



ABSTRACT

Industries, Investment Promotion & Commerce Department – Guidelines for Tamil Nadu Export Promotion Strategy for providing assistance to Exporting Organisations - Orders – Issued.

Industries, Investment Promotion & Commerce (MIB.1) Department

G.O.(Ms.) No.58

Dated: 21.06.2024

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திருவள்ளூர் ஆண்டு 2055

Read:

1. G.O. (Ms.) No.248, Industries Department, Dated 23.09.2021.
2. From the Managing Director & Chief Executive Officer, Guidance Letter No. Export Strategy/575/2022-1, Dated 08.02.2022.

Order:

In the Government Order 1st read above, the Government issued orders for implementation of the Tamil Nadu Export Promotion Strategy 2021. As per the Strategy, Exporting Organisations in champion sectors (viz. Textiles, Automotive, Leather, Electronics & Electrical Equipment, General Machinery and Food Processing) which meet the threshold level of value addition, shall be provided with certain support measures viz. value-add payroll assistance, quality certification reimbursement and marketing assistance. The Strategy also states that necessary guidelines on the value addition limits for each champion sector shall be issued by the Government.

2. The Managing Director & Chief Executive Officer, Guidance in the letter 2nd read above has submitted a draft Guidelines for Tamil Nadu Export Promotion Strategy for providing assistance to Exporting Organisations as per the Strategy.

3. The Government, after careful consideration, have decided to accept the draft Guidelines for Tamil Nadu Export Promotion Strategy. Accordingly, the Government hereby issue the Guidelines for Tamil Nadu Export Promotion Strategy as annexed to this Order. The salient features of the Guidelines are to provide annual payroll assistance for the annual payroll cost and to provide marketing assistance for exporting organisations which are Large, Mega or Ultra-Mega as per the Tamil Nadu Industrial Policy 2021.

// p.t.o //

The Managing Director,
Tamil Nadu Industrial Investment Corporation Ltd.,
No.692, Anna Salai,
Nandanam, Chennai – 600 035.

The Chairman,
V.O. Chidambaram Port Trust,
Tuticorin – 628 004.

The Chairman,
Chennai Port Trust,
No.1, Rajaji Salai,
Chennai – 600 001.

The Managing Director,
Kamarajar Port Limited,
No.17, Jawahar Building,
Rajaji Salai, Chennai – 600 001.

The Development Commissioner,
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The Zonal Additional Director General of Foreign Trade,
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The Additional Secretary to Government of India,
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Copy to:

The Chief Minister's Office, Chennai – 600 009.
The Personal Assistant to the Hon'ble Minister for Industries,
Chennai – 600 009.
The Finance (Industries) Department, Chennai – 600 009.
The Industries, IP&C (MIA/ MID/ MIE/ MIF/ MIG/
GIM/ Budget/ OP.II) Department, Chennai – 600 009.
SF/SCs.

//FORWARDED BY ORDER//

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21/06/2024
SECTION OFFICER

21.6.2024



Tamil Nadu Export Promotion Strategy 2021- Guidelines

The Government of Tamil Nadu launched the Tamil Nadu Export Promotion Strategy 2021, vide G.O (Ms) No. 285 dated 23.09.2021, which seeks to transform the State into a leading export hub and unlock its export potential and integrate it with global value chains.

The State shall aid Exporting Organisations in the State's Champion Sectors in exports viz. – Automobile & Auto Components, Textiles, Food Processing, Leather & Footwear, Electronics & Electrical Equipment, and Machinery.

Exporting Organisations in these sectors which meet a sector-wise Value-Add threshold, shall be provided with the following assistance measures subject to eligibility criteria

1. Value-add payroll assistance

Reimbursement of 5% of the annual employee payroll cost for a period of 3 years scaled in proportion to the value-addition, subject to a ceiling of Rs. 1.8 cr. per annum.

2. Quality Certification reimbursement

Reimbursement of Reimbursement of 50% cost of Quality Certifications like ISO, ISI, BIS, FPO, BEE, AGMARK, and others which are required specifically for exports up to a cost of Rs. 2 cr.

3. Marketing Assistance

Reimbursement of Digital Marketing expenses for a period of 5 years, capped to Rs. 20 lakhs per annum for Large, Mega, & Ultra-Mega companies.

For MSME associations operating in the State, the Government of Tamil Nadu shall provide financial assistance for participation in international trade fairs by reimbursing the expenses on stalls/space as per the Tamil Nadu MSME Policy 2021.

1 Eligibility Criteria

1.1 Value-add payroll assistance & Quality Certification reimbursement

Companies which have established new/ additional export capacities on or after 01.01.2021, shall be eligible for Value-add payroll assistance and Quality Certification reimbursement provided they meet the following criteria:

- i. Goods manufactured by the company belong to the HSN codes for each of the Champion Export Sectors listed in Table 1.

- ii. Meet the value addition thresholds for the corresponding Champion Export Sector listed in Table 1.
- iii. Turnover from exports of manufactured goods is greater than 1.1 times the export turnover in the previous financial year (i.e., 10% annual growth of export turnover), for each year during the assistance disbursement period. However, in event of an economic recession, i.e., India's GDP or Tamil Nadu's GSDP has contracted in a given year, this condition shall be relaxed provided the company maintains its share of export turnover to sales turnover as in the previous financial year prior to the economic recession.

1.2 Marketing Assistance

Companies with manufacturing premises in Tamil Nadu, which can be classified under the Large, Mega, and Ultra-Mega category as per the Tamil Nadu Industrial Policy 2021 shall be eligible for Marketing Assistance provided they meet the following criteria:

- i. Goods manufactured by the company belong to the HSN codes for each of the Champion Export Sectors listed in Table 1.
- ii. Engaged in manufacturing (with value addition >20%), which derive more than 50% of their revenues in a financial year from exports of goods manufactured in their manufacturing premises in Tamil Nadu.

2 Definitions

2.1 Manufacturing

The term "manufacture" may be drawn from section 2(72) of the Central Goods and Services Tax Act, 2017. In terms of said section, "manufacture" means "processing of raw-material or inputs in any manner that results in emergence of new product having a distinct name, character and use".

2.2 Exporting Organisations

Exporting organisations refer to companies engaged in manufacturing (with value addition >20%), which derive more than 50% of their revenues in a financial year from exports of goods manufactured in their manufacturing premises in Tamil Nadu.

2.3 Sales Turnover

Turnover from sales of manufactured products in Tamil Nadu belonging to the HSN codes for the Champion Sectors (net of indirect taxes).



2.4 Exports Turnover

Turnover from sales proceeds of manufactured goods in Tamil Nadu exported out of India but does not include freight or insurance attributable to the transport of the goods or merchandise beyond the customs station as defined in the Customs Act, 1962 (52 of 1962).

2.5 Value Addition

Value addition is the percentage of manufacturing activity undertaken in the State by the Exporting Organisation. In other words, Value addition in respect of the manufactured goods which are being exported, may be denominated as the ratio of “actual value added” to the sale value (net of returns, price adjustments, discounts, etc.) of the said goods, excluding indirect taxes, if any paid on the goods

2.6 Payroll Cost

The Payroll Cost shall be the actual cost incurred by the company on monthly “basic wages” received by the employees as defined Section 2(b) of the Employees Provident Funds and Miscellaneous Provisions Act, 1952 (subject to said employees being registered in EPFO/ESI). It shall exclude the pay of the key managerial personnel and the members of the Board of Directors.

3 Determination of Value Addition

In order to determine the level of value addition achieved by an exporting organisation, the following points shall be taken into consideration:

1. The final product manufactured and exported should be categorised under a different HSN 6-digit code (as per the Customs Tariff Act, 1975) vis-à-vis the HSN 6-digit code used to categorise the input materials procured for manufacturing.
2. The required value addition if achieved from manufacturing units within the same company or group companies present in the State will also be considered.
3. The onus to validate the Value Addition shall remain on the Exporting Organisation.

3.1 Actual Value Addition

The Value Addition of the Exporting Organisation shall be calculated in the following manner:

- Add: Sales Turnover (net of returns, price adjustments, discounts, etc.) excluding indirect taxes for products manufactured and exported by company or group companies in the State.

- Less: Cost of goods sold such as cost of raw materials and/or packing materials consumed in the said goods (i.e., in the final sale price of the goods sold) and cost of fuel consumed, if eligible for GST input credit.

$$VA_{actual} = \frac{[Sales\ Turnover - Cost\ of\ Goods\ Sold]}{Sales\ Turnover}$$

These shall be as per the Indian Generally Accepted Accounting Principles.

3.2 Threshold Value Addition

Table 1 shows the threshold value addition required to apply for Value-add payroll assistance and Quality Certification reimbursement across different sectors.

Table 1: Champion Sectors with corresponding HSN Codes and Value Addition Thresholds

| S. No | Champion Sector | HSN Codes | Value Addition Threshold (%) |
|-------|------------------------------------|------------|------------------------------|
| 1 | Automobiles & Auto Components | 87 | 28% |
| 2 | Textiles | 50-63 | 25% |
| 3 | Food Processing | 9-11,13-23 | 26% |
| 4 | Leather & Footwear | 42,64 | 29% |
| 5 | Electronics & Electrical Equipment | 85,95 | 20% |
| 6 | Machinery | 84 | 32% |

The Value Addition factor (VA_{factor}), shall be determined as follows –

$$VA_{factor} = (VA_{actual} - VA_{threshold}) / VA_{threshold}$$

The methodology for estimating the actual value addition (VA_{actual}) and threshold value addition ($VA_{threshold}$) as described in section 3.1 and section 3.2 respectively. The VA_{factor} shall be capped to 1.

The Annual Payroll Assistance, shall be determined as follows –

$$Annual\ Payroll\ Assistance = VA_{factor} \times Min[1.8, 5\% \text{ of Annual Payroll Cost}]$$

Table 2 showcases the maximum Annual payroll assistance that can be provided to companies based on different value addition levels across sectors and their actual payroll costs.

Table 2: Maximum Annual payroll assistance (Rs. Cr.) at different Value-Addition levels across sectors

| Value Addition Levels | 20% | 25% | 30% | 35% | 40% | 45% | 50% | 55% | 60% |
|------------------------------------|------|------|------|------|------|------|------|------|------|
| Automobiles & Auto Components | 0.00 | 0.45 | 0.90 | 1.35 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 |
| Textiles | 0.00 | 0.45 | 0.90 | 1.35 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 |
| Food Processing | 0.00 | 0.45 | 0.90 | 1.35 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 |
| Leather & Footwear | 0.00 | 0.45 | 0.90 | 1.35 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 |
| Electronics & Electrical Equipment | 0.00 | 0.25 | 0.65 | 1.06 | 1.47 | 1.80 | 1.80 | 1.80 | 1.80 |
| Machinery | 0.00 | 0.00 | 0.13 | 0.45 | 0.77 | 1.09 | 1.41 | 1.74 | 1.80 |

Illustrative example

Consider a manufacturing company in the machinery sector, operating in Madurai, Tamil Nadu. In FY 2020-21, the previous financial year, the domestic sales turnover of the company from manufactured goods was Rs. 150 cr, and that from exports was Rs. 150 cr, with a total sales turnover of Rs. 300 cr. In FY 2021-22, the domestic sales turnover of the company from manufactured goods remained at Rs. 150 cr. It decides to expand its exports and invests in creating new export capacity of Rs. 50 cr. which allows it to generate sales turnover of Rs. 200 cr. from exports, thereby increasing the total sales turnover from manufactured goods to Rs. 350 cr. in the given year. The cost of goods for manufacturing was Rs. 200 cr. In FY 2021-22, with the company employing 500 people on its payroll. The average annual payroll cost for the company is Rs. 15 cr. The average annual expenditure on Quality Certification is Rs. 1.2 cr. for the products manufactured through its new export capacity. The average annual digital marketing cost for the company is Rs. 50 lakhs.

Test for Eligibility (for FY 2021-22)

| Criteria | Comments | Pass / Fail |
|--|---|-------------|
| <i>State of manufacturing:</i> Tamil Nadu | The company's manufacturing operations are in Tamil Nadu. The port from which the company is exporting may or may not be in Tamil Nadu. | Pass |
| <i>Share of exports:</i> Rs 200 cr / Rs 350 cr = 57% | The share of exports is greater than 50%, and hence the company is an "Exporting Organisation" | Pass |
| <i>Sector of company:</i> Machinery | Machinery is part of the Champion Sectors mentioned in the Tamil Nadu Export Promotion Strategy 2021 | Pass |
| <i>Value addition:</i> [350 – 200] / 350 = 43%. | The company's value addition (43%) is greater than the threshold value addition for the sector (32%) | Pass |
| <i>Export growth:</i> [200-150] / 150 = 33% from FY 2020-21 to FY 2021-22 | The turnover from exports of manufactured goods is 1.33 times the export turnover in the previous financial year which is greater than the export growth threshold of 1.1 times | Pass |

The company passes all the 5 eligibility criteria listed above, and hence the company is eligible for Value-add (VA) payroll assistance, Quality Certification reimbursement, and Marketing Assistance.

Based on these parameters; the eligibility and amount of Value-add (VA) payroll assistance, Quality Certification reimbursement, and Marketing Assistance is calculated as follows for a given year:

Value-add payroll assistance

- $(VA)_{\text{actual}} = [350 - 200] / 350 = 43\%$. The company's value addition is greater than the threshold value addition for the sector (32%), it is eligible for the Value-add payroll assistance.
- $VA \text{ factor} = (VA_{\text{actual}} - VA_{\text{threshold}}) / VA_{\text{threshold}} = [43\% - 32\%] / 32\% = 0.33$
- Annual Value-add payroll assistance in FY 2021-22 = $VA_{\text{factor}} \times \text{Min} [1.8, 5\% \text{ of annual payroll cost}] = 0.33 \times \text{Min} [1.8, .05 \times 15] = 0.33 \times 0.75 = \text{Rs. } 0.25 \text{ cr.}$

Quality Certification reimbursement

- $(VA)_{\text{actual}} = [350 - 200] / 350 = 43\%$. The company's value addition is greater than the threshold value addition for the sector (32%), it is eligible for Quality Certification reimbursement.
- Quality Certification Reimbursement in FY 2021-22 = $50\% \times \text{Annual Quality Certification Cost} = 50\% \times 1.2 = \text{Rs. } 0.6 \text{ cr.}$
- The total Quality Certification Reimbursement will be capped to Rs. 2 cr. per company during the Operative Period.

Marketing Assistance

- $(VA)_{\text{actual}} = [350 - 200] / 350 = 43\%$. The company's value addition is greater than 20%, it is eligible for Marketing Assistance.
Annual Marketing Assistance in FY 2021-22 = $\text{Min} [0.2, \text{Annual Digital Marketing Cost}] = \text{Min} [20, 50] = \text{Rs. } 20 \text{ lakhs}$



4 Application Process

4.1 Required Documents

Companies seeking to avail the Value-add payroll assistance, Quality Certification Reimbursement, and Marketing Assistance would need to submit the following documents -

1. Form 1 Section I: Company Details
2. Form 1 Section II: Company Value Addition, Payroll Details, Quality Certifications & Digital Marketing Expenses
3. Form 1 Section III: Letter of Undertaking for Value-add payroll assistance & Quality Certification Reimbursement **(to be submitted by companies seeking to avail Value-add payroll assistance and Quality Certification Reimbursement)**
4. Form 1 Section IV: Letter of Undertaking for Marketing Assistance **(to be submitted by companies seeking to avail Marketing Assistance)**
5. Certificate from the company's Statutory auditor/Tax Auditor/ Chartered Accountant certifying the amounts declared
 - a. Statutory Auditor in the case of limited companies.
 - b. Tax Auditor under section 44AB of the Income Tax Act 1961 in case of other companies.
 - c. Chartered accountant in case both (a) & (b) are not applicable.
6. Copy of the Quality Certifications from ISO, ISI, BIS, FPO, BEE, AGMARK, and others **(to be submitted by companies seeking Quality Certification Reimbursement)**

4.2 Timelines

Guidance shall undertake the scrutinization & due diligence of applications submitted by exporting organisations which fall under the Large, Mega, & Ultra-Mega Category as per TNIP 2021 within a 30-day period. The MSME Trade and Investment Promotion Bureau (M-TIPB) shall undertake the same activities for MSMEs.

5 Operative Period

The Operative Period of the Tamil Nadu Export Promotion Strategy a period of 5 years from the date of the notification of the Strategy (i.e., 23.09.2021 to 22.09.2026).

The Marketing Assistance and Quality Certification reimbursement shall be provided to companies during the Operative Period. The Value-add payroll assistance shall be provided for a 3-year period.



6 Other Conditions

Companies seeking to avail assistance measures would be required to comply with the following conditions as required

- The online Export Promotion Assistance Application Form needs to be submitted during the Operative Period.
- The Value-add payroll assistance and Quality Certification Reimbursement shall be limited to expenditure on such items undertaken during the Operative Period.
- Exporting organisations which have already availed incentives under any existing State Policy in the last 5 years shall not be eligible for Value-add payroll assistance & Quality Certification Reimbursement.

7 Annexure I

Export Promotion Assistance Application Form

Form I

Section I: Company Details

| | | | | | |
|---|---|------------------------------|--------------------|-------------------------------------|----------|
| 1 | Name of the Company | | | | |
| 2 | a) Factory Address | | Plot & Street Name | Taluk | District |
| | | i. | | | |
| | | ii. | | | |
| | iii. | | | | |
| | b) Registered Office Address | | | | |
| 3 | PAN Number / GST Number (Tamil Nadu) | | | | |
| 4 | Sector* | | HSN Code (2 digit) | | |
| 5 | Products Manufactured | Product | | HSN Code (4 digit) | |
| | | i. | | | |
| | | ii. | | | |
| | | iii. | | | |
| | | iv. | | | |
| | | v. | | | |
| 6 | Export Facility** (New/Additional) | <input type="checkbox"/> New | | <input type="checkbox"/> Additional | |
| 7 | Investment prior to Operative Period (Rs. cr.) | | | | |
| 8 | Period of Investment (should start after 01.01.2021) ** | From: | To: | | |
| 9 | Date of Commencement of Production (for Sl. 6)** | | | | |



| | | | | |
|----|---|-------|-----------|------------|
| 10 | Investment in the Operative Period (for Sl. 6) – Rs. cr. ** | Land: | Building: | Machinery: |
| 11 | Increase in production capacity volume (due to Sl.6) ** | | | |
| 12 | Bank Account Number | | | |
| | Branch Name | | | |
| | IFSC Code | | | |
| 13 | Importer-Exporter Code (IEC) | | | |
| 14 | UAM Number Or IEM Part A / B Registration No. | | | |

* - In case of multiple products across sectors, the 2-digit HS code for the product which comprises the highest percentage share of export turnover should be mentioned

** - For companies applying for Marketing Assistance, details in rows 6-10 are optional.



Section II: Company Value Addition, Payroll Details, Quality Certifications & Digital Marketing Expenses

Table A. Value Addition & Payroll

| | Column 1 | Column 2 | Column 3 | Column 4 | Column 5 | Column 6 |
|-----------------------|------------------------------|-----------------------------|----------------------------|---------------------|---------------------------|--|
| <i>Financial year</i> | Export Turnover (Rs. Cr.) | Sales Turnover (Rs. Cr.) | Cost of Goods (Rs. Cr.) | Employees (jobs) | Payroll Cost (Rs. Cr.) | Value Addition (%) = (Col. 2- Col. 3)/ Col. 2 |
| 2020-21 | | | | | | |
| 2021-22 | | | | | | |
| 2022-23 | | | | | | |
| 2023-24 | | | | | | |
| 2024-25 | | | | | | |
| 2025-26 | | | | | | |
| 2026-27 | | | | | | |

Table B. Quality Certifications & Digital Marketing Costs

| | Column 1 | Column 2 |
|-----------------------|---|--------------------------------------|
| <i>Financial year</i> | Cost of Quality Certifications required for exports (Rs. Cr.) | Digital Marketing Expenses (Rs. Cr.) |
| 2020-21 | | |
| 2021-22 | | |
| 2022-23 | | |
| 2023-24 | | |
| 2024-25 | | |
| 2025-26 | | |
| 2026-27 | | |



Note:

1. Column 2 in Table B is optional if the company is applying only for Marketing Assistance.
2. The total turnover and export turnover should be from the sales of goods manufactured in industrial premises located in Tamil Nadu.
3. Employees would be based as per the definition in the Tamil Nadu Industrial Policy 2021's Annexure IV Section 1.2.
4. Cost of Goods shall include cost of raw materials, packing materials, fuel etc.
5. Payroll cost shall be as defined in Section 2.6.



Form I

**Section III: Letter of Undertaking for Value-add payroll assistance & Quality
Certification Reimbursement**

I / We hereby certify that M/s (name of the company) with its manufacturing units at has not applied for any incentives under any existing policies or schemes of the Government of Tamil Nadu.

I / We hereby certify on behalf of M/s that the particulars given above for the purpose of sanction of assistance measures applicable under the Tamil Nadu Export Promotion Strategy from the Government of Tamil Nadu are to the best of my/our knowledge and belief, true and correct.

I / We hereby agree on behalf of M/s to abide by the terms and conditions for availing the assistance mentioned in the Tamil Nadu Export Promotion Strategy Guidelines.

Place:

Date:

Name of the Authorised Signatory:

Designation of the Authorised Signatory:

Signature with seal



Form I

Section IV: Letter of Undertaking for Marketing Assistance

I / We hereby certify on behalf of M/s
that the particulars given above for the purpose of sanction of assistance measures applicable
under the Tamil Nadu Export Promotion Strategy from the Government of Tamil Nadu are to
the best of my/our knowledge and belief, true and correct.

I / We hereby agree on behalf of M/s to
abide by the terms and conditions for availing the assistance mentioned in the Tamil Nadu
Export Promotion Strategy Guidelines.

Place:

Date:

Name of the Authorised Signatory:

Designation of the Authorised Signatory:

Signature with seal

