



ABSTRACT

Industries, Investment Promotion & Commerce Department - Operational Guidelines and Clarification to the Tamil Nadu FinTech Policy 2021 - Orders - Issued.

**INDUSTRIES, INVESTMENT PROMOTION
& COMMERCE (MIB.1) DEPARTMENT**

G.O.(Ms.) No.242

Dated: 14.12.2022

சுபகிருது வருடம் - கார்த்திகை 28

திருவள்ளூர் ஆண்டு-2053

Read:

- 1) G.O. (Ms.) No.329, Industries (MIB.1) Department, Dated 1.12.2021.
- 2) From the Managing Director & Chief Executive Officer, Guidance Letter No.PP/FinTech Cell/1523/2021-3, dated 11.08.2022.

ORDER:

In the Government Order 1st read above, Government issued orders for implementation of Tamil Nadu FinTech Policy 2021. As per Section 1.5 of the Tamil Nadu FinTech Policy 2021, Operational Guidelines and clarification shall be issued from time to time.

2. The Managing Director & Chief Executive Officer, Guidance in the letter 2nd read above has submitted a draft Operational Guidelines for the Tamil Nadu FinTech Policy 2021.

3. The Government, after careful consideration hereby issue the Operational Guidelines and Clarification to the Tamil Nadu FinTech Policy 2021 as annexed to this Order. This Guidelines contain detailed information on the eligibility & operational criteria for firms applying for incentives, clarifications & criteria for incentives, application process and required application forms under the Tamil Nadu FinTech Policy 2021.

(BY ORDER OF THE GOVERNOR)

**S. KRISHNAN
ADDITIONAL CHIEF SECRETARY TO GOVERNMENT**

To
All Secretaries to Government,
Secretariat, Chennai-600 009.

The Managing Director & Chief Executive Officer,
Guidance, Prestige Polygon Towers, 11th Floor,
471 Anna Salai, Rathna Nagar,
Teynampet, Chennai - 600 035.

The Chairman and Managing Director,
TIDCO,
19-A, Rukmini Lakshmiipathy Road,
Egmore, Chennai – 600 008.

The Managing Director,
SIPCOT,
19-A, Rukmini Lakshmiipathy Road,
Egmore, Chennai – 600 008.

The Vice Chairman,
Tamil Nadu State Planning Commission,
Ezhilagam, Chepauk, Chennai- 600 005.

The CEO-FinBlue,
Director, STPI, No.5, Rajiv Gandhi Salai,
Taramani, Chennai – 600 113.

The State Nodal Officer,
Tamil Nadu Startup and Innovation Mission (TANSIM),
D3-10, IIT Madras Research Park, D block, Third floor 32,
Kanagam, Tharamani, Chennai, Tamil Nadu 600113

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

The Chief Project Officer,
TNIFMC,
No.19, TP Scheme Road, Raja Street Extension,
RA Puram, Chennai - 600 028

The Managing Director,
Tamil Nadu Skill Development Corporation,
1st Floor, Employment Office, Alandur Rd,
Thiru Vi Ka Industrial Estate, Guindy, Chennai, 600032

The Director,
Entrepreneurship Development and Innovation Institute
Parthasarathy Koil Street, Ekkaduthangal, Chennai-32

The Managing Director,
TANSIDCO,
Thiru Vi-Ka_Industrial Estate,
Guindy, Chennai - 600 032

The Commissioner of Commercial Taxes,
Ezhilagam, Chepauk,
Chennai- 600 005.

The Commissioner of Labour,
DMS Campus DMS Subway,
Teynampet, Chennai – 600 006.

The Commissioner of Land Administration,
Ezhilagam, Chepauk,
Chennai - 600 005.

The Director of Industrial Safety and Health,
47/1, Thiru Vi. Ka. Industrial Estate,
Guindy, Chennai - 600 032.

The Director General of Police/ Director,
Fire and Rescue Services,
17, Rukmani Lakshmi pathy road,
Egmore, Chennai - 600 008.

The Director of Town and Country Planning,
Chengalvarayan Building, Fourth floor,
807, Anna Salai, Chennai - 600 002.

The Chairman and Managing Director,
TANGEDCO
10 th floor, NPKRR Maaligai,
144, Anna Salai, Chennai - 600 002.

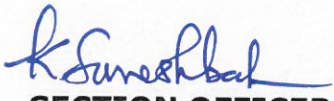

The Member Secretary,
CMDA
Thalamuthu Natarajan House,
No. 01, Gandhi Irwin Rd, Ansari Estate,
Egmore, Chennai - 600 008.

The Commissioner of Town Panchayats,
7th & 8th Floor, Urban Administrative Office Campus,
Chennai - 600 028.

Copy to:

The Chief Minister Office, Chennai - 600 009.
The Senior PA to Hon'ble Minister for Industries,
Secretariat, Chennai - 600 009.
Public (SC) Department, Chennai - 600 009.
Finance (Industries) Department, Chennai - 600 009.
Industries (Budget/ GIM) Department, Chennai - 600 009.
SF/SC

// FORWARDED BY ORDER //


SECTION OFFICER

14.12.22

Annexure to G.O. (Ms.) No.242, Industries, Investment Promotion & Commerce (MIB.1) Department, dated: 14.12.2022

Guidelines for Tamil Nadu FinTech Policy 2021

The Government of Tamil Nadu launched the Tamil Nadu FinTech Policy 2021, vide G.O (Ms). No. 329, Industries (MIB.1) Department, dated 01.12.2021, which seeks to transform the State into a global destination for Fintech firms by 2025.

For monitoring the progress and implementation of the Policy, the Government of Tamil Nadu set up the FinTech Governing Council under the chairmanship of the Hon'ble Minister for Industries, vide G.O. (Ms) No. 297, Industries (MIB.1) Department, dated 11.11.2021. The Sanctioning Authority, a sub-committee of the FinTech Governing Council has been constituted for the purpose of sanctioning of incentives and endorsing applications for funding as per the Tamil Nadu FinTech Policy 2021.

FinTech firms shall be provided with the incentives such as Operating Expenses Support, FinTech Accelerator Kit, Marketing Support, SGST Reimbursement, Employment Assistance, and Skill Development Support by the Government of Tamil Nadu subject to the firm meeting the eligibility criteria.

These guidelines provide the process and clarification on sanction & claim of incentives and funding support as per the Tamil Nadu FinTech Policy 2021.

1 Sanction & Claim of Incentives

1.1 Eligibility & Operational Criteria

1.1.1 Eligibility Criteria

The eligibility criteria from the Section 6.1 of the Tamil Nadu FinTech Policy 2021 is reiterated below:-

Firms classified as FinTech firms as per the scope of the Tamil Nadu FinTech Policy 2021, shall need to meet the following criteria to be eligible for incentives mentioned in the policy.

- i. Any entity (public or private) incorporated in India which has commenced sales operations from Tamil Nadu on or after 01.04.2020
- ii. Any entity which has been recognised as a Startup by TANSIM/ FinBlue/ Startup India initiative

OR

Any entity which has been selected as part of RBI/any other financial sector sandbox initiative, incubated at a government-recognized Atal incubation centre of any academic institution.

- iii. Any entity which has a registered office or branch office undertaking core design and software development of FinTech product/service in Tamil Nadu, adhering to international standards such as ISO 9001, ISO 27001 etc.

1.1.2 Operational Criteria

The conditions mentioned in Section 6.1 of the Tamil Nadu Fintech Policy 2021 are reiterated below:-

- i. Firms eligible under this Policy can avail the incentives provided under this Section for a maximum period of 3 years or until 31.12.2025, whichever is earlier.
- ii. Eligible firms which have commenced sales on or after 01.04.2020, can avail a back-ended subsidy for the incentives accrued in FY 2020-21.
- iii. Expenses claimed under one category cannot be claimed under a different category (e.g. – expenses claimed under Marketing Support cannot be claimed under Operational Expenses Support).
- iv. The firm applying for incentives shall submit an undertaking that they are engaged in core design and software development of a FinTech product/service in Tamil Nadu.
- v. The incentives will be limited to the extent of operations in Tamil Nadu.

Clarifications: As FinTech firms operate across a wide range of categories and utilise different products/platforms/services and technologies, they have varied business models which are evaluated differently. Therefore, the following clarifications shall hold

- i. The Sanctioning Authority can relax or add stipulations to the eligibility/operational criteria mentioned, on a case-to-case basis.
- ii. Sales/Revenues, expenses and any other accounting terms shall be as per the accepted accounting principles such as Indian Accounting Standard or Indian Generally Accepted Accounting Principles which encompasses applicable accounting standards relevant to provisions of the Indian Companies Act 2013.

1.2 Incentive Clarification & Conditions

1.2.1 Operating Expenses Support

For computation of the operating expenses support as mentioned in Section 6.1.1 of the Tamil Nadu FinTech Policy 2021, the following conditions would apply –

S.No.	Sub-component	Clarification/Condition
1	<ul style="list-style-type: none"> • Expenses like rent, electricity, power, water charges, internet access, and other tariffs payable 	Expenses considered shall be for offices in the State wherein core design & software development work is undertaken.

2	<ul style="list-style-type: none"> Statutory charges payable to Government of Tamil Nadu 	Statutory charges are mandatory charges which every company would need to be compliant with. For e.g., stamp duty paid on the lease of office.
3	<ul style="list-style-type: none"> Company registration expenses, including professional charges for the same 	Fees/expenses for registering with Ministry of Corporate Affairs shall be considered. Membership fees for registration with associations / councils are mentioned in point 10.
4	<ul style="list-style-type: none"> Expenses related to technical support for creation of lab/innovation hub for sandbox 	Consultancy fees involved in technical support shall be considered.
5	<ul style="list-style-type: none"> Research and development expenses including Intellectual Property creation such as patents, copyrights, and trademarks, Proof of Concept activities (inclusive of professional service support - consultancy, cyber security testing, IT audit, training, change management etc.) 	Expenses related to Proof-of-Concept Activities or IP created during the Policy period shall be considered.
6	<ul style="list-style-type: none"> Expenses related to professional services like legal and accounting services 	Professional Services, like legal and accounting services, expenses related to core operations - core design & software development shall be considered.
7	<ul style="list-style-type: none"> Expenses related to sales 	Sales General & Administrative Expenses which don't include personnel salaries, R&D costs, financing costs, interest expenses, marketing/advertising expenses, and other expenses which are covered under the other categories.
8	<ul style="list-style-type: none"> Expenses related to tax and legal advisory services 	Expenses related to advisory services shall be considered. However, expenses related to tax shall not be considered eligible.
9	<ul style="list-style-type: none"> Expenses on furniture, hardware, office supplies, maintenance, and repair activities 	Expenses related to purchase, modification, and/or repair shall be considered.

10	<ul style="list-style-type: none"> Membership fees paid by FinTech firms to be a part of recognised international councils 	Membership fees for Singapore FinTech Association, American FinTech Council, Innovate Finance (UK), FinTech Alliance (UK) ¹ , and other recognised international councils would be considered.
11	<ul style="list-style-type: none"> Expenses related to listing the firm on the stock exchanges (international stock exchange listing fee reimbursement subject to regulatory approvals) 	Expenses related to National/International stock exchange listings shall be considered.

1.2.2 FinTech Accelerator Kit

The State shall provide FinTech startups with a FinTech Accelerator Kit to reduce initial product development costs and help scale their business swiftly. The FinTech Accelerator Kit shall provide FinTech startups free credits with TANSIM's ecosystem partners in segments such as cloud services, financial data services, payment gateways etc. up to an incentive limit of Rs.5 lakh per year.

For computation of the expenses under the FinTech Accelerator Kit, the following conditions would apply –

1. Only expenses incurred with TANSIM's ecosystem partners would be considered eligible. Expenses incurred with other companies offering services would not be eligible.
2. The total incentive applicable under this component would be the actual expense incurred with TANSIM's ecosystem partners or Rs.5 lakh, whichever is lower.

1.2.3 SGST Reimbursement

The State shall reimburse 100% of Net SGST paid by the firm up to an incentive limit of Rs.5 lakhs per year.

For computation of the SGST Reimbursement, the following condition would apply –

1. The Input Tax Credit portion of the GST return shall not be included, as the reimbursement is equivalent to the net SGST paid to the Government of Tamil Nadu.

The firm shall file and settle their taxes as per the usual tax process. For the purpose of reimbursement, the firm shall apply to SIPCOT for an SGST reimbursement with the necessary documents listed in Section 1.3.1 of this document. SIPCOT shall assess the submission and verify the tax returns with the Commercial Taxes Department.

¹<https://singaporefintech.org/membership/corporate/>, <https://fintechcouncil.org/>, <https://www.innovatefinance.com/>, <https://fintech-alliance.com/>

1.2.4 Employment Assistance

Employment assistance in the form of reimbursement of expenses incurred by the employer towards Employee Provident Fund (EPF) shall be provided based on the core staff (staff engaged in design and software development of the FinTech product/service) employed and working in Tamil Nadu as provided in the Table.

Headcount (Annual)	Employment Assistance		
	Reimbursement Assistance – % of employer’s annual EPF contribution		
	Tier 1	Tier 2	Tier 3
10-50	12%	18%	24%
50-100	18%	27%	36%
100+	24%	36%	48%

For computation of the Employment Assistance, the following conditions would apply–

1. The employer’s EPF contribution per employee would be capped to 12% of the employee’s basic salary. For instance, if a firm employs 20 core staff in a Tier 2 region with a basic salary component of Rs.50,000 per month each and contributes 15% of the employee’s basic salary as EPF contribution. Then the Employment Assistance in a particular year which would be provided to the firm shall be equal to [Reimbursement Assistance X Min (12%, actual EPF contribution %) X Basic Salary paid to employees] = [18% X Min (12%, 15%) X (50,000 X 12 X 20)] = [18% X Min (12%, 15%) X 1,20,00,000] = 18% X 12% X 1,20,00,000 = Rs 2,59,200.
2. Firms applying for Employment Assistance would need to maintain the threshold headcount required throughout the year. If the firm’s headcount falls below the threshold headcount in any month, then it shall be eligible for a lower Employment Assistance if applicable. For instance, a firm with 75 people in Tier 1 region, would be eligible for an 18% Employment Assistance, provided they maintain a minimum headcount of 51 people throughout the year. If the firm’s headcount drops to 45, then the firm shall be eligible for a 12% Employment Assistance. However, if the firm’s headcount drops below 10, then the firm shall not be eligible for Employment Assistance.
3. If the firm has multiple offices within Tamil Nadu, the applicable Employment Assistance percentage for the firm shall be calculated for the office where the majority of core staff is employed. For instance, a firm has 3 offices viz. – 1 in Tier 1 with 20 core staff, 1 in Tier 2 with 10 core staff, and 1 in Tier 3 with 30 core staff. The employment assistance % applicable for the firm shall be 36%.

1.3 Application Process

1.3.1 Documents Required

Firms seeking to avail incentives provided under the FinTech Policy shall need to submit the following –

1. Eligibility

Documents Required	Form to be submitted
<ol style="list-style-type: none">1. Certified Copy of Incorporation2. Certified copy of Memorandum & Articles of Association3. Lease/ Purchase Agreement for Registered Address4. GST Registration Certificate5. Certificates from Startup India/ Startup TN/ FinBlue/ other Agencies mentioned in the FinTech Policy	Form I Section I

2. Incentives

S. No.	Type	Form to be submitted
1	Operating Expenses Support	Form I Section I Form II Section I Form II Section III Form III Section I
2	FinTech Accelerator Kit	Form I Section I Form II Section III Form III Section I
3	Marketing Support	Form I Section I Form II Section III Form III Section I
4	SGST Reimbursement	Form I Section I Form II Section III Form III Section I
5	Employment Assistance	Form I Section I Form II Section II

		Form II Section III
		Form III Section I
6	Skill Development Support	Form I Section I
		Form II Section III
		Form III Section I

Each firm shall be required to submit a 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.

1.3.2 Evaluation Framework

The firm applying for incentives under the Tamil Nadu FinTech Policy 2021, shall be evaluated through a two-stage process.

In the first stage, the applicant firm shall submit the Incentive Application Form along with the required documents to the FinTech Cell which has been set up in Guidance (fintech@investtn.in). The FinTech Cell shall screen for eligibility and shortlist the firm for the next state if found suitable.

In the second stage, the firm shortlisted after the due diligence exercise shall be invited to present their application to the Sanctioning Authority. The Sanctioning Authority shall evaluate the firm and provide its decision for the sanction of incentives.

1.3.3 Disbursal & Operative Period

The operative period of the Tamil Nadu FinTech Policy is from 01.04.2020 to 31.12.2025. The incentives (Operating Expenses Support, FinTech Accelerator Kit, Marketing Support, SGST Reimbursement, Employment Assistance, and Skill Development Support) shall be disbursed for a period of 3 years or 31.12.2025, whichever is earlier.

2 Applications for Funding

Section 5 of the Tamil Nadu FinTech Policy 2021 showcases the different possible funding avenues for FinTech firms operating in the State. The Sanctioning Authority shall evaluate FinTech firms which seek funding assistance and shall endorse suitable firms.

2.1 Tamil Nadu Startup Seed Grant Fund

The Tamil Nadu Startup Seed Grant Fund is managed by Tamil Nadu Startup & Innovation Mission (TANSIM) to support early-stage financing requirements of firms. FinTech firms shall be supported by the FinTech Cell in Guidance & TANSIM during their application process.

2.2 Tamil Nadu Emerging Sector Seed Fund

The Tamil Nadu Emerging Sector Seed Fund is managed by the Tamil Nadu Infrastructure Management Corporation to invest in start-ups & undertakings in sunrise sectors. The FinTech Cell in Guidance shall assist FinTech firms seeking to apply for funding under this fund.

2.3 Digital Accelerator under Yaadhum Oorae

The Digital Accelerator scheme seeks to encourage startups in emerging sectors including FinTech. The FinTech Cell in Guidance shall assist FinTech firms applying to the American Tamil Entrepreneurs Association (ATEA) for funding under this scheme.

2.4 State Innovation Fund

The State Innovation Fund seeks to promote innovation by improving efficiency in public service delivery. The FinTech Cell in Guidance shall assist FinTech firms in partnering with eligible agencies in order to apply for funding under this fund.

3 Annexure – Forms

FinTech Incentive Application Form

Form I

Section I: Company Details

Company Name			
CIN			
Date of Incorporation			
Registration Number			
Incorporated at			
Class of Company (Public/Private)			
Company Category			
Company Sub-Category			
Registered Office Address	Address	City	Pin code
Branch Office Address			
GSTIN			
PAN			

	S. No	Name	Designation	Qualification	Work Experience
Promoters					
Directors					
FinTech Segment					
FinTech Product					
Employees					

S. No

Name

Designation

Qualification

Work Experience

S. No

Name

DIN

Qualification

Work Experience

Directors

FinTech Segment

Payments, Settlement & Clearing
Market Provisioning
Data Analytics & Risk Management
Insurance

Deposits, Lending & Capital Raising
Investment Management
Exchanges & Markets
Global Capability Centres/ IT & ITeS

FinTech Product

S. No

Business Unit

Office Location

of Employees

Employees

Form II

Section I: Operational Expenses Support

	<i>Rent, Utility, & Internet Charges</i>	<i>Statutory Charges</i>	<i>R&D Expenses</i>	<i>Professional Expenses</i>	<i>Sales & other related Expenses</i>	<i>Others</i>	<i>Total</i>
<i>Financial year</i>	Column 1 (Rs lakhs)	Column 2 (Rs lakhs)	Column 3 (Rs lakhs)	Column 4 (Rs lakhs)	Column 5 (Rs lakhs)	Column 6 (Rs lakhs)	Column 7 (Rs lakhs)
2020-21							
2021-22							
2022-23							
2023-24							
2024-25							
2025-26							

Note:

1. Column 7 is the summation of expenses listed in columns 1-6 for each financial year.
2. Firms which are applying for only select sub-components under the Operational Expenses Support, may provide details for the other components if they wish to do so. Firms need to provide details for the financial year in which they are applying.

Section II: Employment Assistance

<i>Financial year</i>	<i>Annual Employer EPPF Contribution</i> (Rs lakhs)	<i>Employment Assistance (%) as per FinTech Policy 2021</i>	<i># of Employees</i>	<i>Employment Assistance</i> Column 4 = Col. 2 X Min [Col. 3 * 21,600, Col. 1] (Rs lakhs)
2020-21				
2021-22				
2022-23				
2023-24				
2024-25				
2025-26				

Note:

1. Firms need to provide details only for the financial year in which they are applying. Firms may, provide details for previous financial years if it is available and they wish to do so.

Form II

Section III: Incentive Components

	Operating Expenses Support	FinTech Accelerator Kit	Marketing Support	SGST Reimbursement	Employment Assistance	Skill Development Support	Total
Financial year	Column 1 (Rs lakh)	Column 2 (Rs lakh)	Column 3 (Rs lakh)	Column 4 (Rs lakh)	Column 5 (Rs lakh)	Column 6 (Rs lakh)	Column 7 (Rs lakh)
2020-21							
2021-22							
2022-23							
2023-24							
2024-25							
2025-26							

Note:

1. Column 7 is the summation of incentive components listed in Columns 1-6, for each financial year.
2. Firms which are applying for only selected incentive components under the Policy, need to provide details only for the financial year they are applying for. Firms may, provide details for previous financial years if it is available and they wish to do so.
3. Incentive components viz. Operating Expenses Support, FinTech Accelerator Kit, Marketing Support, SGST Reimbursement, Employment Assistance, & Skill Development Support shall be as per the definitions provided in Section 6.1 of the FinTech Policy.
4. Firms claiming incentives under any of the incentive components shall need to comply with the Incentive Clarification & Conditions mentioned in Section 2 if applicable.
5. Firms shall need to provide invoices for the details provided under each incentive component upon the time of the submission of the incentive application.

Form III

Section I: Letter of Undertaking

I / We hereby certify on behalf of M/s..... that the particulars given above for the purpose of sanction of incentives under the Tamil Nadu FinTech Policy 2021 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 decision of the Sanctioning Authority for availing the incentives under the Tamil Nadu FinTech Policy 2021.

Place:

Date:

Name of the Authorised Signatory:

Designation of the Authorised Signatory:

Signature with seal

S.KRISHNAN
ADDITIONAL CHIEF SECRETARY TO GOVERNMENT

// TRUE COPY //

K Sundhadev
SECTION OFFICER

14.12.22