

# **Information Communication Technology (ICT) Policy 2008**

## **1. Background**

Information and Communication Technology (ICT) has been a major growth driver for the Indian economy in the last few years. In 2006-07 the industry grew to a size of US \$ 51 Billion. Even though it has registered tremendous growth in the past, it still forms a small part of the global IT industry and has significant potential for growth in the coming years.

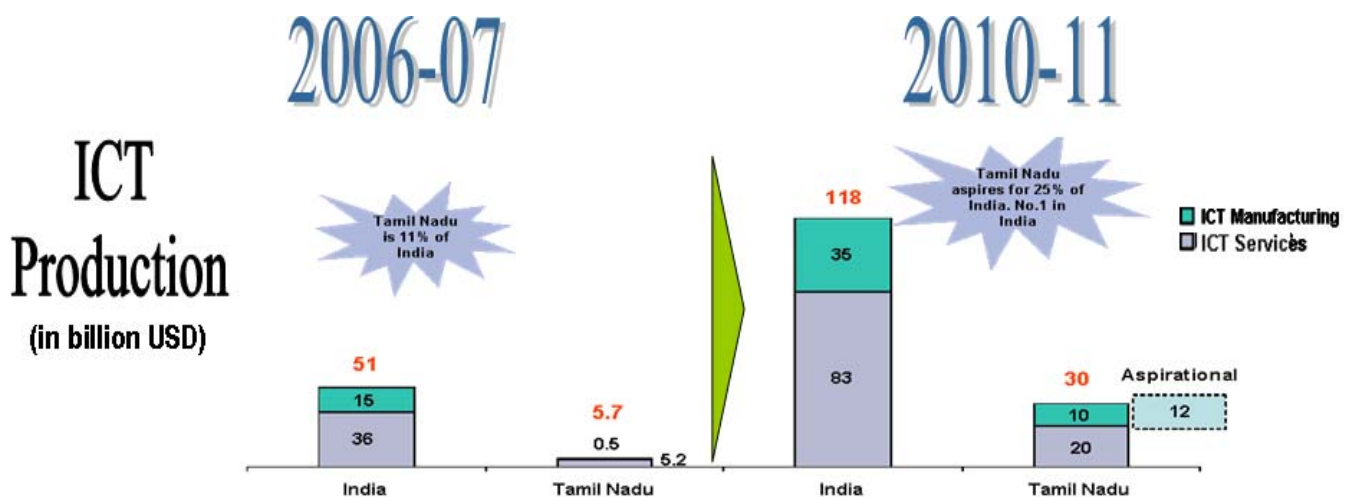
Tamil Nadu has been amongst the top three States in terms of ICT investments and production. It has emerged as a hub for software, hardware and R&D. The number of Indian and Multinational organizations having presence in Tamil Nadu is a testimony to this. ICT production in Tamil Nadu touched a high of US \$ 5.7 billion in 2006-07 and is expected to rise even further in the coming few years. Tamil Nadu now wishes to leverage the unique advantages it possesses and enhance its presence in the ICT sector.

## **2. Vision 2011**

Tamil Nadu has an 11% share, at US \$ 5.7 billion of the total Indian ICT production of US \$ 51 Billion. Tamil Nadu hopes to sustain and improve its ICT performance in the coming years and aspires to

capture a 25% share of Indian ICT production by year 2011. Towards this end, the State has set itself the following vision:

**“Tamil Nadu shall be the ICT Hub of South Asia by creating a knowledge driven ecosystem, leveraging entrepreneurship and promoting socially inclusive growth to achieve a 25% production share of the Indian ICT industry.”**



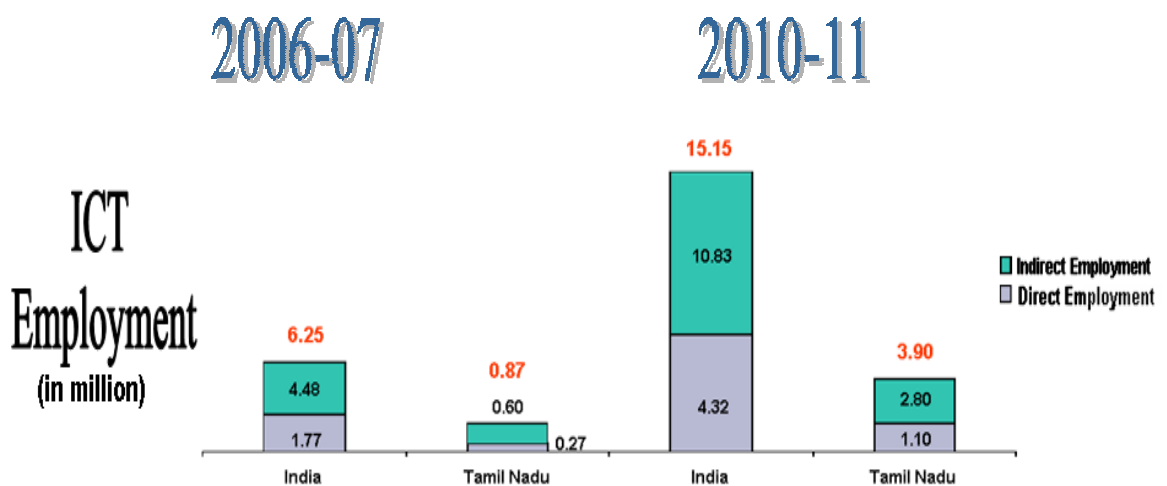
Source: ICRA analysis, NASSCOM Mc Kinsey report 2005, FICCI CEHA presentation and Data Quest; KPMG Estimates

### 3. Achieving the Vision would create 0.8 million direct employment and 2.2 million indirect employment by 2011

Achieving the vision of capturing 25% of India’s ICT production would create huge employment opportunities for the citizens of the State directly and indirectly. It is estimated that a total of 0.8 million direct jobs will be created in the ICT sector- ICT services is estimated to

employ around 0.7 million people while ICT manufacturing is estimated to employ close to 0.1 million people by 2011. It is estimated that 2.2 million indirect jobs will be generated by 2011. **Thus, this policy aims at the creation of approximately 3 million additional jobs by 2011.** The actual and estimated employment in the ICT sector in the country and in Tamil Nadu is given in the chart.

### Current and potential ICT Employment in India & Tamil Nadu



Source: ICRA analysis, NASSCOM Mckinsey report 2005, FICCI CEHA presentation and Data Quest; KPMG Estimates;

#### 4. Key Components of the Knowledge driven Eco System

The key components of the knowledge driven eco-system have been identified as follows:

- a. **Talent** - A key resource for the ICT industry is Talent. Different skill sets are required to play meaningful roles in ICT industries. Continuous learning and improvement is a critical factor. The policy addresses this issue and facilitates the augmentation of the quality and quantity of talent in Tamil Nadu.
- b. **Research and Development (R&D)** activity facilitates a country or a region to move up the value chain. To succeed in ICT in a sustainable manner, the State needs a strong R&D base. For this, close Academia- Industry interaction is required. Ideas which are incubated in the academic institutions and R&D laboratories will have to be commercialised outside through an ecosystem. The ICT policy facilitates this.
- c. **Fiscal and Physical Incentives** - A comprehensive set of incentives have been laid down in the policy to make the State an attractive investment destination. Special provisions have been made to attract investment in Tier II and Tier III Towns in order to bring about a balanced growth of the Industry throughout the State.
- d. **e-Governance for a Smart Society** – Having a strong e-Governance infrastructure is a key enabler for ICT industry to thrive in the State. e- Governance not only increases efficiency of business to government and people to government

interactions, but also enhances the transparency levels. The policy provides a focused thrust in this area.

- e. **Infrastructure** – Infrastructure in the form of satellite cities, good roads, stable-low cost-high quality power are important enablers. The State will focus and develop Tier II and Tier III cities.
- f. **Branding** – With various States in India and regions across the world competing for investments, branding and promotion are key components of highlighting Tamil Nadu's advantages and attracting investments. The policy provides a thrust to branding the State's advantages to potential investors.

## **5. Definitions**

The following are the definitions of terminologies used in this Policy:

IT-ITES Companies will include IT Services (ITS), IT enabled Services (ITES), Private Communication Providers (PCPs), Software Industries, IT maintenance & servicing units and Hardware units as covered in IT Policy 1997.

- a) IT Services are broadly defined as systems integration, processing services, information services outsourcing, packaged software support and installation, hardware support and installation.

b) IT enabled Services are human intensive services that are delivered over telecom networks or the internet to the range of business segments which will include

- Medical Transcription
- Legal Database processing
- Digital content development / animation
- Remote Maintenance
- Back office operations - Accounts/Financial services
- Data Processing
- Call Centres
- Engineering and Design
- Geographic Information Services
- Human Resources Services
- Insurance Claim Processing
- Payroll Processing
- Revenue Accounting
- Support Centres
- Website Services
- Business Process Outsourcing ( BPOs)

c) Private Communication Providers include Class A, Class B and Class C - Internet Service Providers, Right of Way Memorandum of

Understanding (MOU) holders, Basic Service Providers and Value added service providers like the Common Service Centres operators in the State.

## **6. Nurturing Talent in Tamil Nadu**

1. A task force will be set up for developing technical institutes in the State into centres of excellence. Each Centre of Excellence would adopt neighboring ITIs and Polytechnics.
2. ICT Academy of Tamil Nadu: an institution to 'Train the Trainers' in order to upgrade curriculum, enhance skills of all the faculty engaged in teaching ICT related disciplines in the State and development of content will be set up.
3. The State will facilitate setting up of 'finishing' schools with a focus on socially and economically weaker sections.
4. Each autonomous college/university will include industry representatives in the syllabus committee to align the curriculum with the needs of the industry.
5. The State would encourage the industry to develop a standardized ICT aptitude test. The tests will be conducted across the State and the scores obtained in these tests could be used during recruitment by ICT firms.

6. IT infrastructure in the form of a computer lab with broadband internet connectivity will be made available in all High and Higher Secondary schools in the State by end of 2011.
7. School and College curriculum will focus on soft skills like communication skills and personality development. The government shall identify knowledge partners to develop the content for the new curriculum.
8. New teaching methodologies leveraging ICT would be actively explored for better learning by students across schools in Tamil Nadu.

## **7. Boosting Research & Development**

1. The State will take steps to establish institutes of higher learning with focus on the ICT Sector in collaboration with the Government of India. The institutes would focus on both fundamental and applied research.
2. The State will facilitate partnership between educational institutes and industry to identify specific areas of research and provide incentives for students from Tamil Nadu to take up doctoral and post doctoral research in the ICT area.



3. Outstanding students and employees across the State will be offered scholarships to take up research. The government will collaborate with industry to provide such sponsorships.
4. Government will encourage industry to set up labs in existing institutes for specific research initiatives. Industry may also 'adopt' existing labs & upgrade facilities. The Government will facilitate interaction between educational institutions and industry.
5. The Government of Tamil Nadu will explore the feasibility of setting up Research Parks in the State.

## **8. Encourage Entrepreneurs**

1. The Government will encourage institutions to establish incubation centres and commit resources specifically for this purpose. The incubation centres would provide guidance in terms of technical knowledge, provide managerial assistance and help in obtaining resources.
2. The Government will introduce entrepreneurship as a subject in all engineering colleges. A part of this course shall provide for regular interaction with entrepreneurs to give students a first

hand interaction with entrepreneurs facilitating knowledge and experience transfer.

## **9. Incentives**

### **9.1 Fiscal Incentives (Structured Package)**

1. New, IT-ITES facilities setup in Chennai, Tiruvallur and Kancheepuram districts with an investment in eligible fixed assets of over Rs. 250 crores in a period of 3 years would be eligible for a structured package of incentives to be decided on a case-to-case basis. This structured package of incentives would give due weight to investment, employment and potential for attracting further investment. The package would be available to IT-ITES companies who make the investment for own use and would not be available to developers. In case of any district other than Chennai, Tiruvallur and Kancheepuram districts this minimum investment will be Rs. 150 crores, in a period of 3 years.
2. Expansion projects within the existing IT-ITES facility in case of Chennai, Tiruvallur and Kancheepuram Districts with an investment in eligible fixed assets of over Rs. 250 crores in a period of 3 years would be eligible for a structured package of incentives to be decided on a case-to-case basis. In case of

any district other than Chennai, Tiruvallur and Kancheepuram districts this minimum investment will be Rs. 150 crores.

## **9.2 Special Incentives for setting up IT-ITES Industries in Tier II and Tier III locations**

**Definition:** With the exception of the areas falling under the Chennai (Metropolitan Area) Tiruvallur and Kancheepuram Districts, all other locations within the State of Tamil Nadu will be treated as Tier II and Tier III locations for the purpose of availing these incentives.

### **Capital Subsidy and Electricity Tax Exemption**

A back-ended State Capital Subsidy and Electricity tax exemption on power purchased from TNEB or generated from captive sources would be sanctioned for all IT-ITES units, based on investment in eligible fixed assets made within 3 years from start of commercial production and employment as below:

- I. New IT-ITES as well as expansion units investing between Rs.5 crores and Rs 50 crores and employing more than 100 direct workers would be eligible for a capital subsidy of Rs.30 lakhs and electricity tax exemption for 2 years;

- II. New IT-ITES as well as expansion units investing between Rs.50 crores and Rs.100 crores, and employing more than 200 direct workers would be eligible for a capital subsidy of Rs.60 lakhs and electricity tax exemption for 3 years;
- III. New IT-ITES as well as expansion units investing between Rs.100 crores and Rs.200 crores and employing more than 300 direct workers would be eligible for capital subsidy of Rs. 100 lakhs and electricity tax exemption for 4 years;
- IV. New IT-ITES as well as Expansion Units investing Rs. 200 crores and above and employing more than 400 direct workers would be eligible for a capital subsidy of Rs. 1.5 crores and electricity tax exemption for 5 years from the date of commercial production.
- V. IT/ ITES units located within specified Special Economic Zones will be provided an additional 50% capital subsidy over and above the eligible limit.

### **9.3 Relaxation of FSI**

Relaxation of FSI (Floor Space Index) to the extent of 100% will be given in designated IT-ITES Parks all over the State. The certification in this regard will be undertaken by ELCOT.

### **9.4 Exemptions in Stamp Duty and Registration Fee**

- i. 50 % exemption of the Stamp Duty and the Registration Fee will be given at the time of purchase of a land/ building for IT-ITES industries. This will be conditional to the concerned company putting up the facilities to commence the operations within three years from the date of the transaction. The certification in this regard will be undertaken by ELCOT.
- ii. No stamp duty will be levied in respect of transfer of lands acquired by Government or alienated by Government to State Agencies or their subsidiaries for promotion of IT/ITES parks.
- iii. IT-ITES units setup in a Government Park or that set up by a Government Public Sector Undertaking like ELCOT/ SIPCOT/TIDCO/SIDCO or setup as a joint venture with a Government organization or a Government Public Sector Undertaking like ELCOT/ SIPCOT/TIDCO/SIDCO would be

eligible for 50% exemption from stamp duty on lease sale or mortgage of land meant for IT-ITES use as well as on lease of new ready built IT-ITES space.

- iv. For computation of stamp duty, property in IT parks set up by TIDCO, SIPCOT, ELCOT and SIDCO would be valued at actual land or building value paid by the IT / ITES unit to such IT park.

### **9.5 Power Tariff**

Tamil Nadu Electricity Board will provide power supply for Low tension units as per LT Tariff III-C and for High tension units as per HT Tariff I-A to Information Technology Industries whether set up in IT-ITES parks or in stand-alone locations and also ensure quality of power as required by the industry.

For the purpose of power tariff, IT(as defined in Para 5, 5(a), 5(b) and 5(c) of this Policy) maintenance and servicing units and hardware units will be treated as Industrial and not Commercial consumers and electricity tariff as applicable to Industry consumers will be charged.

### **9.6 Employment of Physically Challenged Persons**

Special awards will be given to IT Companies giving substantial employment opportunities to the physically challenged persons. Government of Tamil Nadu will collaborate with leading institutions for

the development and promotion of specific software for the use of physically challenged persons.

## **9.7 Administrative Incentives**

- i. IT-ITES companies will be exempted from the purview of the Tamil Nadu Pollution Control Act.
- ii. IT-ITES companies are exempted from the provisions of Chapter II and III of the Tamil Nadu Shops and Establishments Act, 1947.
- iii. IT-ITES companies are exempted from the provisions of Section 5 (2) (a) (i) and (ii) of the Tamil Nadu Industrial Establishment (National and Festival Holidays) Act, 1958.
- iv. IT-ITES companies will be permitted to self certify that they are maintaining the registers and forms as contemplated under
  - Tamil Nadu Shops and Establishments Rules
  - Tamil Nadu Payment of Gratuity Rules
  - Tamil Nadu Maternity Benefit Rules
  - Contract Labour Act
  - Payment of Gratuity Act
  - Tamil Nadu Industrial Establishment (National and Festival) Holidays Act, 1958.

- Tamil Nadu Industrial Establishments (National and Festival)) Holidays Rules, 1959.

This self certification by the IT-ITES companies will be regarded as sufficient compliance with the requirements of the different Acts and the Rules made there under regarding the maintenance of registers and filing of the returns. The first filing shall be manual. Thereafter, the subsequent returns shall be maintained in electronic form. Any distortion of facts while making self certification will be dealt with stiff penalties.

E-filing of returns will be permitted after all the offices of the concerned Inspectors are computerized for receiving such returns.

## **9.8 Physical Incentives**

- i. Under the Open Space Reservation (OSR) Rules under the Development Control Rules, 1999 of the Chennai Metropolitan Development Agency, the requests of the IT-ITES companies for maintaining the space will be considered favorably. A similar provision will be made in respect of areas falling outside the CMDA.
- ii. Tamil Nadu will be positioned to attract investments in areas of Disaster Recovery and Business Process Continuity. As part of



the initiative, Government will undertake to ensure that sufficient bandwidth and power is made available to IT-ITES companies at alternative locations throughout Tamil Nadu.

- iii. Motor Vehicles Act has been amended to enable the IT Companies to make use of hired privately owned omnibuses to transport their employees between their residences and work place.

## **10. e-Governance**

- 1) The Government of Tamil Nadu will set up the infrastructure needed for e-Governance like the State Wide Area Network and the State Data Centre.
- 2) The Government of Tamil Nadu will set up 5440 Common Service Centres on a Public Private Partnership mode in rural areas.
- 3) The Government of Tamil Nadu will also set up similar Service Centres in urban areas.
- 4) The Government of Tamil Nadu will encourage comprehensive e-Governance in all Government Departments by leveraging the

National e- Governance Plan (NEGP) of the Government of India.

- 5) The Government of Tamil Nadu will progressively roll out electronically enabled citizen-centric services.
- 6) The Government of Tamil Nadu will take steps to simplify procedures and compliance mechanisms.

## **11. Augmenting Civic Infrastructure**

1. The Government will adopt an eco system development approach and attempt to develop the physical infrastructure required for the development of the ICT industry.
2. The Government will improve the rail, road and air connectivity throughout the State.
3. The Government will promote Coimbatore, Madurai, Trichy, Tirunelveli, Hosur and Salem as destinations for the ICT industry in addition to Chennai and its suburbs. The Government will create at least one IT Park on an SEZ format in each of these cities.

4. The Government will attract anchor businesses into each of these cities by actively engaging with large corporate and offering incentives for the early birds for every city.
5. Develop a strong human resource feeder mechanism (to attract local and global talent) and focus on enhancing the quality of life by inviting private players to set up quality schools, medical facilities, entertainment zones, restaurants etc.
6. Provide single window Government interface for all units locating within these facilities, minimising procedural delays and paper work.
7. The Government will estimate the increased demand for power due to increased investments in ICT industry in the State and make arrangements to satisfy the increased demand.
8. The Government will take steps for promoting housing development near IT / ITES zones.
9. The Government will develop a master plan for the development of the cities which would cover:
  - ✓ Widening roads, implementing flyovers
  - ✓ Providing for car-parking space in all public places

- ✓ Coordinated signaling across junctions
- ✓ Relocating bus stops/ terminals
- ✓ Other similar de-congestion interventions

## **12. Branding**

1. Annual awards for excellence will be instituted by the Government for IT-ITES companies.
2. Government will take effective steps to create brand equity for Tamil Nadu and encourage participation in International / National events to position Tamil Nadu as the Destination of Choice.
3. Sufficient enabling environment for teaching foreign languages will be created, so that opportunities in major markets in non-English speaking countries like Germany, Japan, France etc., could be tapped.

## **13. Provide a secure climate in the State**

The Government will conduct a comprehensive safety review along with industry in key cities and emerging industrial clusters in the State. Based on this review it will identify prevention mechanisms for

potential safety threats (individual safety, safety to the industrial assets from attacks etc.)

#### **14. Data Security Policy**

The Government of Tamil Nadu will formulate a comprehensive data security policy. Steps will be taken to strengthen the Cyber Crimes Cell and sensitise the stakeholders on various aspects of cyber crime.

#### **15. Corporate Social Responsibility**

Government recognize that companies assisted through a structured package of assistance have a responsibility to the society and community around their IT / ITES facilities. Investing companies will be encouraged to participate in community and social development activities. Suitable provisions will be incorporated in the Memoranda of Understanding signed with such companies.

#### **16. Leveraging the Tamils living abroad**

Citizens of Tamil Nadu are spread all over the world and many occupy key positions in many leading organizations. Many of them would like to contribute to the growth of their home State. These citizens would be leveraged to get in more investments into the State and to use their talent for the development of the State.

## **17. The use of Tamil in Information Technology**

1. The Government will promote and popularize Tamil Virtual University in India and abroad. Efforts will be taken to host Tamil Books and Publications in an e-library along with Technical Glossaries and Cultural Video Gallery.
2. The Government of Tamil Nadu will encourage efforts to improve standards for Tamil in computing and mobile applications.
3. An International Conference on development of Tamil Computing will be conducted.

## **18. Connectivity**

1. The Government of Tamil Nadu will facilitate single window clearance of all Right of Way applications for facilitating faster roll-out of connectivity in the State.
2. The Government of Tamil Nadu will facilitate Communication Service Providers for installation of BTS Towers and Exchanges.

## **19. Single Window Clearance Mechanism**

Single window clearance would be available for all IT-ITES infrastructure projects from a notified Single Window Clearance Agency on application as a fee based service.

## **20. Conclusion**

Government of Tamil Nadu will take necessary steps to achieve the mission set forth in this policy, by creating a knowledge driven ecosystem, leveraging entrepreneurship and promoting socially inclusive growth to achieve a 25% production of the Indian ICT Industry by 2011.

Secretary to Government