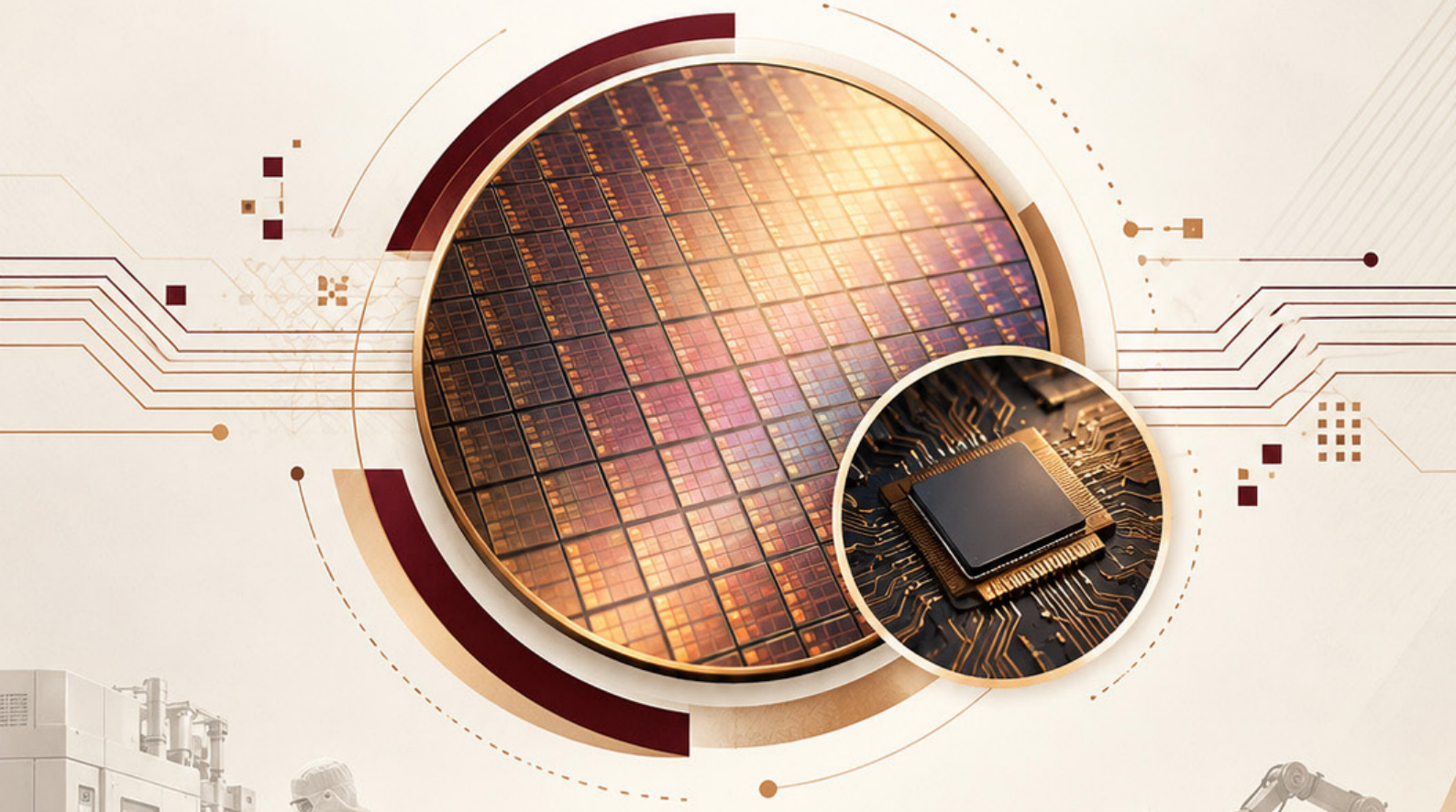
GOVERNMENT OF TAMIL NADU

TAMIL NADU
SEMICONDUCTOR
ECOSYSTEM SCHEME
2026





GOVERNMENT OF TAMIL NADU

TAMIL NADU SEMICONDUCTOR ECOSYSTEM SCHEME 2026

Industries, Investment Promotion and Commerce Department
Government of Tamil Nadu

LEADING COMPANIES IN TAMIL NADU'S ELECTRONICS ECOSYSTEM



1. Preamble

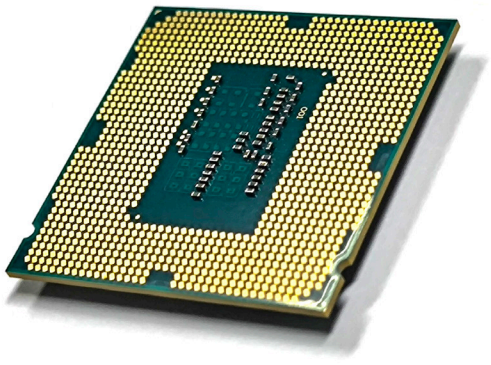
Tamil Nadu stands at the forefront of India's electronics manufacturing transformation, emerging as a vital link in global supply chains. Built on decades of industrial excellence, engineering expertise and skilled talent, the State has developed a comprehensive Electronics System Design and Manufacturing (ESDM) ecosystem spanning mobile phones, consumer electronics, IT hardware, electronic components and precision manufacturing.

The State's electronics journey accelerated in the early 2000s with the emergence of the Sriperumbudur–Oragadam industrial corridor. Investments by Nokia, Motorola, Samsung, Dell, Foxconn and Flex established a strong manufacturing base, attracting suppliers, ancillary industries and technology partners.

Tamil Nadu's electronics exports reached USD 19.9 billion in FY 2025–26, accounting for approximately 41% of India's electronics exports. As the country's largest electronics exporter, the State hosts leading manufacturers including Foxconn, Tata Electronics, Samsung, Dell, Flex and Salcomp, supported by established industrial clusters across Sriperumbudur, Oragadam, Kancheepuram, Tiruvallur and Hosur. SIPCOT industrial parks and dedicated Electronics Manufacturing Clusters at Manallur and Pillapaikkam further strengthen infrastructure and investment readiness.

Progressive policies have driven this growth. The Tamil Nadu Electronics Hardware Manufacturing Policy 2020 strengthened large-scale manufacturing, while the Tamil Nadu Semiconductor and Advanced Electronics Policy 2024 advanced semiconductor technologies and domestic value addition. The Tamil Nadu Semiconductor Mission 2030 focuses on chip design, research, innovation and talent development, while the Tamil Nadu Semiconductor Ecosystem Scheme 2026 aims to attract investments, strengthen indigenous capabilities and build an integrated semiconductor value chain.

Moving beyond assembly into advanced components, semiconductor design, packaging, materials, equipment and indigenous product development, Tamil Nadu is positioned to shape India's electronics future as a globally competitive hub for advanced electronics and semiconductor manufacturing.



1.1. Semicon 2.0

The semiconductor industry has become a decisive determinant of national industrial capability. The Government of India launched the Semicon India Programme in December 2021 with an outlay of Rs.76,000 crore, focussed principally on establishing foundational fabrication and packaging capacity. Building upon that foundation, the Union Cabinet has approved on 15.07.2026 the second phase of the programme with an outlay of Rs.1,27,500 crore, which has since been notified by the Ministry of Electronics and Information Technology as "Semicon 2.0 – Scheme for Development of Semiconductor Design and Manufacturing Ecosystem in India" vide Notification F. No. W-38/6/2025-IPHW dated 31.08.2026 (Semicon 2.0).

Semicon 2.0 is built around six strategic pillars and ten categories, namely

(i) Design of Chips (Categories 1 to 3),
(ii) Machines and Materials (Category 4),
(iii) Setting up more Fabs (Categories 5 to 7),
(iv) Further Strengthening the ATMP/OSAT industry (Category 8),
(v) Research and Development (Category 9),
(vi) Talent Development (Category 10),

and marks a shift from attracting individual fabrication units towards building a complete and resilient domestic ecosystem.

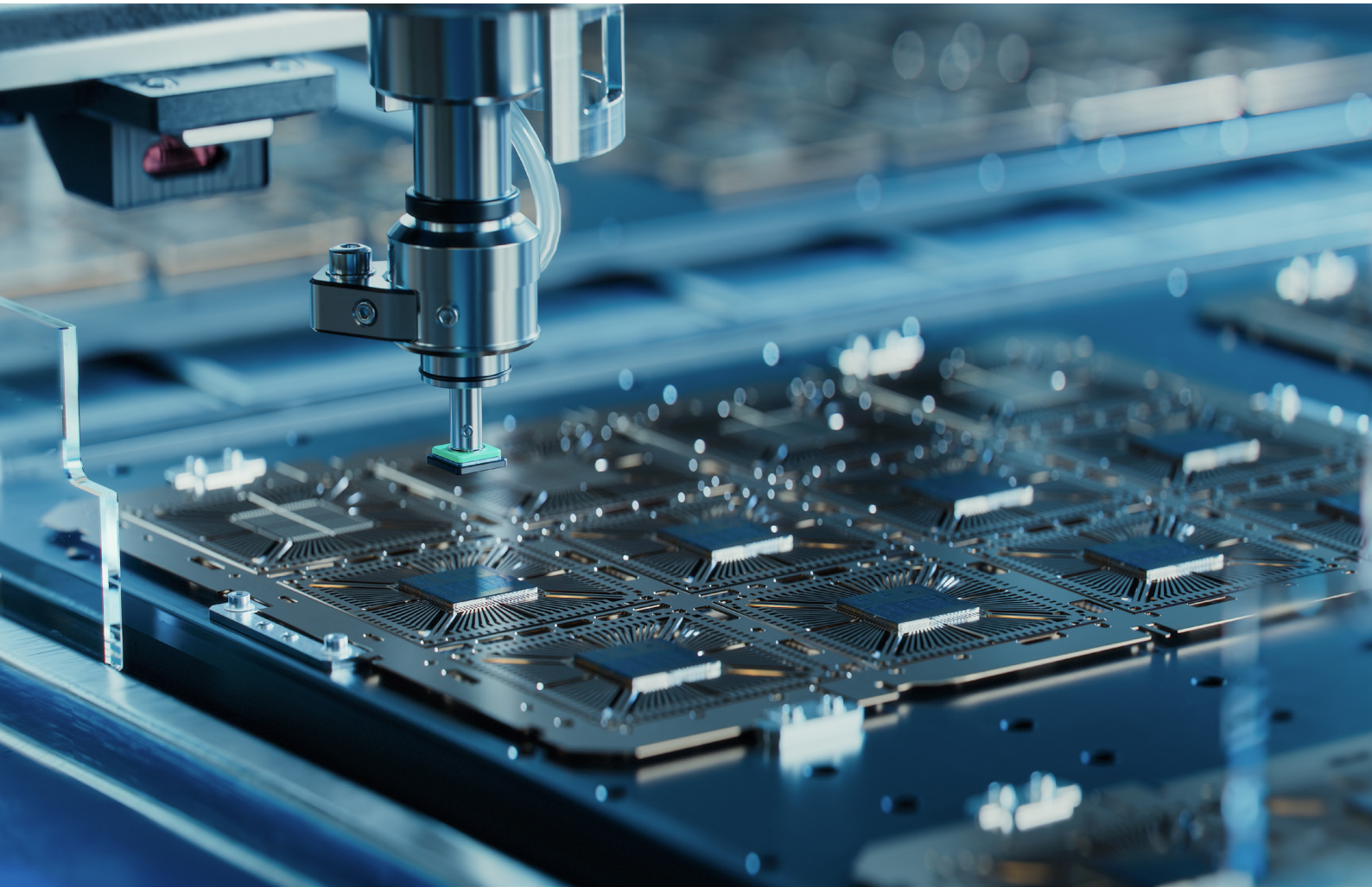
The scheme outlined here deals with Pillars 2 – Machines and Materials, Pillar 3 – Setting up of more fabs and Pillar 4 – ATMP/OSAT (Categories 4 to 8 of the Semicon 2.0 notification). Incentives for Pillar 1 – Design of Chips, Pillar 5 – Research and Development, and Pillar 6 – Talent Development, if any may be notified separately after the detailed guidelines under Semicon 2.0 are issued by the Government of India. Until such notification, the incentives available for these activities under the Tamil Nadu Semiconductor and Advanced Electronics Policy 2024 and Tamil Nadu Semiconductor Mission 2030 shall continue to apply. In framing such incentives, it shall be noted that the fiscal support under Semicon 2.0 for Research and Development (Category 9) and Talent Development (Category 10) is capped at 75% of the project cost inclusive of State incentive, so that any State support for these categories will be reckoned within the ceiling of the Government of India and not in addition to it.

Tamil Nadu is an early starter in electronics manufacturing since the turn of the millennium. The proactive policies of the Government of Tamil Nadu, namely the Tamil Nadu Industrial Policy 2021, the Tamil Nadu Electronics Hardware Manufacturing Policy 2020 and the Tamil Nadu Semiconductor and Advanced Electronics Policy 2024 read with the paper first cited,

have played a pivotal role in driving a significant transformation. Electronics exports have grown nearly 8 times from $1.66 Bn in FY 2021 to $19.9 Bn in FY 2026, with a share of 41.6% of India's electronics exports.

The Structured Package of Incentives for Semiconductor Manufacturing in Section 5 of the Tamil Nadu Semiconductor and Advanced Electronics Policy 2024 was framed as a derivative of Central assistance. Eligibility under Section 5.1 is confined to companies that have already received approval from the Government of India, the Capital Subsidy under Section 5.3(A) is pegged at up to 50% of the CAPEX assistance provided by the Government of India, and disbursal is made subject to the approval and subsequent receipt of financial assistance from the Government of India. The said Policy also predates Semicon 2.0 and does not cover the manufacture of semiconductor machines, equipment, materials, chemicals and gases, semiconductor test and characterisation facilities and R&D facilities for semiconductor equipment, which Semicon 2.0 has now brought in as a distinct pillar (Pillar 2 – Machines and Materials, Category 4).

To sustain the State's leadership in the sector, and to enable the State to make a determinate offer to an investor at the time of negotiation, the Government has decided to de-link the State's incentives from approval under the India Semiconductor Mission. Accordingly, the **Tamil Nadu Semiconductor Ecosystem Scheme** has been formulated.



2. Semiconductor Ecosystem Scheme

Under the Tamil Nadu Semiconductor Ecosystem Scheme, the Government of Tamil Nadu will provide incentives to companies that invest and engage in the semiconductor ecosystem in Tamil Nadu. The scheme shall have two tracks, namely

(i) Track 1, covering projects approved by the Government of India under Semicon 2.0,

(ii) Track 2, covering projects that have either not applied under Semicon 2.0 or have applied but have not been selected.

The investor shall exercise a one-time option, to avail incentives under either Track 1 or Track 2, and shall not be eligible for incentives under both tracks in respect of the same project.

2.1. Track 1: Project approved under Semicon 2.0

Companies investing in Tamil Nadu which are approved by the Government of India for incentives under Semicon 2.0 will be eligible for incentives under this track. The incentives provided under this track would be over and above those provided to the companies by the Government of India. The target segments and the threshold criteria, including the minimum capital investment, minimum revenue, capacity, wafer size and technology-ownership criteria, shall be the same as those stipulated for Categories 4 to 8 under Semicon 2.0. The State support for each target segment shall be as given below:

2.1.1. Investment Promotion Subsidy

Pillar	Target Segment (Semicon 2.0 Category)	GoI Support under Semicon 2.0	State Support (% of eligible CAPEX approved by GoI)
Pillar 4 – ATMP / OSAT	Advanced Packaging – 2.5D, 3D, Wafer-Level Chip Scale Packaging, Chiplets and Heterogeneous Integration – and Advanced Substrate (Category 8)	35%	25%
	Legacy Packaging – packaging not covered under Advanced Packaging (Category 8)	25%	20%

Pillar 3 Setting up more Fabs	Silicon Semiconductor Wafer Fab – 300 mm (Category 5)	40%	25%
	Display Fab – OLED, Micro LED and LCD (Category 7)	35%	25%
	Compound Semiconductor / Photonics / Sensors including MEMS / Discrete Semiconductor Fab (Category 6)	35%	25%
Pillar 2 Machines and Materials	Manufacture, assembly or refurbishment of semiconductor equipment, sub-assemblies and components (Category 4(d))	30% plus PLI of 10% to 2% of domestically sourced bill of materials for 5 years from FY 2028-29	15%
	Semiconductor-grade raw materials – wafers, photomasks, photoresist, substrates, chemicals, gases and glass for display fabs (Category 4(b))	30%	15%
	Semiconductor test and characterisation facilities (Category 4(c))	30%	15%
	R&D facilities for semiconductor equipment (Category 4(a))	30%	15%

The Investment Promotion Subsidy shall be released alongside the share of the Government of India, through the mechanism prescribed in Section 5.3(A) of the Tamil Nadu Semiconductor and Advanced Electronics Policy 2024 and shall be subject to such ceiling per project as may be fixed at the time of sanction. Further, for projects under Pillar 2 – Machines and Materials, Categories 4(a), 4(b) and 4(c), as an eligibility criterion, the Company shall maintain

1. A minimum of 50% domicile employees of Tamil Nadu out of the total direct employment (on-roll and contractual), proposed to be generated by the eligible investment.
2. A minimum of 60% domicile employees of Tamil Nadu out of the total high value jobs proposed to be generated in the project. High value jobs shall be defined as jobs with basic wages in excess of Rs. 25,000 per month.

2.1.2 Other Incentives

a. Special Training Incentive

Special Training Incentive of Rs. 10,000 per person per month can be availed for 12 months for residents of Tamil Nadu. For women and transgender employees, persons with benchmarked disabilities, persons from SC/ST communities the training subsidy shall be Rs. 10,000 per person per month for 24 months. This incentive is only intended for employees engaged in technical operations within the project facility.

b. Payroll Subsidy

A Payroll Subsidy shall be provided at 10% of the basic wages for domicile employees earning a monthly basic wage exceeding Rs. 25,000, for a period of 10 years. The incentive will be reimbursed annually based on actual payroll cost for the employees subject to being registered in EPFO/ESI. Payroll Cost shall be the monthly "basic wages" received by the employees as defined in Section 2(b) of the Employees Provident Funds and Miscellaneous Provisions Act, 1952.

c. Localisation Support Incentive

Companies achieving a minimum localisation of 20% of their cost of goods (COGS) sold on an annual basis shall be eligible for a Localisation Support Incentive in the form of an additional capital subsidy, as detailed below:

District Category	Localisation Support Incentive (Additional Capital Subsidy)
A	5% of EFA
B	
C	10% of EFA

The Localisation Support Incentive shall be disbursed over a period of 10 years from the date of commencement of commercial production, subject to the company achieving and maintaining a minimum localisation of 20%, in accordance with the provisions of the scheme. The % localisation shall be calculated based on the formula below:

$$\% \text{ Localisation} = \frac{\text{Value of Product manufactured and sourced from Tamil Nadu forming part of COGS}}{\text{Value of COGS}} \times 100$$

d. Product Testing & Prototyping Incentive

Prototyping is a crucial stage before commercialization wherein the Project Company can test the design and identify errors if any before the commercialization. To encourage prototyping within the State, Eligible Units will be provided with a subsidy of 25% of the CAPEX for establishing product testing and prototyping facilities, subject to a ceiling of Rs. 1 crore.

e. Land Cost Incentive

For eligible projects in SIPCOT industrial estates, land allotment will be made at a 10% concessional rate in "A" & "B" districts and at a 50% concessional rate in "C" districts for land up to 20% of Eligible Fixed Assets (EFA). For private land in "C" districts, 50% subsidy will be offered on the cost of land as per guideline value up to an extent of 50 acres and subject to land cost not exceeding 20% of EFA and a cap of Rs. 2 crore provided that at least 70% of the land is used for manufacturing operations. The district categorization and definition of EFA shall be as per the Tamil Nadu Industrial Policy 2021 (TNIP 2021).

f. Stamp Duty Incentive

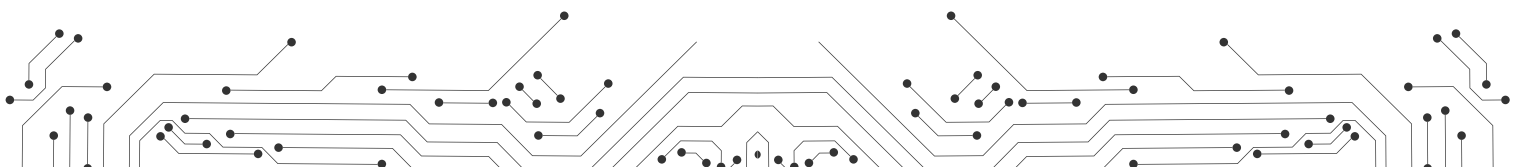
A 100% stamp duty exemption will be given for lease or purchase of land/ shed/ buildings intended for industrial use on land obtained from SIPCOT. In the case of private lands, a stamp duty concession will be provided as a 100% back-ended subsidy for up to 50 acres, contingent upon the fulfilment of investment and employment commitments.

g. Electricity Tax Exemption

New or expansion manufacturing projects will be given an Electricity Tax Exemption for a period of 5 years on power purchased from the Tamil Nadu Power Distribution Corporation (TNPDCL) and/or generated and consumed from captive sources.

h. Enhanced Quality Certification Incentive

Projects obtaining certifications like ISO, ISI, BIS, BEE, and ECO Mark or any other national or international certification shall be given a subsidy covering 50% of the total cost incurred for obtaining the certification, as verified by the Chartered Accountant, with a limit of Rs. 1 crore for the period of investment.



i. Enhanced Intellectual Property Incentive

The Government will reimburse 50% of the expenditure incurred by the Project, up to a maximum of Rs. 1 crore for the investment period, for in-house R&D related to patents, copyright, trademarks, and Geographical Indications registration

j. Interest Subvention

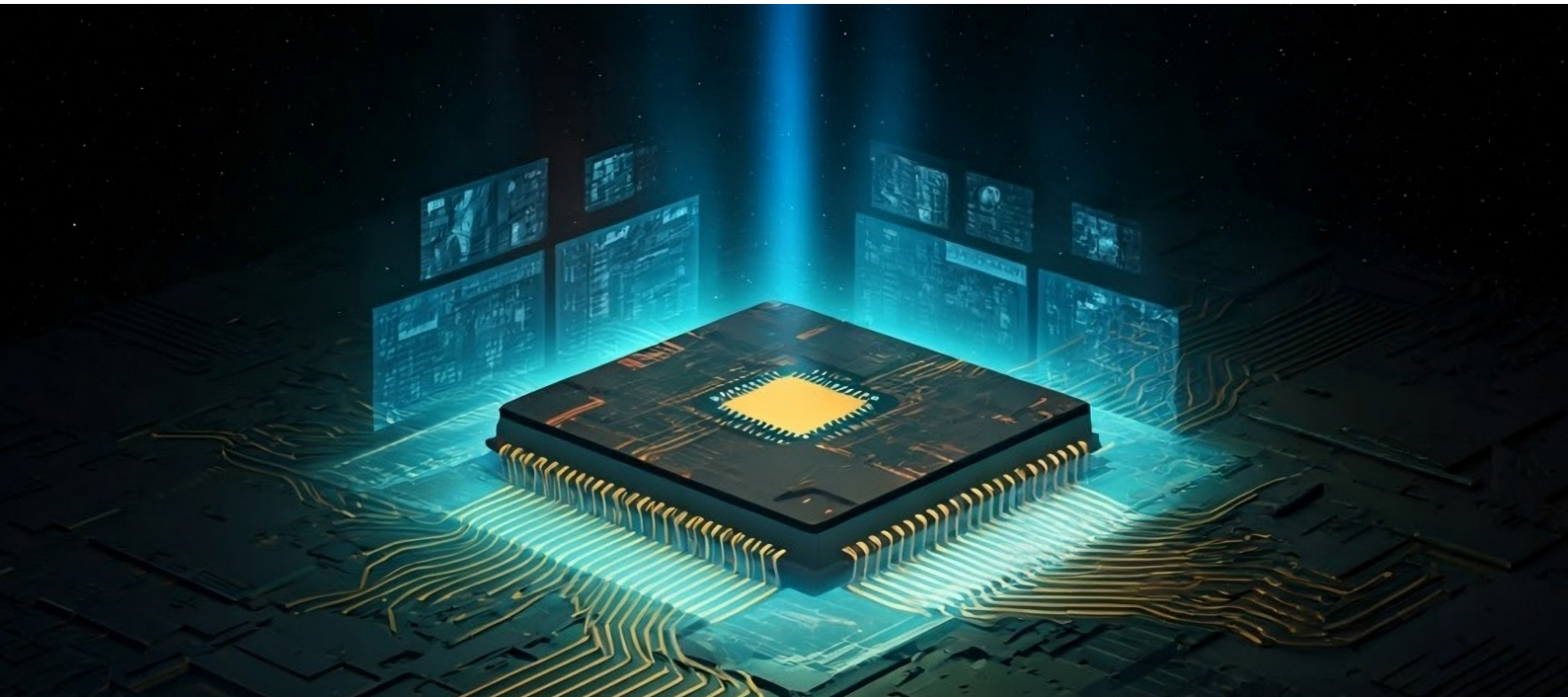
An Interest Subvention of 5% as a rebate in the rate of interest shall be provided for actual term loans taken to finance the project. This will be applicable for a period of 6 years subject to the limits as below:

Project Category	Interest Subvention (% Rate of Interest)	Maximum Incentive Disbursal Period (Years)	Ceiling per Annum (Rs. Lakhs)
Large	5%	6	20
Mega	5%	6	100
Ultra – Mega	5%	6	400

The Project Category shall be decided based on the Eligibility criteria set forth in the Section 12.1 of the TNIP 2021.

k. Green Industry Incentive

Industrial projects undertaking green initiatives for recycling waste and water for industrial use and sustainable energy usage, coupled with online monitoring (wherever applicable) indicated in Section 13.5.3 of TNIP 2021, shall be eligible for a 25% subsidy. This subsidy applies to the cost of setting up such environmental protection infrastructure in the indicated solution areas subject to a limit of Rs.1 crore.



2.2. Track 2: Projects that are not approved or routed through Semicon 2.0

Companies which have not applied under Semicon 2.0, or which had applied but were not selected by the Government of India, will be eligible for incentives under this track. Such proposals shall be considered on the merits of the project on a case to case basis by the Government of Tamil Nadu and shall be offered the following incentives.

Proposals for Semiconductor Fabs, Display Fabs and any other semiconductor project of strategic significance other than those covered in section 2.2, received under Track 2, may be incentivised by the Government of Tamil Nadu through a customised support package on a case-to-case basis.

2.2.1. Investment Promotion Subsidy

Investment Promotion Subsidy shall be availed by the eligible companies at the indicative rates given below, which have been differentiated in favour of the segments the State seeks to attract:

Pillar	Target Segment (Semicon 2.0 Category)	Minimum Investment Threshold	Minimum Employment Threshold	Fixed Capital Subsidy (% of EFA)	Turnover based Subsidy (% of Annual Turnover, for 5 Years)
Pillar 4 ATMP / OSAT	Advanced Packaging – 2.5D, 3D, Wafer-Level Chip Scale Packaging, Chiplets and Heterogeneous Integration – and Advanced Substrate (Category 8)	Rs.500 Crore	100 Jobs	25%	2%
	Legacy Packaging –packaging not covered under Advanced Packaging (Category 8)	Rs.200 Crore	150 Jobs	20%	1.5%

Pillar 3 Setting up more Fabs	Compound Semiconductor / Photonics / Sensors including MEMS / Discrete Semiconductor Fab (Category 6)	Rs.200 Crore	100 Jobs	25%	2%
Pillar 2 Machines and Materials	Manufacture, assembly or refurbishment of semiconductor equipment, sub-assemblies and components (Category 4(d))	Rs.100 Crore	50 Jobs	25%	2%
	Semiconductor test and characterisation facilities (Category 4(c))	Rs.100 Crore	50 Jobs	25%	2%
Pillar 2 Machines and Materials	R&D facilities for semiconductor equipment (Category 4(a))	Rs.100 Crore	50 Jobs	25%	2%
	Semiconductor grade chemicals, materials, gases and wafer	Rs.50 Crore	50 Jobs	15%	NA
	Laminates, substrates, sputtering targets, Interconnects (lead frames, wire-bonding materials) and packaging materials (die attach, underfills)	Rs.50 Crore	50 Jobs	25%	2%

The Turnover based Subsidy payable in each year shall be subject to a ceiling of 2% of Eligible Fixed Assets. The fixed capital subsidy shall be paid over 10 years from the date of commercial production and upon achieving minimum investment and employment threshold whichever is later.

Further, for all projects approved under Track 2, as an eligibility criterion, the Company shall maintain,

1. A minimum of 50% domicile employees of Tamil Nadu out of the total direct employment (on-roll and contractual), proposed to be generated by the eligible investment.
2. A minimum of 60% domicile employees of Tamil Nadu out of the total high value jobs proposed to be generated in the project. High value jobs shall be defined as jobs with basic wages in excess of Rs. 25,000 per month.

2.2.2. Other Incentives

Eligible projects can avail other Subsidies & Incentives as per section 2.1.2 of this scheme



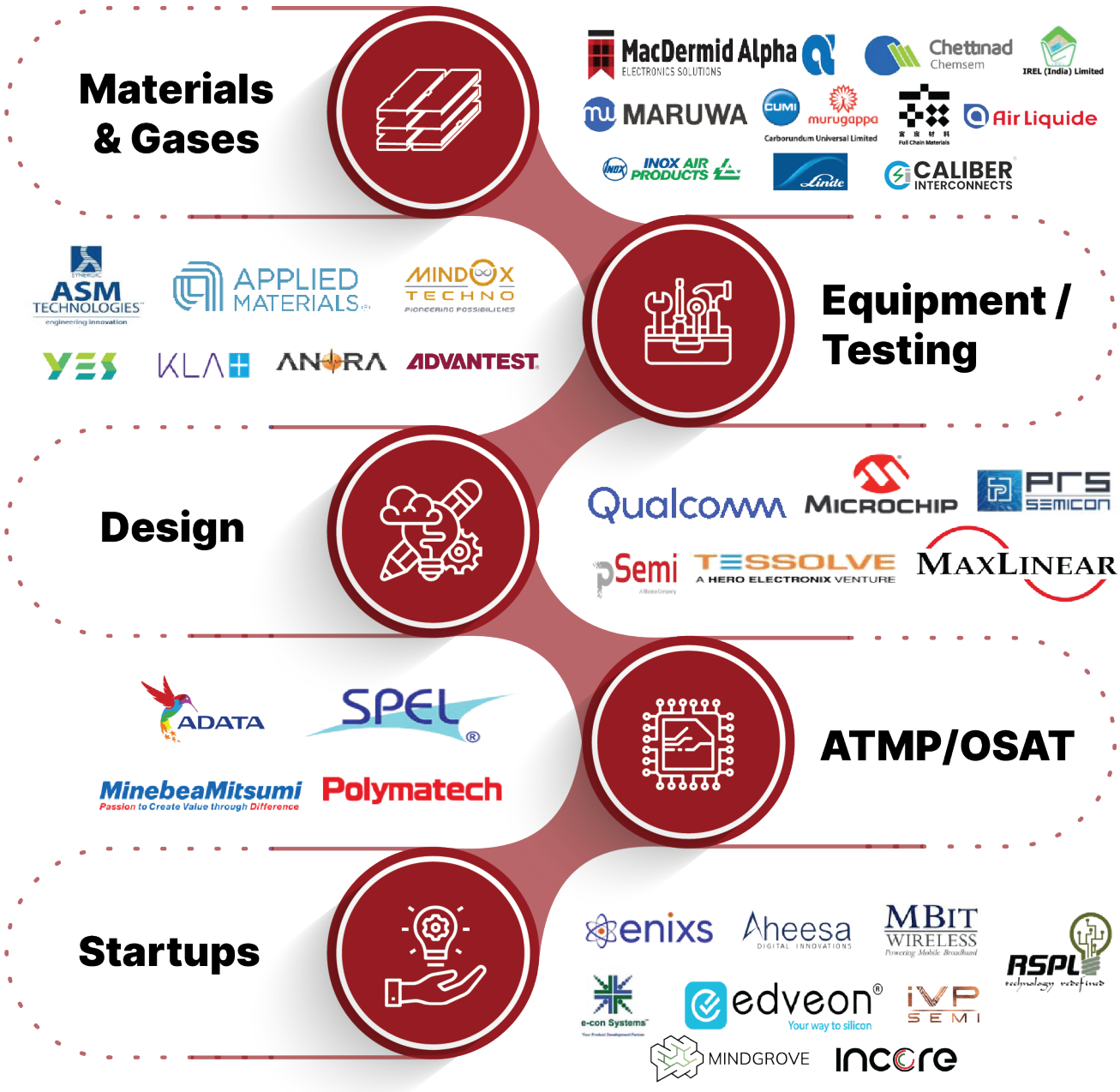
3. Scheme Duration & Other Conditions

The scheme shall apply to eligible proposals submitted to Guidance Tamil Nadu on or before 30.09.2027. Companies may submit project proposals to Guidance even before sanction of incentives under the Government of India scheme. The incentives sanctioned by the Government of Tamil Nadu under Track 1 will become effective subject to the sanction of the project by Government of India under Semicon 2.0 and such other conditions of sanction. The incentives sanctioned under Track 2 will become effective from the date of sanction by the Government of Tamil Nadu.

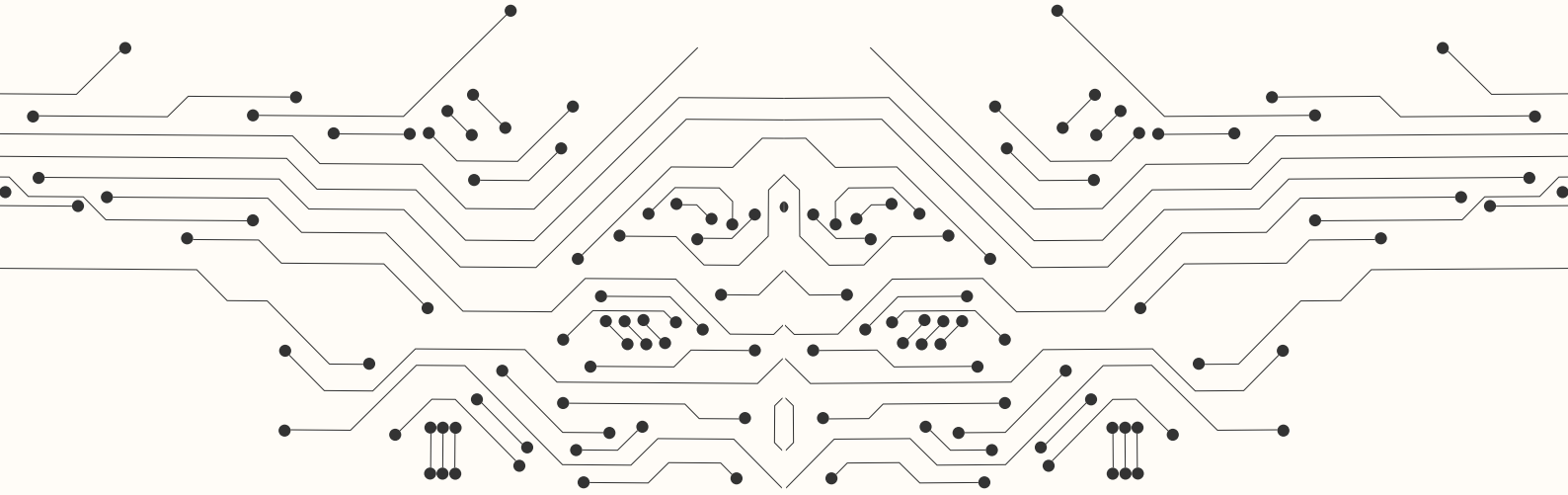
The definitions, general conditions for sanction of incentives, conditions for changes in the company or investment plan after sanction of incentives, procedure for application of eligibility certificate, procedure for sanction of incentives and implementation agencies shall be as per TNIP 2021 or as notified by the State Government from time to time. The Government may realign the target segments, threshold criteria and rates of State support under this scheme consequent upon any amendment to Semicon 2.0 or its mid-term appraisal by the Government of India.



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