

# **Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh**



**Committee for MSME & Start-up**  
**The Institute of Chartered Accountants of India**  
(Set up by an Act of Parliament)  
New Delhi

**© THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

All rights reserved. No part of this publication may be translated, reprinted or reproduced or utilized in any form either in whole or in part or by any electronic, mechanical or other means, including photocopying and recording, or in any information storage and retrieval system, without prior permission in writing from the publisher.

First Edition : February, 2022

E-mail : [msme@icai.in](mailto:msme@icai.in)

Website : [www.icai.org](http://www.icai.org)

Published by : The Committee on MSME & Startup, The Institute of Chartered Accountants of India, ICAI Bhawan, A-29, Sector-62, Noida (UP)

Printed by : Committee on MSME & Startup, ICAI

DISCLAIMER: The views expressed in this book are those of author(s). The Institute of Chartered Accountants of India may not necessarily subscribe to the views expressed by the author(s). Members/Readers should utilize the said book in the light of their professional judgment and the ground realities prevailing in the concerned Act/Regulation/Notification etc. The Committee and the ICAI disclaims any responsibility or liability that may arise, directly or indirectly, as a consequence of the use and application of the contents in the said book.

:

## Abbreviations

---

<b>RAP</b>	Business Reform Action Plan
<b>CFC</b>	Common Facility Centre
<b>CFS</b>	Container Freight Station
<b>CGTMSE</b>	Credit Guarantee Fund Trust for Micro and Small Enterprises
<b>COVID-19</b>	Coronavirus-2019
<b>DC</b>	Development Commissioner
<b>DFS</b>	Department of Financial Services
<b>DIC</b>	District Industries Centre
<b>DICCI</b>	Dalit Indian Chamber of Commerce and Industry
<b>DIEPC</b>	District Enterprise and Promotion Centre
<b>DPIIT</b>	Department for Promotion of Industry and Internal Trade
<b>EBU</b>	EV Battery Manufacturing or Assembly Units
<b>EMD</b>	Ernest Money Deposit
<b>EoDB</b>	Ease of Doing Business
<b>EPB</b>	Export Promotion Bureau
<b>EPF</b>	Employee Provident Fund
<b>ESDM</b>	Electronics System Design and Manufacturing
<b>ESDP</b>	Entrepreneurship Skill Development Programme
<b>EVMU</b>	Electric Vehicle and its components manufacturing units
<b>FCI</b>	Food Corporation of India
<b>GDP</b>	Gross Domestic Product
<b>GoUP</b>	Government of Himachal Pradesh
<b>IAS</b>	Indian Administrative Services

**Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh**

<b>ICD</b>	Inland Container Depot
<b>ILO</b>	Indian Labour Organization
<b>INR</b>	Indian Natural Rupees
<b>IT</b>	Information Technology
<b>KPI</b>	Key Performance Indicator
<b>LDM</b>	Local District Manager
<b>MRO</b>	Maintenance, Repair and Operations
<b>MSME-DI</b>	Micro Small Medium Enterprises -Development Institutes
<b>MSME-TC</b>	Micro Small Medium Enterprises – Technology Centres
<b>MVP</b>	Minimum Viable Product
<b>NABARD</b>	National Bank of Agriculture and Rural Development
<b>NAVY</b>	Niryat Awasthapna Vikas Yojna
<b>NIC</b>	National Informatics Centre
<b>NSIC</b>	National Small Industries Corporation
<b>ODOP</b>	One District One Product
<b>PAN</b>	Personal Account Number
<b>PSU</b>	Public Sector Undertaking
<b>RCS</b>	Regional Connectivity Scheme
<b>SAMPADA</b>	Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters
<b>SC</b>	Schedules Caste
<b>SFAC</b>	Small Farmer's Agri-Business Consortium
<b>SGST</b>	State Gross service Tax
<b>SIDBI</b>	Small Industries Development Bank of India
<b>SMEVCF</b>	A Small, Medium Enterprise Venture Capital Fund
<b>SPRS</b>	Single Point Registration Scheme

### Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

<b>SPV</b>	Special Purpose Vehicle
<b>ST</b>	Scheduled Tribe
<b>SUCC</b>	Stand Up Connect Centres
<b>UP</b>	Himachal Pradesh
<b>UPIEPP</b>	Himachal Pradesh Industrial Investments and Employment Promotion Policy 2017
<b>VCF</b>	Venture Capital Assistance Fund

# Contents

---

1. Introduction of MSME	1
2. Entrepreneurship Development and the MSME Sector in Specific state	2
3. Incentive Schemes for Micro, Small and Medium Enterprises	7
3.1. Fiscal Incentives	8
3.1.1. Incentives under HP Industrial Investment Policy 2019	9
3.1.2. Incentives under Central Government Schemes	10
3.1.3. Incentives under IT, ITeS, ESDM Policy 2019	11
3.1.4. Incentives under Tourism Policy 2019	12
3.1.5. Incentives under AYUSH Policy 2019	13
3.2. Non -Fiscal Incentives	14
4. Procedure for availing Incentives	16
5. Role of Chartered Accountants in MSME	17
6. Relevant Links & Contacts for MSME State Specific	21



## 1. Introduction of MSME

Himachal Pradesh is one of the fastest-growing states in India. Being a sub-Himalayan state, Himachal Pradesh has a varied climate that changes with altitude. Known as the Land of Gods is famous for its topographic diversity and pristine natural beauty. Himachal Pradesh (Solan) is in existence ever since year

1960 when there was a skill development training centre in the area of Glass Thermometer under the administrative control of MSME-DI (them Small Industries Service Institute) Ludhiana. The Full-fledged Institute came into existence in the year 1975 and since then the Institute is catering to the MSME sector of the state under Ministry of MSME Development Organisation headed by Development Commissioner (MSME). **The Institute is engaged in the promotion and development of Micro, Small & Medium sector in all the 12 districts of Himachal Pradesh** by providing Techno Managerial guidance/ consultancy to Existing as well as Prospective entrepreneurs. According to UID, Himachal Pradesh population in 2020 is 7.4 Million and in 2021 is 7.51 Million (75.1 Lakhs), the Gross State Domestic Product of Himachal Pradesh reached Rs. 1.57 trillion in 2020-21. The state's GSDP (in Rs.) increased at a Compound Annual Growth Rate of 6.50% between 2015-16 and 2020-21. Tertiary sector witnessed the fastest growth at a CAGR of 10.76% between 2011-12 and 2020-21.

Himachal Pradesh has made a significant achievement in the field of industrialization in the past few years. With the ushering in of the liberalized economy and notification of special package of incentives for the state, the flow of investment has resulted in a very good response for setting up new industrial ventures in the state. The forth census report on SSI (MSME) published by the Government of Himachal Pradesh was considered to study the profile of the small scale industries. According to state industries department, there are about 55,500 industrial units in the state, set up at an investment of more than Rs 52 thousand crore, and employing more than 4.63 lakh people (before the lockdown). 98.6 percent of these units are small scale enterprises.

It is evident from the above information that the MSME sector serves as a backbone of manufacturing sector in Himachal Pradesh . In terms of attracting investment, the 'focus sectors' of the department include tourism, pharmaceuticals, agriculture and food processing, education and

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

hydropower, among others. But, due to increased competition, environmental regulations, requirement of technology upgradation and infrastructure requirements, MSMEs are struggling to see the growth and development in the state.

Classification of enterprises. As per new classification criteria of manufacturing and service units notified on 26.06.2020, an enterprise shall be classified as a micro, small or medium enterprise on the basis of the following criteria, namely:

- i. A micro enterprise, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
- ii. A small enterprise, where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; and
- iii. A medium enterprise, where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

Details of total Number of Industrial Enterprises Established in the State since inception up to 2017-2018

Category	No. of Units	Investment (crores)	Employment
Small Scale Enterprises	44056	11488.26	280362
Medium Scale Enterprises	466	5791.872	46566
Large Scale Enterprises	138	6853.12	29082

## 2. Entrepreneurship Development and the MSME Sector in Specific state

An entrepreneur is a catalyst for economic development, a change agent with vision and creativity. The development led by entrepreneurship attracts the possibility of new products, services and organizational forms, but it also enables a process of personal, economic, social and cultural value creation which fosters new approaches to economic development and its evaluation. Entrepreneurship plays a significant role in shaping the level of economic development, an urgent of developing countries like India, wherein the share

## **Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh**

of youth is quite large and capability of the employment sector, limited. Entrepreneur development is the process of improving the skills and knowledge of entrepreneurs and enhancing the capacity to develop, manage and organise a business venture by considering the risks involved in it. Potential entrepreneurship development requires to be supported by a business ecosystem that is conducive to its emergence, easy finance, expertise, infrastructure, skills and a high level of motivation for change.

India initiated its efforts in this direction through the National Skills Development Policy, 2009, and later, the National Policy for Skill Development and Entrepreneurship in 2015. Wherever possible the government has directed its offices and other public sector undertakings to support new Start Ups and MSMEs by giving priority to purchase their products. All these efforts are bearing fruit because the government of India has focused on infrastructural development. E.g., Construction of highways, dams, increasing internet connectivity etc. The government of India has recently introduced schemes like Make in India, Start-up India, Skill India and Digital India which have been started keeping in view the need to reduce migration of Indian skilled and unskilled labour overseas and give a booster for employment generation.

Though many initiatives have been undertaken, institutional reforms have fallen behind leaving a yawning gap between good intentions and poor practice. This is a result of dissonance in the central and state governments initiatives which have been implemented in a segmented and piecemeal approach not catering to the end-to-end requirements in which a business operates. E.g., the focus has been mainly on creating physical infrastructure while productivity upgradation through soft intervention has limited push. There is a greater need for R&D funding, labour market reforms, the commercialization of traditional knowledge, integration of rural academic institutes, MSMEs and industry for innovation, infrastructure development in rural areas, simplifying the business procedure, etc.

Himachal Pradesh ranked 16th in India for its Ease of Doing Business (EoDB). This was a result of implementation of some reforms suggested by the Department for Promotion of Industry and Internal Trade (DPIIT) including and not limited to labour regulation, online single window, access to information & transparency, land administration, construction permit, settlement of commercial disputes, and inspection enablers.

## **Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh**

Currently, there is scope for revamping the ongoing entrepreneurship development initiatives in the state to make it more holistic and comprehensive. There are differential development needs of MSMEs based on size and scale of operations, hence the initiatives can be suitably modified to offer differential packages. As a strategy, there is a need to adopt a differential development approach for varied business models. Larger complex businesses require multiple long-term interventions executed in parallel while addressing the needs of different segments while a more focused and specific out-come oriented intervention is more apt for smaller businesses. The focus could also be firmly placed on achieving systemic change in selected sectors. This would mean investing in the long-term build-up of local capacities for technical support and general business development services, and for developing the required institutional framework for MSME oriented research, vocational education and finance.

Similarly, there is a great scope of collaboration for central sponsored schemes of entrepreneurship development with state sponsored schemes of this nature. In the current set-up, the central schemes have more focus more on the components related with training and skill development of the potential entrepreneurs while some of the states are focussing on critical aspects like access to finance, market linkages etc. Each of these programs have its own strength and weaknesses. The state schemes have a definite advantage in terms of greater outreach, better mobilization mechanism and close monitoring capabilities while central schemes have better financial strength and regularity of operations. If synergy could be established in execution of state and central schemes for entrepreneurship development, it would not only create a comprehensive offer for potential entrepreneurs but also be more impactful in outcomes across all aspects business development like financial assistance, technology assistance and upgradation, infrastructure development, skill development and training, enhanced competitiveness and market assistance to MSMEs.

Looking into the above, there is a need for to synergize various initiatives by the government and offerings by private players in order to provide end to end value chain needs of a business. This entails providing handholding support in the form of registration help, information dissemination and advisory services to MSMEs in the establishment, development and promotion of services and products developed by them.

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

### Key features of the Integrated Business Development:

- 1. Integration of various government schemes-** State schemes from various ministries which offer sector specific interventions and other complementary support like Himachal Pradesh Chief Minister Youth Self Employment Scheme, Scheme for Promoting Establishment of Private Industrial Parks 2017, One District One Product: Margin Money Scheme, should be bundled with national level schemes like StartUp India, StandUP India, Single Point Registration Scheme (SPRS) and Entrepreneurship Skill Development Plan to provide a holistic business development. For example: ESDP intends to strengthen the capability of entrepreneurs for developing successful business ventures, by conducting training programmes. There are 4 modules for aspiring and existing entrepreneurs. Due to limited geographic reach and resources with MSME-Development Institutes (MSME-DIs) and MSME Technology Centres (TCs), the offtake of the scheme has not been very encouraging during last 5 years. To combat this, Ministry of Micro Small and Medium Enterprises (MoMSME) has allowed more central and state government organizations to work as Implementation Agencies in order to broaden the outreach.

A brief understanding about the benefit of these schemes is provided below:

#### a) Central Schemes

- **StartUP India:** The primary objective of this scheme is promotion of start-ups, generation of employment, and wealth creation through simplification and handholding of applications, Funding & Incentives and Incubation & Industry- Academia Partnerships.<sup>3</sup>
- **StandUp India:** Stand Up India Scheme facilitate bank loans between 10 lakh and 1 crore to at least one scheduled caste (SC) or Scheduled Tribe, borrower and at least one woman per bank branch for setting up a greenfield enterprise. This enterprise may be in manufacturing, services or the trading sector.
- **SPRS** is a developmental scheme of National Small Industries Corporation (NSIC) to assist the MSEs in India by exempting

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

them from Earnest Money Deposit (EMD) in Government Purchases

- **ESDP:** The scheme ensures promotion of new enterprises, capacity building of the existing MSMEs and inculcating entrepreneurial culture in the country through the building and promotion of training aids, equipment and other related infrastructure to enhance the quality of training activities in the EDCs, MSME DIs and TCs and training activities at HQ level.

### b) State Schemes

- **Scheme for Promoting Establishment of Private Industrial Parks 2017:** This scheme provides interest subsidy reimbursement for industrial parks/estates and Agro Parks developed by the private sector and a 100% exemption/reimbursement to developers and 50% exemption to individual buyers (first) on stamp duty.
- **ODOP - Margin Money Scheme:** This scheme benefits with not whole but a margin of the project cost. The applicants receive it in the form of subsidy to set up the project.

2. **Provide integrated business development services-** With integrated business development services approach, MSMEs should be hand-held in their business starting from registration to promotion of their product/service in a competitive landscape. This would entail handholding support in the form of registration help, information dissemination and advisory services across the following 6 pillars:

- ▶ Leveraging sector specific government schemes
- ▶ Access to Market to identify and evaluate a products export potential
- ▶ Human Resource Development for capacity building among local artisans
- ▶ Technical Advisory for Product Development & Design
- ▶ International Business Opportunities through Quality Control
- ▶ Access to Finance for Working Capital Support

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh



Figure 2: Pillars of entrepreneurial support

3. **Networking of Entrepreneurs:** There is currently limited and individual driven networking channels functional for entrepreneurs. Only few efforts have been observed towards development of a formal set-up for promoting inter-sector interactions, a lack of which limits the learning opportunities and fast adoption of best working practices. The integrated business development approach should focus on technology driven platforms for promoting inter- sector communications and transactions.
4. **Single-Window Platform:** An absence of a comprehensive single window platform is one of the key missing enablers of the Himachal Pradesh entrepreneurial ecosystem. While the launch of champions portal by Nivesh Mitra is an attempt in the right direction, the effective usage of the portal and providing professionally managed services for MSMEs at the state level is the true target. The impact of the portal can be enhanced by providing access to e-learnings, guides to set-up businesses in similar sectors, online applications and follow-up for scheme applications, success stories, access to finance, market & technology etc.

With the help of this approach, potential entrepreneurs and youth will get better understanding, knowledge and skill set required to undertake the operations of their business in more efficient manner.

### 3. Incentive Schemes for Micro, Small and Medium Enterprises

The state of Himachal Pradesh has been leading in the export of handicrafts, processed food, engineering goods, Carpet, Tourism. It is famous for the traditional products manufactured by local Micro, Small and Medium

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

Enterprises (MSMEs) in the state and possess immense potential for generating employment. Key growth drivers in the state include:

- ▶ Indigenisation: With the advent of Make in India and enhanced focus on locally manufactured products, there is huge opportunity for investments and outputs by large players and their MSME vendors to indigenise and/or enable import substitution particularly adapting to research and development, innovation and global technologies.
- ▶ Government procurement policy and procurement by large domestic and foreign industries: A favourable procurement policy complemented by the huge industrial base in the state supports MSME vendors to grow their business in the state. Currently, Himachal Pradesh has mandated 20% procurement by the state government departments and public sector undertakings (PSU) from the state MSMEs. Besides this, including 4% from enterprises owned by SC/ST entrepreneurs by the Central Ministries / Departments and Central Public Sector Enterprises (CPSEs, which are operated on eco-friendly standards and do not harm environment.

To encourage indigenous and specialized products in the state, the Himachal government has launched incentive schemes. The following section will give a brief of the central and state government schemes available to entrepreneurs in Himachal.

### Policies/Incentives

Both Govt. of India as well as Govt. of Himachal Pradesh had given number of incentives/facilities for developing micro & small-scale enterprises in the state. The incentives are categorised into fiscal and non- fiscal incentives. Following are the features of both incentives.

- 1 Fiscal Incentives
- 2 Non Fiscal Incentives

#### 1. Fiscal incentives

Industrialization in hill States is comparatively a recent phenomenon. The severe climatic conditions, topographical and geographical severities are the main hurdles in this process. In such a scenario, the monetary and fiscal benefits in the form of incentives and subsidies as well as the development of appropriate infrastructure are the main instruments to off-set the locational

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

and geographical disadvantages and to woo industrial investment in Himachal Pradesh. Following are the fiscal incentives announced by the State and Central Government.

- ▶ **Incentives under HP Industrial Investment Policy 2019**
- ▶ **Incentives under Central Government Schemes**
  - **Industrial Development Scheme (IDS)**
  - **Pradhan Mantri Kisan Sampada Yojna**
  - **State Food Mission**
- ▶ **Incentives under IT, ITeS, ESDM Policy 2019**
- ▶ **Incentives under Tourism Policy 2019**
- ▶ **Incentives under AYUSH Policy 2019**

### 1.1. Incentives under HP Industrial Investment Policy 2019

The policy will aim to create a framework to stabilize and make existing industries more competitive as well as attract and realize new international and national investments in the industrial sector. The key features of this policy include:

- ▶ **Subsidy for preparation of DPR:** Reimbursement of 50% as for Micro enterprises: INR 20,000, Small enterprises: INR 50,000 and medium enterprises: INR 1,00,000
- ▶ **Incentives related to allotment of land and Industrial Sheds:** Concession of 50%, 60% & 70% of rate/premium fixed for in category A, B and C areas respectively.
- ▶ **Exemption on Stamp Duty and Registration Fee:** 50%, 30% & 10% of applicable rates would be charged in Category 'A', 'B' & 'C' areas. .
- ▶ **Exemption on change in Land Use Fee:** 100% exemption from the payment of change in Land Use fee in category B and C areas respectively
- ▶ **Interest Subvention:** 3% on term loan subject to a maximum of INR 2 lakhs, INR 4 lakhs and INR 6 lakhs per annum for 3 years in Category A, B & C areas respectively.

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

- ▶ **Assistance for Transportation of Plant and Machinery:** Reimbursement of 50% of cost incurred maximum of INR 2 lakhs per enterprise in Category 'A' area and INR 3 lakhs in Category 'B' & 'C' areas.
- ▶ Assistance for access to Technology, Competitiveness, Innovation, and Quality Certification: Reimbursement of 50% of expenses incurred up to INR 5 Lakhs per enterprise.
- ▶ **Net SGST Reimbursement:** Reimbursement of 50%,80%,90% of Net SGST paid for 7 years up to 80% of Fixed Capital Investment in Category A, B and C areas respectively.
- ▶ **Access to Finance for MSMEs:** Reimb. of 50% of expenses incurred on floating Public Issue for raising funds through (NSE) dedicated platform for SME's, subject to maximum of INR 10 lakhs per enterprise
- ▶ **Electricity Charges:** Energy charges 15% lower than the approved energy charges for the respective category for a period of 3 years.
- ▶ Creation and upgradation of Industrial Infrastructure by private investor:
  - o Capital Infrastructure Subsidy for Industrial parks @ 25%,40% & 50% subject to maximum of INR 15 Crore, INR 20 Crore & INR 25 Crore in Category A, B & C areas respectively.
  - o Capital Infrastructure Subsidy for Sector Specific / Theme Parks in Agro, Herbal, Knowledge, Food, IT, ITeS and Electronics System Design, etc. @ 40% subject to maximum of INR 10 Crore, INR 15 Crore & INR 20 Crore set up Category A, B & C areas respectively

### 1.2. Incentives under Central Government Schemes

#### 1.2.1 Industrial Development Scheme (IDS)

- ▶ **Central Capital Investment Incentive:** 30% of the investment in plant and machinery up INR 5 crore.
- ▶ **Central Comprehensive Insurance Incentive:** 100% insurance premium on insurance of building and Plant & Machinery for 5 years.

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

### 1.2.2 Pradhan Mantri Kisan Sampada Yojna

- ▶ **Scheme for Mega Food Park:** 50%-75%, max. INR 50 crore
- ▶ **Scheme for cold chain & value infrastructure:** 50%-75%, max. INR 10 crore
- ▶ **Scheme for creation of processing & preservative capabilities:** 50% max. INR 5 crore
- ▶ **Scheme for Infrastructure for Agro Processing cluster:** 50%, max. INR 10 crore

### 1.2.3 State Food Mission

- ▶ **Technology Up-gradation/ Establishment /Modernization of FPIs:** Rebate @ 33.33 %, Max. limit: INR 75 lakh
- ▶ **Cold Chain for Non-Horticulture Products:** Rebate 50%, Max. INR 5 Crore Interest Subvention @ 7% for 7 years
- ▶ **Creating primary Processing Centres / Collection Centres in Rural areas:** Rebate @ 75%, Max. INR 2.5 Crore
- ▶ **Modernization of Meat Shops:** Rebate @ 75%, Max. INR 5 lakh
- ▶ **Reefer Vehicles:** Rebate @ 50%, Max. INR 50 lakh

### 1.3. Incentives under IT, ITeS, ESDM Policy 2019 (Central Govt.)

- ▶ **Subsidy for Preparation of Detailed Project Report:** Reimbursement of 50% of expenditure incurred towards preparation of DPR up to INR 1 lakh.
- ▶ **Lease Rental Subsidy: IT, ITeS Enterprises:** @ 75% for 1<sup>st</sup> year up to INR 15 lakhs @ 50% for 2<sup>nd</sup> year up to INR 10 lakhs, @ 25% for 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> year up to INR 5 lakhs. **ESDM Enterprises and Green Data Centres** @ 85% for 1<sup>st</sup> year up to INR 20 lakhs @ 60% for 2<sup>nd</sup> year up to INR 15 lakhs @ 35% for 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> year up to INR 10 lakhs
- ▶ **Capital Subsidy: IT, ITeS Enterprises:** @ 25% for Fixed Capital Investment, excluding the cost of land up to INR 1 Crore. **ESDM Enterprises and Green Data Centres:** @ 50% for Fixed Capital Investment, excluding the cost of land up to INR 2 Crore

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

- ▶ **Interest Subvention: IT, ITeS Enterprises:** @ 5% on term loan for 5 years up to INR 25 lakhs per annum). **ESDM Enterprises and Green Data Centres** @ 5% on term loan for 5 years up to INR 30 lakhs.
- ▶ **Net SGST Reimbursement:** Reimbursement of 100% of Net SGST paid for 7 years (Central Govt.) up to 100% of Fixed Capital Investment.
- ▶ **Exemption on Stamp Duty and Registration Fee:** 100% exemption
- ▶ **Exemption on Change in Land Use Fee:** 100% exemption
- ▶ **Assistance for Patent Filing: Domestic Patents:** 75% of actual expenditure incurred up to INR 5 lakhs per patent for 5 patents. **International Patents:** 100% of actual expenditure incurred up to INR 10 lakhs per patent for 5 patents
- ▶ **Market Development Support:** Reimbursement of 50% of expenses incurred for participation in International Trade fairs outside India (twice per enterprise with upper ceiling of INR 5 lakhs per fair).
- ▶ **Quality Certification:** Reimbursement of 50% of expenses incurred up to INR 7 lakhs per enterprise.
- ▶ **Assistance for Transportation of Plant and Machinery:** Reimbursement of 50% of cost incurred in Plant and Machinery up to INR 7 lakhs per enterprise.
- ▶ **Assistance for Setting up Co-Working Space: Reimbursement of Project:** Cost Reimbursement of 50% of the project cost up to INR 20 lakhs. **Lease Rental Subsidy:** subsidy @ INR 10 per square feet per month, subject to a maximum of 25% of actual rent paid for 3 years.

### 1.4. Incentives under Tourism Policy 2019 (Central Govt.)

- ▶ **Capital Investment Subsidy:** For establishing a new Tourism Unit or expansion with minimum investment of INR 5 crores would be eligible for 5% of Fixed Capital Investment with maximum ceiling up to subsidy INR 3 crore for investment in Category "A" area and with minimum investment of INR 20 lakhs (Applicable for Tented/ Huts Accommodation) would be eligible for 10% of Fixed Capital Investment with maximum ceiling up to subsidy INR 50 lakhs for investment in Category "A" and "B" areas.

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

- ▶ **Support in Infrastructure development, Facilitation in clearances/ necessary approvals:**
    - **construction/ development of approach road:** maximum of 15% of the total cost of construction of approach road with maximum ceiling of INR 25 lakhs.
    - **construction/ laying of water pipe line:** maximum of 15% of the total cost of const. of construction / laying cost with maximum ceiling of INR 50 lakhs.
  - ▶ **Incentives proposed for large enterprises in category 'A' area:** Large Enterprise having minimum investment of INR 10 crores technical civil works or minimum INR 5 crores in plant and machinery @50% on Stamp Duty & Registration fee charges paid for investment in Category 'A' area.
  - ▶ **Additional Incentives for Himachal Bonafide Entrepreneurs: a)** Reimbursement of 90% of the charges paid to the entrepreneur for preparation of DPR, subject to maximum of INR 1,00,000 and reimbursement of 70% on Stamp Duty & Registration fee charges paid for investment in Category 'A' area.
  - ▶ **Manpower Development:** 50% of the actual cost of training with maximum ceiling limit of INR 10,000/- per trainee will be reimbursed, subject to a maximum of INR 50,000 per unit for one training Programme in a single year.
  - ▶ **Support for Energy Audit:** 75% of the cost of carrying out Energy Audit, max. limit INR 5 Lakh.
  - ▶ **Marketing and promotion:** 25% of the space rent actually paid subject to a maximum of INR 15,000/- per national event or INR 50,000 per international event Applicable to one event in one financial year per unit.
- 1.5. Incentives under AYUSH Policy 2019 (Central Govt.)**
- ▶ **Lease Rental Subsidy:** 50% for 1st year, max. limit INR 2 lakh 40% for 2<sup>nd</sup> year, max. limit INR 1 lakh 25% for 3rd, 4th, 5th, max limit INR 0.5 lakh.
  - ▶ **Capital Subsidy:** 25% of Fixed Capital Investment, max. limit INR 1crore.

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

- ▶ **Rebate on Stamp Duty:** 90%
- ▶ **Rebate on Registration fee:** 90%
- ▶ **Rebate for Change in Land Use:** 80%
- ▶ **Interest Subvention:** 4% on term loan max. limit INR 15 lakh per annum for 3 years
- ▶ **Net SGST Reimbursement:** 75% for a period of 7 years
- ▶ **Energy Audit Fee:** 75% of the cost of carrying out Energy Audit, max. limit INR 1 Lakh
- ▶ **Electricity tariff concession:** Energy charges 15% lower than the approved energy charges for 3 years as per the Himachal Pradesh Industrial Investment Policy – 2019
- ▶ **Electricity Duty concessional:** 3% for 5 years as per the Himachal Pradesh Industrial Investment Policy – 2019
- ▶ **Assistance to encourage:** One-time assistance of INR 5 Lakh after 3 years of women entrepreneurs operations.
- ▶ **Reimbursement for quality certification:** One-time reimbursement of expenditure incurred on obtaining international/ National quality certification, max. limit INR 5 lakh
- ▶ **Recruitment Assistance:** One-time recruitment assistance INR 10,000 per employee recruited, max. limit INR 0.5 Lakh per unit
- ▶ **Assistance for Setting up of Private Herbal Parks:** Capital Infrastructure Subsidy @ 40%, max. limit INR 10 Crore, INR 15 Crore & INR 20 Crore for parks set up in Category A, B & C areas respectively as per the Himachal Pradesh Industrial Investment Policy – 2019

## 2. Non -Fiscal Incentives

It is as good as fiscal incentives as it reduces either term of investment or cost of operation. Following are the key features of Non fiscal policy:

- ▶ Exemption from certain approvals and inspections for establishment and operation of the Micro, Small and Medium enterprises in Himachal Pradesh under The HP MSME (Facilitation of Establishment and Operation) Act-2019

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

- o Up to 3 years or date of commencement or operation
- o Filing of Form 'I' with Nodal officer required.
- o Covered acts:
  - The HP Panchayati Raj Act, 1994
  - The HP Municipal Corporation Act, 1994
  - The HP Municipal Act, 1994
  - The HP Fire Fighting Services Act, 1984
  - The HP Road Side Land Control Act, 1968
  - The HP Shops and Commercial Establishment Act, 1969
  - The HP Societies Registration Act, 2006
  - The HP Town and Country Planning Act, 1977.
- ▶ In case of Start-ups, inspections by the officers of the Labour Dept., H.P. Pollution Control Board, Drug Dept., Food & Civil Supply Dept. will not be done for 3 years without permission of Head of the Department only on receipt of complaint of violation
- ▶ Self-Declaration format developed by the Ministry of Labour & Employment, GOI are to be used by the Start-ups during the funder the following labour laws:
  - o Industrial Disputes Act, 1947
  - o The Trade Unions Act, 1926
  - o The building and other Constructions Worker (Regulation and Employment and Conditions of Service) Act 1996
  - o The Industrial Employment (Standing Orders) Act, 1946
  - o The Inter-State Migrant Workmen (Regulation and employment and conditions of service) Act, 1979
  - o The Payment of Gratuity Act, 1972
  - o The Contract Labour (Regulation and Abolition) Act, 1970
  - o The Employees Provident Funds and Miscellaneous Provisions Act, 1952
  - o The Employees State Insurance Act, 1948.

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

- ▶ Emphasis on Self Certification by MSME and Start-ups during the initial setup period.
- ▶ MSMEs registered with 'NSIC for participation in Govt. Store Purchase Programme are entitled for exemption from payment of earnest money, security deposits and fee for tender documents.
- ▶ Registered MSEs get 15% price preference in Central Government purchases made through DGS&D
- ▶ Extended Guarantee Cover under Credit Guarantee Fund for up to 80% for MSMEs
- ▶ MSE Delayed payment redressal through MSE Facilitation Council. For delayed payment, compounded interest @ 3% rate on monthly rest payable. (Chapter V of MSME Act, 2006)

### 4. Procedure for availing Incentives

- ▶ **Basic Requirements:**
  1. Udyam Registration
  2. PAN
  3. GSTIN
- ▶ **Application Submission - <http://emerginghimachal.hp.gov.in/>**
  1. Create user Account by Signing up as Investor on Single Window Clearance System (SWCS)
  2. Verify your mobile and email using the OTPs and Verification link sent by SWC
  3. Complete your profile and bank details after login by clicking the user on top right of your screen
  4. Complete and "MSME Self Certification". This is the Intent form under Himachal Pradesh Micro, Small and Medium Enterprise (Facilitation of Establishment and Operation) Act, 2019.
  5. You will be required to upload PDF files of Aadhar, Address Proof and Building Plan (duly certified by Registered Architect).
- ▶ Complete project information in the "Mukhya Mantri Swavalamban Yojana" (MMSY) and save it.

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

- ▶ Once the above steps are completed, the investor can select and apply for Incentive under the relevant scheme.
- ▶ Following the onscreen instructions to complete the application for the respective incentive scheme.
- ▶ Feature to track the application is given on the login dashboard

***Startup MSME to also register with <https://www.startupindia.gov.in/> to avail the additional Incentives***

## 5. Role of Chartered Accountants in MSME

It has been said that Chartered Accountants are the real managers of the economy. Considering Indian economy has approx. 6.3 Cr. MSMEs currently who contribute to 29% of GDP, hence CAs play major and important role in the development and promotion of MSME sector. The type of services practitioners can offer have been divided in below two categories:

1. **Non- Compliance Areas:** MSMEs market in India is very dynamic, and the regulatory environment which governs MSMEs operations is also constantly changing and, as a corollary, the demands of business advisory services are being evolved. MSMEs themselves are different in size, age, sector, location, and growth profile and are run by owners, managers with different capabilities and motivation. With the paradigm shift post COVID 19, the demand of management consultancy services has been increasing for MSMEs as they not only need guidance in terms of re- establishment or access to finance; they are looking forward to plan out strategy to sustain with business continuity plans in future. Few of such consultancy services have been outlined below:
  - i. **Preparation of Project Reports/ project Financing:** In order to take benefit of Government schemes, MSMEs or group of MSMEs are required to prepare a 'Detailed Project Report' (DPR) which outlines the business model of the project, technical specifications and most importantly financial projections of the project being undertaken. MSMEs do not have adequate knowledge and support to prepare such project reports. Chartered Accountants can come forward in this area to support MSMEs in taking up the project in accordance with government schemes and prepare their DPR which can be

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

submitted to government for approvals.

Few of the schemes of Government of Himachal Pradesh (GoHP) and Government of India (GOI) where MSMEs of UP are looking out for assistance are One District one Product (ODOP), SFURTI, MSE-CDP, Pradhan Mantri Formalisation of Micro food processing Enterprises (PM-FME) Scheme, Prime Minister Employment Generation Programme (PMEGP), Mukhymantri Yuva Swavalamban Yojana (MYSY)

- ii. **Handholding MSMEs to avail benefit of schemes:** CAs can play an important role for creating awareness among stakeholders. Capacity building for the MSME is the need of the hour. However, occasional workshops and awareness events organised for MSMEs are helpful to them only to an extent, as they need continuous guidance to understand the scheme applicable for their sector/ business where benefit can be availed. Considering Chartered Accountants are reliable and trustworthy for their MSME clients and understand their business well; they can extend handholding support to MSMEs in applying for the schemes/ policy benefits and guide end to end steps involved in the process. Few examples where MSMEs need continuous support for availing govt. subsidies/ benefits can be SGST Reimbursement/ Refunds in case of exports.
- iii. **Certification for schemes:** The projects sanctioned under various schemes of government also require various certifications from MSMEs such as utilisation certificate, certificate for Net- worth and income of MSMEs etc., which can be catered by Chartered Accountants.
- iv. **Long-term Strategic Partner:** Chartered Accountants can become term strategic partners.

They can provide sound business advice to minimize business risk. The right advice from an impartial professional can be the difference between success and failure. Chartered Accountants in public practice have the skills, knowledge and experience to improve the business practices. A Chartered Accountant can be the business partner for the long haul, continuously adding values to the business.

## Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh

- v. **Business Performance Improvement/ Process Transformation:** Corporates increasingly face more complex business issues and need to rapidly change to keep pace with today's dynamic market. As competition grows and a larger number of industries head for a shakeout, improving business performance (efficiency and effectiveness) is a survival imperative. Meeting the rising expectations of key stakeholders in companies has led to a greater focus on ensuring better returns on investment. Having addressed all obvious areas of improvement, companies are now increasingly looking to develop more innovative ways to improve performance on lead-time, cost, quality and service-related parameters. Most management teams realize that developing and implementing improvement initiatives take up a significant amount of their time and efforts. By engaging Chartered Accountants as consultants, they are able to ensure that the initiative does not lose steam after the initial hype, as so often happens when the initiatives are taken up internally. Chartered Accountants can assist the management in providing the following services:
- Improving customer satisfaction.
  - Reducing process cycle cost.
  - Enhancing quality of delivered services.
- vi. **Due Diligence for implemented projects:** As government need to monitor the success of the projects sanctioned under various schemes, due diligence audit can be conducted by chartered accountants practitioners to fulfil this requirement. The due diligence is done to assess if project is running as per compliances norms of government, funds sanctioned have been utilised in reasonable manner, etc.
2. **Compliance related/ Statutory work areas:** Practitioners have developed their multi-disciplinary skills based over and above the book-keeping. MSME make use of their services to ensure compliance with various laws and regulations. Such major areas are:
- i. **Audit of accounts:** Various laws require audit of accounts to be done by Chartered Accountants, e.g. under Companies Act, Income Tax Act. Some of the MSMEs in business are

## **Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh**

incorporated under the Companies Act, 1956. Such MSMEs are required to get their accounts audited under the provisions of Companies Act, 1956. Similarly, various provisions under the Income Tax Act also require audit of financial statements particularly under section 44AB of the Income Tax Act, 1961. In the case of MSMEs, SMPs are mostly conducting such audits. Under the Income Tax Act, a number of other sections also require audit/certification of the statements by Chartered Accountant. Some of these sections are 35D, 35E, 44AD, 80I, 80IA.

ii. Compliance of tax laws:

- Income Tax: Chartered Accountants are widely perceived to be the best equipped professionals to render all types of line and service function in the area of taxation. They can actively contribute as line managers in all areas of taxation, tax planning and tax management. In fact tax planning is becoming a highly specialized service which can be the exclusive preserve of practitioners. Outsourcing is the order of the day and practitioners are well-placed to give this essential value-addition. The tax audit has been exclusively given to Chartered Accountants where most of the Small and Medium Practitioners are involved. There are nearly two dozen certifications to be done by practitioners under the various provisions of the Income Tax Act. They can also render a useful service in verifying whether the deductions given under the provisions of Section 10A & 10B have been correctly claimed.
- Goods and Service Tax (GST): With new regime of indirect tax, the requirement of chartered accountant professionals in day-to-day business has been increasing. CAs can serve the society by providing the services such as consultancy on the applicability and levy of Goods and Service Tax Laws, assisting in the structuring of the transactions and agreements in relation to inter-state and intra-state sales in order to minimize tax incidents, availment of input credits adequately. The various type of services professionals can provide are:

## **Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh**

- Registration for GST.
- Filing of GST returns.
- Computation of GST amount.
- GST audits
- Consultancy to manage business in accordance with GST laws (viz. Invoicing, E- way Bill etc.)

### **Conclusion:**

Practitioners used to provide compliance and monitoring services to meet provisions of tax laws and audit requirements traditionally which were called as traditional services. To begin with, they started offering standard accountancy services. With changing times, the horizon of chartered accountant services has broadened. Hence, range of services related to noncompliance areas offered by practitioners to support wider business requirements of MSMEs is gaining demand. Accountants themselves have to update for changing type of advice and services which would be required by MSMEs. Overall, while professionals are changing their style and areas to provide services, they are now beginning to develop broad- based strategy and business consultancy practices. Hopefully, the small accounting firms and sole practitioners would soon be playing a larger role in the 'multidisciplinary' practice arena.

## **6. Relevant Links & Contacts for MSME State Specific**

### **1. NSIC**

NSIC has been working to promote, aid and foster the growth of micro, small and medium enterprises in the country. NSIC operates through countrywide network of offices and Technical Centres in the Country. In addition, NSIC has set up Training cum Incubation Centre managed by professional manpower.

- Contact Number - +91-11-26926275, 26926370
- Website – <https://www.nsic.co.in/>
- Address – NSIC Bhawan, Okhla Industrial Estate, New Delhi - 110020, India

## **Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh**

### **2. District Industries Centre**

District Industries Centres are managed and operated at district level to provide all the necessary support services to entrepreneurs or first-time business owners to start their own Micro Small and Medium Enterprises (MSMEs). DICs also promote Registration and Development of Industrial Cooperatives.

- Arrangements for credit facilities, machinery & equipment
- Development and expansion of industrial clusters
- Identification of suitable schemes
- Recognizing and financially supporting new entrepreneurs
- Preparation of feasibility reports
- Providing financial support to small units
- Providing raw materials

The functioning of DICs and their achievement is monitored by the Additional Chief Secretary (Industries) and Director of Industries & Commerce. Approximately, there are 75 District Industries Centres (DICs), one each of the districts of the state.

### **3. MSME-Development Institute**

MSME – DIs are a subordinate office of Development Commissioner (MSME). There are such DIs in the state of Himachal Pradesh which cater to the promotional & developmental needs of the Micro, Small & Medium Enterprise Sector in districts as indicated in their jurisdiction list. The institute maintains a close liaison with the state industries department, Financial Institutions, Voluntary Organization and other agencies concerned with the development of Micro, Small and Medium Enterprises in the state of Himachal Pradesh. It supports the developmental efforts of the agencies by:

- Providing required information on MSME sector.
- By rendering technical consultancy and other technical inputs.
- By formal and informal interaction

### **4. Export Promotion Bureau (EPB)**

The EPB interacts with the exporters on one hand and Export Promotion

## **Compendium of MSME Policy and Incentive Schemes of Himachal Pradesh**

Councils, Agencies, Export Associations, State and Central Government Bodies on the other hand. It assists exporters in export procedure, various facilities and assistance offered by the State and Central Agencies. It also ensures the follow-up of export policy matters and miscellaneous problems of exporters. State exporters are registered by Export Promotion Bureau for providing export assistance offered by the State Government. It implements Freight Rationalisation Scheme of ICDs and Air Cargo, Market Development Assistance Scheme, State Export Award Scheme etc. Besides technical and design inputs, participation in overseas fairs/exhibitions, buyer seller meet, project study on exports are also 'initiated'.

### **5. Khadi and Village Industries Commission (KVIC)**

It is an apex organisation under the MoMSME, with regard to khadi and village industries within India, which seeks to - "plan, promote, facilitate, organise and assist in the establishment and development of khadi and village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary.

### **6. Khadi and Village Industries Board (KVIB)**

The objective of the Khadi and Village Industries Board is to provide maximum employment opportunities and strengthen the rural economy by establishing small scale industries and low capital investment industries.