Vivo, Haier, Hindustan Unilever and others have expanded their presence in Uttar Pradesh. Under the new FDI policy, the Industrial Development Authorities in Uttar Pradesh would provide land at subsidised rates to investors choosing to invest in the state. The policy outlines capital subsidy for eligible projects, with a ceiling of Rs. 100 crore per year, excluding land costs. The subsidy varies across regions, with 25% in Gautam Buddha Nagar and Ghaziabad, 30% in Paschimanchal (excluding Gautam Buddha Nagar and Ghaziabad) and Madhyanchal and 35% in Bundelkhand and Purvanchal. Other incentives include 100% exemption in stamp duty and registration fees, and a complete exemption in electricity duty for a period of five years.

The state is swiftly working towards a comprehensive industrial transformation. To realize this, the government is actively seeking substantial investments from global corporations and governments. These investments are expected not only to enhance value chains and supply chain clusters within the state but also to generate extensive employment opportunities in Uttar Pradesh. The focus on MSMEs is evident, with 5.20 lakh units established between fiscal years 2017-2022, amounting to an investment of Rs 67,600 crores.

The UP Global Investors Summit 2023 has further bolstered these efforts, receiving investment proposals over Rs 38 lakh crores. This success underscores the state's commitment to attracting more FDI inflow, as reinforced by the introduction of the new FDI policy. Through this policy, the state aims to further boost its global competitiveness, solidifying Uttar Pradesh as a compelling destination for foreign investors eager to capitalize on the expansive opportunities presented by India's dynamic and growing market.

### **Key incentives under the new FDI Policy:**

1. **Front-end land subsidy:** Subsidised land allotment at 25% in Paschimanchal and Madhyanchal and 20% in Bundelkhand and Purvanchal by Industrial Development Authorities (IDAs). Subsidy of 75% and 80% respectively will later be reimbursed to IDAs by Government of Uttar Pradesh.
2. **Capital subsidy:** Excluding the cost of land, Eligible Capital Investment (ECI) will be provided capital subsidy under the annual ceiling of Rs 100 crore in 7 equal annual instalments at the following rates:
  - 25% of the eligible capital investment in Gautam Buddha Nagar and Ghaziabad
  - 30% of the eligible capital investment in Paschimanchal (excluding Gautam Buddha Nagar and Ghaziabad) and Madhyanchal
  - 35% of the eligible capital investment in Bundelkhand and Purvanchal
3. **Net SGST refund:** Eligible projects will receive a net SGST reimbursement at a rate of 100%, subject to a 10% annual ceiling of ECI for 10 years
4. **Input Tax Credit (ITC) Refund:** SGST refund on capital goods for companies facing an invertible tax structure within the standard investment period, subject to provisions of the UP-GST Act - 2017, with a refund provided in 5 equal annual instalments from the date of commercial production

5. 100% exemption of stamp duty and registration fees
6. 100% exemption of electricity duty for 5 years
7. Skill development subsidy: The training costs of a maximum of 500 persons will be reimbursed up to Rs 5,000 per person per month for a period of 5 years
8. Green industry incentives: One-time capital subsidy will be provided for setting up an Effluent Treatment Plant (ETP) at the plant premises at the rate of 50% of the cost of setting up such facility or up to Rs 2.5 crore, whichever is lower. The subsidy will be disbursed as a lump sum upon the initiation of operations of the effluent treatment plant within the premises of the unit.
9. Industrial housing: A financial incentive up to Rs 10 crore will be provided for development of workers' housing or dormitory and associated collective facilities within a 10-kilometer radius of the unit's premises. It will be provided in seven equal annual instalments.
10. Logistics subsidy: 50% reimbursement of transportation cost, up to a maximum of ₹ 2 crore per unit, for firms relocating existing plants to UP. This incentive amount will be provided in lump sum after commercial operations start.
11. Reimbursement of patent registration fees: One-time reimbursement of patent registration fees will be granted at a rate of 75% of the expenses, with a maximum limit of Rs 10 lakh for acquiring domestic patents and a maximum of Rs 20 lakh for acquiring international patents, in a single instalment.
12. R&D support: The government will provide a reimbursement of 25% of the establishment cost for a Standalone R&D Centre, capped at a maximum of Rs 10 crore for eligible projects. This subsidy will be disbursed in instalments, with 50% upon project approval, the next 25% after three years of approval, and the remaining 25% upon the achievement of committed results within five years.
13. Centers of Excellence (CoEs): Industrial units will receive a financial grant equal to 50% of the project cost, with a maximum limit of Rs 10 crore per project.