

Annexure to Govt. Order No. ITBT 79 ADM 2021, Dt:07.05.2022



Karnataka Data Centre Policy 2022-27

**Department of Electronics, IT, Bt and S&T
Government of Karnataka**

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1. Introduction

Government of Karnataka (GoK) has formulated Karnataka's Data Centre Policy 2022, with a focus on creating demand and value for data centres, by providing a robust and well-connected ecosystem for the growth of data centres in the State. The overarching policy framework envisages to develop a globally competitive data centre industry in the State and to make Karnataka an integral part of the digital supply chain.

The aim of the Policy is to position Karnataka as the 'Destination of Choice' for futuristic data centres in the country by building on the strengths of Karnataka's digital ecosystem, IT infrastructure, cyber security framework, skilled workforce and to unlock data centre industry's high-growth potential.

The new digitally driven revolution in Karnataka is transforming the value chain with increased efficiency, productivity, quality, and competitiveness. Data Centres being the backbone of a digital revolution, are growing exponentially in the State by creating economic opportunities and significant trickle-down effects (multiplier effects), in supporting economic activity in allied industries/services such as backward linkages with real estate sector, IT and electrical hardware, power sector which is expected to drive growth in allied sectors in terms of capacity expansion and jobs. Similarly, forward linkages with industries such as online retail, BFSI, IT and ITeS, OTT, online gaming platforms, ed-tech, artificial intelligence, machine learning, crypto currency, industrial internet of things which are dependent on data centre sector.

Against this changing landscape, today, Karnataka is well-positioned to play a greater leadership role in the global arena with its new data centre policy framework offering data centres an ideal ecosystem for their growth.

1.1. Industry Overview - India

Against the backdrop of robust economic growth benefiting from ongoing structural reforms and a favourable demographic dividend, the Indian economy is likely to emerge as one of the leading economies in the world, poised to become a USD 5 trillion economy by 2025. India is the second fastest-growing digitizing economy among the 17 leading economies of the world,¹ and aims of becoming a USD1 trillion digital economy by 2025. The growth shall be driven by various growth integrators viz. rapid digitisation, more than half a billion-customer base, improving cloud/technology infrastructure and increasing internet penetration with a thrust on data security and localisation.

Data Centres being the epicentre of a digital revolution, form a critical part of the digital infrastructure. India is one of the fastest-growing markets for data centres which has been attracting investments from various public and private investors / operators. The India data centre market size at USD 4.4. billion in 2020 is estimated to reach ~ USD 8 billion by 2026, at a CAGR of 12%.² According to a latest report by JLL Research, Indian Data Centre industry is expected to grow exponentially to reach ~ 1GW (1008 MW) in 2023 from 499 MW (mega watt) in H1 2021, where around 508 MW of supply is expected to be added between H2 2021 and 2023.³ The demand for data centres gained momentum during the pandemic period leading to a surge in data traffic, storage, and processing requirements due to increased digital usage fueled by remote work, increase in edtech solutions, e-commerce, etc. The industry witnessed 46.4 MW absorption

¹ McKinsey Global Institute's (MGI) country Digital Adoption Index between 2014 and 2017.

² <https://www.arizton.com/market-reports/data-center-market-in-india-2025>

³ H1 2021 India Data Centre Market Update', JLL Research, September 2021

during H1 2021 — equivalent to 90 per cent of supply addition during the period (January-June 2021), indicating robust absorption growth.⁴

The India Public Cloud Services (PCS) market reached USD 1.6 billion in H12020, according to the International Data Corporation (IDC)⁵. According to the Nokia's Mobile Broadband India Traffic Index (MBIT), 2021, the data traffic grew 36 per cent in 2020 in comparison to the previous year, primarily driven by 4G data consumption and addition of millions of data subscribers. Further, India has 755 million internet subscribers, 2nd highest after China worldwide and India's data usage per smartphone averaging at about 11GB / month has further increased by 20-25 per cent within a period of two months since the lockdown.⁶

With one of the largest internet subscriber bases in the world, India's data centre landscape would continue to evolve owing to the growing reliance on digital technologies, 5G rollout, IoT-linked devices, cloud adoption, and national government's digital initiative, with a focus on data localization and security.

1.2. Industry Overview - Karnataka

Karnataka is the fourth largest and one of the fastest growing economies in India, propelling the country's growth to greater heights. With a USD 247.38 billion, globalized, market-based economy, the State has already taken several initiatives to enhance its stature as the leading high-tech digitalised States in the country.⁷ Karnataka has been attracting a global audience with its integrated and strategic growth plans that offer immense investment potential across its varied sectors. It is the knowledge capital and IT hub of India contributing to nearly 40 per cent of the country's IT exports amounting to USD 155 billion. Bengaluru, the fourth largest technology cluster in the world and ranks as No 1 digital city in the world.⁸ Despite the pandemic, India's Silicon Valley — Bengaluru has been ranked 8th in the list of top ten world-class tech hubs⁹ and continues to be an attractive destination for talent with around 80 per cent of Fortune 500 companies having their Global Innovation Centres here.

The State Government is determined to ensure that Karnataka leads the world in the 'Digital Industrial Revolution' and use the power of big data, high computing capacity, artificial intelligence, and analytics to digitize Karnataka's economy. This is Karnataka's moment and the State stands at a crucial moment in its history— with an unprecedented opportunity for transformation and it is on the verge of a new age of digital growth. The Karnataka Digital Economy Mission focuses on bolstering the State's digital economy where the State is aiming at enabling the State's IT industry to contribute ~30 per cent to India's goal of becoming a trillion-dollar digital economy.

The State Government is determined in its vision and effort towards rightly positioning Karnataka as the 'Destination of Choice' for futuristic data centres in the country owing to the State's robust infrastructure viz. availability of high bandwidth speed, availability of state-of-art infrastructure, connectivity, digital transformation initiatives, leader in renewable energy, proximity to customers, etc. which are likely to fuel the growth of Karnataka's data centre market. Karnataka being in the least active seismic zones and having low susceptibility to other natural hazards and disasters, offers an added location advantage to the industry.

⁴ H1 2021 India Data Centre Market Update', JLL Research, September 2021

⁵ Poised for Growth: Data Centres in India, Savills Research, May, 2021

⁶ Data Centres- The Next Charged Up Wave, CBRE Research 2020

⁷ Karnataka State Profile, IBEF, June 2021

⁸ The Economist Group, 2017

⁹ Technology Innovation hubs, KPMG India, July 2021

Bengaluru is positioned as a key data centre opportunity market in India with a combined projected MW of built-out critical IT load capacity growth to reach over 190 MW by 2023-24. Bengaluru with a footprint of 1.4 million sq. ft. currently holds 15 per cent share in existing data centre capacity with total installed capacity of 96 MW out of the total installed capacity of 650 MW in India.¹⁰ With the increase in "Work from Home" mode, there is significant increase in demand for data centres.

Beyond Bengaluru is a unique initiative by the Government of Karnataka in its efforts to boost IT penetration across the State and will be supported by strategic policy interventions and holistic economic development. The clusters in 'Beyond Bengaluru', such as Mangaluru, Mysuru, Hubballi-Dharwad, Kalaburagi, Shivamogga and Tumakuru are foreseeing greater investment opportunities and employment potential and emerging as attractive destinations for verticals of IT/BT, viz. fintech, ed tech, e-commerce platforms, retail, robotics, AI, smart manufacturing, health-tech, IoT, and Telecom sector industries.

With the increased penetration of mobile phones and internet, country has experienced unparalleled growth in e-commerce, digital entertainment and use of social media. In order to meet to the growing demand for data storage and come closer to their end user, the Industry players already operating in Karnataka are also looking at expanding with new edgedata centres in regions outside Bengaluru Urban district.

1.3. Critical Growth Integrators Supporting the State's Data Centre Industry

i. Growing Technology Ecosystem

The State has carved out a niche for itself in the global market and ranks number 1 in software / service exports in the country. Karnataka is not only known for its information technology (IT), contributing more than a third to India's software exports, but also for biotechnology (BT) and start-ups and is in the forefront of cutting-edge technologies such as block chain, additive manufacturing, 3D printing, robotics, nano- technology, and genetic engineering. Karnataka is home to over 5500+ IT/Information Technology Enabled Services (ITES) companies, with Bengaluru as the fourth largest technology cluster in the world. The city is consistently ranked among the Top 30 Global Startup Ecosystems across the globe.

The Government of Karnataka has announced the Information Technology (IT) Policy 2020-25 with an aim to ensure Karnataka retains its leadership position in innovation and technology and to enable the State's IT Industry to contribute ~ 30 per cent to India's goal of becoming a trillion-dollar digital economy. This robust growth of the IT & ITeS sector in the State, in the era of virtualization and cloud computing, would add to the growing demand for data centres.

ii. Connectivity

Karnataka has a robust physical infrastructure and connectivity required to create a conducive environment for establishment of data centres. With good rail, road and air connectivity, logistic support, infrastructure, tele-communication network, the State has been a preferred destination for major global OEMs and national players. It is well-connected to its 5neighbouring States and other partsof India through 0.24 million km of continuing road length. It boasts of 13 major National Highways.

¹⁰ Poised for Growth: Data Centres in India, Savills Research, May, 2021

The State has two corridors for inclusive development and industrialization viz. Chennai-Bengaluru Industrial Corridor (CBIC) and Bengaluru-Mumbai Economic Corridor (BMEC). These corridors have multiple redundant fiber connections to different providers that can ensure availability of consistent and reliable bandwidth and meet connectivity requirements of a data centre. Karnataka has one major port – New Mangaluru Port Trust (NMPT) catering to EXIM cargo movement and 10 other minor ports along its 300km coastline. The New Mangaluru Port is the 9th largest port in India. As per the Directorate of Telecommunication, Government of India, 4G population coverage in Karnataka is 98.3 per cent. The existing tower density is 0.42 towers per thousand population with 39,225 towers in the State.¹¹The Base Transceiver Station (BTS) fiberisation in Karnataka is at 34 per cent. The tele-density in Karnataka stands at 104.19.¹²Availability of such infrastructure creates a conducive environment for establishment of data centres in the State.

iii. **Installed Power Capacity**

Karnataka has been a frontrunner in implementing power sector reforms in the country, that has led it to become a power-surplus state, with energy production surpassing consumption. The State has a total installed generation capacity of 30,155.52 MW. Additionally, the State is the leader in the country in renewable energy where 63 per cent of the total installed power capacity is in renewable energy sources. The installed capacity under renewable energy sector including hydel is 18,785.22 MW. Government of Karnataka has developed the world's largest solar park with atotal capacity of 2050 MW at Pavagada, Tumakuru.¹³

Karnataka has also been encouraging private sector investments in power generation from non-conventional or renewable energy sources. Availability and accessibility of power lays the most critical foundation required for establishment of sustainable, efficient and futuristic data centres in the State.

iv. **Skilled Karnataka**

Karnataka is a young State whose demographic dividend offers a great opportunity with 2.12 crore persons in the age group of 16-35 years. It has the 4th largest skilled workforce with presence of highly skilled manpower owing to 52 Universities, 234+ Engineering Colleges, 1,777+ ITIs¹⁴and 450+ Global In-house Centres (GICs).Karnataka aspires to skill 18.8 million youth during the period 2017-2030.¹⁵The State Government is concentrating on the enhancement of skills through training programs with a focus on developing a ready ecosystem for a vibrant high-tech digitalized industry in the State. Karnataka is the 1stState to implement National Education Policy 2020, which advocates the importance of technology in education to leverage key emerging technologies to meet the demands of knowledge economy and Industry 4.0. Proximity to a pre-existing qualified workforce for establishing and operating a data centre would add to the favorable environment for growth of data centres in the State.

v. **Innovation and Knowledge Capital of the Country**

Karnataka continues to be the innovation hub of India, a leader in the establishment of high-technology industries in the areas of Electronics, Information & Communication Technology (ICT), Biotechnology & Nanotechnology, etc. Karnataka has been ranked 1stin NITI Aayog's India Innovation Index for 2020.The State is ranked as one of the top five R&D ecosystems of the

¹¹ Directorate of Telecommunication, Government of India

¹² Telecom Regulatory Authority of India, March, 2021

¹³ Economic Survey of Karnataka 2021

¹⁴ Economic Survey of Karnataka 2021

¹⁵ Karnataka Skill Development Policy 2017-2030

world, with over 400 multi-national companies having their global research and development centres in Bengaluru qualifying as one of the largest concentrations of such centres anywhere in the world. Karnataka launched the country's maiden Engineering Research & Development (ER&D) Policy in 2021 and currently, Karnataka contributes ~40%² of the Engineering Research and Development (Engineering R&D) revenues in India.¹⁶

The Government of Karnataka recognises the potential impact of disruptive technologies and has established Centres of Excellence (CoEs) in various sectors such as Aerospace & Defence, Data Science and Artificial Intelligence, IoT, Animation, Visual Effects, Gaming & Comics Sector, Cyber Security, Machine Intelligence & Robotics with prestigious institutions as anchor institutions to drive innovation and entrepreneurship in the State of Karnataka. Also, to maintain its lead position in innovation and science and technology, Government of Karnataka has embarked on developing "Global Innovation Alliances" with innovation hubs across the world.

vi. Ease of Doing Business

The Government has introduced various initiatives in easing out "Doing Business" in the State. Karnataka was the 1st State to bring out the Karnataka Industries (facilitation) Act, 2002 and constituted the Single Window Clearance Mechanism at State and district level for approvals of all investment proposals in the State which has created a conducive environment for investors. The Government of Karnataka has been successful in simplifying the procedures and fast tracking the approvals/clearances including their subsequent renewals, along with providing an effective investor facilitation through e-Udyami - the single window portal, SAKALA or time-bound delivery, affidavit-based approval system, etc.

¹⁶ Engineering Research & Development Policy 2021

2. Policy Roadmap

2.1. Vision

To position Karnataka as the 'Destination of Choice' for futuristic data centres in the country and to make Karnataka an integral part of the global data centre ecosystem and digital supply chain.

2.2. Mission

To create state-of-the-art data centres and a robust digital infrastructure through a thriving ecosystem, supported by domestic and foreign investments, and critical enablers such as: world class infrastructure, highly skilled and talented workforce, empowering institutional & policy environment and favourable business climate.

2.3. Targets

- i. To create a world class data centre ecosystem in the State by attracting domestic and foreign investments of around INR 10,000 Crores in the State.
- ii. To develop more than 200 MW capacity Data Centre Industry in Karnataka by 2025.
- iii. To encourage establishment of 'futuristic' data centres', powered by renewable energy source, through adoption of energy efficient and sustainable practices leading to a reduction in carbon footprints.
- iv. To provide an enabling ecosystem for digital economy to grow and thrive by generating significant economic benefits across the digital industry and ecosystem.

2.4. Strategies

- i. Promote emerging tech clusters through establishment of data centres across the State.
- ii. Create an environment to enhance ease of doing business in the State for the establishment of data centres.
- iii. Provide an enabling ecosystem for data management, security, transaction, localization, and storage services to the emerging technology industries in the State.

3. Ecosystem Integrators Supporting the Growth of Data Centre Industry in Karnataka

With an aim to position Karnataka as the 'Destination of Choice' for futuristic data centres in the country that can cater to the growing digital demand, concerted efforts are made in the policy for creating a favourable and conducive ecosystem for the data centre industry to cater to the large domestic/global data warehousing demand.

3.1. Land & Infrastructure

The State would facilitate at a centre entities for identification of suitable land parcels (industrial areas developed/ under formation) across the State with necessary infrastructure viz. road connectivity, uninterrupted (24*7) supply of power, fibre connectivity, availability of water and other essential infrastructure items.

3.2. Water

The State would facilitate provision of uninterrupted water supply(24*7) to data centre entities/units across the State.

3.3. Ease of Doing Business

i. **Single Window Agency**

Karnataka Udyog Mitra (KUM), Department of Commerce & Industries to act as the Single Window Agency for clearance of data centre proposals through its online portal.

ii. **Exemption of Data Centre/ entities from the applicability of Karnataka Industrial Employment (Standing Orders) Rules, 1946**

The State Government will exempt data centre entities from the applicability of Karnataka Industrial Employment (Standing Orders) Rules, 1946, for a period of 5 years, with appropriate clause for protection of women employees and prevention of sexual harassment in workplace.

iii. **Self-Certifications**

Data centre entities are permitted to file self-certifications, in the prescribed formats under the Applicable Acts and Rules as per the prevailing notification issued by Labour Department, Government of Karnataka.

3.4. Power

For the long-term growth of the data centre industry in Karnataka, the State Government to its best efforts will facilitate access to uninterrupted and cost-effective power, for operation and augmentation of data centres.

3.5. Connectivity

The laying of underground optical fibre networks, to and from the data centre will be provided as per the Karnataka Telecommunication Infrastructure and Underground Optical Fibre Cable Byelaws 2021 and Karnataka Gram Swaraj and Panchayat Raj (Gram Panchayat) (Telecommunication Infrastructure Tower and Overground Cable or Underground Cable Infrastructure) Bye-laws, 2021 Act 1993.

4. Incentives and Offerings

Data centres will be treated as IT/ITeS entities. The State has provided several incentives to IT/ITES entities under the IT Policy 2020-25, to accelerate the growth of IT Industry across the State. Additionally, to create a favorable climate for investments in the data centre industry, the data centre entities can avail the following standard package of incentives and offerings during the policy period.

4.1. Essential Services

The data centre industry will be treated as public utility service under The Industrial Disputes Act 1947.

4.2. Special Provisions in Building Norms

Considering the unique and specific requirements of data centres, the State Government would relax/modify the following building norms(zoning regulations and building bye-laws) across the State for data centres that are set up as an independent activity.

i. Zoning Regulations

- a) **Ground coverage:** Upto 60% ground coverage shall be allowed to the data centre parks/units.
- b) **Floor Area Ratio:** Data centre entities shall be allowed for 3.0 + 1.0 (Purchasable) FAR. Basement parking, storage and space used for DG sets installation will not be considered as part of FAR.
- c) **Car Parking:** Car Parking for data centres shall be considered as 1 Parking Space per 100 Square meters of designated office area as a threshold requirement in the approved Plan (or) 1 Parking Space per 300 square meters of total built-up area at the option of the developer.

ii. Building Bye-Laws

- a. **Floor to ceiling height (One floor):** There will be no restriction on floor to ceiling height subject to there being no mezzanine floor, and compliance with overall height regulations and suitable structural and fire safety regulations.
- b. **Installation of chillers on the rooftop:** shall be permitted without inclusion in FAR, subject to structural safety norms.
- c. **Boundary Wall:** Exemption on the height norms for the construction of boundary walls up to 3.6 m with 600 mm fencing (Y or spherical) on top of the boundary wall.
- d. **Opening in building:** The data centre building shall be allowed to install minimum number of windows(5% of building facade), subject to compliance with building and fire safety regulations.
- e. **Multi-level DG stacking:** Structure up to G + 5 shall be permissible for Installation of DG sets including multi-level DG stacking, subject to NOC from Fire Safety Department and shall not be considered as part of FAR.
- f. **Data Centre/parks in any land zone:** Setting up of data centres would be permitted in any land zone namely commercial, industrial, and institutional. to avoid incurring additional costs for conversion of scarce land into required/ specific zones.

4.3. Electricity Supply

- i. **Single Window Mechanism for Power Sanctions:** Government will ensure single window clearance mechanism for enabling clearance of power supply in time bound manner for data centres. Any issues pertaining to the transmission infrastructure, single window agency shall communicate to KPTCL for obtaining pre-feasibility power sanction, which would be communicated within 30 days from the receipt of the application.
- ii. **Dual Grid Lines Power Supply:** KPTCL would allow power connection from two different substations for ensuring reliability of power supply to data centres.
- iii. **Open Access:** Open access shall be permitted for data centres as per the existing KERC open access regulation which provides for allowing consumers with contract demand (CD) of 1MW and above, to avail open access.
- iv. **Express Feeders:** An additional feeder shall be provided to data centres at cost to company if the installed capacity of the data centre units more than 100 MW.
- v. **Augmentation of Power:** Augmentation of power supply will be provided as per Conditions of Supply (CoS) of KERC and prevailing relevant regulations and standards prescribed by appropriate authorities under the Electricity Act 2003. Also, on best effort basis, ESCOMS in consultation with KPTCL will augment the supply of power to Data Centres.

4.4. Capital Subsidy

Category	Incentive
Capital Subsidy	<ul style="list-style-type: none">o Data centre units shall be eligible to get one-time 7% capital subsidy up to INR 10 crores on Value of Fixed Assets excluding land and building, whichever is less, outside Bengaluru Urban district. The same shall be disbursed within 5 years with an annual ceiling of INR 2 crores.

4.5. Land Subsidy

Category	Incentive
Land Subsidy	<ul style="list-style-type: none">o 10% Land subsidy shall be provided to data centres on purchase/lease of land outside Bengaluru Urban district.o Land subsidy will be provided for land area up to and not exceeding 10 acres and on actual procurement cost if procured from KIADB or any other agencies of Government of Karnataka. The subsidy for land procured from other sources will be as per the guidance value of land at the time of procurement.o Cap on the maximum amount of land subsidy shall be limited to 10% of the total land cost or INR 3 Crore, whichever is less.o Proposed land subsidy will be applicable only to set up the data centre units. In case solar power plant or other such projects being established along with data centre units, no land subsidy shall be applicable on the proportionate land utilised for the solar power plant.

4.6. Exemption of Stamp Duty and Concessional Registration Charges

Category	Incentive
Exemption of Stamp Duty	<p>100% exemption from stamp duty, upto 10 acres, for data centres outside Bengaluru Urban district.</p> <p><i>Stamp duty to be paid in respect of loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing loans from State Financial Corporation, National Level Financial Institutions, Commercial Banks, Regional Rural Banks, Co-operative Banks, Khadi and Village Industries Board, Khadi and Village Industries Commission, Karnataka State SC/ST Development Corporation, Karnataka State Minority Development Corporation and other institutions which may be notified by the Government from time to time for the initial period of five years only and for lease deeds, lease-cum-sale, sublease and absolute sale deeds executed by industrial enterprises in respect of industrial plots, sheds, industrial tenements, flatted factories by Karnataka Industrial Areas Development Board, Karnataka State Small scale Industries Development Corporation, KEONICS, Industrial Co-operatives, approved private industrial estates/parks, food parks, SPV formed by GoK / Gol and other approved industrial parks shall be exempted</i></p>
Concessional Registration Charges	<p>INR 1/- per INR 1,000/- on registration charges for all loan documents, lease deeds and sale deeds for data centres outside Bengaluru Urban district.</p>
<p>Note:</p> <ol style="list-style-type: none"> <i>The exemption of stamp duty and concessional registration charges are also applicable to lands purchased under Section 109 of the KLR Act, 1961 and also for direct purchase of industrially converted lands for the projects approved by SLSWCC / DLSWCC. This incentive will also be applicable for the land transferred by KIADB to landowners as compensation for the acquired land.</i> <i>The exemption of stamp duty and concessional registration charges are also available for registration of final sale deed in respect of lands, sheds, plots, industrial tenements after the expiry of the lease period at the rate as specified in the Industrial Policy which was in vogue at the time of execution of lease-cum-sale deed.</i> 	

4.7. Exemption of Land Conversion Fees

Category	Incentive
Exemption of Land Conversion Fees	<p>100% exemption of land conversion fees for converting the land from agriculture use to industrial for data centres outside Bengaluru Urban district.</p>

4.8. Power Tariff Concession

Category	Incentive
Power tariff concession	Eligibility of Industrial Power Tariff instead of Commercial Power Tariff for new and existing Data Centre entities in the State, as applicable for IT/ITES entities. This will be eligible for Data Centres who have a minimum of 30% green energy component in total power consumption

4.9. Green Power Tariff Re-imbusement

Category	Incentive
Green Power Tariff Re-imbusement	<ul style="list-style-type: none">○ Data centres using energy from renewable sources above 50% will be re-imbursed INR 0.50 surcharge per unit for 5 years.○ Data centre entities shall be eligible for green power tariff re-imbusement of upto 5 MW, capped at INR 1.25 Crore. The same shall be disbursed within 5 years with an annual ceiling of INR 25 Lakhs.

4.10. Electricity Duty

Category	Incentive
Exemption from Electricity Duty	100% for 5 years from the month of commencement of commercial operation during the policy period.

4.11. Special Incentive Package on Case-to-Case Basis

Special package of incentives will be considered for projects of strategic importance, where standard package would be customized for investments greater than INR 4000crore on a case-to-case basis.

5. Eligibility Criteria, Policy Validity and Sanction Process

5.1. Eligibility Criteria to Avail Fiscal Incentives

To avail the policy incentives and concessions, an Entity must be registered with KITS, Department of Electronics, IT, Bt and S&T as a Data Centre Entity, details of which will be published in the Operational Guidelines to this policy. The eligibility criteria will be applicable during the policy period.

a) Nature of Business

The entity shall be engaged in one of the following businesses-

- o Data Centre involving the development, maintenance of a dedicated secure space within a building / centralized location where computing and networking equipment is concentrated for the purpose of collecting, storing, processing, distributing, or allowing access to large amounts of data.
- o Data Centre Park Developer responsible to build the facility of DC park covering land, park area (Water, sewage, Road, parking, green area, etc.), provision of DC essentials setup / equipment's (i.e. Electricity, Network / Fibre connectivity, Mechanical Electrical and Plumbing equipment's (MEP), etc.
- o Data Centre operator responsible to manage and operate end to end Data Centre operations
- o A cloud service provider offering a cloud-based platform, infrastructure, application or storage service. These entities would be hosting their IT Infrastructure in Data Centre / Data Centre Parks to provide the Cloud Computing services to the end users

b) Location

- o The entity must have registered office in Karnataka as per the Companies Act, 2013 or the Entity should be registered as per the Karnataka Shops & Commercial Establishment Act, 1961.

5.2. Validity of the Policy

This policy shall be valid for a period of five years from the date of issue of Government Order or till a new Policy is announced.

5.3. Sanction Process

Various incentives, concessions and/ or subsidies will be granted to eligible entities from time to time through an Approval Committee. The details of which will be published in the Operational Guidelines to this policy.

6. General Terms and Conditions for extending incentives and concessions

1. The Karnataka Data Centre Policy 2022, will come into force from the date of issue of enabling Government Order and will be valid for a period of five years or till a new policy is announced.
2. Incentives and concessions under this policy shall primarily be available for New Data Centres as well as for existing industry players (Data Centre park developers/Data Centre operators/service providers as well as the allied ecosystem of Data Centre sector) in Karnataka.
3. Incentives and concessions are applicable for the proposals submitted after the notification of this policy. Investments must be made as well as commercial production commenced within the policy period.
4. Stamp duty exemption and exemption on tax on electricity tariff as per the Policy will come into effect only after the issue of enabling notifications by Revenue and Energy departments respectively.
5. Entities can avail incentives and concessions under any one policy of the State. i.e., Entities availing incentives and concessions under Karnataka Data Centre Policy 2022, will not have a choice to avail partly in the Data Centre Policy and partly in any other Policy of the State in vogue and vice-versa, unless otherwise specified by the Government.
6. All clarifications relating to interpretation of any term or any provision under this policy will be communicated to the Department of Electronics, IT, Bt and S&T, Government of Karnataka, for resolution. The decision of the State Government shall be final and binding for all.
7. Any amendment or changes in the prevailing definitions of Govt. of India schemes and policies will be applicable to the State Data Centre policy.
8. Any other related Government Orders/Notifications issued from time to time by Revenue/Energy/Labour/Urban Development/Commerce & Industries Department, Government of Karnataka are applicable to this policy.

7. Applicability of Incentives for Eligible Data Centre Operators/Developers/Service Providers

SI No	Category	Incentive/Benefit	Eligible Data Centre Operators/Service Providers(across Karnataka)	Eligible Data Centre Operators/Developers/Service Providers (Outside Bengaluru Urban district)
1.	Capital Subsidy	Data centre units shall be eligible to get one-time 7% capital subsidy up to INR 10crores on Value of Fixed Assets excluding land and building, outside Bengaluru Urban district. The same shall be disbursed within 5 years with an annual ceiling of INR 2 crores.		●
2.	Land Subsidy	<p>10% Land subsidy shall be provided to data centres on purchase/lease of land outside Bengaluru Urban district.</p> <p>Land subsidy will be provided for land area up to and not exceeding 10 acres and on actual procurement cost if procured from KIADB or any other agencies of Government of Karnataka. The subsidy for land procured from other sources will be as per the guidance value of land at the time of procurement.</p> <p>Cap on the maximum amount of land subsidy shall be limited to 10% of the total land cost or INR 3 Crore, whichever is less.</p>		●

3.	Exemption of Stamp Duty	100% exemption from stamp duty, upto 10 acres, for data centres outside Bengaluru Urban district.		●
4.	Concessional registration charges	INR 1/- per INR 1,000/- on registration charges for all loan documents, lease deeds and sale deeds for data centres outside Bengaluru Urban district.		●
5.	Exemption of Land Conversion Fees	100% exemption of land conversion fees for converting the land from agriculture use to industrial for data centres outside Bengaluru Urban district.		●
6.	Power Tariff Concession	Eligibility of Industrial Power Tariff instead of Commercial Power Tariff for new and existing Data Centre entities in the State, as applicable for IT/ITES entities. This will be eligible for Data Centres who have a minimum of 30% green energy component in total power consumption	●	
7.	Green Power Tariff Re-imbusement	Data centres using energy from renewable sources above 50% will be re-imbursed INR 0.50 surcharge per unit for 5 years. Data centre entities shall be eligible for green power tariff re-imbusement of upto 5 MW, capped at INR 1.25 crore. The same shall be disbursed within 5 years with an annual ceiling of INR 25 Lakhs.	●	
8.	Exemption from Electricity Duty	100% for 5 years from the month of commencement of commercial operation.	●	

Annexure 1: Definitions

1. **Entity:** A Private Limited Company (as per the Companies Act 2013), a Registered Partnership Firm (under the Partnership Act, 1932) or Limited Liability Partnership (under the Limited Liability Partnership Act, 2008)
2. **Data Centre:** Data Centre is a dedicated secure space within a building / centralized location where computing and networking equipment is concentrated for the purpose of collecting, storing, processing, distributing or allowing access to large amounts of data.
3. **Data Centre Entity:** All legal entities operating under the Data Centre industry ambit as a Data Centre Developer or Data Centre Operator
4. **Data Centre Park:** Data Centre Parks are specialized secure Data Zone , strategically located with the most conducive non-IT and IT infrastructure, and regulatory environment for housing mix of small scale / large scale / clusters of Data Centres to serve the high needs of compute, storage, networking and provision of a wide range of data-related services.
5. **Data Centre Park Developer:** Data Centre Park Developer is an entity who would be responsible to build the facility of DC park covering land, park area (Water, sewage, Road, parking, green area, etc.), provision of DC essentials setup / equipment's (i.e. Electricity, Network / Fibre connectivity, Mechanical Electrical and Plumbing equipment's (MEP), etc.
6. **Data Centre Operators:** Data Centre operator is an entity who would be responsible to manage and operate end to end Data Centre operations
7. **Cloud Services Provider:** A cloud service provider is a third-party firm offering a cloud-based platform, infrastructure, application or storage service. These entities would be hosting their IT Infrastructure in Data Centre / Data Centre Parks to provide the Cloud Computing services to the end users.
8. **Karnataka Digital Economy Mission (KDEM):** KDEM is a Section 8 Company (not-for-profit) with equity participation by both Industry and Government of Karnataka (Department of Electronics, IT, Bt and S&T). KDEM has been setup to promote Digital Industry growth and attract investments by providing hand-holding services and suggesting policy initiatives to be taken up by the State.
9. **Floor Space Index (FSI) / Floor Area Ratio (FAR):** FSI or FAR means the ratio between the area of a covered floor (Built up Area) to the area of that plot (land) on which a building stands.
10. **Fixed Investment for Infrastructure** means investment made towards the building, interiors and associated IT infrastructure, Software tools and products, Computers, Servers, Workstations, Networking Equipments. Investment for purchase of land will be excluded from computation of Fixed Investment for Infrastructure (FII)
11. **Reimbursement:** Compensation given by the State/ public body/ organization for a defined expense by giving them an amount equal to what was agreed upon.
12. **Stamp Duty:** Stamp duty is a duty levied on the legal recognition of certain documents.
13. **Subsidy:** Subsidy is a sum of money granted by the state or a public body to help an industry or business to keep the price of a commodity or service low.
14. **Value of Fixed Assets:** Value of Eligible Fixed Assets (VFA) shall mean the total investment made on land, building and plant and machinery including R&D equipment and such other productive assets like tools, jigs & fixtures, dyes, utilities like boilers, compressors, DG Sets, cranes, material handling equipment and such other equipment directly elated to production purposes.

Annexure 2:Glossary

ABBREVIATION	DEFINITION
AI	Artificial Intelligence
BTS	Base Transceiver Station
BFSI	Banking, financial services and insurance
CoE	Centre of Excellence
CSIR	Council of Scientific & Industrial Research
Department of Electronics, IT Bt and S&T (Department)	Department of Electronics, Information Technology, Biotechnology and Science & Technology, GoK
DBT	Department of Biotechnology, Gol
DIM	Digital Investment Mission
DLSWCC	District Level Single Window Clearance Committee
DPIIT	Department for Promotion of Industry and International Trade, Gol
DST	Department of Science & Technology, Gol
DoT	Directorate of Telecommunication, Government of India
FAR	Floor Area Ratio
FSI	Floor Space Index
GICS	Global In-house Centres
Gol	Government of India
GoK	Government of Karnataka
GSDP	Gross State Domestic Product
IIIT	International Institute of Information Technology
IoT	Internet of Things
IT	Information Technology
ITeS	Information Technology enabled Services
KEONICS	Karnataka State Electronics Development Corporation Limited
KERC	Karnataka Electricity Regulatory Commission
KIADB	Karnataka Industrial Areas Development Board

ABBREVIATION	DEFINITION
KBITS	Karnataka Biotechnology and Information Technology Services
KITS	Karnataka Innovation and Technology Society
KPTCL	Karnataka Power Transmission Corporation Limited
KTM	Karnataka Technology Mission
MeitY	Ministry of Electronics and Information Technology, Gol
MSDE	Ministry of Skill Development and Entrepreneurship, Gol
MSMEs	Micro, Small and Medium Enterprises
MBIT	Mobile Broadband India Traffic Index
OEM	Original Equipment Manufacture
OTT	Over The Top
R&D	Research & Development
SEZ	Special Economic Zone
SHLCC	State High Level Clearance Committee
SLSWCC	State Level Single Window Clearance Committee
UDD	Urban Development Department
VFA	Value of Fixed Assets