K.K & COMPANY
Chartered Accountants

Capital Investment Subsidy & Eligibility Advisory

Proposed Hotel & Resort Projects in Madhya Pradesh

1. Executive Summary

A hotel-cum-resort project with a total project cost of approximately ₹10 crore & above falls squarely within the **"Large/Mega/Ultra Mega Project"** category under the Madhya Pradesh Tourism Policy's Investment Promotion Assistance scheme for Large/Mega/Ultra-Mega tourism projects. Subject to meeting the eligibility conditions summarized below, the project stands to gain substantial capital support in addition to standard fiscal concessions available to all tourism units.

***Assuming we fall under the MEGA PROJECT Category**

Parameter	Applicable Benefit (Indicative)
Applicable route	Investment Promotion Assistance — Mega Project category
Minimum investment threshold for this category	₹50 crore (project meets this threshold)
Subsidy rate	30% of eligible capital investment
Maximum ceiling (Mega category)	₹30 crore
Disbursement schedule	Over 4 years: 10% + 10% + 5% + 5% of the sanctioned amount
Minimum local employment	**100 residents of Madhya Pradesh**
Exclusion for the calculation of cost	*For calculating the subsidy amount land cost, working capital, vehicles, furnishings and other cost are excluded*

2. Project Classification

The Policy classifies large-ticket tourism investments into three tiers, each with its own minimum capital outlay and minimum local-employment commitment with a **flat 30% financial assistance**:

Category	Minimum Capital Investment	Minimum MP-Resident Employment	Max. Subsidy Ceiling
Large Project	₹10 crore or more	50 persons	₹15 crore
Mega Project	₹50 crore or more	100 persons	₹30 crore
Ultra-Mega Project	₹100 crore or more	200 persons	₹90 crore

2.1 Key conditions attached to this route

- A unit availing Investment Promotion Assistance under the Large/Mega/Ultra-Mega route cannot simultaneously claim capital subsidy under any other clause of the Tourism Policy for the same project — the applicant must elect one route.
- Minimum employment of 100 Madhya Pradesh residents must be generated and maintained; this is verified through self-declaration and inspection.
- Disbursement is staggered over four financial years (10% + 10% + 5% + 5% of the sanctioned amount), not paid as a lump sum on approval.
- An entity that is 100% owned by SC/ST promoters is eligible for an additional 5% subsidy over and above the standard rate.

3. Capital Expenditure — What Counts Toward the Subsidy

"Capital Investment" for subsidy computation is a defined, closed list. Only permanent assets built for, owned by, and used by the unit — on land owned by the unit — are counted. The order splits expenditure heads into an ELIGIBLE list and a NON-ELIGIBLE list; both are reproduced below because getting this classification right at the DPR/costing stage materially affects the final subsidy quantum.

3.1 Eligible capital expenditure heads (Clause 2.1)

#	Eligible Item
1	Permanent building constructed for the project, owned by and used by the unit, on land owned by the unit
2	Boundary wall
3	Internal roads, drainage, entrance gate
4	Swimming pool
5	Store
6	Kitchen
7	Water supply system (pipeline, tank, pump house, water treatment plant, etc.)
8	Boiler room and chimney
9	Air and water pollution treatment plant, incinerator, etc.
10	Centralised air-conditioning system, water-heating system
11	Power sub-station, transformer, electric line, electric poles
12	DG power back-up (for own consumption)

13	Telecom tower (self-installed, for own use)
14	Electric wiring, water-supply piping, gas/steam supply piping
15	Permanently installed sound, light, public address and internet system/network
16	Permanent security deposits, registration fee, stamp duty, diversion fee paid to obtain permissions/connections
17	Fire-fighting equipment/system and fire brigade
18	Permanently installed machinery/plant in kitchen, laundry, health club, convention hall, exhibition hall, etc. that cannot be relocated
19	Permanent swings, climbing walls, amusement/play structures and permanent tents installed in play area/park
20	Other permanent construction/plant/machinery/tools essential to complete or operate the project
21	Technical know-how fee
22	Consultancy charges
23	Installation charges of machinery/equipment/services
24	Infrastructure, tools, equipment, plant, sports equipment, accessories, maintenance & repair workshop required as per the definition of the tourism project
25	Cost of connecting road, power, water supply and sewage infrastructure (common/public-use infrastructure) built to link department-allotted land to the site
26	Permanent tourist-accommodation tents
27	Solar/bio-energy systems
28	Rain-water harvesting system

3.2 Expenditure NOT eligible for subsidy (Clause 2.2)

#	Excluded Item
1	Cost of land
2	Site development, garden, landscaping, etc.
3	Working capital
4	Pre-operative and preliminary expenses
5	Second-hand machinery
6	Capitalisation of interest
7	Trucks, cars, vans, golf/polo carts, trailers, tractor-trolleys, tankers and other transport vehicles
8	Consumable stores related to repair/maintenance
9	Assets held on lease
10	Furniture and fixtures — cutlery, crockery, utensils, paintings, décor items, fans, heaters, geysers, split/window AC, portable fire extinguishers, carpets, curtains, furnishings, etc.
11	Any asset less than 5 years old at the time of claim (tents excluded from this restriction)
12	Commercially built shops, residences, offices, etc. not used by the unit itself or not necessary for its operation

IMPOTANT TO NOTE - Practical implication: land acquisition/lease cost, working capital, vehicles, movable furnishings and soft-service items should be excluded from the "eligible capital investment" figure used to compute the subsidy base — even though they will appear in the overall ₹50 crore project cost.

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4.1 Statutory approvals and construction compliance

- Building permission and an approved building/layout plan from the appropriate local authority (Municipal Corporation/Municipality/Gram Panchayat as applicable) — construction must conform to this approved plan.
- Completion certificate from the competent authority upon completion of construction.
- Registration under the Shop & Establishment Act, GST/PAN registration, and, where applicable, Fire Safety, Food Safety (FSSAI) and Pollution Control Board (Consent to Operate / NOC) clearances.
- If any land-use diversion was required, the land-diversion certificate must be on record.

4.2 Timing of expenditure

- Only capital expenditure incurred **up to 3 years prior to the date the project commences commercial (business) activity** is treated as eligible for subsidy computation — expenditure outside this window is disregarded.
- Commercial-operation date must be evidenced by the first lodging bill, first catering bill, first activity/service bill, or other legally acceptable proof.

4.3 Certification and documentation

- A Chartered Accountant's certificate, in the Department's prescribed format, certifying the head-wise eligible capital expenditure, reconciled to ledgers and bank statements, is mandatory.
- Coloured photographs of the unit/project from at least three different angles, plus a photograph of each facility created, must be submitted.
- Cancelled cheque and vendor-registration form for the bank account into which the subsidy is to be disbursed.
- List of employees with Aadhaar details, to substantiate the local-employment condition.

5. Crucial Civil Parameters to be considered at the planning stage

1. Tourism Units

Tourism Units means a legal entity in the form of a registered company under the Companies Act, 1956 or 2013, or a Partnership Firm, a Registered Trust, a legally registered co-operative society, or an individual proprietary concern, engaged in or to be engaged in one or more tourism projects.

2. Hotel — Star / Deluxe Category

Minimum requirements for establishment, operation and maintenance:

- Facade, architectural features and general construction shall have the distinctive qualities of a luxury hotel.
- At least 50 lettable air-conditioned rooms with attached bathrooms.
- All single/double rooms: floor area not less than 23 sq. meters, inclusive of bathrooms.
- Bathrooms with highest-quality fittings befitting a luxury hotel, 24-hour hot & cold running water.
- Telephone, television, small refrigerator, well-stocked bar in each guest room.
- Well-appointed lounge with seating, left-luggage room, safety deposit boxes, telex/fax/Wi-Fi facilities.
- Coffee shop and at least one specialty dining room; elegant, well-stocked bar where legally permissible.
- Professionally designed kitchen, pantry and cold storage — efficient, clean, hygienic.
- Well-designed swimming pool, at least one recreational/sports facility, live entertainment facility.
- Should be classified 1–5 star by Ministry of Tourism, Govt. of India.
- 24x7 in-room dining service.

3. Hotel — Standard Class

- At least 25 lettable rooms with attached bathrooms.
- Gross bed capacity of the 25 lettable rooms should not be less than 40.
- Double room: min. 14 sq.m. carpet area; single room: min. 12 sq.m.; bathrooms: min. 3 sq.m.
- All bathrooms: modern sanitation, 24x7 hot/cold running water.
- Adequate furniture, fixture and linen.
- Clean, hygienic kitchen, restaurant and common sitting area.
- In-room dining service from 6 AM to 11 PM, all days.

4. Resort

Minimum requirements:

- Preferably located near/around Riverside, lakes, hills, forest, water body etc.
- Desirable: at least one facility connected with the location that attracts tourists.
- Minimum 20 lettable rooms, min. carpet area 15 sq.m., attached bathrooms.
- At least 2 lettable suites; suite carpet area not less than 30 sq.m.

• Unless a hill station location that doesn't need AC, at least 50% of rooms should be air-conditioned.

• Bathroom carpet area at least 3.5 sq.m.

• Restaurant/dining hall with seating area of min. 40 sq.m. (excl. kitchen/storage).

• Plot should measure at least 10,000 sq.m.

• Minimum unbuilt/open area of 6,000 sq.m. on the plot.

• At least 4 of the following: indoor games (min. built-up 25 sq.m.), conference room (min. 50 sq.m.), swimming pool, tennis/badminton/putt-golf or other outdoor game area, health club (min. 30 sq.m.), lounge (min. 35 sq.m.), children's park.

CA MUDIT TIWARI

+91 95160-52268

camudittiwari@gmail.com

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